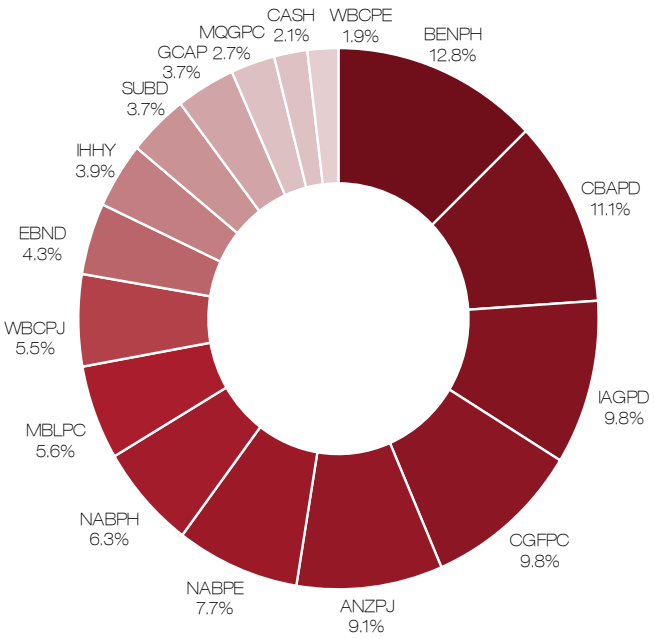
Endeavor Enhanced Yield Portfolio

May 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	2.06
Return Since Inception	2.6% 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.

Markets around the world continued to suffer capital losses and negative returns across the various asset classes. Inflation that once seemed temporary or transient or manageable, now feels like a structural issue. Inflation can hurt investment returns no matter where you hide. Certainly in this transitory period between zero inflation to relatively high inflation that has been the case.

Our portfolio returned -0.93% in May. Again, pointing to the performance of other asset classes gives cold comfort but sometimes it's the reality we can't get away from. Corporate credit markets in the developed world have all suffered losses greater than 10%. To give some perspective to this the losses post the GFC weren't as bad (-6.1%) and the pandemic (-7.3%). Why so? In simple terms we are dealing with two major situations being inflation for the first time 20 years and world central banks withdrawing "free money " and stimulus while at the same time tightening the belts of the world's economies.

What does this mean for us going forward? Hybrids have had periods of negative returns. In 2016 it lasted twelve months, in 2012 seven months and in 2020 two months. We can mitigate this by reducing the term duration of the hybrids we hold. Currently 30% of our holdings mature in the next 15 months – that's helped us outperform our peers and benchmarks. For example we added WBCPE to our portfolio, it matures in September. We also switched some money out of the MBLPC (2025) and into the MQGPC (2024) – both Macquarie Bank holdings. As well, as previously discussed we are insulated to a large extent because most of our holdings are floating rate. BBSW is now 1.50%. This makes the running yield on all our holdings 4.0% or better. BBSW is expected to go to 2% soon. So while the capital value of our holdings bounces around, we continue to receive good coupons and franking credits.

Please call with any questions.

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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.