

Balanced

Core Portfolio | July 2022

Market Commentary

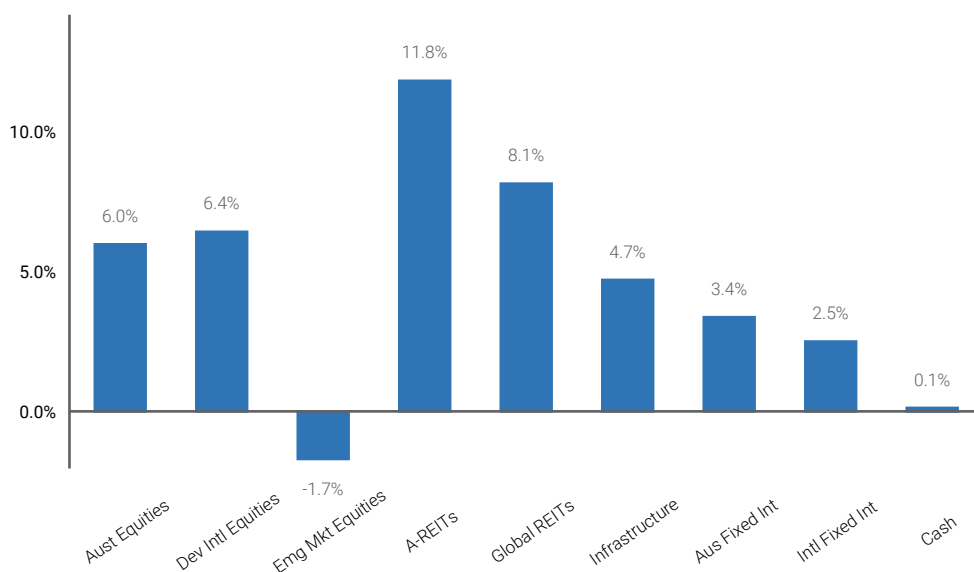
Markets capped off a strong month with the leading US market up 9%, following a 4% gain in the last week alone. The US earnings season surprised weak expectations (especially for large tech stocks) and the Nasdaq performed even better.

However, once again it seems that inflation and interest rate expectations were the real driver as weak economic data gave investors some 'hope' that the Federal Reserve was seeing some early success in slowing the US economy and might be able to pause interest rate rises, including a second consecutive quarter of economic contraction (something which some, not all, call a recession).

On the other hand, inflation measures, including the Fed's preferred Personal Consumption Expenditures continued to rise (The PCE is abroad 'core' measure of inflation based on actual economic activity rather than surveys and notional baskets as is the case with the Consumer Price Index). In absolute terms it is, as usual, a little lower than CPI (6.9% for the last 12 months and 4.8% excluding food and energy) but the direction of travel remains upwards on a monthly basis. What matters to markets though is what the net impact on bond rates is and consequently, long bond rates have moved down by about 0.5% in the last month.

All that meant that the US tech giants led the market and made the biggest contribution, while perhaps surprisingly, UK, European and Australian markets kept pace in the last week while Asia and Japan were flat. For the month as a whole Japan and Australia almost kept up with the US while Europe was flat and Emerging markets were down a few percent. In the latter case the continued strength of the US Dollar has weighed on sentiment and into the end of the month concerns focused particularly on the debt laden property sector and a potentially deepening recession.

Market Returns - 1 Month to 31 July 2022 (in AUD)



Portfolio Commentary

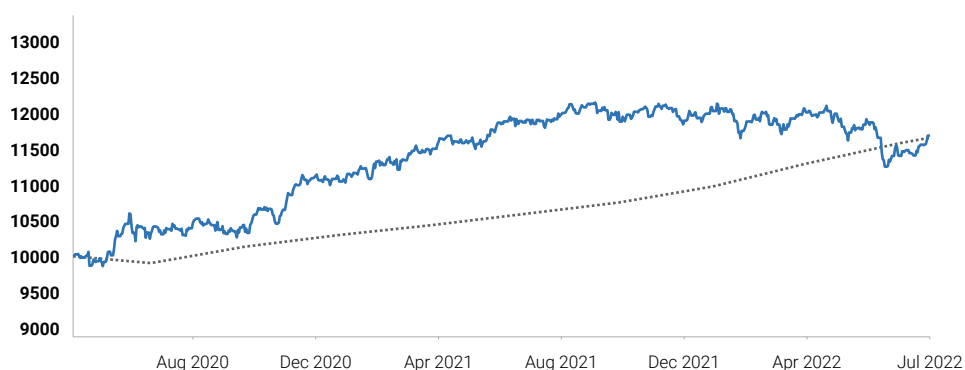
The portfolio's direct Australian equities returned slightly less than the S&P; ASX 300 Index over the month of July due to its bias towards "value" companies with stable earnings, as opposed to "high-growth" companies which were in favour for the month. This was a result of declining yields in the bond market which flowed through into discount factors, making future earnings more valuable.

International equities had a mixed performance with developed equities (+6.4%) and emerging markets (-1.7%) completely diverging. Direct exposure to the U.S. through the Vanguard U.S. Total Market Shares Index ETF proved positive, benefitting from the same declining yield trend as the Australian market. Akin to Australia, investors rotated out of global "value," and consequently Vanguards Global Value Equity Active ETF underperformed, only gaining +3.2%. In contrast, the trend favoured small companies, with the Vanguard MSCI International Small Companies Index ETF gaining +6.5%.

Property rebounded for the month as it appeared central banks might not be able to lift rates as fast as previously expected without causing a recession. The Australian Property Securities Index ETF finished the month up +11.1%.

In direct contrast to the rest of this year, the lower duration (interest rate sensitivity) in the portfolio hampered returns for the month as yields came down. The VanEck Vectors Australian Floating Rate ETF, which carries 0.1 years of duration, as opposed to the index's 5.4 years, struggled the most, only adding +0.2%, compared to the Vanguard Australian Fixed interest ETF which returned +3.6%.

Growth of \$10,000 (Income reinvested) vs CPI + 3%



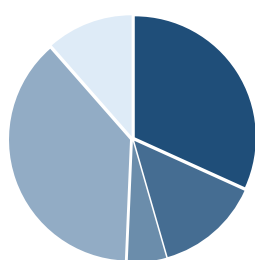
Portfolio Performance vs Objective

Performance to 31 July 2022	1 Month	3 Months	6 Months	1 Year	SI*
Mulcahy Core Balanced	2.45%	-2.50%	-0.74%	-1.86%	7.05%
CPI + 3%	0.70%	2.09%	4.64%	9.77%	6.90%
Relative objective performance	1.75%	-4.59%	-5.37%	-11.63%	0.14%

*Since Inception: 15 April 2020

^Quarterly CPI data is estimated until official data is released by the ABS

Underlying Manager Allocation and Performance



- Australian Equities
- International Equities
- Property & Infrastructure
- Fixed Interest
- Alternatives
- Cash

Performance to 31 July 2022	Weight	1 Month	3 Months	1 Year
Australian Equities	31.77%			
Mulcahy & Co Direct AEQ (MQ)	31.77%	2.91%	-5.93%	0.16%
International Equities	13.77%			
Vanguard Global Value Equity Active ETF	3.55%	3.23%	-3.66%	2.83%
Vanguard U.S. Total Market Shares Index ETF	1.87%	6.77%	-2.11%	-3.42%
Vanguard FTSE All World Ex-US ETF	5.27%	1.75%	-2.66%	-9.81%
iShares MSCI Emerging Markets ETF	0.99%	-2.45%	-5.11%	-16.75%
Vanguard MSCI International Small Companies Index ETF	2.10%	6.49%	-2.25%	-10.21%
Property & Infrastructure	5.13%			
Vanguard Australian Property Securities Index ETF	5.13%	11.06%	-8.30%	-1.36%
Fixed Interest	37.86%			
Janus Henderson Tactical Income Fund	10.70%	1.99%	0.31%	-1.98%
Vanguard Australian Fixed Interest Index ETF	9.69%	3.64%	1.51%	-9.08%
Vanguard International Fixed Interest Index ETF (Hedged)	3.64%	2.93%	0.21%	-8.20%
Ardea Real Outcome Fund	7.13%	-2.08%	-1.50%	-2.22%
VanEck Vectors Australian Floating Rate ETF	6.70%	0.24%	0.14%	-0.48%
Cash	11.47%			
BetaShares High Interest Cash ETF	10.06%	0.12%	0.24%	0.41%
Cash	1.41%	0.12%	0.21%	0.22%

Top 3 Contributors

Performance to 31 July 2022	Return	Contribution
Vanguard Australian Property Securities Index ETF	11.06%	0.57%
Vanguard Australian Fixed Interest Index ETF	3.64%	0.35%
Westpac Banking Corp	10.31%	0.31%

Top 3 Detractors

Performance to 31 July 2022	Return	Contribution
BHP Group Ltd	-6.23%	-0.16%
Ardea Real Outcome Fund	-2.08%	-0.15%
Newcrest Mining Limited	-7.61%	-0.09%

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