

# FLACK

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**Flack Group Model Portfolios Quarterly Report  
December Quarter 2022**

# Flack Group Model Portfolios Quarterly Report

## December Quarter 2022

### 2022 in Review

The general gloom in global equities experienced throughout most of 2022 showed some signs of easing near the end of the year. Although analysis of historical data shows this to be a common feature at this stage of an identified decadal economic cycle, an abnormal contributor this year has been the costs and instability associated with the war in Ukraine. Its inflationary influence is reflected in a heightened need for interest rates increases, from an abnormally low base, that are yet to show firm signs of easing. Nonetheless, many analysts are now suggesting that a flattening of rates might be expected in the first half of 2023, with several projecting that rate reductions then will commence around the end of the year.

The consequential lessening in fundamental value of growth investments as a result of higher rates continued to see a lowered preference for the growth sectors of world equities markets. This is obvious in the 2022 relative performance of growth market indices such as the NASDAQ in the USA (-33.1%) and the All Technology Index in Australia (-32.8%). However, its lower weighting towards growth industries allowed the ASX200 to outperform most global stock markets, with an annual loss of only -5.5%. The performance of individual ASX sectors ranged from +39.7% (Energy) to -34.3% (Information Technology) over the period.

It may be worthy of note that the NASDAQ Composite, as an example, achieved a fall of -37.7% from its November 2021 peak of 16,212 to its October 2022 low of 10,089. This fits almost perfectly with the theoretical falls of around -38.2% that have been identified as common in the history of equities markets at this point in their decadal and natural cycles. This could be seen as an encouraging sign that a long-term market bottom may have formed in late 2022.

The Growth-to-Value rotation that has occurred throughout 2022 may be expected to reverse once the interest rate environment flattens and then begins to ease – a normal feature of long-term market cycles. With its primary selection requirement for individual assets displaying established records of long-term high price growth, the two SMAs managed using DRAM methodology demonstrated weakness comparable with that of higher-growth global markets over the period.

## December Quarter 2022

The Table below displays the relative performances of indices of relevance to the Flack SMAs through the December quarter of 2022. The Time Weighted Return traced by each active SMA for the quarter is shown separately below. Variations in the AUD/USD rate will affect directly the performance of assets in the primarily international Diversified Markets Model, and likely also those in the Australian Share Model with significant involvement in international product markets. AUD/USD movements have had an adverse effect on SMA performances in the period.

### Major Market Changes for December Quarter

S&P/ASX 200 (XJO)	8.72%
S&P 500 Index	7.08%
NASDAQ Composite (IXIC)	-1.03%
MSCI World 100 (MSCI)	9.77%

### Flack Model Changes for December Quarter

<b>Dynamic Australian Share Model</b>	<b>2.22%</b>
<b>Dynamic Diversified Markets Model</b>	<b>2.95%</b>

At the beginning of the quarter research was undertaken to develop appropriate technical analysis methods that might better identify pending downward price movements, intended as an aid to the regular asset selection process. This resulted in the DRAM algorithm being expanded through automatic inclusion of a moving averages-based requirement for asset inclusion, directed at excluding those defined as in a downtrend.

A shorter-term approach led to the development by Ian Flack of a proprietary Relative Strength Signal (RSS) that is based on weekly price data periods. The use of this indicator has the advantage that it does not require a well-defined long-term price growth trendline, thereby opening up the selection process to a wider range of eligible assets for an active portfolio. It also is more sensitive to possible immediate price movements in comparison with the DRAM method, which used only monthly price data. Both methods were applied to the selection of assets in active portfolios during the quarter.

# Dynamic Australian Share (DAS) Model

**Model Portfolio Name:** Calnan Flack Dynamic Australian Share Model

**Manager:** Flack Group

**Platform:** Praemium

## Investment Objective

With an “Opportunistic” investment style, the objective of the Calnan Flack Dynamic Australian Share Model is to provide investors with a mix of income and capital growth over the long term for a portfolio of Australian shares drawn predominately from the ASX300. Income may include some franking credits.

## December Quarter 2022

With the obvious disparity between the performance of this growth-based Model and the ASX200 performance on the whole through the earlier part of 2022, a cautionary approach was taken to the selection process during the quarter. This disparity might be expected considering that at any one time its active portfolio has represented only about 5% of the ASX200 index, with an intentional growth bias. Consistent with the new RSS method, much of the Model’s active portfolio was held in Cash during the first half of the quarter. From mid-November the asset selection process then was based solely on the RSS approach.

This cautionary approach was adopted conscious of the high level of price volatility displayed by individual Australian growth companies through much of the year, with termination of the Growth-to-Value process not yet obvious. The resulting performance of the Australian Share Model is represented by the graphic below.

## Returns



The low level of volatility demonstrated by the Model is consistent with the cautionary approach described above, with its value remaining little changed over the 3-month period. When interest rate increases show signs of stabilising, with consequent return to a preference for growth, the DRAM methodology can be expected to again dominate the asset selection process with subsequent emphasis on capital growth.

## Percentage returns

	3 mths	6 mths	1 yr	Since inception*
Calnan Flack Dynamic Australian Share Model	2.22%	3.52%	-37.53%	-11.87%
S&P/ASX 300 Accumulation Index	9.13%	9.62%	-1.77%	6.54%

\*Inception date 11/03/2021. Prior to this date a similar model was managed under a different mandate, longer-term historical performance with the previous mandate is available upon request. Past performance is not an indicator of future performance. No allowance has been made for taxation and fees are not taken into account. Returns quoted are for the model portfolio.

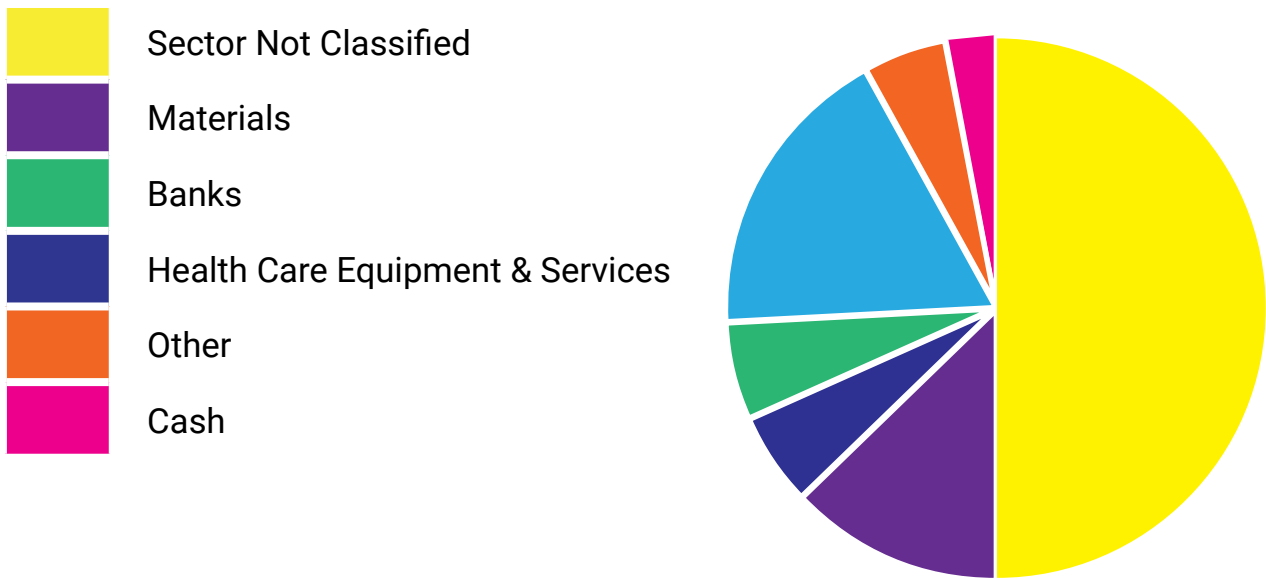
## Holdings

ALU ALTIUM LIMITED  
 BHP BHP GROUP  
 CBA COMMONWEALTH BANK OF AUSTRALIA  
 CPU COMPUTERSHARE  
 GEAR BETASHARES GEARED AUSTRALIAN EQUITY FUND  
 GOLD GLOBAL X METAL SECURITIES AUSTRALIA LIMITED  
 ILC ISHARES S&P/ASX 20 ETF  
 MVE VANECK S&P/ASX MIDCAP ETF  
 MVR VANECK AUSTRALIAN RESOURCES ETF  
 PME PRO MEDICUS  
 RIO RIO TINTO  
 TNE TECHNOLOGY ONE  
 VAS VANGUARD AUSTRALIAN SHARES INDEX ETF  
 WTC WISETECH GLOBAL

\*All returns and holdings as at 31st of December 2022.

## Major Active Positions

Portfolio Holdings by Sectors as at 31 December 2022



# Dynamic Diversified Markets (DDM) Model

**Model Portfolio Name:** Calnan Flack Dynamic Diversified Markets Model

**Manager:** Flack Group

**Platform:** Praemium

## Investment Objective

The Calnan Flack Dynamic Diversified Markets Model provides investors with exposure to a mix of both capital growth and income assets in an environment where the manager can make changes to the asset allocation.

The Flack Group investment philosophy is for long-term holdings whose characteristics are determined through recognition of the existence of different price directional movements at times within a longer cycle.

## December Quarter 2022

The characteristics of assets in the Diversified Markets Model are very different from those in the Australian Share Model. With each representing a complete national or global index, and with Australia only represented in the minority, this Model's constituents do not demonstrate the level of volatility displayed by Australian shares. As a result, the asset allocation process for this Model has continued to be based primarily on the now enhanced DRAM algorithmic method.

Movements in the value of the Model over the quarter are represented in the graphic below.

## Returns



The performance for the quarter was a minor gain of +2.95% in value. Movements throughout generally mirrored those of the global markets on which the Model is derived. Probably the closest expectation of its performance would be through comparison with the MSCI World 100 Index expressed in AUD terms, which gained +2.8% for the December quarter.

## Percentage returns

	3 mths	6 mths	1 yr	Since inception*
Calnan Flack Dynamic Diversified Markets Model	2.95%	1.3%	-18.88%	-4.76%
RBA Cash Rate +2%	1.2%	2.16%	3.28%	2.79%

\*Inception date 27/04/2021. Prior to this date a similar model was managed under a different mandate, longer-term historical performance with the previous mandate is available upon request. Past performance is not an indicator of future performance. No allowance has been made for taxation and fees are not taken into account. Returns quoted are for the model portfolio.

## Holdings

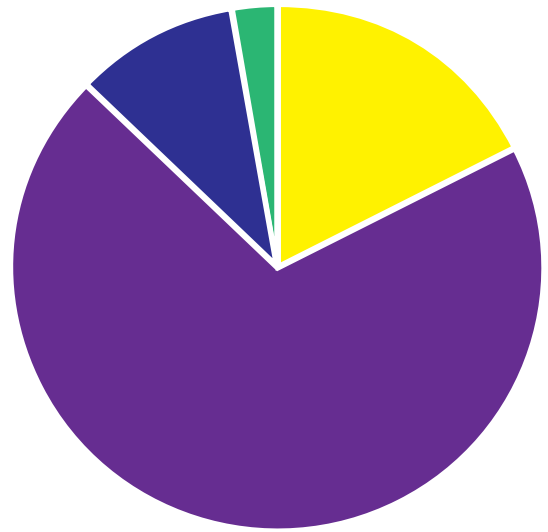
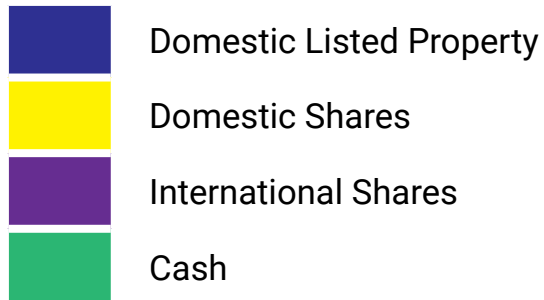
A TEC BETASHARES S&P/ASX AUSTRALIAN TECHNOLOGY ETF  
 GEAR BETASHARES GEARED AUSTRALIAN EQUITY FUND (HEDGE FUND)  
 IJP ISHARES MSCI JAPAN ETF  
 IJR ISHARES S&P SMALL-CAP ETF  
 IKO ISHARES MSCI SOUTH KOREA ETF  
 IVV ISHARES S&P 500 ETF  
 IXJ ISHARES GLOBAL HEALTHCARE ETF  
 MVE VANECK S&P/ASX MIDCAP ETF  
 NDQ BETASHARES NASDAQ 100 ETF  
 TECH GLOBAL X MORNINGSTAR GLOBAL TECHNOLOGY ETF  
 VAP VANGUARD AUSTRALIAN PROPERTY SECURITIES INDEX ETF  
 VGS VANGUARD MSCI INDEX INTERNATIONAL SHARES ETF

\*All returns and holdings as at 31st of December 2022.



## Major Active Positions

Portfolio Holdings by Sectors as at 31 December 2022



Performance of your investment in the fund is not guaranteed, past performance is not a reliable indicator of future performance. Percentage returns quotes have been calculated using the Time Weighted Return (TWR) method for the Model Portfolio. Performance is calculated using the closing prices of the Model Portfolio and will include any distributions, income entitlements but excludes franking credits, taxes and fees. Investor performance may differ from the Model Portfolio performance. This document provides general information only and has not been prepared having regard to your objectives, financial situation or needs. Before making an investment decision, you need to consider whether this information is appropriate to your objectives, financial situation, and needs. No person should act on the basis of any matter contained in this document without obtaining specific professional advice. This is not an offer document and does constitute a recommendation, offer or a solicitation of an offer to buy or sell securities. This material has been prepared as general information only and is only intended to provide a summary of the subject matter covered.

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