

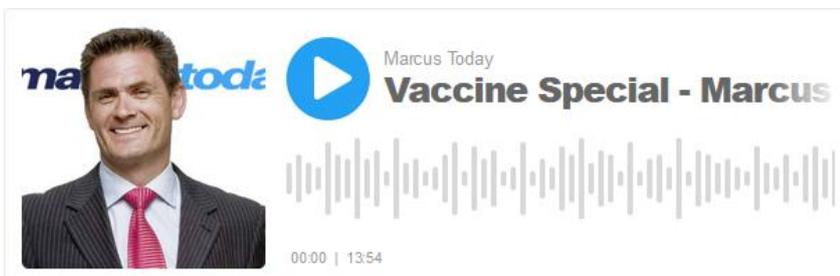
## Marcus Today SMA | October 2020 Update

### BREAKING NEWS: Light at the End of the Tunnel.

Big vaccine developments this morning just before we hit the send button. A brief summary:

Stock around the globe rallied after German-based **BioNTech and Pfizer announced that their COVID-19 vaccine candidate achieved success** in the first interim analysis of a Phase 3 study. The company said that the analysis found that the **vaccine was more than 90% effective in preventing the disease** among trial volunteers who had no evidence of prior coronavirus infection. If these results can be replicated moving forward, **that level of protection would put it on par with highly effective childhood vaccines for diseases such as measles**. No serious safety concerns were recorded. The next part of the process will see **Pfizer applying to the FDA for emergency authorisation** of the two-dose vaccine later this month, after it has collected the required two months of safety data. **By the end of the year, it will potentially have manufactured enough doses to immunize 15-20m people**. Cyclical sectors surged on the vaccine news, whilst tech names were left behind amid the potential end to the stay-at-home and online shopping themes. The vaccine couldn't come at a better time, with the **US case count reached nearly 10m**, as Joe Biden unveiled his COVID-19 task force. US treasuries sold off sharply. The greenback was stronger against its major peers, particularly vs yen. **Gold fell 5%** in its worst session since Jun-13. **Oil jumped 8.5%** in it's best session since mid-May. Base metals mainly stronger on the news and **Iron ore rose 3.3%**.

Check out Marcus Padley's "vaccine special" to find out what moves we're making in response to the vaccine news.



### SMA PERFORMANCE

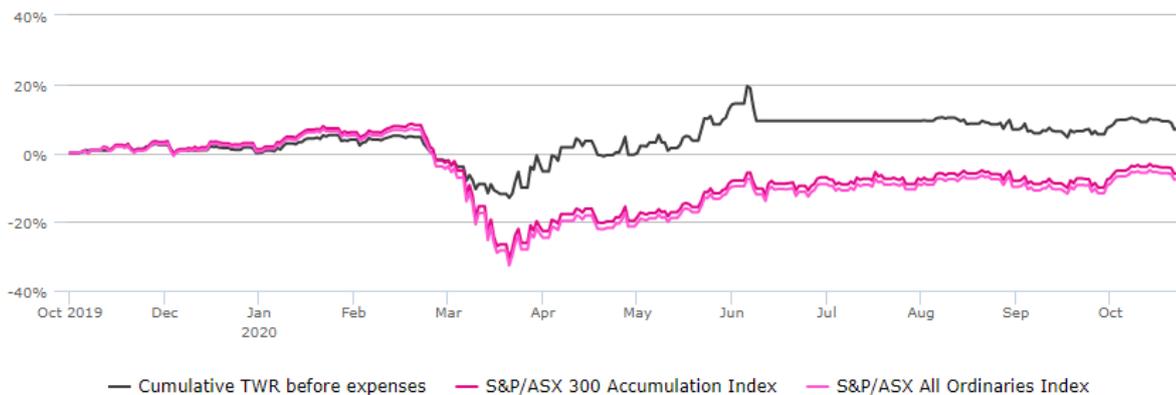
#### MARCUS TODAY GROWTH SMA (MT0001)

The Marcus Today Growth SMA fell 1.32% in October, underperforming the 1.89% rise in the benchmark S&P/ASX 300 Accumulation index by 3.21%. **The Growth SMA has risen 4.05% over the past 12 months – outperforming the 7.91% fall in the benchmark index by 11.96% for the period - and is up 7.2% in the first nine days of November, against the benchmark index up 6.36%.**

Through October and the early stages of November we made the steady transition from a cash weighting of around 30%, to now be fully invested. Through this period we increased our tech exposure in the liked of **ALU, APX, TNE** and **XRO**, and added specific stocks that we saw would be beneficiaries of a "return to normal" in Australia, including OML and JIN. We continue to hold none of the 'big four' banks. While we are not fixed to that position, we believe we will be able to significantly outperform the banks through stock and sector selection, even as the economic outlook improves.

Periods to 31 October 2020	1 mth	3 mths	6 mths	1 yr	Since inception p.a.
<b>Portfolio return before expenses (TWR)</b>	<b>-1.32%</b>	<b>-4.85%</b>	<b>-0.6%</b>	<b>4.05%</b>	<b>5.65%</b>
S&P/ASX 300 Accumulation Index	1.89%	1.22%	9.09%	-7.91%	6.43%
S&P/ASX All Ordinaries Index	2.06%	1.24%	9.57%	-9.45%	2.81%

Cumulative returns over time



Source: Praemium

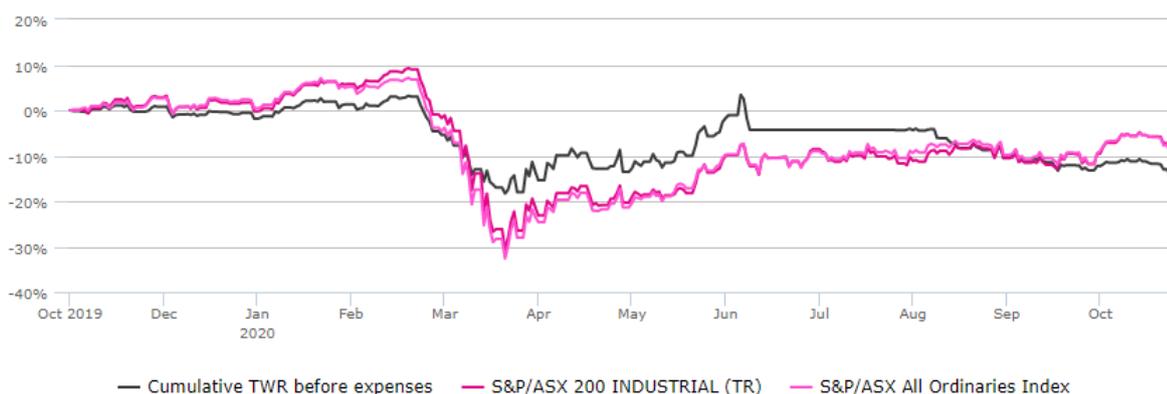
We have maintained a relatively heavy weighting in the travel space (currently around 10% of the portfolio through exposure to **CTD, FLT, QAN, SYD** and **WEB**) which is holding us in good stead as the market jumps on the Pfizer vaccine news.

*In response to the news we have further raised our travel exposure, as well as reintroduced energy exposure through **OSH, ORG, WPL** and **STO**, and topped up our holdings in **BHP, RIO, MQG** and **SCG**. To fund these purchases, we have sold 'covid beneficiaries' **PMV, NCM, NST, WES, WOW, COL** and **FPH**.*

### MARCUS TODAY EQUITY INCOME SMA (MT0002)

Periods to 31 October 2020	1 mth	3 mths	6 mths	1 yr	Since inception p.a.
<b>Portfolio return before expenses (TWR)</b>	<b>-1.74%</b>	<b>-10.53%</b>	<b>-6.31%</b>	<b>-14.49%</b>	<b>-1.54%</b>
S&P/ASX 200 INDUSTRIAL (TR)	2.76%	2.77%	8.83%	-9.22%	5.15%
S&P/ASX All Ordinaries Index	2.06%	1.24%	9.57%	-9.45%	2.81%

Cumulative returns over time



Source: Praemium

The Marcus Today Equity Income SMA fell 1.74% in October, underperforming the benchmark ASX 200 Industrials TR index which rose 2.76% for the month.

**The Equity Income SMA has a 12 month gross yield of 5.02%, which sits above the market average yield of around 3.5%.** October was a big transition month for the Income SMA. We made the move from 66% cash at the start of the month, to now be fully invested. If some yields look a bit skinny most of them return to paying higher dividends next year.

You'll notice we have significantly increased the spread of holdings by number, there are no stocks with market capitalisations below \$500m, and there is a large weighting to top 50 stocks. This is a deliberate attempt to reduce volatility and risk. This also means that this is not a growth portfolio. It lacks healthcare exposure and technology exposure. On that basis, it will be hard to outperform the ASX 300, but that's not the goal, the goal is to provide an income with reduced capital risk. Our benchmark should be to beat the *total return* of term deposits, but it isn't, but I can see why some fund managers use the RBA cash rate as a benchmark for their performance bonus...cheeky, but you can see why if chasing income corrals you into low growth stocks.

*In response to the vaccine news we have further raised our travel exposure by topping up SYD and QAN, as well as reintroduced energy exposure through ORG, WPL and STO and banking exposure through ANZ, NAB and WBC. We have also increased our holdings in BHP and MQG. To fund these purchases, we have sold 'covid beneficiaries' AX1, JBH and NCK, while also decreasing our exposure to WES, WOW and COL.*

## DAILY STRATEGY PODCASTS

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## MARKET SUMMARY



Source: Refinitiv Eikon

October saw the ASX 200 rise 1.92%, outperforming majority of the global markets in a month dominated by the ‘winter wave’ of COVID-19 across Europe and the US, and the build up to the American presidential election. European markets all finished the month well in the red as COVID-19 continued to suffocate economies and livelihoods. Germany was the worst hit, down 9.44%, followed by the FTSE down 4.92%, Italy down 3.94% and Spain down 3.75%. The Dow Jones fell 4.61% for the month, while the S&P 500 and the Nasdaq fell 2.77% and 2.29% respectively as ‘blue wave’ optimism was overtaken by the fear of the exponential second wave of COVID-19 and the reintroduction of lockdowns.

It didn’t quite end up the ‘blue wave’ that many expected, and there may be some way to go with legal challenges and further accusations of fraud, but as it stands Joe Biden has won the election race and is set to become the 46th President of the United States of America, with Vice President-elect Kamala Harris the first woman, the first person of colour, and the first person of Indian descent to take the role.  
Source: Marcus Today

INDICES	Oct	Sep	2020 Calendar Year	This Financial Year	Rolling Year
ALL ORDS INDEX	+2.06%	-3.79%	-9.84%	-8.45%	-9.44%
ASX 200	+1.92%	-4.04%	-11.32%	-10.44%	-11.04%
ALL ORDS inc	+2.08%	-3.43%	-7.55%	-4.23%	-6.51%
MSCI WORLD INDEX	-3.14%	-3.59%	-2.78%	+5.26%	+28.87%
DOW JONES	-4.61%	-2.28%	-7.14%	-0.37%	-2.01%
S&P 500	-2.77%	-3.92%	+1.21%	+11.16%	+7.65%
NASDAQ	-2.29%	-5.16%	+21.61%	+36.29%	+31.59%
FTSE	-4.92%	-1.63%	-26.05%	-24.89%	-23.05%
GERMANY	-9.44%	-1.43%	-12.77%	-6.79%	-10.18%
FRANCE	-0.37%	-1.57%	-23.15%	-17.06%	-19.82%
ITALY	-3.94%	-3.63%	-32.43%	-29.86%	-30.30%
SPAIN	-3.75%	-3.57%	-33.05%	-31.27%	-31.06%
CHINA	+0.20%	-5.23%	+5.72%	+8.25%	+10.09%
HONG KONG	+2.76%	-6.82%	-14.48%	-15.54%	-10.40%
JAPAN	-2.84%	+0.45%	-8.25%	+1.82%	-5.26%
INDIA	+4.06%	-1.45%	-3.97%	+0.56%	-1.28%
<b>SECTORS</b>					
INDUSTRIALS	+2.75%	-3.49%	-10.83%	-9.45%	-11.84%
RESOURCES	-1.35%	-6.12%	-13.28%	-14.33%	-7.71%
PROPERTY TRUSTS	-0.37%	-1.57%	-18.02%	-19.90%	-21.13%
BANKS INDEX	+7.55%	-5.03%	-20.89%	-28.09%	-26.62%
ENERGY SECTOR	-0.84%	-11.6%	-0.20%	-3.26%	+5.82%
<b>COMMODITIES</b>					
AUSSIE DOLLAR	-1.89%	-2.90%	+0.07%	+0.09%	+1.93%
GOLD	-0.40%	-4.28%	+23.79%	+33.27%	+24.11%
OIL	-11.01%	-6.0%	-41.71%	-38.76%	-34.02%
IRON ORE	-3.1%	+1.2%	+31.31%	+10.08%	+34.22%
COAL	-9.7%	+4.6%	-3.35%	-15.68%	-14.72%
COPPER	+0.7%	+0.1%	+8.03%	+12.11%	+15.90%
NICKEL	+4.4%	-5.5%	+5.87%	+19.43%	-8.95%
ZINC	+4.7%	-1.9%	+1.18%	+2.69%	+5.33%
ALUMINIUM	+5.0%	-4.5%	+9.41%	+1.12%	+1.63%

It wasn’t all smooth sailing for Joe, as early polls showed Trump in a very strong position, but the strength of numbers of mail-in voters in the likes of Michigan, Wisconsin, and finally Pennsylvania got the democrats over the line.

There has now been over \$1bn traded on Betfair’s “Next President” market. Betting odds saw wild fluctuations and at one-point Trump traded into heavy favouritism before Biden came charging home in Michigan and Wisconsin (among other states). Despite the current state of play, the betting market remains open, with the punters giving Trump just the slightest chance of success with his challenges.

Trump was always going to put up a fight and there is still some way to go until we are free of the legal challenges. It also looks like we will have to wait until January 5<sup>th</sup> for clarity on the Senate, with run-off elections set for the Georgia seats as neither party received the 50% of total vote that is required to take control. It does still look likely that we will end up with the split congress that the market rallied on the back of on November 4<sup>th</sup> and 5<sup>th</sup> (Nasdaq +7.08%, S&P 500 +4.19% and the ASX 200 +2.11%) but we will have to wait a little while for final confirmation.

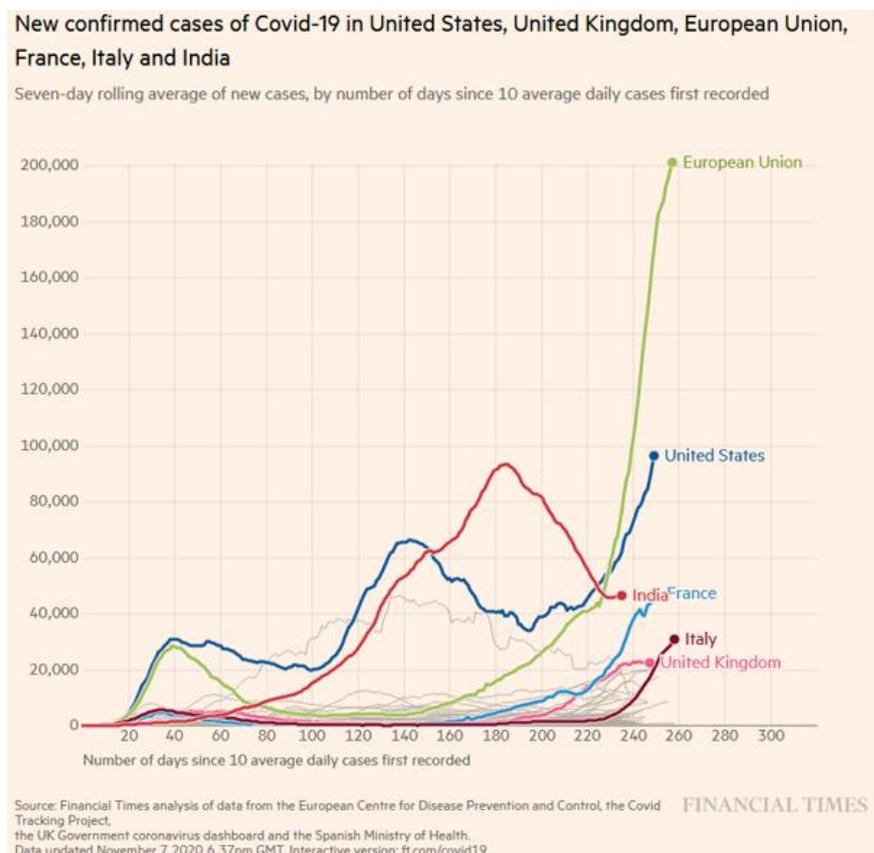
Assuming the transition to power is ultimately smooth(ish) and the Republicans hold the Senate, here is some of what we can expect the election outcome and a Biden-Harris led America:

- Executive orders to re-join the Paris climate accord, reverse withdrawal from WHO, repeal Muslim travel ban and reinstate the Dreamers program.
- A new 12-member coronavirus task force.
- A return to coronavirus restrictions but with a goal to minimize the kind of economic damage caused by the first lockdown measures.
- A stable message on beating the virus from leaders at all levels and sides.
- A deficit-financed economic recovery bill sent to Congress.
- Delayed progress and roadblocks on the tax-increase plans.
- Expansion of Obamacare in the face of split congress making a public health option difficult.
- A different approach to trade. Biden is expected to be more open to deals but could also be more effective in pressuring China by galvanizing allies.
- No trade deals until after coronavirus stimulus and infrastructure investments.
- Strength in tech and healthcare thanks to the split senate.
- Decreased volatility caused by a drop off in Presidential tweeting.
- A last-ditch effort from Trump to make life difficult for Biden over his last two months in office – may include the firing or targeting of perceived enemies and the pardoning of controversial allies.

**Meanwhile, the virus continues to spiral out of control around the world.** 30 of America's 50 states hit new records over the first week of November as the global case count passed 50m. Global numbers have risen by an average of 540,000 a day over the last week and a quarter of the total cases have come in the last 30 days.

We know that going 'half-half' on restrictions doesn't work, and it seems that much of the northern hemisphere still hasn't cottoned on. Spain declared a six-month state of emergency and an overnight curfew but there are countless countries still caught in this half-half situation where half measures (Italy ordering some businesses closed and warning about unnecessary travel) have absolutely no impact, just damaging the economy with no material improvement in mortality rates. The US are setting new single day records every day, hospitalisations are up 40% month on month and hospitals are beginning to reach capacity again with US hospitals suspending elective procedures and discussing "priority of care" issues. They need a vaccine because they appear to have reached the point of no return - there is no coming back from this without a significant and devastating lock down.

**New cases.** Latest lockdown measures not slowing European numbers yet.

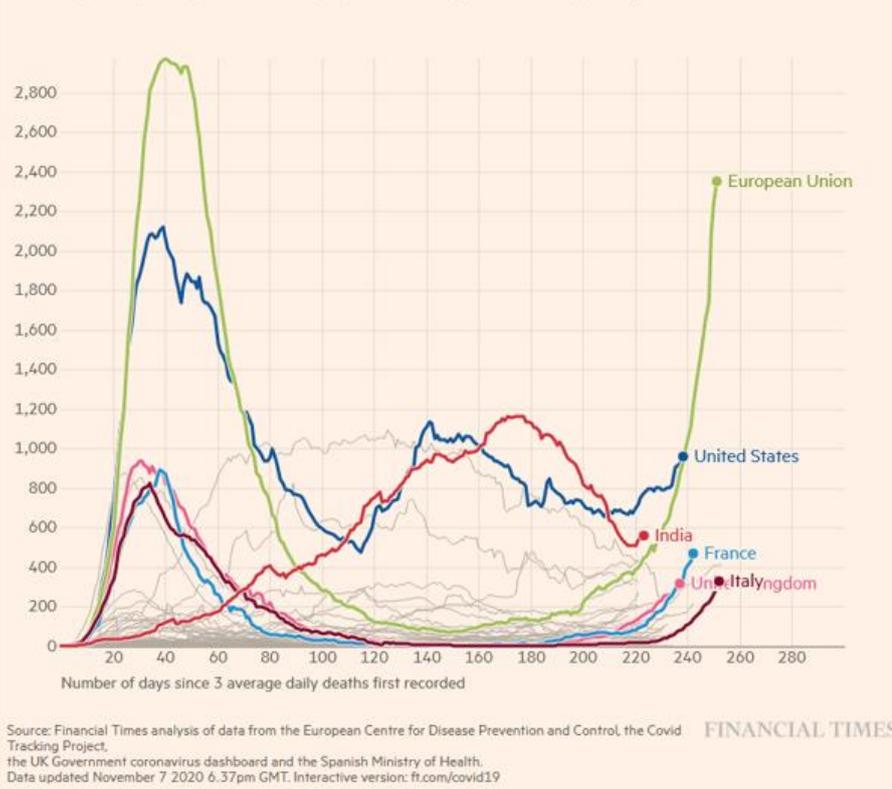


**Deaths** following in a nasty way. It all makes you pretty glad to live in Australia. As we write we have had

two consecutive days of no locally transmitted cases in the country, and Victoria has turned golden child with 10 straight days of no new cases and no as the latest round of restriction easing was announced by Dan Andrew's, with further easing expected from November 22<sup>nd</sup> and the NSW/Vic border set to open up on November 23<sup>rd</sup>.

**New deaths attributed to Covid-19 in United States, United Kingdom, European Union, France, Italy and India**

Seven-day rolling average of new deaths, by number of days since 3 average daily deaths first recorded



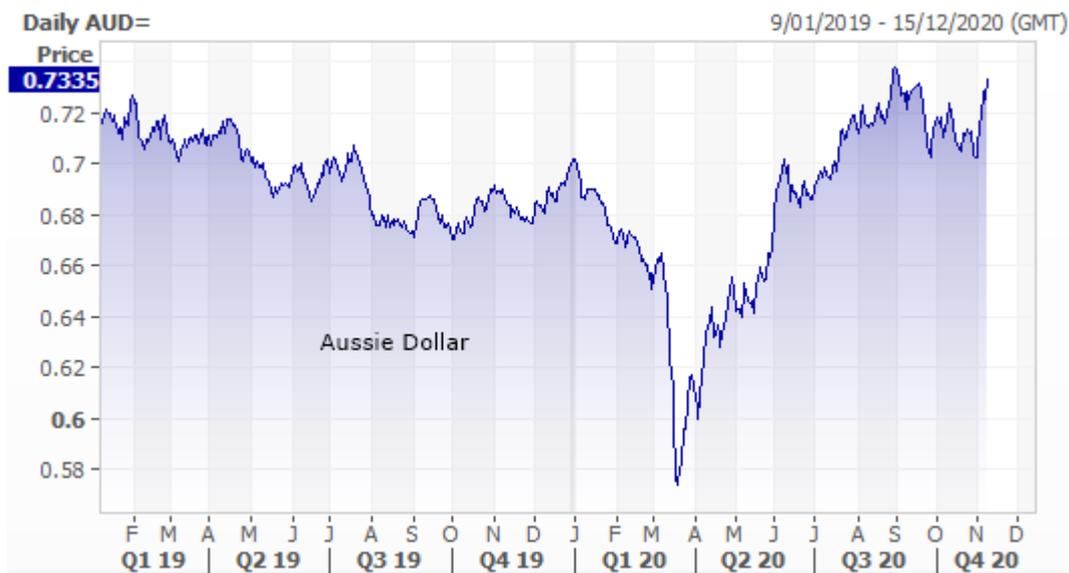
**Other things in October:**

- **AGM season kicked off** in typical fashion with a split of confessions and upgrades. Companies are making plans for a permanent switch to virtual AGM's after having hand forced this year. Investors are revolting at the idea of no free AGM lunches.
- **Volatility is coming down** thanks to US election certainty and the rising market. A president that doesn't tweet every thought takes one volatility catalyst away. VIX volatility index back closer to 20 but still sitting well above the long-term average.



Source: Refinitiv Eikon

- **The RBA reduced the cash rate by 0.15% to 0.10% at the November meeting** on Melbourne Cup day and announced it will purchase of \$100 billion of government bonds of maturities of around 5 to 10 years over the next six months.
- **A pretty routine FOMC meeting.** Did not mention the election, but pledged again to do whatever they can and use its “full range of tools” to support and sustain the US economic recovery.
- Since a Biden win became likely, both **US 10-year bond yields and the US dollar have dropped** (meaning the **AUD has risen**) on fading hopes of stimulus, the prospect of a long “lame-duck” period without a clear winner (bad for business confidence), and the chances of a more serious approach to virus (lockdowns).



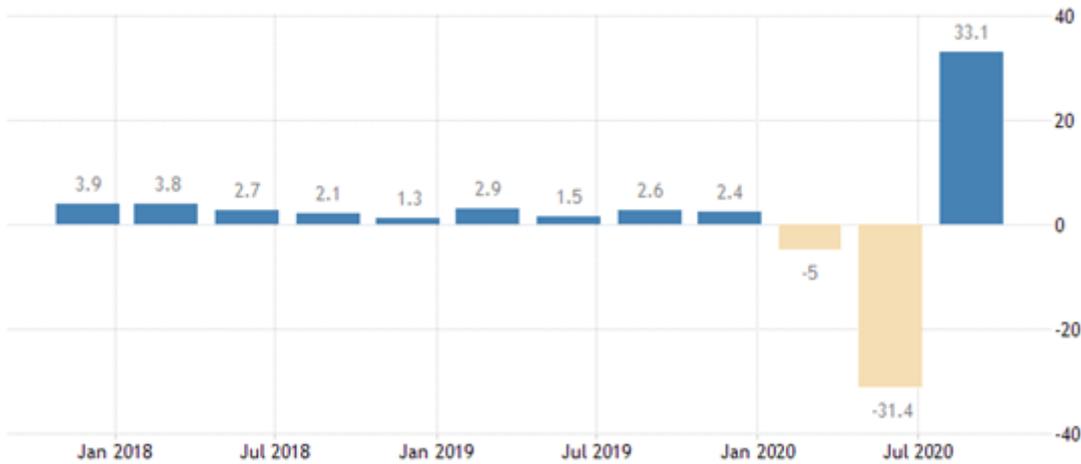
Source: Refinitiv Eikon



Source: Refinitiv Eikon

- **The Australian Government showed their hand with “Maximum Stimulus” as they announced the Federal budget.** Infrastructure capex, housing construction, jobs market stimulus, household income stimulus (which will perpetuate the online retail boom), tax incentives, are all being factored in.
- RBC Capital Markets joined Westpac in **upgrading Australian GDP forecasts** post the budget.
- **A record 33.1% jump in Q3 US GDP**, up from the 31.4% fall in the second quarter, is what \$3 trillion worth of stimulus buys you. Most of the rebound came from “personal spending” which surged thanks

to government stimulus cheques and unemployment benefits from the federal CARES Act.



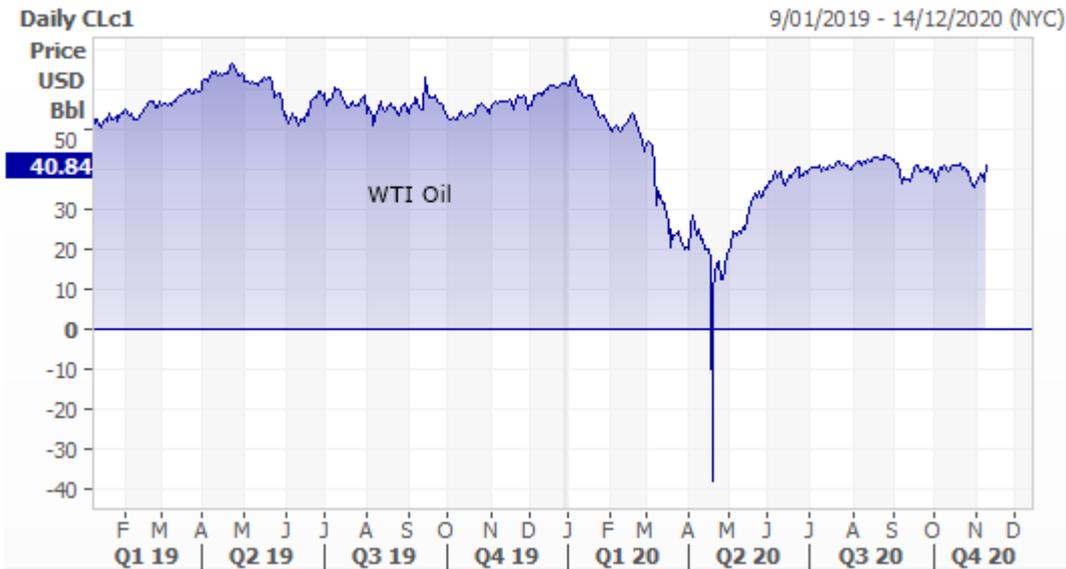
SOURCE: TRADINGECONOMICS.COM | U.S. BUREAU OF ECONOMIC ANALYSIS

- **89% of the S&P 500 reported Q3 numbers.** Of them, 89% saw a positive earnings surprise and 79% reported a positive earnings surprise. If the numbers stay as they are, this will mark the highest level of earnings surprise since the metric begun being tracked by Factset in 2008.
- **Gold** spent the month trading water, finishing 0.4% lower despite the continued stimulus and political uncertainty.



Source: Refinitiv Eikon

- **The oil price fell 11%** in October as the rampaging virus further dulled the global growth outlook.



Source: Refinitiv Eikon

- **The banks** rose through the start of the month, but ultimately dropped back down off the top of its trading range on the back of some uninspiring results from the 'Big 4'.



Source: Refinitiv Eikon

- **The iron ore** price continued to come off the top. BHP and RIO fell with it.



Source: Refinitiv Eikon

This update provides commentary on the funds as well as a comment on current market thinking. If you have any questions please contact: [sma@marcustoday.com.au](mailto:sma@marcustoday.com.au) and our team will get back to you.



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