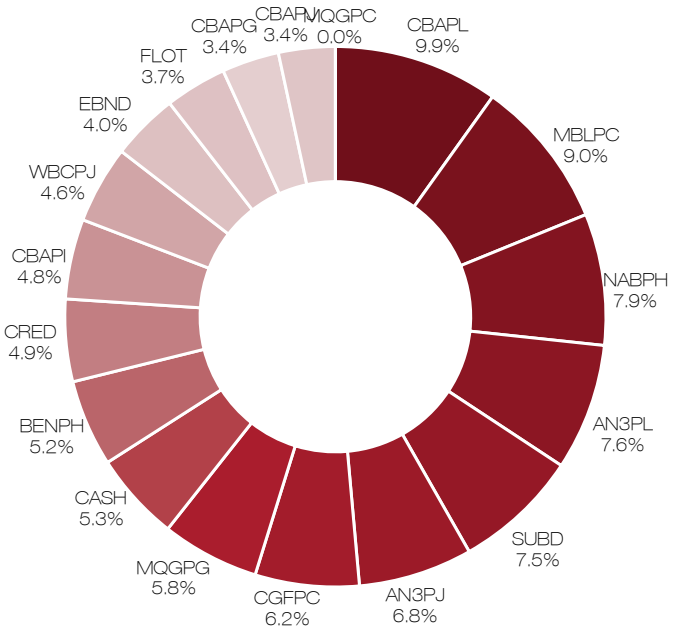
Endeavor Asset Management

# Enhanced Yield

December 2024

| Performance* | Month | Quarter | One Yr | 3 Yr pa. | 5 Yr pa. | Inception | Inception pa |
|---|---|---|---|---|---|---|---|
| Yield | 0.74% | 1.38% | 7.51% | 6.75% | 4.68% | 27.05% | 4.59% |
| RBA Cash | 0.36% | 1.08% | 4.41% | 4.17% | 2.00% | 10.76% | 1.93% |




## 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 | 4.6% p.a. |
| Benchmark Return Since Incp. | 1.9% p.a. |

Happy New Year all. When people ask us how 2024 was and what do we expect for 2025 we retort with "it was great and the same again would be amazing". That's probably not feasible. 2024 was a great year across most asset classes. As fixed income people we always like to see "steady as she goes" so our wishes might be steady, steady, steady and that would translate into small (or maybe large?) gains across the board.

Is that an unreasonable expectation? While equity valuations in the US are stretched it's only in the big MAG7 type stocks. In Australia it's the banks and a few others. The rest on the market is arguably reasonably priced. In fixed income, credit spreads are tight, but not too tight and company balance sheets are in good order (better than developed market country balance sheets to be honest).

The world's reserve banks also have some fire power up their sleeves if they do need to lend a hand by reducing cash rates. Our expectation in Australia is for a reduction of 25 basis points by May. It's not necessarily warranted by the numbers, but the political pressure is extreme. One easing isn't going to change a lot except optics. Unfortunately inflation is here to stay. That will ensure rates remain elevated for some time.

Returns for the month were 0.74%, equating to 7.51% for the calendar year. There wasn't a lot of portfolio movement except for our MQGPC hybrid maturing. In general, and important news, APRA – the Australian bank regulator – announced that hybrid securities will cease to exist by March 2032. This won't have an impact on our portfolio management for 3 to 4 years. If anyone wants to chat with us about this please call.

*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. Past performance is not an indication of future performance.