

DONOR UPDATE

December 2022

ACF Portfolio Performance

	3-month return	12-month return	3-year return (p.a)
ACF Portfolio			
Main Fund (Long Term)	3.97%	-8.97%	1.86%
Extension Fund	3.94%	-9.12%	2.56%
Scholarship Fund	3.37%	-10.16%	2.24%
Main Fund (Short Term)	1.88%	-4.07%	0.68%
Market Indices			
Australian Shares	9.40%	-1.08%	5.55%
International Shares	5.54%	-9.99%	8.02%
Aus Fixed Income	0.38%	-9.71%	-2.87%
International Fixed Income	0.67%	-14.06%	-3.56%

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

Market Environment

2022 was an extremely challenging year in the financial markets: equities and bonds both domestically and internationally all posted negative returns. A high degree of uncertainty and volatility is expected to remain. Key themes such as high inflation, economic recession, geopolitical tensions and supply chain challenges will likely continue as we head into 2023.

In Q4 2022, the financial markets had stabilized somewhat relative to the volatility experienced early in the year. Shares have significantly outperformed fixed income, both domestically and globally. In the US, consumers remain resilient with ample post-Covid savings to draw on, and the overall US labour market remains strong (as indicated by steady unemployment rate and solid wage growth). We observe similar positive indicators in Australia. European economies and labour markets appear less robust, marred by ongoing geopolitical conflicts and energy challenges.

However, it is expected that central banks in most developed economies will continue to tighten monetary policy in 2023, with resulting economic damages to growth and employment. Further, warning signs such as drop in the sale of new homes and deteriorating CEO confidence further point to a likely global recession.

ACF Portfolios

Over the quarter to December 2022, all funds in the ACF portfolios posted positive returns, mitigating what has been a challenging calendar year for investors. The portfolios benefited from gains in listed equities and alternative investments. In line with the market, returns from fixed income investments lagged those of shares. The Main Fund (Long Term), alongside the Extension and Scholarship Funds that share the same investment strategy, have outperformed the Main Fund (Short Term). This is because as the Main Fund (Short Term) has a defensive strategy consisting of a lower allocation to shares and no exposure to alternative investments.

We continue to monitor the portfolio closely and make recommendations to ACF's Investment Committee on any adjustments required to navigate this period of global economic uncertainty that are consistent with ACF's long term-investment objectives.