SYNOPSIS

PERFORMANCE (TOTAL RETURN – IN US DOLLARS)

	Fund	Peer Group[1]	US Inflation	MSCI World Equities	World Bonds[2]
Last 3 months	4.0%	4.2%	2.1%	7.7%	1.0%
Last 12 months	14.2%	19.0%	5.0%	39.0%	0.8%
Since inception (10/03/1997)	6.8%	4.3%	2.2%	7.3%	4.3%

Notes:

[1] USD Flexible Allocation Morningstar category average

[2] FTSE World Government Bond Index. Source: Bloomberg L.P.

FUND VALUE

$1.5 billion (31/03/2021: $1.5 billion)

INVESTMENT OUTLOOK

Global growth and corporate earnings to rebound strongly
Resultant growth acceleration lead to higher inflation
Central banks to potentially shorten tapering timeline
Gold price underpinned by safe-haven appeal and inflation hedge
US bourses expensive versus global peers
China to manage growth and targeted stimulus in strategic sectors
Geopolitical risks remain elevated
US corporate tax increases to impair earnings for domestic US-centric businesses

FUND CONSTRUCTION

Equities largest asset class
Hedges against expensive US markets
Healthcare sector has long-term tailwinds
Global sovereign and corporate debt expensive
Corporate bond investment matured
US dollar cash position affords optionality
Gold ETF is an uncorrelated hedge

1. PORTFOLIO PERFORMANCE

	Fund	Peer Group[1]	US Inflation	MSCI World Equities	World Bonds[2]
Last 3 months	4.0%	4.2%	2.1%	7.7%	1.0%
Last 12 months	14.2%	19.0%	5.0%	39.0%	0.8%
Last 3 years	7.8%	6.4%	2.3%	15.0%	3.6%
Last 5 years	7.4%	6.1%	2.3%	14.8%	1.7%
Last 10 years	5.7%	3.1%	1.8%	10.6%	1.4%
Last 15 years	6.1%	2.5%	1.9%	7.8%	3.4%
Last 20 years	6.8%	3.7%	2.1%	7.3%	4.6%
Since inception (10/03/1997)	6.8%	4.3%	2.2%	7.3%	4.3%

Notes:

[1] USD Flexible Allocation Morningstar category average

[2] FTSE World Government Bond Index. Source: Bloomberg L.P.

Quarterly Performance Comment

- A combination of asset allocation and strong stock selection drove investment returns—the fund's largest asset class, equities (+5.4%), outperformed alternative assets classes
- Within equities, US internet company Alphabet (+21.2%) contributed the most to performance—while leading casino gaming company Wynn Macau (-19.1%) detracted
- The fund's sole corporate credit position, NagaCorp, holder of a monopoly casino gaming license in Phnom Penh, Cambodia contributed positively to performance—the bond matured during the period
- Derivative positions, primarily S&P 500 hedges, detracted from performance
- Materials exposures including the fund's gold holding (+3.4%) contributed positively

2. PORTFOLIO STRUCTURE

	Fund		MSCI World Equity Index
	31/03/2021	30/06/2021	30/06/2021
	%	%	%
Communication services	9	8	6
Consumer discretionary	4	4	8
Consumer staples	6	6	5
Energy	1	1	2
Financials	9	7	10
Healthcare	18	17	9
Industrials	2	1	8
Information technology	1	1	14
Materials	17	16	3
Utilities	6	6	2
Equities	73	67	67
Hedged equities	2	1	-
Properties/ real estate	5	5	2
Commodities	7	7	-
Corporate bonds	6	-	-
Cash	7	20	-
	100	**100**	69
Total Fund	**$1.5 billion**	**$1.5 billion**	

3. MARKET BACKGROUND AND OUTLOOK

- Global equities (+7.4%) rose on strong corporate earnings—and optimism around global growth rebound as vaccination rollout across different regions
- US equities (+8.8%) rallied as reopening gathered pace through the quarter as the fully vaccinated rate nearing 50% and growing—domestic travel, restaurants and retail sectors will see continued rebound in demand, despite the Fed bringing forward its timeline for rate hike to 2023 (previously 2024) as inflation rises
- European equities (+7.4%) rose on expectation that the EU economy will grow faster coming out of the pandemic, with EU manufacturing output hitting the highest in three years on strong business optimism driven by reopening—continued rebound is forecast as vaccination rates pick up and economies re-open
- UK (+6.0%) underperformed the mainland—on delayed easing of its lockdown following spread of the COVID-19 Delta variant
- Emerging markets (+5.0%) trailed developed markets with Chinese equities (+2.3%) weighed by new COVID-19 infections in Guangdong province and continued regulatory scrutiny on Chinese tech companies—regulatory headlines to affect near-term ratings of Chinese companies but should drive more orderly market development going forward
- Sector gains were led by information technology (+10.5%), healthcare (+9.4%) and energy (+9.3%)—utilities (-0.4%) and industrial (+4.7%) lagged
- The US dollar weakened against euro (+0.9%) and Swiss Franc (+1.8%)—the Fed kept short-term borrowing cost at near-zero as it continued its bond buying program

4. FUND CONSTRUCTION

- Although equity valuations in some areas are stretched, equities remain the fund managers' preferred asset class to achieve inflation-beating returns—equities should remain supported by underlying earnings growth and continued accommodation by the US Fed
- Asian equities, especially those geared to China, are more attractive than US peers—long-term structural growth of the region exceeds that of western economies while valuations remain more attractive
- Managers tactically reduced equity exposure in the most expensive areas of the market—by implementing out-of-the-money put options and short futures on the US S&P 500 index
- The healthcare sector is the fund's largest sector exposure—structural growth provided by a backdrop of ageing global populations will drive healthcare companies' earnings which tend to exhibit relative resilience during an economic slowdown
- Global sovereign and corporate credit markets are exceedingly expensive—the valuations of these asset classes do not accurately reflect the potential risk of inflation meaningfully exceeding what are extremely benign expectations
- The fund's holding in gold and precious metals miners offers diversification amid volatility and geopolitical risk—gold offers a level of protection against the currency debasement possible with continued excessive government spending
- Cash and term deposits are available to take advantage of market dislocation—held in US dollars and other major developed markets currencies
- Below is our effective asset allocation target—equities remain the most attractive asset class in this low-yield environment

	Foord Target		Fund	
	30/06/2021	31/03/2021	30/06/2021	31/03/2021
	%	%	%	%
Equities including hedged equities	65	65	68	75
Property	3	3	5	5
Commodities	6	6	7	7
Corporate bonds	6	6	-	6
Sovereign bonds	6	6	-	-
Cash	14	14	20	7
	100		100	

5. TOP 5 EQUITY POSITIONS

	% of portfolio
FMC Corp	7.9
Nestle	5.9
SSE PLC	5.6
CVS Health Corp	5.0
Alphabet Inc	4.4

B ARCESE / D FOORD
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