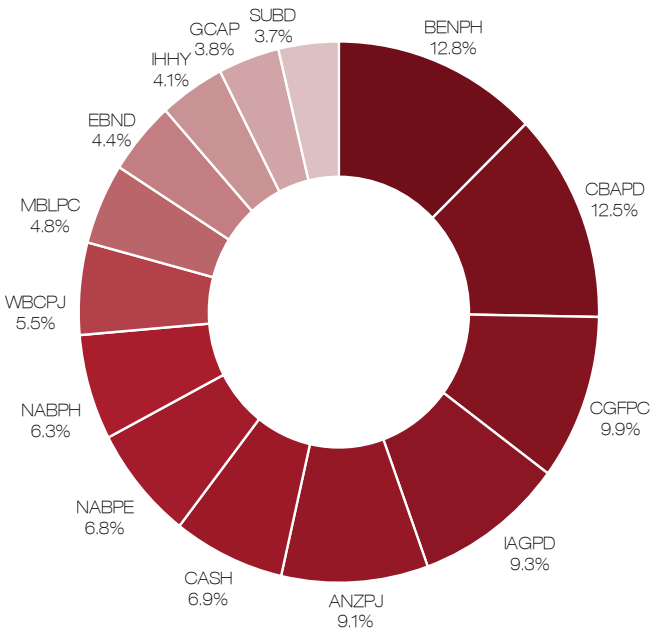
Endeavor Enhanced Yield Portfolio

March 2022 Summary



Portfolio Strategy

This income strategy is designed for clients who want a better return than term deposits and cash while also having at-call access to their funds. It suits a conservative risk profile. The strategy invests in hybrids issued by investment-grade Australian financial institutions. There is also an allocation to bonds, both Australian and international including sub-investment grade. The strategy targets a return of the RBA cash rate + 2.5 - 3.5%.

Portfolio Charachteristics

Inception Date	2/09/2019
Benchmark	RBA Cash Rate
Weighted Avg. Maturity	2.17
Return Since Inception	3.1% p.a.
Benchmark Return Since Incep.	0.3% p.a.

Weighted Average Maturity is the length of time until the average security in the fund will mature or be redeemed by its issuer. It indicates a fixed income fund's sensitivity to interest rate changes. Longer average weighted maturity implies greater volatility in response to interest rate changes. This metric considers the likelihood that bonds will be called or prepaid.

From a return perspective, March was another frustrating month for fixed income managers of all flavours. We returned -0.19%. While it's not the done thing to talk about other managers performances, when it's a collective negative month, for all you know it's a market driven event rather than anything else. For example, over the last 12 months if you owned Commonwealth Government bonds, corporate bonds or any other fixed income security your returns are circa -6.5%.

The fixed income asset class has faced a "circumstance" change these last few months. The long-term trend of yields going down has stopped and reversed – due to inflation becoming a reality across the global economy. Free and easy money has started to dry up as the treasuries of countries around the world begin the process of repairing their balance sheets. All this means is, the cost of money has gone up. We will see that shortly when the oft spoken about cash rate increases by the RBA begin in June (I suspect). These increases will fall straight to our bottom line.

Portfolio wise we had a busy month. The **ANZPE** issue matured, and we rolled it into the new **ANZPJ** issue at a 1% premium to its issue price. We exited our holding of **WBCPK** and replaced it with a larger holding in the shorter dated **MBLPC** and **NABPH** issues. We also increased our exposure to NAB's subordinated debt **NABPE** and to cash – we will deploy that cash selectively in the coming weeks. The small exposure to the global issues we hold continue to hurt us (in small), we are looking closely at reducing our exposure or exiting them.

With interest rates expected to rise, the held-to-maturity yield on the portfolio has risen to between 3% and 6.5% on the issues we hold. This gives me comfort that the harder months are behind us.

Call me anytime to discuss this or anything else finance. We want to be your sounding board.

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*Note: Performance of the strategy group is representative of individual client portfolios, although performance can differ due to inherent differences between clients' portfolios such as initial entry timing, legacy holdings or requested stock exclusions. Performance measured is after fees, taxes and franking credits.