

Australian Equity Model Portfolio Performance

Rolling returns to 31 August 2020

Bluebird Portfolio	1M (%)	3M (%)	6M (%)	1Yr (%)	2Yrs (% p.a.)	Since Inception (%)	Yield	FY21F (%)
High Growth TR	5.1	9.5	14.3	17.6		57.3	Cash yield	1.8
S&P/ASX 200 TR	2.8	6.0	-4.5	-5.1		14.1	Franking	54
Excess Return	2.3	3.5	18.8	22.7		43.2	Gross yield	2.2
Growth TR	3.4	6.2	6.0	6.5	12.7	27.0	Cash yield	2.6
S&P/ASX 200 TR	2.8	6.0	-4.5	-5.1	1.7	3.5	Franking	57
Excess Return	0.6	0.2	10.5	11.6	11.0	23.5	Gross Yield	3.3
Core TR	1.0	4.4	-0.2	1.4		28.8	Cash yield	2.9
S&P/ASX 200 TR	2.8	6.0	-4.5	-5.1		14.1	Franking	62
Excess Return	-1.8	-1.6	4.3	6.5		14.7	Gross Yield	3.8
Income TR	2.6	7.7	-5.9	-6.2	8.7	18.1	Cash yield	4.0
S&P/ASX 200 Industrials TR	3.4	5.8	-7.9	-7.3	0.0	0.1	Franking	72
Excess Return	-0.8	1.9	2.0	1.1	8.7	18.0	Gross Yield	5.3

TR = Total Return (before fees and franking credits). Growth and Income inception 31/08/18, Core and High Growth inception 30/11/18. Bluebird performance figures are reconciled with HUB24 performance figures each month and will also be audited. Past performance is not a reliable indicator of future performance.

Market commentary

Equity markets remained buoyant as the US Federal Reserve promised to hold rates low until inflation was above 2.0%. This led to the S&P 500 moving to record levels above 3,500, while the USD continued to weaken and bond yields rose a little. Profit season was mixed in Australia but positive sentiment help buoy most sectors, as investors focused on balance sheet strength and potential recovery in FY21, as COVID restrictions roll off. Key commodity prices (iron ore, copper, gold) have strengthened and coupled with USD weakness, this has seen the AUD/USD reach the \$0.74 level. This is a slight negative for the local market and explains the weakness in some global stocks like CSL, RMD, BXB and AMC. Moving forward, we expect another round of stimulus from the Federal government ('Jobmaker') and the easing of COVID restrictions to support the local market rally.

Medium-term, we expect a Japan-style low growth/low inflation economic environment to seep in, post crisis, and it will become harder for companies to grow earnings per share, particularly after a number of equity capital raises. After an initial market rally, we expect a sideways trending market. That said, we believe we can sustain an expected return of 8% p.a. by investing in quality companies with sustainable earnings and low gearing.

Portfolio return commentary

The growth portfolios continued their strong performance in August, while the Core and Income portfolio lagged the benchmark a little. Core was held down by some weakness in TLS, RMD and TWE, while Income was slightly behind due to some weakness in AGL and TLS. We reviewed the Bluebird stock list during the August reporting season and elected to remove TWE and hold the remaining positions. We also included four new stocks (PME, BVS, COL and CLW) and reweighted some of the portfolio weights. This should be all that is required for some time and portfolio turnover remains low at 2-3 changes per annum.

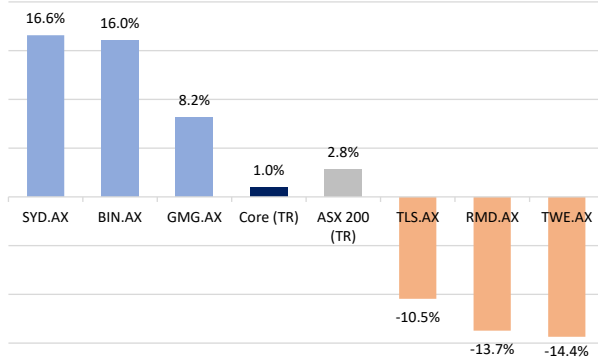
The Growth and Income portfolios have reached 2 years of operation and both are adding significant value over the benchmark because of our focus on quality stocks that offer value and exhibit positive momentum. The other two portfolios, High Growth and Core, will reach 2 years of operation at the end of November 2020. These two portfolios are also headed for strong performance vs the benchmark over 2 years. We also note that 3 of the 4 portfolios are running portfolio beta's below 1.0, which means they are less volatile than the market. The Income portfolio is the only portfolio with a beta above 1.0 and we have made some recent changes to the portfolio to bring this down.



Quality Portfolios at a low cost

Core Portfolio

Portfolio and stock performance, August 2020



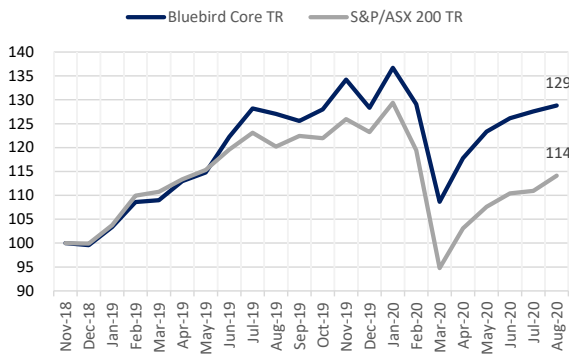
Portfolio TR Month: +1.0%

Benchmark TR Month: +2.8%

The Core portfolio gained 1.0% in August but underperformed the market, with TWE, RMD and TLS dragging on performance. It was pleasing to see SYD recover after a \$2bn capital raising, while BIN posted a resilient FY20 profit result and strong balance sheet.

We had TWE and SYD under review before profit season and elected to hold SYD but remove TWE. TWE actually had a reasonable result but subsequently China announced an investigation into Australian wine imports, which means higher tariffs are coming. We removed TWE as both the Asian and US divisions now have issues.

Portfolio return vs benchmark, since inception (30/11/18)



Portfolio TR (since inception): 28.8%

Benchmark TR (since inception): 14.1%

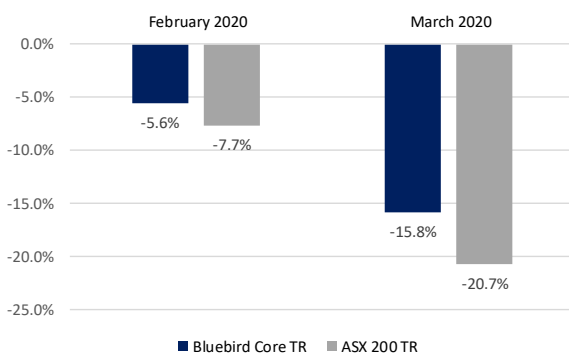
Yield: 2.9% cash, 3.8% gross

The Core portfolio is nearing two years of operation and is adding significant value over the benchmark and demonstrating lower volatility than the market.

The portfolio held up well during the recent market crash and has recovered with the market.

Overall, portfolio performance is strong, and we are working to maintain the momentum with some recent changes made to the portfolio.

Portfolio performance during the recent market crash



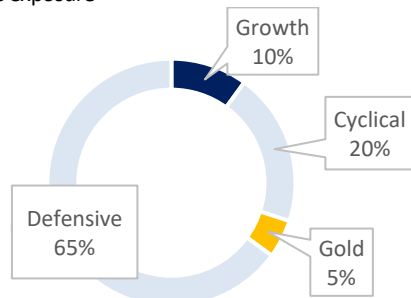
Portfolio Beta: 0.84

Portfolio Vol: 17.8%

Worst monthly drawdown: -15.8% (March 2020)

The Core portfolio is exhibiting excellent defensive qualities by holding up well in down markets. The portfolio is adding significant value over the benchmark in both up and down markets. Portfolio risk is considerably lower than the market at 0.84. Overall, the portfolio is genuinely delivering strong risk-adjusted returns.

Portfolio defensive exposure



Defensive exposure: 65%

Gold equity exposure: 5%

Bluebird builds capital protection into the portfolios via our quality and value process and sector diversification. We also identify stocks that demonstrate defensive qualities against those with cyclical and growth characteristics. Each portfolio has a heavy exposure to defensive stocks, which help the portfolios hold-up well in down markets.

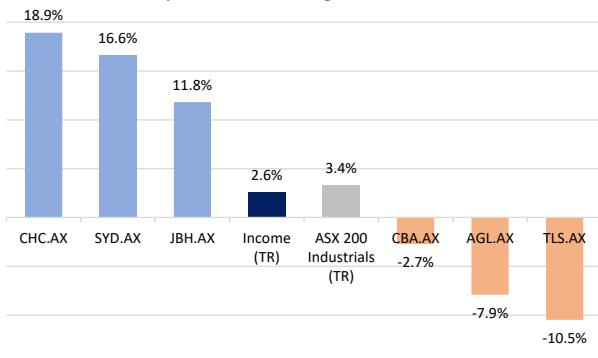
In addition, three of the four portfolios have a small exposure to gold equity, which tends to perform well as central banks ease policy or when market volatility increases.



Quality Portfolios at a low cost

Income Portfolio

Portfolio and stock performance, August 2020



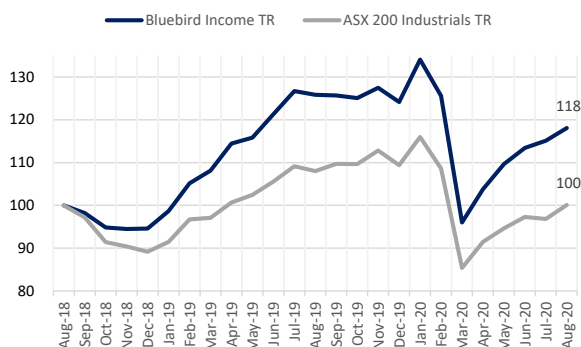
Portfolio TR month: +2.6%

Benchmark TR month: +3.4%

The Income portfolio gained 2.6% in August, slightly behind the benchmark. TLS and AGL dragged on performance in August. Both had disappointing profit results but we have elected to hold both positions with an expectation that earnings should bottom out in FY21.

It was pleasing to see CHC and SYD recover strongly and JBH continue to perform well. We reviewed the portfolio at the end of profit season and elected to hold all positions but we have included two new exposures (COL and CLW) and have adjusted the portfolio weights. We are gradually making the portfolio more defensive in nature.

Portfolio return vs benchmark, since inception (31/08/18)



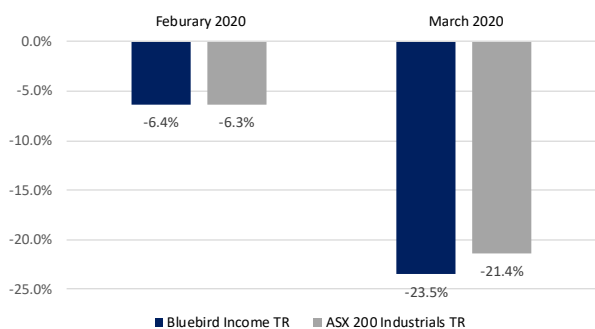
Portfolio TR (since inception): +18.1%

Benchmark TR (since inception): 0.1%

Yield: 4.0% cash, 5.3% gross

The Income portfolio has completed two years of operation and is tracking well above the benchmark. Unlike many income portfolios, the Bluebird income portfolio has increased in value and we are working to improve the sustainability of the income and reduce portfolio volatility. We recently included COL and CLW in the portfolio and adjusted portfolio weights.

Portfolio performance during the recent market crash



Portfolio Beta: 1.1

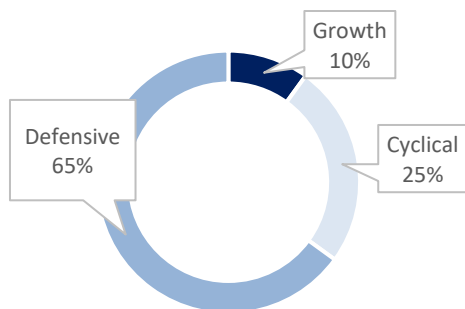
Portfolio Vol: 21.6%

Worst drawdown: -23.5% (March 2020)

Our Quality, Value and Momentum process seeks to add value, without additional risk. In fact, we seek to reduce portfolio risk via high defensive weightings.

The Income portfolio has been tracking with the benchmark which has been disappointing. We have recently moved to increase defensive exposure in the portfolio and expect the portfolio beta to come down over time.

Portfolio defensive exposure



Defensive exposure: 65%

Gold equity exposure: 0%

Bluebird builds capital protection into the portfolios via our quality and value process and sector diversification. We also identify stocks that demonstrate defensive qualities against those with cyclical and growth characteristics. Each portfolio has a heavy exposure to defensive stocks, which help the portfolios hold-up well in down markets.

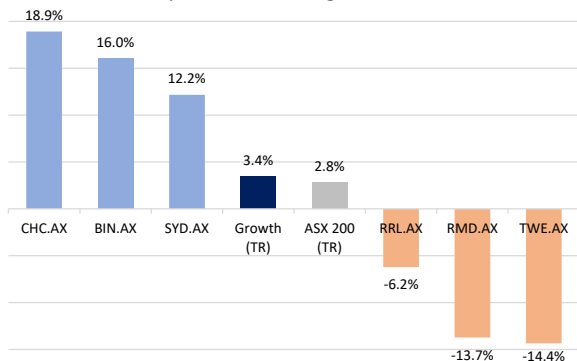
In addition, three of the four portfolios have a small exposure to gold equity, which tends to perform well as central banks ease policy or when market volatility increases.



Quality Portfolios at a low cost

Growth Portfolio

Portfolio and stock performance, August 2020



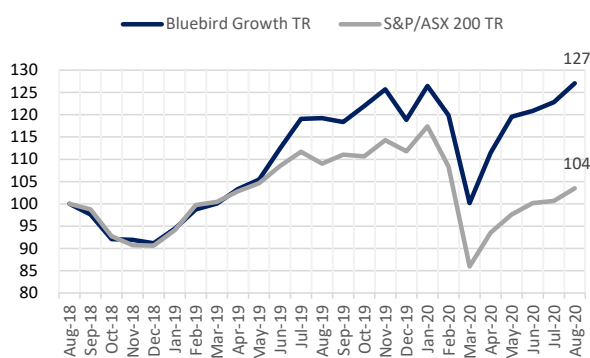
Portfolio TR month: +3.4%

Benchmark TR month: +2.8%

The Growth portfolio continues to perform well, gaining 3.4% in August and outperforming the benchmark. Performance was driven by CHC, BIN, SYD and JBH. On the negative side, TWE and RMD dragged on performance.

We reviewed the portfolio closely post profit season and elected to remove TWE and bring in MFG and PME into the portfolio. We increased the portfolio to 20 stocks (from 19) and reweighted each stock exposure to 5.0%. See the portfolio change document for more information.

Portfolio return vs benchmark, since inception (31/08/18)



Portfolio TR (since inception): +27.0%

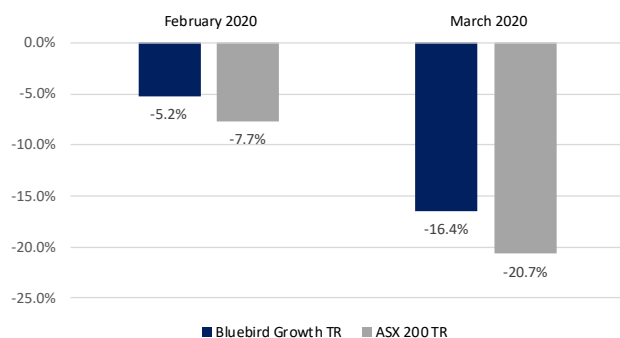
Benchmark TR (since inception): +3.5%

Yield: 2.6% cash, 3.3% gross

The Growth portfolio has completed 2 years of operation and is adding significant value over the benchmark and demonstrating lower volatility than the market.

The portfolio held up well during the market crash in March 2020 and has recovered strongly ever since. We recently made some changes to the portfolio to continue the strong momentum in the portfolio.

Portfolio performance during the recent market crash



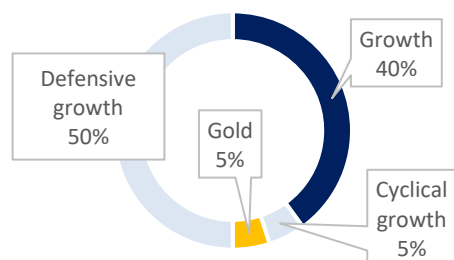
Portfolio Beta: 0.91

Portfolio Vol: 18.9%

Worst drawdown: -16.4% (March 2020)

The Growth portfolio is exhibiting excellent defensive qualities by holding up well in down markets. The portfolio is adding significant value over the benchmark in both up and down markets. Portfolio risk is lower than the market at 0.91. Overall, the portfolio is genuinely delivering strong risk-adjusted returns.

Portfolio defensive exposure



Defensive exposure: 50%

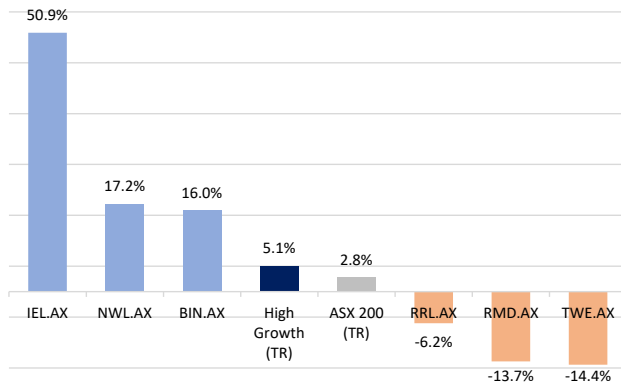
Gold equity exposure: 5%

Bluebird builds capital protection into the portfolios via our quality and value process and sector diversification. We also identify stocks that demonstrate defensive qualities against those with cyclical and growth characteristics. Each portfolio has a heavy exposure to defensive stocks, which help the portfolios hold-up well in down markets.

In addition, three of the four portfolios have a small exposure to gold equity, which tends to perform well during periods of negative real interest rates and central banks engaging in quantitative easing.

High Growth Portfolio

Portfolio and stock performance, August 2020



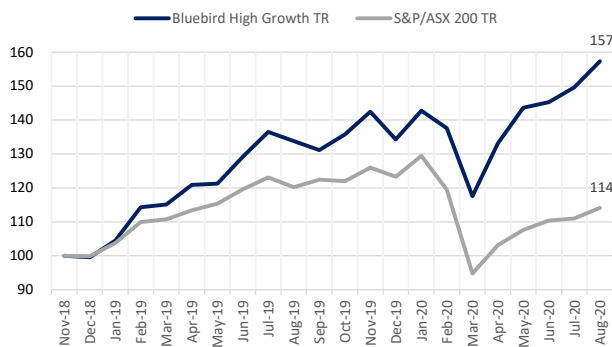
Portfolio TR month: +5.1%

Benchmark TR month: +2.8%

The High Growth portfolio had a very strong month with IEL, NWL and BIN all putting on major rallies. IEL had a surprisingly resilient FY20 result which was it rerate instantly. NWL continues to build FUA at an increasing rate, while BIN posted a resilient result.

On the negative side, TWE and RMD lagged over the month. We reviewed the portfolio closely, post profit season, and elected to remove TWE and NSR and bring in PME, BVS and CHC. We increased the portfolio to 15 stocks and simplified the portfolio weights. See the portfolio change document for more information.

Portfolio return vs benchmark, since inception (30/11/18)



Portfolio TR (since inception): +57.3%

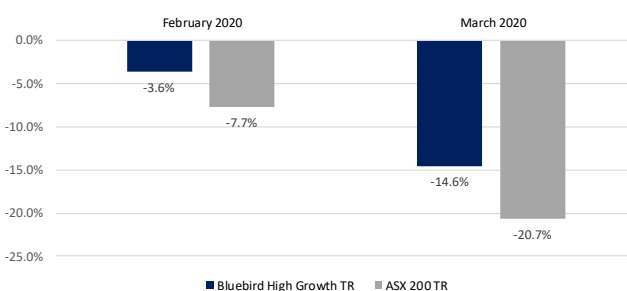
Benchmark TR (since inception): +14.1%

Yield: 1.8% cash, 2.2% gross

The High Growth portfolio is nearing two years of operation and is building an outstanding track record. The portfolio is 43% above the benchmark and exhibiting lower volatility, with a portfolio beta of 0.9.

We recently made the first changes to the portfolio in nearly two years, with two stocks exiting and three new stocks coming in. We also adjusted the portfolio weights. We anticipate this will keep the momentum going in the portfolio.

Portfolio performance during the recent market crash



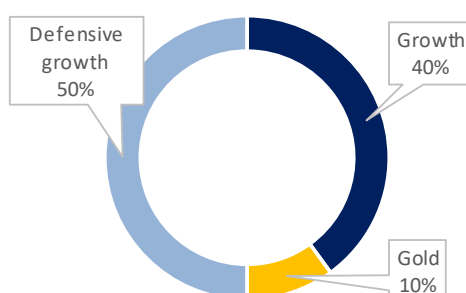
Portfolio Beta: 0.91

Portfolio Vol: 20.2%

Worst monthly drawdown: -14.6% (March 2020)

The portfolio has shown surprising resilience, for a high growth portfolio, and continues to hold up well in down markets. With the portfolio adding significant value over the benchmark, without any additional risk, it doesn't get much better than this when talking about strong risk-adjusted returns.

Portfolio defensive exposure



Defensive exposure: 50%

Gold equity exposure: 10%

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In addition, three of the four portfolios have a small exposure to gold equity, which tends to perform well as central banks ease policy and market volatility increases.

Portfolio Profiles

		High Growth	Growth	Core	Income
Growth exposure	Income exposure				
Description		A concentrated portfolio focused on capital growth	A concentrated portfolio focused on capital growth first and income second	A more diversified portfolio focused on a balance of income and capital growth	A concentrated portfolio focused on income first and capital growth second
Inception date		30/11/18	31/08/18	30/11/18	31/08/18
Objective		Benchmark +>5% p.a.	Benchmark + 3-5% p.a.	Benchmark +2-4% p.a.	Benchmark +2-4% p.a.
Risk target		Portfolio Beta ~1.1	Portfolio Beta ~1.0	Portfolio Beta <1.0	Portfolio Beta <1.0
Number of stocks		15	20	20	16
Universe		S&P/ASX 200	S&P/ASX 200	S&P/ASX 200	S&P/ASX 200
Benchmark		S&P/ASX 200 Total Return	S&P/ASX 200 Total Return	S&P/ASX 200 Total Return	S&P/ASX 200 Industrials Total Return
Current ASX 100 exposure		50.0%	65.0%	85.0%	85.0%
Maximum stock target weight		10.0%	10.0%	10.0%	10.0%
Minimum stock target weight		2.0%	2.0%	2.0%	2.0%
Maximum cash limit		10%	10%	10%	10%
Maximum gold equity hedge		10%	10%	10%	0%
Expected Turnover		1-3 changes per annum	1-3 changes per annum	1-3 changes per annum	1--3 changes per annum
Stock weight inputs		Sector diversification, Growth vs Income characteristics, Portfolio defensiveness, Portfolio Yield, Market cap/liquidity, Quality and Risk score, Portfolio manager conviction, Portfolio expected return vs expected risk			
Capital protection measures		Quality and value investment process, Portfolio diversification, Defensive stock exposure, Gold equity weighting up to 10%, Cash weighting up to 10%			

Investment Philosophy and Process

Bluebird employs a 'Quality, Value and Momentum' investment philosophy and process. Bluebird has a proven track record of adding value and lowering risk by investing in quality companies, that offer value and have positive momentum. Bluebird avoids quality companies that are expensive and poor-quality companies that are 'cheap'.

About Bluebird Portfolio Services (Bluebird)

Bluebird is a listed portfolio specialist that provides high performing, quality portfolios at a low cost. Bluebird has a small but highly experienced team, with a proven track record of adding value and lowering risk. Bluebird's investment philosophy and process has been developed over the past 20 years (at Bluebird and at major companies, including Lonsec and IOOF).

Disclaimer, Warnings and Disclosures

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