## Model Performance as of 30 June 2020

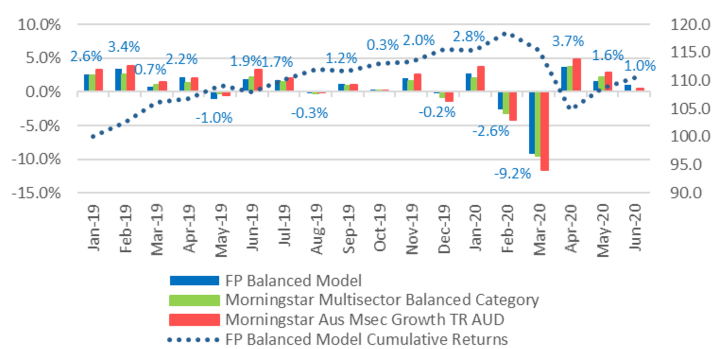
| Performance at 30 June 2020 | 1-Month | 3-Month | 6-Month | 12-Month |
|---|---|---|---|---|
| FP **Balanced** Model [1] | 1.0% | 6.4% | -3.3% | 1.3% |
| Morningstar Aus Msec **Growth** TR AUD | 0.4% | 8.4% | -4.8% | -0.7% |
| *Excess Returns* | *0.6%* | *-2.0%* | *1.5%* | *2.0%* |

**(1)** Shadow portfolio returns gross of investment management fees and net of underlying investment fees. Indicative only.

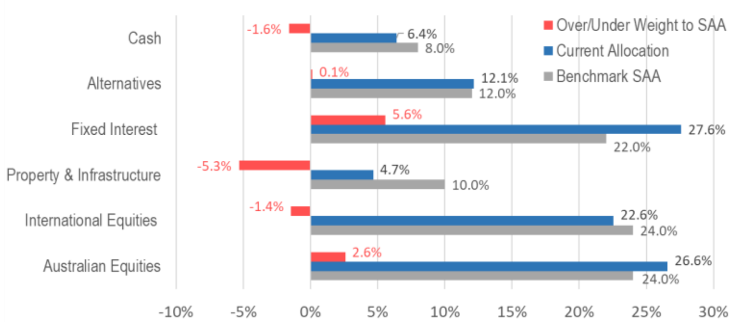
| | | | | |
|---|---|---|---|---|
| **Balanced** Funds **Peer Group** Performance [2] | 0.6% | 6.6% | -4.6% | -1.7% |
| *Excess Returns* | *0.4%* | *-0.2%* | *1.2%* | *3.0%* |

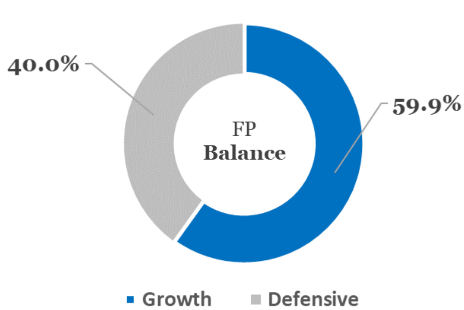
(2) Based on Morningstar Multisector Balanced Category

FP **Balanced** Model | *Monthly Performance*
*January 2019 - June 2020*




FP **Balanced** Asset Exposures | 30 June 2020




***Disclaimer:*** *Please note, while steps have been taken to be diligent in preparing the analysis & information herein, **a quality review has not been performed and as such the information herein is indicative only and should not be relied upon** until further quality review has been undertaken.*

## Portfolio Objective |

To produce long term returns and volatility levels **consistent with the stated balanced risk profile of the portfolio** via investment in active managers with an active asset allocation overlay that is expected to produce returns in excess of equivalent passive market benchmarks over the longer term.

## Primary Benchmark |

Morningstar **Aus Msec Growth** TR AUD

## Return Objective |

To exceed the Morningstar Aus Msec **Growth** TR AUD benchmark over a rolling 5-year period

## Platform Availability |

- Hub 24
- XPLORE Wealth

## Quarterly Performance Overview |

**The First Point Balanced Model** returned **+1.0% in June** and **+6.4% over the quarter,** a pleasing result showcasing the model's consistent positive returns and lower volatility compared to the broader market.

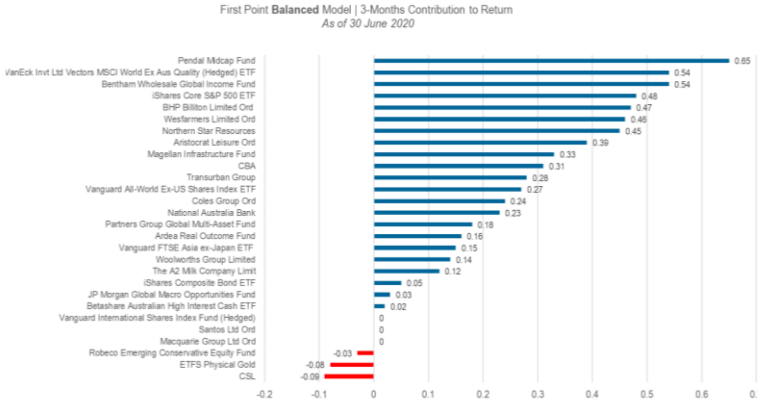
**Over the financial year to June 2020, the model outperformed the Morningstar Msec Growth benchmark by 2.0%** and managed to preserve investors' capital in a highly volatile and tumultuous year for the investment markets due to the coronavirus pandemic.

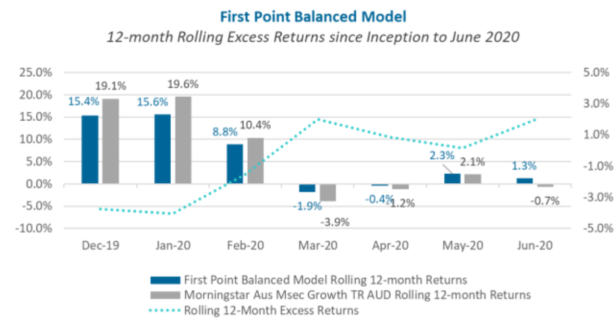
Most asset classes contributed positively to the model's return over the quarter led by Australian equities (+15.5%), International Equities (+7.4%) and Property & Infrastructure (+7.2%), while Alternatives (-0.6%) detracted on the back of the model's defensive allocation to Gold (-3.9%).

Although slightly lagging the ASX 200 index (+16.5%) over the quarter, **the Australian equity model remained a major contributor to the overall model returns over the longer-term ending +1.7% and +5.0% ahead of the index on a six-month and twelve-month basis, respectively.**

The **International Equities sector** lagged its **respective passive benchmark due to our largely unhedged exposures via the iShares Core S&P 500 ETF (+6.9%)** and **Vanguard All-World Ex-US Shares Index ETF (+8.3%). Our hedged exposure via the VanEck Vectors MSCI World Ex Aus Quality ETF (+18%) posted the highest return,** while our Emerging markets exposure via the **Robeco Emerging Conservative Equity Fund (-1.2%)** detracted from returns largely due to Robeco's contrarian investment philosophy and style.

The Infrastructure exposure via Magellan Infrastructure Fund (+7.2%) held up well over the




quarter although slightly underperforming the S&P Global Infrastructure Index (+9.6%) due to its higher cash allocation.

The **Fixed Interest sector ended +2.8% higher largely driven by our** credit exposure via the **Bentham Wholesale Global Income Fund which returned +6.1% over the quarter**.

The **Alternatives sector detracted the most from the overall model's return** due to our unhedged exposure to Gold (-3.5%). While disappointing, this result was not completely unexpected given the Gold's diversification role in the portfolio and low correlation with equities. Pleasingly both Partners Group Global Multi-Asset Fund (+4.8%) and JP Morgan Global Macro Opportunities Fund (+0.9%) contributed positively to the overall model's returns over the quarter.

Going forward, we remain comfortable maintaining a defensive positioning by being under-weight US and credit and having a larger allocation to cash. We believe the model is well positioned to weather some of the upcoming volatility as negative news and economic data on the damage from the Covid-19 lockdowns rattles markets, while remaining vigilant to top up growth assets and position the portfolio for growth over the medium-to-long term when the dust start to settle.

## Quarterly Market & Economic Update

**Global equities** staged an impressive recovery in the second quarter of 2020 after a violent sell-off in the first quarter. The **US equity market (+20%) led the rally** outperforming both Europe (~+14%) and Japan (~+11%). Initially, the rebound was largely driven by the large cap Information Technology sector, with NASDAQ rising +30% in the 2$^{nd}$ quarter, however the rally broadened later in the quarter to include economically sensitive sectors such as Energy, Materials and Industrials. The small and mid-cap sectors also surged, while the continued decline of the VIX volatility index encouraged risk appetite.

**China's increasing monetary stimulus, credit growth and economic recovery provided support to Emerging markets equities**, while supply chain disruptions supported growth in countries like Vietnam (+24%), which posted strong equity market returns. The deprecation of the US$ is expected to benefit emerging market countries servicing foreign currency debt, while investors should remain wary of potential inflationary pressures building in the region as the emerging economies begin to look at relaxing their monetary policies in face of increasing virus cases.

Domestically, **the ASX 200 index gained +16.5% over the quarter** as the consumer discretionary sector, financials and commodities bounced back. Stock specific news, increasing economic activity, domestic monetary stimulus, as well as Australia's better macro position compared to the rest of the world leveraging from the Chinese stimulus recovery all contributed to the positive momentum.

**In terms of the global economy, the March-May 2020 was compared to the worst period since the 1930s** as a result of the sudden stop caused by the coronavirus pandemic. The sudden government-induced halt caused US GDP to fall by 35% p.a. in the June quarter, while Australia is expected to fair a lot better with the domestic GDP falling only by -5% over the same period. Despite these bleak numbers, the US economy rebounded strongly since the slump in April with the Economic Surprise Index bouncing to a record high reflecting stronger-than expected durable goods orders (+16%), and retail sales (+18%) in May. The European recovery remained slower reflecting Europe's less aggressive stimulus compared to the US.

**Global government bond yields remained largely unchanged over the quarter** and somewhat capped both on the upside and on the downside as economic growth news were offset by the increased likelihood of a new set of COVID-19 lockdowns in the absence of a cure. Both investment-grade and high yield credit posted decent returns ending +8.8% and +11.5% respectively ahead of their duration-matched government bonds. Going forward, investment grade bonds are expected to benefit from the Federal Reserve guarantees to rollover investment-grade debt essentially eliminating the left tail risk in this part of the market, while the high-yield bonds remain more exposed to left tail risks at current spread levels given the potential rise in defaults and in the absence of the Fed providing protection to this sector of the market. The next stage of the recovery remains challenging in the face of second stage regional lockdowns as well as continuing rise in unemployment claims, corporate bankruptcies and tightening lending conditions.