

DEC 2020 | Commentary

LEGG MASON MARTIN CURRIE TACTICAL ALLOCATION FUND

Investment objective

The Fund aims to earn an after-fee return in excess of the Benchmark over rolling five-year periods.

Performance (%)					
	1 mth	3 mths	1 yr	3 yrs pa	5 yrs pa
Fund (net)	-0.22	5.10	10.47	7.15	8.06
Benchmark	0.42	6.47	3.85	6.66	6.98

Calendar year performance (%)					
	2019	2018	2017	2016	2015
Fund (net)	13.20	-1.62	8.19	10.70	6.53
Benchmark	15.47	1.19	7.63	7.31	2.67

Fund details	
Inception date	September 1998
Benchmark	50% S&P/ASX 200 Accumulation Index 50% Bloomberg AusBond Treasury Index
ISIN	AU60SSB01304
APIR	SSB0130AU

Monthly review

What happened in the Fund?

The Fund was down -0.2% (net of fees) while the Benchmark rose 0.4% for December. The Fund rose 5.1% for the December quarter while the Benchmark rose 6.5%. The Fund's tactical allocation is currently weighted towards Australian Fixed Income (61%), with the balance split across Australian Equities (17%) and Cash (22%).

What happened in the market?

The Australian equity market rose 1.2% in December (as measured by the S&P/ASX 200 Accumulation Index). At the sector level, metals & mining was the best performer, with a range of commodities performing well on China's demand recovery, benefiting the likes of Rio Tinto and BHP Group. Iron ore prices were particularly strong, driven by Chinese demand as well as supply issues with Brazil's Vale downgrading its production guidance for 2021, leading to concerns that supply could be constrained at a time when demand is robust. Information technology was also a strong performer over the month. Utilities were the weakest sector during the month, dragged down by AGL Energy after the company downgraded its earnings guidance for FY21 following an incident at its Liddell Power Station.

The Australian fixed interest market (as measured by the Bloomberg Ausbond Composite Index) which fell -0.27%, as yields rose further in December. The Fund was up 0.30% over the final quarter of 2020, ahead of the Benchmark which fell -0.10%. The corporate sector, as the largest overweight in the Fund, continued to bring the most benefit through both carry and spread contraction. Small spread duration overweight's in supranational, sovereigns, and agencies (SSA) and covered bonds detracted as spreads widened and offset the benefit of spread tightening in the small overweight to the semi-government sector. A small allocation to index-linked government bonds also contributed as investors priced in higher inflation due to the Reserve Bank of Australia (RBA) and other central banks switching to realized inflation in preference to forecast inflation as a guide for when to commence normalization of policy. Interest-rate strategies were neutral over the month as a small overweight duration position was extended during December after yields rose and pared back again as yields retraced a little late in the month.

Highlights

- A diversified portfolio of Australian equities, fixed income and cash designed to take advantage of relative asset class mispricing
- Tilted toward the relatively undervalued asset class in anticipation that it will outperform as it returns to assessed fair value
- Asset allocation switching provides another level of diversification in addition to the underlying equity and fixed income strategies

About us

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Martin Currie

Martin Currie, our global equity specialist manager, has a presence in Australia since 1954. Today Martin Currie is a leading provider of active equity solutions in Australia, managing a growing suite of equity, multi-sector and tailored strategies across a common investment research platform.



Meet the team

Martin Currie's investment process draws on a wide range of proprietary fundamental and quantitative research metrics. The Fund benefits from the close collaboration of the well-resourced and experienced team that includes Matthew Lambert and Reece Birtles.



Matthew Lambert
Portfolio Manager
With firm since 1997



Reece Birtles, CFA, GAICD
Chief Investment Officer
With firm since 1995

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