



Kennedy Partners Australian Equity Balanced Portfolio

MONTHLY PORTFOLIO REPORT JANUARY 2020

PORTFOLIO OBJECTIVE

The portfolio is designed to provide balanced exposure to the Australian market (ASX200). The portfolio has a long-term investment focus, giving exposure to the key sectors and companies listed on the Australian stock market. The portfolio is constructed to invest in companies that will provide earnings growth and stable dividends.

PERFORMANCE to 31st January 2020

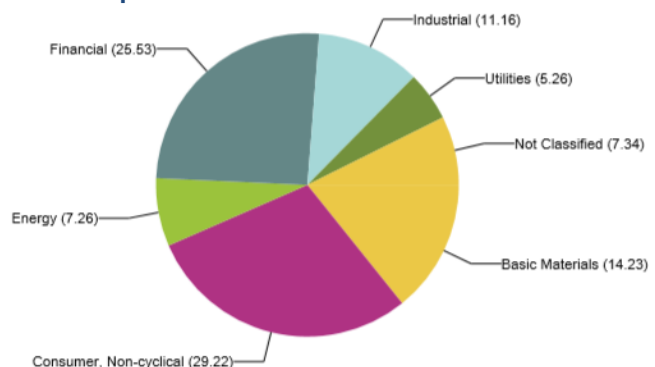
	1 Mth	3 Mths	6 Mths	1 Year pa	2 Years pa	3 Years pa	Since Inception* pa
Portfolio Return	5.3%	8.2%	9.1%	26.9%	12.5%	14.1%	16.5%
ASX 200 Accum Index	5.0%	6.1%	5.1%	24.7%	12.4%	12.4%	14.4%
Excess Return	+0.3%	+2.1%	+4.0%	+2.2%	+0.1%	+1.7%	+2.1%

*Inception 19 Sept 2016

Key Metrics – FY20 Exp

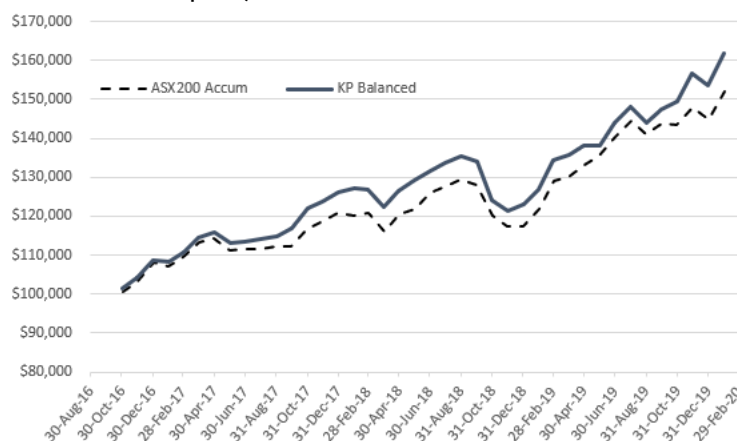
EPS Growth	9.8%
PE Multiple	24.7
Dividend Yield	3.47%
Franking	49.4%
Gross Div Yield	4.43%

Sector Exposure



Performance Since Inception

Growth of AUD \$100,000

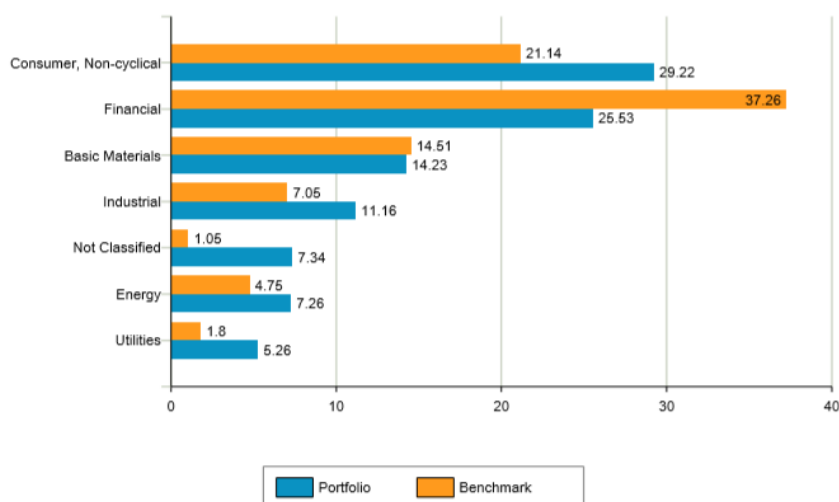


Top10 Holdings

- RESMED INC-CDI
- CSL LTD
- MACQUARIE GROUP LTD
- JAMES HARDIE INDUSTRIES
- ORIGIN ENERGY LTD
- BHP GROUP LTD
- RIO TINTO LTD
- RAMSAY HEALTH CARE LTD
- COMMONWEALTH BANK
- GOODMAN GROUP



Portfolio Weight vs S&P/ASX 200



Portfolio Changes in January

Bought:
Sold:

Increased:
Trimmed:

Portfolio Update

The Kennedy Partners Australian Balanced Equity Portfolio rallied 5.3% during January, outperforming the S&P/ASX200 Accumulation Index, up 5.0%.

Markets initially rallied hard through most of January on positive trade deal momentum, before selling off sharply on coronavirus fears. Emerging Markets underperformed Developing Markets sharply. Among global sectors, Utilities, IT and REITs outperformed, while Energy, Materials and Financials underperformed the most. The AUD was the worst performing G10 currency, falling 3.4c on the month to \$0.669. Global bond yields fell sharply on coronavirus contagion fears, with Australian 10 year bond yields down 42bp to 0.95%

The ASX 200 was the best performing major market in local currency terms, rising 5.0% m/m, against falls in every other major market. However, the fall in the AUD meant that in USD terms, the ASX 200 was flat m/m, in-line with the performance of the S&P 500. By sector, Health Care (+12.0%), IT (+11.1%) and Consumer Staples (+8.2%) outperformed in Australia, while Utilities (+0.6%), Energy (+0.7%) and Materials (+1.8%) underperformed the most.

In line with sector rotations globally, health care stocks Resmed (+14.4%) and CSL (+13.1%) among the top performers in the Kennedy Partners. Detractors Energy and Commodities with Origin -2.96%, South32 -2.22% and Rio Tinto -1.62% the worst performers.

Resmed (+14.4%) hit new record highs January after second quarter report beat market expectations. Key takeaways include: (1) Strong mask growth of 19% in US and 11% in Rest of the World; (2) US device growth of 9.1%, capturing market share; (3) SaaS disappointed (sales 3% below expectations), with RMD likely to achieve high single digit sales growth (not double-digit growth) in near term. 4) Continued operating leverage leading to a 170bp EBIT margin improvement.

James Hardie (+14.1%) had another strong month driven by further broker upgrades on US housing strength. James Hardie's shares have roughly doubled in a year and Morgan Stanley thinks there is life left in the rally. Morgan Stanley raised its price target by 24% to \$35.90/share, partly to reflect an improved U.S. housing outlook and expectations that James Hardie will beat a 3%-5% target for primary demand growth, a measure of market share, in FY 2020.

CSL (+13.1%) was subject to another round of earnings upgrades before its 1H result due to be announced 12th February. The Coronavirus adding to confidence in CSL due to its vaccine arm. CSL's flu business, Seqirus, was established in 2015 following its acquisition of assets from Novartis and accounted for 14% of the ASX-listed drug manufacturer's FY 2019 revenue.