

ARO MACRO AUSTRALIAN EQUITIES PORTFOLIO



JUNE 2020

Fund Facts

Investment Manager	Aro Asset Management
Asset Class	Equity
SMA Code	SMAAR01S
Minimum Portfolio Size	\$ 50,000
Management Fee	0.667%
Suggested Investment Horizon	7 years
Benchmark	Unaware
Investment Style	Style Neutral
Indicative Number of Holdings	15 to 30

Description

The Aro Macro Australian Equities Model Portfolio is an actively managed portfolio, predominantly invested in Australian equities focusing on alpha and risk management.

Performance Chart



Commentary

The ASX 200 recovered by 16.48% in the June quarter, from its low late March. The unprecedented monetary and fiscal stimulus around the globe has seen equity markets rally close to pre-COVID levels.

While recessionary factors continue to rise, with both real assets (property) and employment falling, the stock market continues to enjoy the flood of money offered by the public purse. It is hard to not see this bubble bursting, but in the meantime, it's also hard to ignore the strength of equity markets globally.

Our flag indicators had suggested US economy was likely to slow before the onset of COVID. The question is whether COVID has simply accelerated the economic slowdown, and we will now see a traditional market recovery, or will it create an economic melt-down.

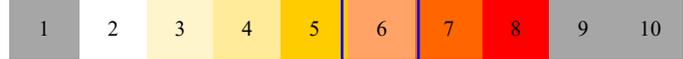
The market is predominantly forward looking, and as such, generally acts as a leading indicator. Previously a recession was announced only after the data had been processed when we have been in a recession for 6 months, with stock market subsequently rallying. The difference now is the announcement came before the data release.

We are still of the view that the market cannot sustain current levels, with earnings across the market dropping (with a few exceptions) and weak economic data, including employment, wage growth and consumer spending. The glut of money can only last so long.

Over the past 3 months, the Macro portfolio has risen 16.0%, while the ASX 200 index rose 16.4%. The lower return is due to the high cash holding in the portfolio. However, the past month has seen the portfolio increase by 2.8%, 0.2% higher than the market. Over the past 12 months, the portfolio has outperformed the ASX200 by 11.9%.

STANDARD RISK MEASURE*

*Standard Risk Measure is based on industry guidelines



This portfolio is suitable for investors with a long-term time horizon seeking capital growth, a broad share market exposure, and looking for performance during all stages of the market cycle.

Fund Performance (gross of fees)

	Fund (%)	Index (%)*	Over/Under-Perform
3m	15.9	16.5	-0.6
6m	-0.7	-10.4	9.8
1y	4.3	-7.7	11.9
3y (% p.a.) **	39.1	16.4	22.7
From Inception - 01/07/2016 (% Total)	77.8	40.2	37.7

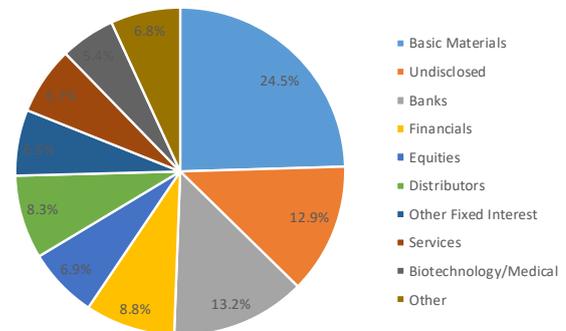
*The index used is S&P ASX 200

**Combined performance of portfolio - Client portfolio used prior to March 2019; Macquarie SMA used post March 2019

Top 10 Holdings

ARO Macro Top Holdings
BHP GROUP LTD
BETASHARES CAPITAL LIMITED BETASHARES AUST HIGH INTEREST CASH ETF
CSL
NATIONAL AUSTRALIA BANK LTD 1.25% MKT RATE NTS(MIN 6%PERPETUAL)
AUSTRALIA & NEW ZEALAND BKG GRP
WOODSIDE PETROLEUM
RIO TINTO LTD
BLACKROCK INVET MGMT AUSTRALIA LTD AUSTRALIA ISHARES ENHANCED CASH ETF
MAGELLAN FINANCIAL GROUP LTD

Sector Exposure



Asset Class Allocation

