

November 20

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## A new normal – What does it mean?

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After the announcement of a new COVID19 Vaccine, together with the election of Joe Biden as the President Elect of the US, Stock markets worldwide have reacted positively to these significant events.

Both Victoria and Australia have successfully suppressed COVID19 and the Australian Government has secured access to several vaccines which appear to be safe to use and deliver a high degree of immunity for our people.

The question we ask ourselves is **“Do we believe that a global recovery is under way and should we reinvest into the market right now?”**

In hindsight, we would have been better off to have remained fully invested over the last 7 months, as markets have recovered about 80% of their pre pandemic value.

Governments around the world have poured huge sums of money into their individual markets with the primary objective of protecting jobs and the economy in general.

The RBA recently reduced our official interest rate to a record low of 0.1%. On the Interest Rate front, they now have no-where to go.

With the US and much of Europe going into a second wave, their situation still looks grim. Nobody expects a vaccine to be available for the general population before the middle of 2021. That said medical authorities have many more drugs available to treat COVID19 and the death rates are in decline because of these treatments.

International travel is unlikely to restart before 2022, however local bubbles are likely to be established in 2021. This impacts travel stocks such as Flight Centre, airlines, and airports especially.

What is our response to our question **“Do we believe that a global recovery is under way and should we reinvest into the market right now?”**

**Yes**, we will reinvest back into the market, however we will concentrate on traditional value stocks that have, cashflow, strong earnings and pay dividends.

Over the last 7 months, we have monitored several stocks that have performed well both in the negative market following the lockdown and in the subsequent recovery.

As you are aware, we did not sell everything and the stocks that we retained have now recovered most of their losses. These stocks include, Redcape Hotel Group RDC, Metric Credits Income Trust MXT, Metric Credits Opportunity Trust MOT, Gryphon Income Trust GCI and Perpetual Income Trust PCI.

In the next few days, we will be acquiring additional stocks including.

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**Beta Shares Active Australian Hybrids Fund – ASX Code HBRD**

This ETF provides investors with a convenient way to access income returns, including franking credits, from an actively managed, diversified portfolio of hybrid securities.

**VanEck Vectors MSCI World ex Australia Quality ETF – ASX Code QUAL**

The Quality Index aims to capture the performance of the highest quality growth stocks from the PSCI Parent Index, on the basis of a quality score determined by three key factors: High return on equity, stable year-on-year earnings growth and low financial leverage.

**Plato Income Maximiser – ASX Code PL8**

PL8 provides monthly dividends including franking credits from companies such as A2 Milk, ANZ Bank, Aurizon Holdings, BHP, Charter Hall, Coles, Commonwealth Bank, CSL, Fortescue Metals, JB Hi-Fi, Macquarie Group, Medicare Private, Mineral Resources, Newcrest, Northern Star, Orica, Origin Energy, Telstra, Transurban, Westpac Bank, Woodside Petroleum, Woolworths, and.

Attached are the factsheets for each of the above securities and if you have any questions please do not hesitate to call us.

We are acutely aware that markets can change overnight, therefore we have opted for stocks that exhibited low volatility over the last few months compared to the wider market.

Any recovery has a long way to go and we expect that when the Government Stimulus Program comes to an end, then the real damage to the economy will become very evident.

There will be a lot of volatility over the next few years, however by targeting companies with strong balance sheets and a solid cashflow; paying reasonable dividends, should place us in a good position to meet these challengers.

**As always – if you have any questions or concerns, please call either William or Wayne directly for more information.**

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