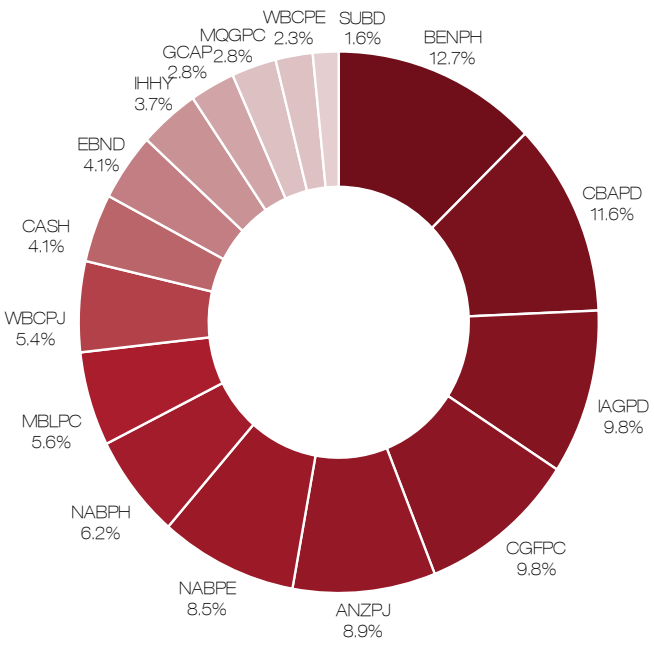
Endeavor Enhanced Yield Portfolio

June 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	1.85
Return Since Inception	1.9% 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.

If we thought, or hoped, that June would bring some relief to all markets, we didn't get our wish. Most asset classes experienced significant negative performances. The All Ords was -9.36% and the All Maturities bond index was -1.48%. We fell -1.66%. It's disappointing to do worse than relevant benchmarks, even if it's only by a small amount. Our small holding of emerging market bonds (4%) and European hybrids (3.0%) hurt us. These are now yielding 7% and more on a running basis and higher on a yield to maturity basis. In other words, we will get paid for our patience in time. The rest of the portfolio is primed to perform. BBSW is currently at 1.90% meaning the running yield alone on the Australian hybrids and NAB sub-ordinated debt in the portfolio is now above 4.50%, with a yield to maturity closer to 7.0%.

As we have talked about before, fear and greed drive market prices. We have been trapped in the fear cycle these past six months. Cash rates have been moving up around the world and are expected to move higher still, however, the market tends to exaggerate these moves and expectations. Past moves in the cash rate of around 2% have done the trick to tweak economic change. From the low of a 0.1% cash rate in Australia, the market is expecting a cash rate of 3% very soon. That's unlikely to happen in any sort of immediate time frame. As the exaggerated moves of the market (or the collective herd) settle, we too will settle and return to quality incremental positive performance.

Please call with any questions or 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.