

# Oakleigh 18.6 Strategic Investment Portfolio

## Quarterly Report 30 June 2021



### Investment Objective and Strategy:

The Oakleigh 18.6 Strategic Investment Portfolio (18.6 SIP) is an investment solution tailored to a philosophy driven by the long-term cyclical real estate and banking cycle.

The Portfolio aims to generate returns in excess of the MSCI World Index over rolling 5-year periods through a managed portfolio of Australian and international securities.

Performance	Portfolio Return <sup>1</sup>	Target Return <sup>2</sup>	Excess Return	Average 18.6 SIP Cash
3 Months	+6.3%	+7.7%	-1.4%	42%
Since Inception <sup>3</sup>	+9.6%	+11.2%	-1.6%	40%

*Past performance is not a reliable indicator of future performance.*

## Real Estate & Banking Cycle Stage

### Late 'Mid Cycle Slowdown' transitioning to 'Early Second Half Expansion'.

As we transition out of the 'Mid Cycle Slowdown' stage of the underlying philosophy on which asset allocation is based, the Portfolio continues to hold a high cash/defensive position to protect capital from further weakness in equity markets.

## Commentary

The MSCI World Index (global stockmarket barometer) traded strongly higher over the quarter, providing an +8% quarterly return.

Whilst the Portfolio slightly underperformed the Benchmark, we are pleased with the performance given an average daily cash balance of 42% during the quarter. This meant that the stocks held in the Portfolio were producing outsized returns, whilst investors' overall capital was less at risk to general market weakness.

Cash levels were raised from 32% at the start of the quarter to 47% at the end of the quarter. Most of the liquidations occurred in May where we exited Boral (following a takeover bid from its largest shareholder Seven Group Holdings) and some underperforming holdings.

**We maintain comfortable with high cash levels at this stage to protect investors' capital. Remember, the market goes up by the stairs & down by the elevator...**

The Portfolio exited its holdings in Endeavor Group (EDV) after its split from Woolworths (WOW) at the end of the quarter with rolling lockdowns sending Australian's panic buying into Dan Murphy's (and investors buying into EDV). Whilst de-merged businesses have a strong history of outperformance, we see the valuation as lofty and have ethical concerns about the high pokies exposure. Furthermore, EDV only own a small proportion of their hotels/ land.

The Portfolio accepted its Rights Entitlement for National Storage (NSR). We saw the capital raising as a defensive move against another takeover bid (sub optimal), but view the land / property assets as favourable and still see the company having corporate appeal to a suitor.

### Top Performers

Uniti Group	+44%
Boral	+24%
Orocobre	+24%
REA Group	+19%
Commonwealth Bank	+16%

### Top Holdings

\$A Cash	43.5%
Vaneck Vectors Australian Property ETF	5.3%
Wesfarmers	5.3%
Uniti Group	3.9%
Vaneck Vectors China New Economy ETF	3.7%

*Top Performers' - Total Returns (stock price gains plus distributions) over the duration of quarter or for the period the stock position was held by the Portfolio during the last quarter.*

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## Portfolio Details

### Investment Objective:

Returns In excess of Benchmark

### Benchmark:

MSCI World Index

### Minimum Investment:

\$50,000

### Management Fee:

0.95%

### Performance Fee:

Nil

### Investments:

Australian shares and listed property, International shares (via Exchange Traded Funds (ETF's) and managed investments)

### Indicative Number of Holdings:

15-30

### Suggested investment timeframe:

5 Years

### Availability:

- Macquarie Manager II
- Macquarie Consolidator II

# Stock of the Quarter

## REA Group (REA)

REA Group owns the leading online real estate listings platform in Australia in addition to investments in leading online real estate listings businesses throughout Southeast Asia, India, and the United States. The company's large audience of real estate buyers and renters underpins its network-effect-based narrow economic moat and creates significant pricing power. We expect the company to defend its dominant market position in Australia and relatively high profit margins and continue to increase listings prices well above inflation. We also expect listings growth to be underpinned by population and dwelling growth. News Corp's 62% stake in the company provides the support of a well-established large global media business, and the two companies are co-investors in U.S.-based Move.com.

REA Group is a monopolistic market leader in its field, leveraged to real estate transaction volumes. Pricing power is indirectly linked to property price strength (customers are willing to pay more for sales marketing when the value of their properties are increasing).

The Portfolio currently has a small position in REA that has been performing well. As the business has strong leverage to property market strength any weakness in the broader market would be viewed as an opportunity to add to our holding at favourable valuation levels.

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## About the Portfolio Manager

Oakleigh Investment Management Pty Limited is the Portfolio Manager of several investment portfolios, including the Oakleigh 18.6 Strategic Investment Portfolio. Oakleigh Investment Management is part of the Oakleigh Financial Services group, an Adelaide based, boutique financial services business with advisers who have been providing financial solutions to small business owners, families and high-net-worth clients since 2004. The group specialise in portfolio construction, asset allocation and investment management with a focus on equities. Oakleigh Investment Management is advised by the experienced investment professionals that comprise its Investment Committee.

### Performance

1. Performance is calculated before the Management Fees (but inclusive of indirect investment management fees). Returns over periods longer than 12 months are annualised.
2. Based the MSCI World Index (Accumulation).
3. Inception Date 5<sup>th</sup> March 2021.

Past performance is not a reliable indicator of future performance. Oakleigh Investment Management does not guarantee the performance of the Oakleigh 18.6 Strategic Investment Portfolio.

### Important information

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Performance data provided is before fees and is sourced from Iress Portfolio System (IPS). Iress, a listed Australian technology company, is used by more than 9,000 businesses and 500,000 globally.

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The disclosure document for the Oakleigh Strategic Investment Portfolio ('Portfolio') can be obtained at [macquarie.com.au/investing/macquarie-wrap](http://macquarie.com.au/investing/macquarie-wrap). For more information on services provided by the Oakleigh Financial Services group refer to the Financial Services Guide (FSG) at [oakleighfinancial.com/tcs](http://oakleighfinancial.com/tcs).



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