

**DONOR UPDATE**

September 2022

**ACF Portfolio Performance**

|                        | 3-month return | 12-month return | 3-year return (p.a) |
|------------------------|----------------|-----------------|---------------------|
| <b>ACF Portfolio</b>   |                |                 |                     |
| Main Fund (Long Term)  | 0.65%          | -9.79%          | 1.15%               |
| Extension Fund         | -0.10%         | -10.17%         | 1.53%               |
| Scholarship Fund       | -0.28%         | -11.05%         | 1.53%               |
| Main Fund (Short Term) | 0.10%          | -5.14%          | 0.16%               |
| <b>Market Indices</b>  |                |                 |                     |
| Australian Shares      | 0.39%          | -7.69%          | 2.67%               |
| International Shares   | 3.15%          | -8.18%          | 8.19%               |
| Aus Fixed Income       | -0.65%         | -11.36%         | -3.42%              |
| Int. Fixed Income      | -4.42%         | -14.16%         | -4.03%              |

All performance figures quoted above are net of investment adviser fees and manager MERs

**Market Environment**

A challenging global investment environment of lower returns and higher volatility continues.

Global economic growth continues to be modest, and subject to extensive headwinds (notably rising energy prices and global supply-chain & trade instability). Major central banks, including the RBA, are aggressively hiking rates to continue to fight persistent high inflation and to keep inflation expectations anchored. Bond yields are increasing rapidly. There is concern that winter in Europe will expose stress in energy markets caused by the disruption of Russian oil & gas exports, subsequently causing further price hikes.

As a consequence, for the third quarter, Australian and global bond returns were negative. Share returns were broadly flat and cash returns were modestly positive. However, there was a divergence between ESG and traditional investment strategies, with the latter benefitting from the sharp spike in fossil fuel prices due largely to the war in Ukraine.

Over the year to September, the combination of higher inflation, lower growth and geopolitical (e.g Ukraine) risks have resulted in material negative returns for both shares and bonds.

With the RBA continuing to hike the Australian cash rate, considerable uncertainty remains over the magnitude of the Australian economic slowdown likely in 2023.

**ACF Portfolios**

For the September quarter, the Funds posted modest, mixed returns consistent with the market themes discussed above.

Over the year to September 2022, the Main Fund (Long Term) posted a high single digit negative return, consistent with those of Australian and International shares and bonds. While the Extension and Scholarship Funds lagged over the one year, over longer time periods they continue to perform in line. By contrast, the Main Fund (Short Term) posted a smaller negative return due to its more defensive strategy. Underperformance has been partially offset by two factors: the gradual introduction of Growth Alternatives and Real Assets strategies into the ACF portfolios and the decision to reduce duration of the Fixed Income portfolio.



We continue to monitor the portfolio closely and make recommendations to ACF's Investment Committee on any adjustments required to optimally navigate this period of uncertainty, focused on our long term-investment objectives.