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**AC Managed Equity Portfolio**

**December 2022 Quarterly Review**

PORTFOLIO PERFORMANCE

The AC Managed Equity Portfolio returned 14.81% compared to the benchmark S&P/ASX 200 (TR) return of 9.40% giving a relative performance of 5.41% for the period.

## PERFORMANCE TO 31 DECEMBER 2022

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Return %** | **1Mth** | **3Mths** | **6Mths** | **1Yr** | **3Yrs** | **5Yrs** | **Since Inception (29/10/2013)** |
| Portfolio | -0.87 | 14.81 | 16.09 | 5.41 | 16.09 | 11.07 | 11.54 |
| Benchmark | -3.21 | 9.40 | 9.82 | -1.08 | 5.55 | 7.11 | 7.20 |
| **Relative Performance** | **2.34** | **5.41** | **6.27** | **6.49** | **10.54** | **3.96** | **4.34** |

The table above sets out the investment performance returns (AFTER investment management fees, but BEFORE administration fees, performance based fees and taxes) for the Portfolio. The performance returns have been calculated on a daily basis taking into account brokerage costs, and are accumulated for the period shown. Returns are shown as annualised if the period is over 1 year, or as total returns otherwise.

## QUARTERLY REVIEW

It was a satisfying quarter, as the heavy weighting to gold stocks bore fruit over the quarter and despite a late relapse at year end, which affected the December performance, the portfolio gained good ground to finish the year with modest gains.

## TOP 5 STOCKS BY WEIGHT AS AT 31 DECEMBER 2022

|  |  |
| --- | --- |
| **Company Name** | **Sector** |
| NORTHERN STAR ORDINARY | Materials |
| BELLEVUE GOLD LTD ORDINARY | Materials |
| BETA GLOBAL GOLD ETF UNITS | Unidentified |
| RELIANCE WORLDWIDE ORDINARY | Industrials |
| FORTESCUE METALS GRP ORDINARY | Materials |

## MARKET OUTLOOK

Those gains continued into the new year. January turned out to be surprisingly strong globally, with tech stocks rebounding in the USA, of which the problematic Tesla was in the vanguard. There seems to be a consensus amongst both expert commentators and the retail public alike that inflation is coming under control, recession can be avoided now China is back out of its no covid lockdown, the Ukraine war is contained, and interest rates have just about peaked.

Sadly history doesn’t support such a rosy scenario. In reality, inflation will not be contained despite the mild northern winter preventing an energy crisis in Europe over the winter. There is too much latent demand for goods and services at these low levels of interest rates. I predict the Fed and other governments will eventually have to revert to more interest rate rises than is expected, and demand from consumers will ease.

This assumes governments continue to rack up ever more debt, but one day governments will have to start clawing back revenue from consumers in the traditional way, via taxes and cutting subsiding the consumer.

The doomsday clock was recently set to its highest level ever, reflecting the enormous geopolitical risks of a catastrophic nuclear exchange occurring during 2023. Feb will probably witness a last ditch conventional warfare attempt by Russia to invade Ukraine. If they succeed, it will be a disaster for the world. Russia will control critical supplies of oil and gas, grain and other agricultural products. If they fail, it could prompt a regime change (probably not for the better) or escalate into nuclear conflict. So neither outcome is favourable.

With many indicators such the Greed/Fear index, Vix (Volatility), the share of Corporate Income in GDP, P/E multiples, the interest rate cycle all pointing to a highly vulnerable share market, I have let my customary optimism give way to a conviction that the next major move is probably down rather than up.

The portfolio was sitting at 20% liquidity at the end of January and poised to move up during February. The risk to the upside is not very high. Its unlikely markets will rally more than 10% this year in the face of rising interest rates. On the other hand, I would not dismiss the possibility of a 20-40% decline even without some of the worst existential risks becoming true. I may be wrong, I hope I’m wrong on this occasion.

John Aldersley Feb 8th 2023

IMPORTANT INFORMATION

The financial commentary contained within this quarterly report has been prepared and provided by Aldersley Capital Pty Ltd (ABN 14 002 972 901) a corporate authorised representative (No. 420193) of Andika Pty Ltd (ABN 41 117 403 326 and AFSL 297069), who is the Portfolio Manager of the managed portfolio options available through the HUB24 Managed Portfolio Service.

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