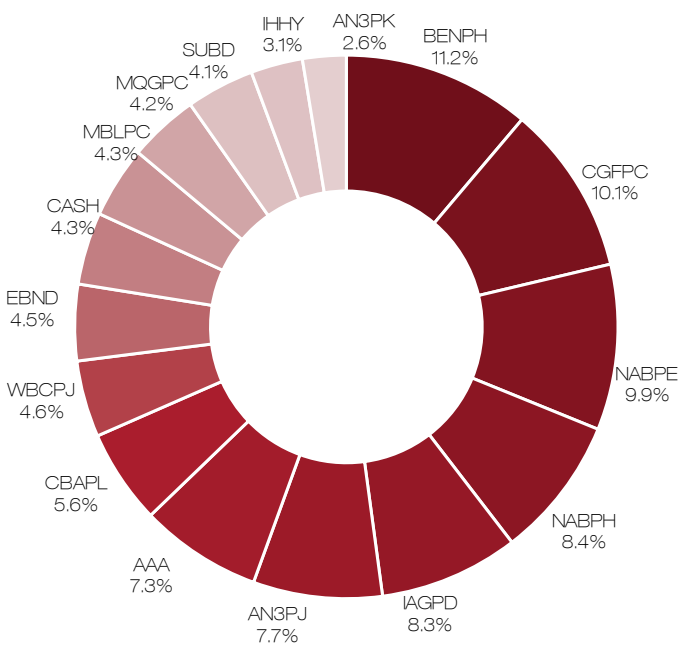
Endeavor Asset Management

Enhanced Yield

April 2023

Performance*	Month	Quarter	One Yr	2 Yr pa.	3 Yr pa.	Inception	Inception pa
Yield	0.69%	0.54%	3.72%	2.67%	4.20%	12.28%	3.28%
RBA Cash	0.30%	0.87%	2.39%	1.25%	0.88%	3.22%	0.89%



Portfolio Strategy

This income Strategy is designed for clients who want a better return than term deposits and cash while also have 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 Characteristics

Inception Date	2/09/2019
Benchmark	RBA Cash Rate
Return Since Inception	3.3% p.a.
Benchmark Return Since Incp.	0.9% p.a.
Portfolio Manager	Will Allen

After the March long letter, there's a lot less to say this month. The portfolio returned +0.69%. It bounced back from the small losses the last two months. There's not a lot more to say than that on the micro side.

On the macro there's a bit more going on. The RBA paused its rate rises in April and we all thought that was going to be it for a while. However they surprised us with another rate rise in early May, pushing the cash rate to 3.85%. This is good news for us as fixed income investors.

As I've said in the past, these rate rises, both here and in the US, have been the fastest (and hardest) on record. Couple it with the withdrawal of covid stimulus and it's causing some dislocation in markets. That dislocation is playing out in the balance sheets of regional banks in the US for example. While that feels a long way away from Australia, we are more intertwined financially, globally, than ever before. Poor bank performance in the US leads to higher credit spreads for banks globally, leading to higher costs for all banks, leading to lower profitability.

Back to the rate rise, the RBA still believes inflation is an issue yet to be resolved. While all leading indicators around the world suggest it is coming down, it may not yet be coming down far enough nor fast enough? Only time will tell.

In the meantime the portfolio continues to be positioned cautiously. We have 17.5% of our holdings maturing in the next 4 months and 11.6% in cash. We are earning 3.9% on our cash holdings so can afford to wait for the right opportunities to come along.

*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.