SYNOPSIS

PERFORMANCE (TOTAL RETURN – IN US DOLLARS)

	Fund	Peer Group[1]	US Inflation	MSCI World Equities	World Bonds[2]
Last 3 months	-1.2%	4.0%	1.0%	7.9%	2.9%
Last 12 months	6.5%	3.0%	1.3%	10.4%	6.9%
Since inception (10/03/1997)	6.3%	4.0%	2.1%	6.4%	4.5%

Notes:

[1] USD Flexible Allocation Morningstar category average

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

FUND VALUE

$1.4 billion (30/06/2020: $1.5 billion)

INVESTMENT OUTLOOK

Global growth and corporate earnings at risk
Central banks drive interest rates toward/through the zero bound
Government fiscal spending to increase markedly
High yield corporate bonds at increasing risk of default
Gold price underpinned by safe-haven appeal
US bourses expensive versus global peers
China to use targeted stimulus for economic growth
Europe and Japan export sector challenges to persist as global trade decelerates
Geopolitical risks meaningfully increased
US elections to increase volatility
Growth stocks at extremes vs value stocks

FUND CONSTRUCTION

Equities largest asset class
Low risk, high yield corporate bond investment retained
Global sovereign and corporate debt expensive
US dollar cash position affords optionality
Gold ETF is an uncorrelated hedge
S&P 500 put options protect downside risks

1. PORTFOLIO PERFORMANCE

	Fund	Peer Group[1]	US Inflation	MSCI World Equities	World Bonds[2]
Last 3 months	-1.2%	4.0%	1.0%	7.9%	2.9%
Last 12 months	6.5%	3.0%	1.3%	10.4%	6.9%
Last 3 years	1.8%	2.0%	1.8%	7.7%	4.4%
Last 5 years	4.9%	3.6%	1.8%	10.5%	4.0%
Last 10 years	4.9%	2.2%	1.8%	9.4%	1.9%
Last 15 years	5.4%	2.0%	1.8%	6.6%	3.6%
Last 20 years	6.4%	2.9%	2.0%	5.0%	4.7%
Since inception (10/03/1997)	6.3%	4.0%	2.1%	6.4%	4.5%

Notes:

[1] USD Flexible Allocation Morningstar category average

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

Quarterly Performance Comment

- Asset allocation aided returns during the quarter as the fund's largest held asset class, equities (+8%), outperformed credit and cash
- The fund's commodity holdings contributed positively—the gold ETF (+6.6%), leading copper producer Freeport-McMoran (+35.2%) and prominent precious metals streamer Wheaton Precious Metals (+11.6%) all gained
- Within equities, US-based agricultural chemicals company and the fund's largest holding FMC Corp (+6.6%) contributed most to performance—while the fund's position in another agricultural chemicals company Bayer (-15.5%) detracted
- The fund's equity hedges—S&P 500 put options and short futures positions—in aggregate detracted (-0.8%) from fund performance in a sharply rising market

2. PORTFOLIO STRUCTURE

	Fund		MSCI World Equity Index
	30/06/2020	30/09/2020	30/09/2020
	%	%	%
Communication Services	6	6	5
Consumer Discretionary	3	3	7
Consumer Staples	5	5	5
Energy	1	1	2
Financials	7	7	7
Healthcare	15	15	8
Industrials	2	1	6
Information Technology	1	1	13
Materials	12	14	2
Utilities	4	4	2
Equities	56	57	57
Hedged Equities	8	9	-
Properties/ Real Estate	4	4	2
Commodities	7	8	-
Corporate Bonds	6	6	-
Sovereign Bonds	5	5	-
Cash	14	11	-
	100	**100**	59
Total Fund	**$1.5 billion**	**$1.4 billion**	

3. MARKET BACKGROUND AND OUTLOOK

- Global equities (+7.9%) sustained their upward trend as positive second-quarter corporate earnings and continued improvement in high frequency economic indicators propelled shares—but accelerating infections rates in several global cities coupled with the expiration of stimulus measures warrants caution
- US equities (+9.5%) rose ahead of peers as the unemployment fell markedly while consumer spending has been considerably more resilient than expected, each portending a robust economic recovery—further market gains are likely to be more difficult, however, as lofty valuations and near-term uncertainty surrounding the US presidential election may weigh on bourses
- European equities (+4.5%) gained although returns trailed peers with UK equities (-0.2%) falling as the country's year-end exit from the European Union appears increasingly unlikely to take place on mutually agreeable terms—the UK economy would face headwinds without an agreed trade deal with the EU
- Emerging markets (+9.6%) rose led by India (+15%) and China (+12.5%)—rumours of another [improbable] fiscal stimulus package buoyed Indian markets, while Chinese markets continue to be driven by a robust economic recovery
- Most sectors gained with the consumer discretionary (+16.0%), information technology (+11.8%), materials (+11.7%), and industrials (+11.7%) sectors leading markets—the energy sector (-16%) fell as supply cuts have not been enough to offset a greater decline in demand
- The US dollar weakened against all major currencies including the euro (+4.4%), British pound (+4.6%) and yen (+2.2%)—collapsing interest rate differentials coupled with a possible resurgence of the COVID-19 infections in several US cities weighed on the greenback
- The US Federal Reserve said it sees little prospect of an interest rate increase over the next three years—global sovereign and corporate bond yields are and will likely remain at record lows

4. FUND CONSTRUCTION

- Equities are the managers' preferred asset class and the fund's largest exposure—long-term equity valuations are likely to continue to be supported by declining interest rates and overly accommodative central banks
- 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 are better
- The managers hold a low relative weighting to US equities—expensive valuations, contracting growth differentials between US/non-US markets and the potential for increased volatility around the upcoming US presidential election make markets outside of the US more favoured
- The healthcare sector is the fund's largest sector exposure—structural growth provided by a backdrop of aging global populations will drive healthcare companies' earnings additionally these firms' earnings streams tend to exhibit relative resilience during an economic slowdown
- Global sovereign and corporate credit markets are expensive—the valuations of these asset classes do not accurately reflect the level of credit risk borne by investors nor the risk of a material increase in inflation expectations
- The fund's holding in gold and precious metals miners offers diversification amid volatility and geopolitical risk—further 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—while equities remain the most attractive asset class in this low-yield environment a significant portion of the equity exposure remains hedged against further market declines

	Foord Target		Fund	
	30/09/2020	30/06/2020	30/09/2020	30/06/2020
	%	%	%	%
Equities including Hedged Equities	65	65	66	64
Properties	3	3	4	4
Commodities	6	6	8	7
Corporate Bonds	6	6	6	6
Sovereign Bonds	6	6	5	5
Cash	14	14	11	14
	100		100	

5. TOP 5 EQUITY POSITIONS

	% of portfolio
FMC Corp	9.4
Nestle	6.0
Roche Holding	4.6
Wheaton Precious Metals	4.6
SSE Plc	4.5

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