# BT Index Growth Fund

*Monthly report – 31 December 2020*

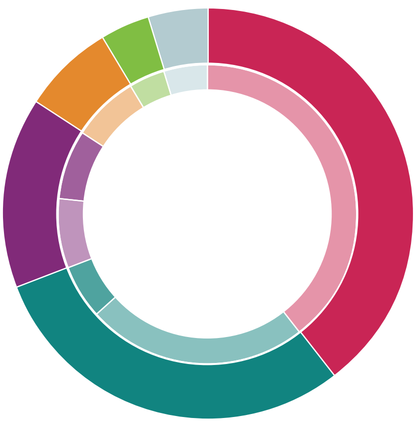
## Fund overview

| | |
|---|---|
| **Inception date** | 1 August 2016 |
| **APIR code** | WFS0591AU |
| **Fund size (AUD millions)** | $318.52 |
| **Investment objective** | Seeks to deliver predominantly moderate to high growth and some income returns, which tracks the overall return of a diversified portfolio of underlying investments. |
| **Recommended investment timeframe** | 6 years |
| **Minimum initial investment** | $500,000 |
| **Distribution frequency** | Quarterly |
| **Management costs (%) pa[1]** | 0.33 |
| **Buy/sell spread (%)** | 0.08 / 0.08 |

## Performance review[2]

| Period ending 31 December 2020 | 1 month | 3 months | 1 year | 2 years | 3 years | Since inception |
|---|---|---|---|---|---|---|
| | % | % | % | % pa | % pa | % pa |
| Total return | 0.82 | 9.24 | 2.39 | 11.51 | 7.19 | 7.71 |
| Growth return | 0.54 | 8.93 | (2.56) | 7.09 | 1.60 | 2.51 |
| Distribution return | 0.28 | 0.30 | 4.95 | 4.42 | 5.59 | 5.20 |

## Actual asset allocation %[3]



**Equity – Australian Listed – 39.63%**
- BT Australian Shares Index Fund – 39.63%

**Equity – International Listed – 29.79%**
- BT International Shares Index Fund (Unhedged) – 23.95%
- Blackrock Index Hedged International Equity Fund – 5.84%

**Property – International and Australian Listed – 14.87%**
- BT Property Securities Index Fund – 7.44%
- Blackrock iShares Global Listed Property Index Fund – 7.43%

**Fixed Income – Australian – 7.17%**
- BT Australian Fixed Interest Index Fund – 7.17%

**Fixed Income – International – 4.10%**
- BT International Fixed Interest Index Fund – 4.10%

**Cash – 4.45%**
- Advance Cash Multi-Blend Fund – 4.45%



**Please refer to the end of this report for the footnotes**

# Market update

As 2020 drew to a close, the final month of what had been an unprecendented year on many levels well and truly ended with a bang. In the month of December we saw the US Share markets continue to trade at all time highs, a Brexit deal reached, Australia – China trade tensions boil, new strains of COVID-19 emerge and ongoing battles on the result of the November 3rd US Presidential Election.

## Australia

After one of the strongest months in financial markets in over 3 decades, December saw a slightly quieter month in share markets as we headed towards the festive break. After the rate cut in November, the rhetoric of the RBA remained consistent at the 1st of December meeting – keeping the cash rate at 10bps and reaffirming the quantitative easing policy. RBA governor Philip Lowe said, "In Australia, the economic recovery is under way and recent data has generally been better than expected." It appears to be a wait and see approach as we look to our next update at the February 2nd meeting.

The remainder of the month was plagued by geopolitical trade tensions between the Australian and Chinese governments. We saw China enact harsh restrictions on key Australian exports including wine, timber, barley, and lobsters. However, the largest of them all coming on 15 December in the ban on Australian coal. There had been reports of more than 60 coal ships sitting off the coast of China unable to offload more than $700m worth of Australian coal. Australian Prime Minister Scott Morrison has since reported China to the World Trade Organisation (WTO) over this behaviour. Yet as we know, any decision the WTO may have on this may take many months or even years to play out meaning the Australian export heavy economy will need to find new markets for their goods.

In Australia, the cash rate ended 2020 at a record low 0.1%; the Aussie dollar ended the year at US77 cents; unemployment stands at 6.8%; annual inflation is 0.7%; the S&P/All Ordinaries ended 2020 at 6,851 points, up 0.7% on the year; and the S&P/ASX 200 index ended the year at 6,587 points, down 1.5% for the year. Total returns on shares (includes dividends) rose 3.6% in 2020.

Australian financial markets consolidated on the prior strong market gains of the last 2 quarters ending the year in the black. The ASX Small Ordinaries Accumulation rose 2.76% over the month; with the ASX300 Accumulation returning 1.32% and ending up 1.73% on the year. The strongest performers over the month were Technology (+9.01%) and Materials (+7.27%), with Utilities (-6.98%) and Healthcare (-5.84%) lagging. As expected, technology was the hottest sector over 2020 ending the year up +48.25%.

## United States

The US market once again lead the charge with the S&P500 and Dow Jones finishing the month and year at an all-time high off the back of positive news on the next phase of a government stimulus. Physical and social lockdowns remain in place across states as the country braces through the winter months. California have enforced a stay at home order, while New York has closed all indoor dinning and bars. Despite these warnings, this did not stop many travelling across the country for the holiday season. The weekend leading up to Christmas saw daily air travellers exceed 1 million, this being the only time air travel has exceeded 1 million on 3 consecutive days since the pandemic started. The previous peak being Thanksgiving in November.

As for economic data, Manufacturing PMI's came in at 57.1 an increase on Novembers 56.7 and beating consensus by 0.6. However, Services PMI's fell to 54.8 in December which was below the November 5th ½ year high of 58.4. As discussed above, the latest reading pointed to a sharp slowdown in services activity growth amid rising COVID-19 cases and physical lockdowns. The US economy cut 140,000 jobs in December, well below market expectations of a 71,000 rise. This is the first drop in employment since the job market started to recover in May. Key areas hit include hospitality, private education, and government. As of December, employment remains 9.8 mill or 6.5% below February 2020 levels. It is worth keeping in mind the 20.7 million jobs that were lost in the month of April alone.

The outlook for the US job market seems brighter in 2021 however, as a recently approved stimulus package of around $900 billion will provide support for around 19 million people receiving unemployment benefits and a new Democrat-led House and Senate and the new Biden administration are set to work on additional fiscal support.

Returns for International markets finished the calendar year off as they started – in the green, even with the MSCI World ex Australia Unhedged index falling -0.50% over the month, this was mostly a result of the appreciation in the Australian dollar as the MSCI World ex Australia Hedged returned 2.50%. The United States lead the charge as the DOW closed up 3.41%, the S&P 500 was up 3.84% and the much-loved tech heavy Nasdaq ended the month up 5.71% and the year 44.92%.

## Asia

Japan followed suit from the United States and continued to show strong market performance despite facing a similar fate to the UK with reports of further mutant virus strains. On December 7, the Japanese government announced additional economic stimulus measures. The three pillars of these measures are to prevent the spread of the new COVID, economic structural transformation in a post COVID world, and measures to strengthen the national land. Markets have seen this stimulus as a positive with the Nikkei closing at 30 year highs.



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China continued its trajectory of a strong recovery ahead of the rest of the developed world despite slightly weaker economic data.  Given the clear signs of recovery that we have spoken about over the past few months, the Chinese government inferred they will look to reduce spending or quantitative easing in the coming months. A policy that is a long way off for the rest of the world. The Caixin China General Manufacturing PMI fell slightly in December from 54.9 to 53.0. This was also below market expectations of 54.8. Retail sales also came in 0.2% below consensus at 5%. While still up on the 4.3% growth in October, November included the largest shopping day of the year for China, 'Singles Day'.

India, despite officially entering a recession in November showed signs of improvement over the month. As predominately a producer of goods, December Manufacturing PMI's remain in expansionary territory at 56.4, up 0.1 from November but slightly below the consensus 56.6. The latest reading was consistent with a marked improvement in business conditions across the sector, as the economy continued to recover amid the loosening of COVID-19 restrictions, strengthening demand and improved market conditions. In addition, Employment declined for a ninth straight month. However, business confidence weakened to a four-month low as some firms were concerned about the lasting effect of the COVID-19 pandemic on the global economy.

Japan's Nikkei once again hit all-time highs, ending the month up 3.95%. China's Shanghai Composite finished the month up 2.40% and the Hang Seng up 3.38%. The Korean KOSPI was the real star of the month ending up 10.87%, bringing its one year return to 30.75%.

## Europe

After nearly 4 long years and what seemed near impossible the UK and European Union reached an agreement on Brexit. What came as an early Christmas present on 24th December, provided new rules on how the UK and EU will live, work and trade together as of 1st January 2021. There will be no taxes on goods (tariffs) or limits on the amount that can be traded (quotas) between the UK and the EU from 1st January but there will be additional checks, custom declarations and ultimately paperwork. As with all trade deals, we expect this to evolve over the coming months and years.

Despite this achievement markets fell on the news as the rapid spread of a new strain of the COVID forced more stringent restrictions in the UK and border closures from several countries. Like the UK, many European nations remained in lockdown over the Christmas break.

The Euro Area seasonally adjusted unemployment rate edged down to 8.3% in November 2020, from 8.4% in the previous month, and moving further away from an over two-year high of 8.7% hit back in July. However, despite this Youth unemployment rate, measuring job-seekers under 25 years old, rose to 18.4% in November, from 18% in the previous month. Amongst the largest Euro Area economies, the highest jobless rates were recorded in Spain, Italy, and France, while the lowest rates were recorded in the Netherlands and Germany.

The UK's Consumer Confidence improved to -26 in December from -33 in the previous month and compared to consensus of -31. It was also the biggest jump in the indicator in eight years as the launch of the country's COVID vaccine programme nudged sentiment. However, as a result of the country lockdowns Services PMI's remained in contractionary territory at 49.4.

The Euro STOXX gaining 2.48%. France's CAC 40 and Germany's DAX Index continued to trend higher ending the month up 0.40% and 3.22%, bringing their respective quarter returns to 15.57% and 7.51%. Asia's markets continued to consolidate on recent strong performance throughout the month.



**Please refer to the end of this report for the footnotes**

**Footnotes**

1 The Management Costs included in this fact sheet are inclusive of the Management Fee and any Performance Fees and includes the effect of GST (net of RITC). They do not include other indirect costs. Refer to the Product Disclosure Statement and online disclosures for further information.

2 Past performance is not a reliable indicator of future performance. Performance returns are calculated net of management fees and costs. Growth and distribution returns may not equal the total net return due to rounding.

3 Allocations may not equal 100% due to rounding.

## For more information


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