THE SIX-MONTHLY BEANSTALK BALANCED REPORT

Report No. 34
Period: Jul-Dec 21

Performance: 31 Dec, 2021	Quarter	6 months	1 year	2 years	3 years	4 years	5 years	7 years	10 years
Pre-tax return %	1.1%	3.3%	11.9%	12.2%	10.7%	7.0%	7.0%	7.2%	10.2%
Post-tax return %	0.7%	2.5%	10.4%	11.1%	9.6%	6.0%	6.2%	6.3%	9.5%

Returns net of fees & costs (excl. initial broker acq'n establishment cost but incl. broker transaction & portfolio liquidation costs). Returns unaudited. Management fees are accounted for in quarter following period to which they relate. Returns greater than one year are annualised. Tax rate 30.5%, 30.7% post FY15.

The Underlying Beanstalk Balanced Portfolio rose for the 6 months to December 31, 2021. It returned a pre-tax gain of 3.3% and a post-tax gain of 2.5%. These returns are net of fees and costs*. The table below highlights some comparable returns from various asset classes.

Market related returns	
ASX 300 Accumulation Index	4.0%
MSCI All Countries World Free Index in $A [International Shares]	6.0%
ASX 200 Property Accumulation Index	14.7%
BBERG Australian Bank Bill Index	0.0%
BBERG Australian Credit Index	-1.3%
AUD/USD	-3.5%
Gold USD	3.1%
10 Year Government Bonds	0.2%

Economic comment

A resurgence in covid-19 cases, including from the new variant, Omicron, and the tapering of quantitative easing (QE), did not prevent gains in global share prices. Developed markets, averaging mid-single digit gains, mostly outperformed East Asian bourses. The US market was the strongest performer, rallying 11%. The Australian dollar fell against most currencies and bond yields rose somewhat. Metal prices were less volatile while Iron ore fell 46%. Thermal and coking coal rallied 36% and 44% respectively.

After a moderation in growth towards September, the underlying US economy and the employment market strengthened towards the end of the year. A demand driven recovery is being tempered by covid-induced supply side shocks. In turn, these supply and demand imbalances have seen closely watched CPI measures rise 6.8%, the highest levels since 1982! This has prompted a growing discussion around the ongoing nature of these price increases. The Federal Reserve Board's (FED) response has been to drop the term 'transient' (inflation) from its commentaries, increase the rate of QE tapering and project three 25bps rates hikes in 2022.

Chinese services and manufacturing data pointed to an even greater slowing of activity. This flowed through to weaker consumption, construction and investment. The delta outbreak, lower vaccine efficacy and containment policies are an ongoing cause. Global supply chains are being disrupted accordingly as ports and warehouses are shut to deal with the virus. Further headwinds to the economy would normally be expected as the financial system digests a restructuring of the very large property group, Evergrande. To counter these forces so far, the People's Bank of China (PBOC) lowered its reserve requirement ratio for banks, releasing $US188bn of liquidity into the system.

Japan elected a new prime minister, Fumio Kishida, following Yoshihide Suga's resignation for failing to contain the covid-19 outbreak. The country has since quelled a third quarter surge in covid cases. Manufacturing has improved though it is still curtailed by supply chain disruptions. The service sector is staging a slow recovery compared to other countries. The December quarter should benefit from stimulus measures and low case numbers after a decline in growth during the September period.

The Euro and UK bounced back from negative growth. Both regions are experiencing price increases caused by extreme supply constraints. In the Eurozone, rising prices in the services sector have been at the steepest pace in 20 years. The UK experienced weak retail sales that was not so much demand driven, rather the consequence of inventory and staff shortages. Both economies are operating at below capacity with supply side tightness an ongoing issue. Christine Lagarde, the ECB (European Central Bank) President, cautioned against responding to temporary inflation pressures. Austria and Germany have increased restrictions to deal with delta and with the onset of Omicron-driven restrictions in the UK, the BOE (Bank of England) only increased rates by 0.15% to 0.25% in December.

Australian economic growth looks set for a strong rebound from the 1.9% delta-driven GDP decline experienced during the September quarter. November data showed unemployment had decreased to 4.6% even with the participation rate increasing to 66.1% from 64.7% previously. The economy added 342,100 jobs in November!

The Reserve Bank of Australia (RBA) abandoned its 3-year government bond yield target of 0.10% following the release of third quarter inflation data. The relevant inflation series landed within the RBA target band prompting the market to anticipate earlier RBA rate increases. Governor Philip Lowe has since maintained that the RBA's central scenario is still for the first rate rise to occur in 2024. He emphasised the necessity for inflation to remain sustainably within the 2-3% range and that wages growth of more than 3% would most likely be required to achieve the mid-point of this range.

Portfolio asset allocation, performance and outlook

Financial markets in 2022 are expected to provide investors with an increased set of challenges. Returns are likely to be more subdued for passive strategies while opportunities should present themselves to active managers.

Such a scenario is likely as volatility is expected to be elevated creating opportunities for active investors. Inflation will be one cause of this volatility.

Inflation data is already elevated in many countries and surprising to the upside. The pandemic, geopolitical tensions and the sustainability focus are applying upward forces to inflation. There is a risk that inflation continues to rise above expectations, that higher prices become embedded within inflation expectations forcing central bank action or that central bankers make a policy error. Lower productivity in countries like Australia could lead to shorter economic cycles.

There has been considerable discussion as to whether the current inflationary surge is transitory or more embedded. Transitory or temporary surges generally involve less, if any, in the way of central bank response.

There is cause for optimism that this pandemic induced bout of inflation is transitory. Fiscal stimulus around the world has put cash into the hands of households and businesses. After two years of pandemic based restrictions on spending, there is a pent-up demand now ready to be released. Consumers have both the desire and ability to spend. On the supply side, conditions have become tighter. This can be seen in the labour market, across supply chains and through the formation of bottlenecks in commerce. A pandemic fuelled inflation has emerged.

Governments and businesses are busily working to address supply side issues. Business is investing to localise supply, alleviate constraints and create security of sourcing.

On the demand side, once pent-up demand is satiated, the demand/supply imbalance should begin to alleviate. This is expected to be visible through inflation data by the middle of 2022. The FED has plotted a course for three interest rate increases throughout 2022. An approaching inflationary respite in combination with Omicron should go towards preventing a policy error by the central bank.

Of more concern, in terms of embedded inflationary expectations, is the impact of widespread sustainability forces around the globe. This is likely to be a more noticeable inflationary driver in 2023.

Another possible cause of volatility is a resurgence of the virus. Ongoing waves of the virus may result in unsteady economic growth.

Early evidence is encouraging that Omicron is less severe and therefore less disruptive to economies. There is also some optimism that the virus is mutating in the right direction: to become more contagious but less deadly.

The forces impacting inflation and growth in 2022 should create an investment environment that is suited to active equity allocations. Such an approach should benefit from a strong outlook for corporate profits.

Beanstalk anticipates a more inflationary environment and considers related monetary risks and any potential volatility this might entail. The portfolio holds a good exposure to equities including commodity related holdings and real estate. In the event of market volatility, the portfolio has allocated a 27% exposure to cash and defensive assets which can be redeployed into oversold opportunities.

The Beanstalk Balanced Portfolio returned 3.3% for the six months.

Benchmark	Benchmark Return	Beanstalk Return
ASX 300 Accumulation Index	4.0%	4.8%
MSCI All Countries World Free Index in $A (unhedged) [International Shares]	9.0%	12.7%
ASX 200 Property Accumulation Index	14.7%	3.0%
BBERG Australian Bank Bill Index	0.0%	0.0%
BBERG Australian Credit Index	-1.3%	0.8%**
AUD/USD	-3.5%	Not in Beanstalk Portfolio
Gold USD	3.1%	Not in Beanstalk Portfolio
10 Year Government Bonds	0.2%	Not in Beanstalk Portfolio

**Contains returns from Sterling holdings. Effectively no exposure to credit market. Approximate returns.

In accounting for the post-fee gain of 3.3%, Australian equities contributed the bulk of gains adding 2.5% to performance. International equities added 1.3%. Fees and a listed property trust contribution accounted for the remainder. The top three Australian equities contributing to performance were NZME (+1.7%), Origin Energy (+0.8%) and HT&E Limited (+0.5%). International holdings adding to returns were Mitsui OSK Lines (0.5%), Marks & Spencer (0.3%) and Total (0.1%). AGL Energy (-1.1%), AMP Limited (-0.5%), Westpac (-0.2%) and Shinhan Financial Group (-0.1%) detracted from performance.

There were no asset allocation changes made over the period.

The Beanstalk Balanced Portfolio retains flexibility given market values, interest rates and portfolio allocations to take advantage of any opportunities that might arise from rises or falls in asset prices. It has a 27% exposure to cash and fixed interest related securities combined. The portfolio is invested 52% into Australian equities and has a 9% weighting to listed property. Fixed interest related securities sit at 4% of the portfolio. Exposure to international equities is at 12% and the portfolio retains a zero weighting to gold. Cash holdings are 23% of the portfolio.

Global Equities

Global equity markets rose 6.8% in local currency terms (source: FTSE All-World Review*) to December 31, 2021.

International equity markets trade at above fair value on historical measures. Relative value can be found in Oil & Gas, General Industrials, Food & Drug Retailers, Telecommunications, Life Insurance, Household Goods & Home Construction and Banks. Industrial Transportation, Aerospace & Defence, Automobile & Parts, Technology (especially Software), Consumer Goods and Support Services are expensive. Japan, Austria, Italy, Hungary, Russia and Turkey offer value. The US, New Zealand, the Netherlands, Denmark and Norway are overvalued.

Japan, Austria, Italy and UK trade at relative discounts of 57%, 122%, 86% and 48% respectively, including Beanstalk currency assumptions.

Notable Regional Index performance for the last 6 months is outlined below.

Performance (local currency)	6 months	
Europe	up 24%	Not in Beanstalk Portfolio*
Italy	up 9%	1% of Portfolio
India	up 12%	Not in Beanstalk Portfolio
Brazil	down 17%	Not in Beanstalk Portfolio
Russia	up 3%	Not in Beanstalk Portfolio
China	down 22%	Not in Beanstalk Portfolio
Singapore	up 3%	Not in Beanstalk Portfolio
Indonesia	up 13%	Not in Beanstalk Portfolio
Korea	down 9%	Not in Beanstalk Portfolio*
Japan	up 4%	2% of Portfolio*
France	up 10%	Not in Beanstalk Portfolio*
Switzerland	up 8%	Not in Beanstalk Portfolio
Austria	up 18%	< 1% of Portfolio
USA	up 10%	Not in Beanstalk Portfolio*
UK	up 7%	Not in Beanstalk Portfolio*

*Excludes direct holdings. Source: FTSE International Limited ("FTSE") © FTSE [year]. FTSE® is a trade mark of London Stock Exchange Group companies and is used by FTSE under licence. All rights in the FTSE indices and / or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and / or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.

The Australian dollar fell against the pound (1%), the dollar (3%) and was flat against the yen. It rose relative to the euro (1%). As the international holdings of the portfolio are un-hedged for currency movements, the net effect of currency movements on the portfolio was broadly **neutral**.

Commentary on Australian equities [52.0% of the portfolio]

Beanstalk - Australian shares six months performance	
Beanstalk Australian Shares (Pre-tax)* Beanstalk Australian Shares (Post-tax)*	4.8% 3.8%
Best Performing Beanstalk Australian Shares	NZME (up 91.4%) HT&E Limited (up 22.4%) Origin (up 16.2%)
Worst Performing Beanstalk Australian Shares	AGL Energy (down 25.1%) Westpac (down 17.3%) AMP Limited (down 10.2%)

* All returns are unaudited. Returns greater than one year are annualised. Beanstalk returns are net of entry and total portfolio exit brokerage costs (0.3% assumed). Zero cash assumed. Returns are pre-fees.

The August reporting period demonstrated results above expectations with dividend payments overwhelmingly higher and generally surprising investors. Capital management was very active with balance sheets stronger and buy-backs prolific.

A dominant feature of the period centred around supply chain reliability and cost. **Breville** experienced increased costs for parts, labour and related to overseas factory capacity. Shipping bottlenecks and sky-high container rates also provided headwinds. **Sims Metal Management**, **Fletcher Building**, **Ansell** and **Alumina** were other examples experiencing similar pressures.

Many businesses were able to pass on this cost pressure with increased prices. Companies planning new project investments such as **Alumina**, **BlueScope** and **Woodside**, are experiencing 5-10% increases in budgets. Such projects are still seen as worthwhile on a financial basis.

Outlook statements were mixed. Cost reduction programs were common.

The February reporting period is likely to be above expectations. A primary driver will be rebounding domestic activity, businesses and consumers that are fiscally enabled and a surprising level of economic growth. Margin pressure is likely to become more noticeable. Cost programs and asset turn should outweigh these headwinds in many cases with working capital management paramount and increased capital required. In some sectors margin pressure will be predominant and severe in its effect on the bottom line.

The ability of entities to pass on cost increases through sufficiently higher prices will also be key. Insurance entities are achieving strong premium rate increases to deal with rising catastrophes. Meanwhile, the building industry is having no problems covering input cost inflation and the cost implications of supply chain disruption.

The merger of companies such as **BHP** and **Woodside** are, of course, another way of dealing with these production cost pressures. A sharing of fixed costs and improved procurement efficiencies may become a driving force for further corporate activity in the months to come.

Best Performing Stocks for 12 months per FTSE Australian Index		
Wisetech Global	up 91%	Not in Beanstalk Portfolio
Pro Medicus	up 83%	Not in Beanstalk Portfolio
Reece	up 83%	Not in Beanstalk Portfolio

* as at beginning of period

Worst Performing Stocks for 12 months per FTSE Australian Index		
Magellan Financial Group	down 60%	Not in Beanstalk Portfolio
Appen	down 55%	Not in Beanstalk Portfolio
AGL Energy	down 48%	3% of Aust Shares*

* as at beginning of period.

The Beanstalk Australian Shares Portfolio represents compelling value. Modeling work across the portfolio reveals post-tax internal rates of return on average to be in excess of 21%.

Oil & Gas Producers, Gas, Water and Multiutilities and Nonlife Insurance are sectors displaying good relative value in the Australian market. Valuations in Construction & Materials, General Retailers, Beverages, Industrial Transport and Pharmaceuticals are less attractively priced. Specific stocks trading at low levels include Bendigo Bank, AGL Energy and Westpac Bank.

Beanstalk Australian equities – Portfolio changes

Portfolio turnover remains elevated, reaching three quarters of average annual levels in only six months. This reflects volatility and large divergences in share prices across the portfolio. A continued reduction in New Zealand exposures flowed into the oversold energy utility industry. An initial investment was made into the agricultural chemical sector, this was one of two new additions to the portfolio.

New Zealand stocks, **Fletcher Building** and **NZME**, were reduced with funds flowing primarily to **AGL Energy**.

Fletcher Building has enjoyed tight industry conditions, rising prices, strong profits and a higher dividend. Headwinds to cash flow in the coming year include an inventory rebuild and increased investment into the residential development business. The position was trimmed.

Prior to latest additions, **AGL Energy's** share price had declined up to 15% since purchases in September. The company's funding costs have risen considerably as it has been shunned as an investment on environmental grounds. Such an approach overlooks the likelihood that cooperation with this company could go a long way towards mitigating the climate challenge. Until such a philosophy is embraced, the company should still see some upside from higher electricity prices this year.

In addition to **NZME** and **Suncorp**, **AGL** purchases were also funded by a reduction in a rallying **Alumina** position. A key commodity, alumina, produced by this company, rallied strongly as supplies of this energy intensive commodity were constrained during the Chinese energy crisis. Funded by further sales of **NZME,** this holding was repurchased later in the quarter when its share price retreated to attractive levels once again.

The **Suncorp** position was reduced into a 40% share price rally driven by increased insurance premiums, reduced loan provisioning, simplification across its businesses and capital returns.

Meanwhile, **NZME** has risen from its pandemic lows of 16 cps in March 2020 to reach over $1.35 in the space of 18 months. A reduction in position occurred as the share price more fully reflects the value of OneRoof, its mastheads and digital strategy.

Funds from reductions in the **NZME** position were also applied to bolster holdings in **Southern Cross Media Group** and **Mayne Pharma**.

Southern Cross was hit hard by the initial reactions of businesses to the virus last year. Delta has been more forgiving as businesses have learnt to live with the pandemic and altered their business models accordingly. Advertising has been an essential ingredient under these new models. The company has recommenced paying dividends and represents good value.

Mayne Pharma's distribution partnerships in niche areas of woman's health and dermatology are providing more defensible margins than its troubled generics business. The company is currently focused on investing in the distribution of the recently approved NEXTSELLIS plant-based contraceptive. The US market alone for hormonal contraceptives such as this is US$3.6billion providing considerable upside at the current share price.

Woodside Petroleum contributed further funds to the **Southern Cross** purchase.

Woodside's share price rallied as fuel prices soared on delta induced supply constraints, exacerbated by a sustainability-led investment drought. **Woodside's** predominant commodity, LNG, has seen cargoes sell for 20 times more than a year ago as the northern hemisphere winter approaches.

In addition to all these changes within the portfolio, two new positions were added, both representing compelling value and exposed to the agricultural and regional economies.

To create way for these positions, holdings of **Ainsworth Game Technologies** and **Bank of Queensland** were liquidated.

Bendigo Bank took the place of **Bank of Queensland** in the portfolio as it represented a better value proposition on many levels. **Bendigo's** credit risk is also lower than that of the **Bank of Queensland** and the company has greater exposure to regional growth and agriculture.

Ainsworth Game Technologies has risen almost 5 times since its lows of around 28cps in December last year. An improvement in the company's cashflow position and a turnaround in poker machine revenue were contributors to the performance. After such a strong rally in the share price, more value was available in **Nufarm** and **AMP Limited**.

A small initial position was taken in the global crop protection business, **Nufarm**. **Nufarm** has been reducing debt and working on its cash flow generation following a difficult period, especially in Europe. Its share price is attractive at current levels and profitability should be supported by good growing conditions in Australia.

A portion of the **Ainsworth** sale was allocated to the perennial underperformer, **AMP Limited**. The stock represents value based on its private markets business and bank alone. The balance sheet is strong, the low returning life insurance business is gone and capital markets is being set free to be valued separately by the market. Any success reshaping **AMP's** wealth advisory business would be highly accretive to the share price as little value is ascribed to it and competitive forces have reduced significantly.

A more detailed discussion of these portfolio changes can be found in the Six-Monthly Beanstalk Australian Shares Report.

Outlook - Australian equities

The Australian shares underlying portfolio has a higher exposure to domestic conditions than international conditions. It favours a weaker Australian dollar (is exposed to the USD, euro, pound and $NZ), retains strong and improving balance sheet flexibility in the aggregate, benefits from rising commodity prices and has a low exposure to long-duration stocks and rising bond yields. The portfolio's exposure to housing is below benchmark. Beanstalk is focused on balancing the portfolio in a tax-effective manner while redeploying funds into those equities trading at highly attractive discounts to valuations.

An investment into Australian equities remains constructive in an environment of rising inflation. The emergence of some pricing power combined with a well-trained eye on costs, including total wages, is likely to be positive for margins in the early stages of inflation.

Strengthening domestic and global economic growth bodes well for the leveraging of fixed costs and profitability. Near term, corporate earnings growth is expected to be broadly supportive.

Large swathes of the market are exposed to valuation risk, especially those sectors relying on a very low cost of capital. The emergence of inflation, even for a short period, will provide headwinds to high multiple stocks.

Beanstalk Australian shares trade on a large discount to valuation. A substantial component of the portfolio is trading at a cyclical low providing strong upside in the case of a rebounding economy and inflation.

The four largest positions in the portfolio are exposed to industries where their high cost of capital is at unprecedented levels. As a result, these industries are being starved of capital and therefore investment has dived. These industries are oil & gas, firming capacity in the generation sector and wealth management. Beanstalk's holdings in these sectors are **Woodside Petroleum**, **Origin Energy**, **AGL Energy** and **AMP Limited**.

In these cases, competitors have either left the industry, failed or shrunk. Capacity has often been removed, mostly leaving the same, or even a larger market, to be serviced by a less competitive asset base. For those remaining providers, pricing power escalates over time leading to an increase in return on funds employed, and in some cases, supernormal profits.

International equities [12% of the portfolio]

The Beanstalk international portfolios increased in value over the six months outperforming the benchmark:

Beanstalk - International shares six months performance $A	
Beanstalk Global 15	**16.1%**
Beanstalk Global Shares	**12.7%**
MSCI All Countries World Free Index in $A (unhedged)	9.0%
Best Performing Beanstalk International Shares	Mitsui OSK Lines (up 60.2%) Marks & Spencer (up 55.2%) AXA (up 19.1%)
Worst Performing Beanstalk International Shares	Shinhan Financial Group (down 11.6%) Mitsubishi Chemical Holdings (down 9.2%) Orange (down 5.2%)

Turnover for the **Global Shares Portfolio** was almost double normal levels. More than half of this turnover was related to outstanding performance across two large holdings. It is notable that the previous year's turnover was well below average levels. Portfolio changes resulted in the addition of two new holdings, some rebalancing to existing names and a slight reduction in European exposure. Higher bond yields created opportunities in fixed interest related plays.

Two of the portfolio's largest holdings, **Mitsui O.S.K Lines** and **Marks & Spencer**, were reduced. These positions had rallied more than five and two times their lows respectively.

Mitsui O.S.K Lines operates in an industry which has moved from a state of high overcapacity to an industry which has since seen some consolidation. Add to this port congestion, covid-related supply bottlenecks and increased demand from rebounding economies and freight rates have soared in the container and bulk sectors. Volumes for car carriers have also been strong in response to supply issues from the previous year.

Marks & Spencer has seen its share price rally more than 30% since September as the company's transformation and online strategy begin to bear fruit. Online clothing related sales rose 60.8% and the business benefited from significantly lower inventory holding costs and promotional activity. The acquisition of the Ocado online business appears to be delivering for the company. The oversized holding was reduced on portfolio construction and valuation grounds.

Part of the proceeds from these holdings were invested into **Orange S.A**, previously known as France Telecom.

The **Orange** suite of businesses ventures as far afield as Africa. The strategy is to reclaim revenues lost in its home market of France. Growth, as a result of owning such a large legacy business in France, remains flat to low. The stock is sufficiently discounted to compensate for this characteristic. As a steady high-income generating asset, additional downward price pressure has come from higher bond yields eroding the income gap with **Orange**.

To make way in the portfolio for this new security, the position in **BNP Paribas** was liquidated.

This French bank's share price rebounded following improvement in its domestic economy. Credit risk within the balance sheet has unwound accordingly. Notwithstanding a more benign outlook for bad debts, an investment in **Orange** provided more adequate compensation on a risk adjusted basis.

Better value was also available in other banks around the world. Some of the proceeds from the sales of **Marks & Spencer** and **Mitsui O.S.K Lines** were invested into **Shinhan Financial Group** and **Sumitomo Mitsui Financial Group**.

Shinhan Financial Group has emerged from recent covid headwinds in an improved position even with pressure on net interest margins. Third quarter earnings show loan growth, strong fee income, lower costs and improving credit costs. **Shinhan** trades on a 50% discount to book value and is currently generating an 11% return on that book value.

Another contributor to the increased **Sumitomo Mitsui Financial Group** position was the liquidation of the Japanese steel producer, **JFE Holdings**.

JFE Holdings returned 13% within the space of four months. The share price had begun to rally as economies reflated and China placed curbs on steel production. Coking coal prices have rallied more than 60% since the time of purchase. This steel input is likely to have a negative effect on margins.

Both sales of **JFE Holdings** and **Mitsui O.S.K Lines** were used to fund a position in the Japanese shopping centre developer, manager and landlord, **AEON Malls.** Their combined sales also added to existing holdings in **BP**.

Like all mall owners around the world, **AEON Malls** has been impacted by reduced foot traffic because of covid-19. The portfolio has taken a position on the basis that the company represents compelling value at these prices with an entry point representing lows for company profitability and sales.

The remaining proceeds from **Mitsui O.S.K Lines** were invested into **Total**. **Total** pays an attractive dividend and should benefit as it continues to reposition itself for a reduced carbon future. Such a refocus is likely to reduce its high, carbon heavy, cost of equity.

Similarly, the outstanding proceeds from the **Marks & Spencer** sale were added to positions in **Mitsubishi Chemical Holdings**.

Since September, the stock has fallen 18% underperforming a weak Nikkei index. A sizeable portion of the decline related to the new CEO, Jean-Marc Gilson's strategic update and his decision to exit the petrochemical and carbon businesses. The market's response to the news is unusual as such a divestment would reduce the company's carbon presence, remove sizeable cyclicality and dovetail nicely with a focus on pharma, healthcare, electronics and digitisation. Jean-Marc appears to be shaking up the business with active portfolio management and an improving return on funds outlook. The portfolio is a buyer of such strategies of self-help that provide a low risk path to shareholder value creation.

Largest holdings Beanstalk Global 15 Portfolio	Largest holdings Beanstalk Global Shares Portfolio
BP Total Mitsui OSK Lines	Japanese Shares BP Total

Fixed interest [4.0% of the portfolio]

The Beanstalk fixed interest portfolio rose 0.8% outperforming its benchmark. The sole exposure in this asset class is pound sterling. The UK has starred down Omicron endeavouring to remain as open as possible across the holiday period. The BOE has already raised rates 15bps and remains on a tightening bias. This should be compared to Australia which has further to go to reach 'peak-Omicron'. It is also experiencing lower inflationary pressures and a more dovish central bank. These factors contribute to a weaker dollar outlook against sterling.

Listed property trusts [9.0% of the portfolio]

The **Listed Property Trust** portfolio rallied 3%, underperforming its benchmark.

Unibail-Rodamco-Westfield had doubled in price since purchased in September 2020 and the stock gave up some of these gains in the face of a surging virus in Europe, its impact on foot traffic and a weaker euro.

Scentre Group provided a steadying influence on the portfolio, rising more than 15%. The market warmed to a strong profit result, upbeat commentary and a delayed appreciation of the inherent value of its asset base.

The portfolio finished the period holding 5.6% of its value in **Scentre Group** and 3.9% in **Unibail-Rodamco-Westfield**.

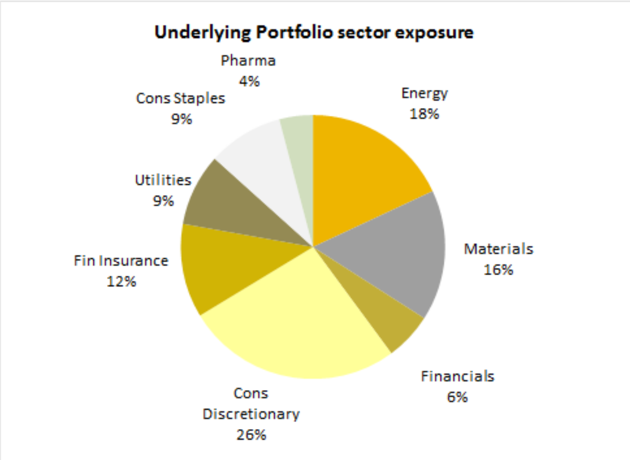
Cash products [23.0% of the portfolio]

The portfolio is 23% invested in bank bills, term deposits, negotiable certificates of deposit and cash. This investment aims to deliver a gross return in line with the Bloomberg AusBond Bank Bill Index. The gross return for the six months was -0.01%. We expect the gross return from cash products to be above 0.0% for the June 2022 half year, as long as there is no major change in the Reserve Bank's monetary policy. The gross return generated for the year to December 31, 2021, was 0.0%.

The Beanstalk Balanced Portfolio

PROFILE OF A $500,000 HYPOTHETICAL PORTFOLIO			
CLIENT: **Underlying Portfolio**			
PORTFOLIO VALUE: **$1,418,902**		as at	31-Dec-21
PERIOD SUMMARY	30-Jun-21	to	31-Dec-21
Unaudited pre-tax return			3.3%
Unaudited post-tax return			2.5%
UNAUDITED CUMULATIVE RETURNS			
- pre-tax *			188.5%
- post-tax (assuming liquidation)			156.1%
Tax payable/(losses available):			$ 10,207

* incl. Initial broker acq'n cost to establish portfolio



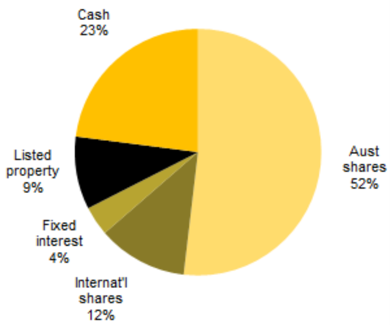
For a hypothetical $500,000 Underlying Portfolio (incl decimals adds to 100%)

Aust shares	***51.9%***
WPL	$ 61,327
ORG	$ 71,454
WBC	$ 16,316
AWC	$ 46,373
AVG	$ 49,356
MYX	$ 30,121
AGL	$ 65,167
TAH	$ 24,347
AMP	$ 68,321
BEN	$ 26,554
NUF	$ 16,551
MTS	$ 18,595
FBU	$ 20,946
SXL	$ 36,087
SGM	$ 34,086
APN	$ 28,417
NZM	$ 25,789
SGR	$ 27,808
SUN	$ 16,383
NEC	$ 51,951
	$ 735,949

Fixed interest	**3.9%**
-Govt bonds/USD/EUR	3.9%
-Corporate debt	0.0%
	$ 54,881
Listed property	**9.5%**
	$ 135,270
International shares	**11.8%**
	$ 166,903
Cash	***23.0%***
	$ 325,900

Fund summary

Aust shares	$ 735,949
Internat'l shares	$ 166,903
Fixed interest	$ 54,881
Listed property	$ 135,270
Cash	$ 325,900
Total	$ 1,418,902



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