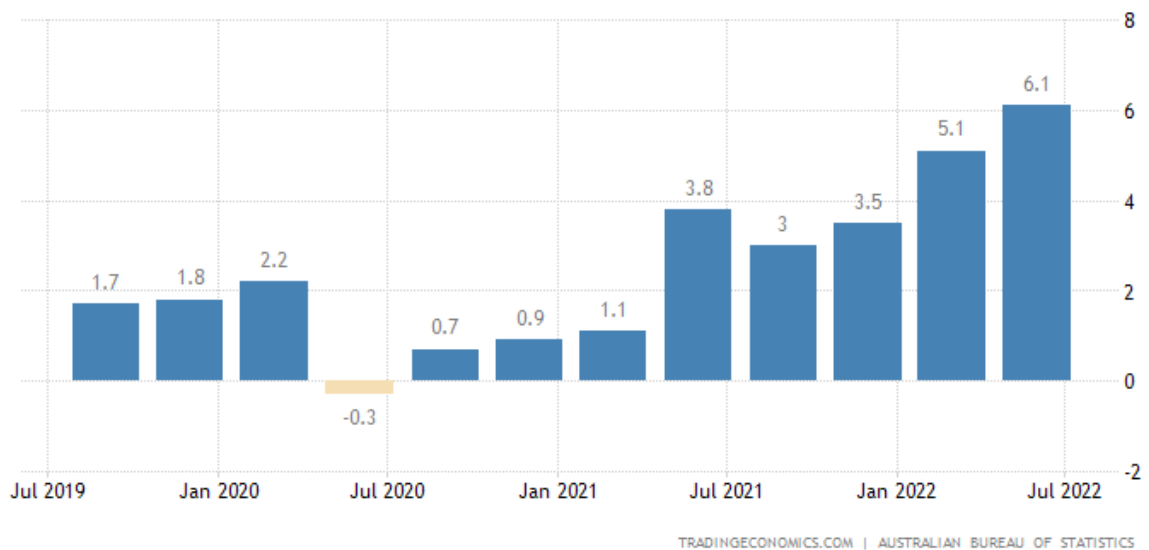


Investment Update – September 2022

“Guess the Inflation rate”

Investment Markets (share, property, bonds) have been choppy in 2022, which has been driven by inflation being high and Central banks turning up interest rates to try to get it under control. It's seeming to be a difficult task for them, as a lot of the inflation is driven by supply issues (not enough available of what we want) rather than demand issues, so changes in interest rates aren't necessarily translating straight away to a reduction in prices. What this means is that we are now finding markets jumping at shadows on inflation and interest rates, with “guesses” as to where they are going, and then reacting again when actual data comes out.

Australian Inflation Rate



A great example is share market movements that we witnessed on 14 September. US share markets dropped by 4.32%, and the Australian market followed suit by dropping 2.6%, as US inflation data came out at 0.6% for the month, when it was expected at 0.3%. (Although, what didn't seem to make the papers was that this took the market only back to where it was 5 days ago). What this means is a lot of market movements aren't based on good fundamental valuations of great businesses, but knee-jerk reactions.

What are fund managers doing?

Our Investment Portfolios are designed to use a combination of managers that are proven add value above market returns. In the last 2 weeks we have met with 5 different fund managers within our portfolios, to get an understanding of their thoughts and how they are positioning their funds in current times. They filter out these knee-jerk reactions as it presents opportunities for them to invest in good assets that may be momentarily mis-priced. The focus has also been movement to assets that are not impacted by inflation so much, have low levels of debt and a lot of cash (so they are not worried about interest rates) and good free cash flow.

Our investment portfolios are designed to provide long term capital growth over the economic cycle, and we remain focused on this long-term growth, rather than reacting to market volatility.