

Portfolio Advisory Service Insights

December 2021

The importance of a medium-term outlook

Each year, the Oreana Portfolio Advisory Service releases its Medium-Term Global Outlook. This important document looks out over the next five years to identify themes and actions that we expect will improve portfolio outcomes. In 2020, we successfully navigated the pandemic driven drawdowns, delivering great outcomes for our investors. In 2021, we were focused on sustaining the great returns our investors and partners had enjoyed through 2019 and 2021.

As 2021 draws to a close, we think it is important to review those themes. We find that while our five key themes were challenging to implement, they have made significant positive impact on the outcomes enjoyed by our investors.

A review of our Medium-Term Global Outlook in 2021.

Table 1 shows the key themes, and the relevant actions, we recommended in the 2021 Medium-Term Global Outlook.

Table 1: Our key themes and actions in 2021

Key Issue	Key Action	Assessment
Setting the scene: the start of a new cycle	Equity beta will be rewarded, so remain invested through volatility	Global equities have delivered 17.5% in the year to December 13, despite periods of volatility.
Use scenarios to manage surprises	Understand exposures to downside risks, and use scenarios to stress test the portfolio	The risk of an inflationary shock policy error is being increasingly priced in US Treasury markets. This was a key scenario of ours in early 2021, which allowed us to navigate the impact of higher sovereign bond yields on portfolios.
Searching for yield in a low-rate environment	Focus on the objective, rely on manager research and consider alternative credit	Credit yields remain low, and prospective fixed income returns are challenging. PAS has access to a range of alternative credit options that have delivered consistent income through 2021.
The growth of China	Make China exposure a conscious decision, and use active management	China's markets have underperformed global markets in 2021. But our preferred China equity managers have outperformed their index, highlighting the importance of active management.
Integrate sustainable investing	Start with beliefs and embrace the journey	ESG and sustainability have been key drivers of return in the post-pandemic world. Our timely Whitepaper on sustainability has been a clear framework for improving portfolio outcomes.

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These are challenging to implement across a portfolio, but we believed they would be transformative. Through a year that has included new Covid19 variants, vaccine rollout challenges, global lockdowns, political uncertainty in the US, the highest US inflation in 30-plus years, and slowing Chinese economic growth, our recommendations stand up to scrutiny.

Implementation matters.

Our recommendations are applicable for model strategic asset allocation-only portfolios, managed accounts with dynamic asset allocation, individual portfolio opportunities, retail investors, professional/sophisticated investors, and institutions. We have partnered with all of these investor segments in 2021 to deliver strong outcomes.

Our experience is that managed accounts have been the best way to implement these views. Our clients are increasingly turning to our existing SMA and MDA portfolios available in Australia and Hong Kong. We are also finding more advice practices seeking bespoke solutions for their clients. The key is the efficiency that the recommendations can be implemented, and the excess risk-adjusted returns that can generate, in the best interest of the end-investor

Contact PAS for more information.

The Portfolio Advisory Service has been working with clients across Australia and Asia to help manage investment solutions. There is a clear move towards managed accounts within the Australian and Hong Kong markets. Our work is supported by deep asset class research and manager review expertise within the team – delivering great outcomes for our partners.

Reach out to our [Portfolio Advisory Service](#) to find out how we can assist you with managing your investment challenges.