

Investment Update

January 2021

INVESTMENT RETURNS to 31 December 2020

	3 Months %	1 Year %	3 Years % p.a.	5 Years % p.a.	10 Years % p.a.	Since Inception % p.a.
ARA Investment Fund						
Defensive	1.3	2.0	2.6	3.0	4.0	4.6
Growth	3.4	3.7	3.6	4.8	5.9	5.9
Equities	4.9	4.9	4.3	5.0	5.9	6.6 (August 2003)
Long Term Income Builder	11.9	n/a	n/a	n/a	n/a	n/a (March 2020)
ARA Retirement Fund – Accumulation (taxed)						
Defensive	1.1	1.6	2.2	2.6	3.6	3.7
Growth	3.0	3.2	3.4	4.4	5.6	5.2
Equities	4.4	4.3	4.1	4.4	5.5	5.7
ARA Retirement Fund – Pension (untaxed)						
Defensive	1.2	2.1	2.8	3.1	4.1	4.2
Growth	3.3	3.6	4.0	4.9	6.2	5.9
Equities	4.8	4.9	4.5	5.0	n/a	5.9 (October 2013)

Returns quoted are after all costs, and before the application of management fee rebates. Exclude commissions payable prior to 1/7/2006.

Return figures for the ARA Investment Fund are pre-tax and do not include the additional benefit of franking credits as the net result is dependent on individual investors' tax position. Assume the re-investment of distributions.

Return figures for the ARA Retirement Fund – Accumulation (Taxed) are net of all fees and tax on earnings at the statutory rate of 15%.

Return figures for the ARA Retirement Fund – Pension (Untaxed) are net of all fees and tax including the refund of franking credits.

3 month return figures are for the three months to 31 December 2020 and are not annualised. Past performance does not ensure or imply a future result

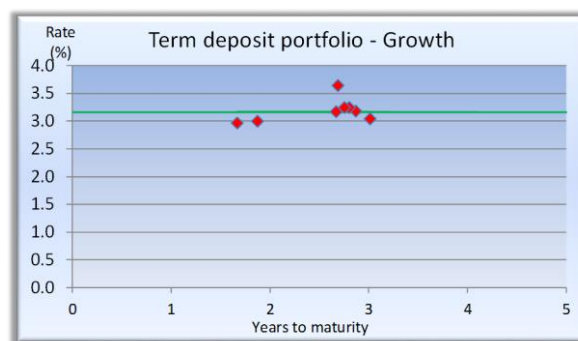
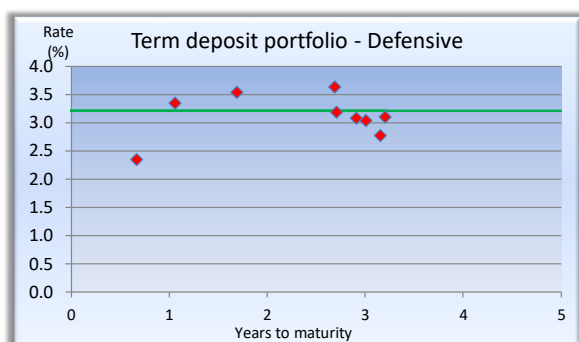
Solid returns continued for the last quarter of the calendar year, such that all portfolios posted positive results for a tumultuous 2020.

To look at the year in two halves (table below) it doesn't look nearly as bumpy as it felt at the time. Although the comparison with the stock market (All Ords Accumulation Index) gives some sense of how the portfolios arrived at their destination via a much smoother route.

	Defensive	Growth	Equities	All Ords
6 mths to 30/6	-1.1%	-3.2%	-3.8%	-10.4%
6 mths to 31/12	+3.2%	+7.1%	+9.0%	+15.7%
Calendar year	+2.0%	+3.6%	+4.9%	+3.6%

So that's last year, what of 2021? It would be a brave call to say that the political, economic and health issues that distinguished 2020 are behind us. Notwithstanding Australia's successes thus far in containing the spread of Coronavirus, there is a very real chance that the pessimistic scenarios will prevail elsewhere in the world if not here, with disastrous humanitarian and economic consequences. Investment portfolios may well be severely tested again this year.

Looking at the "safe" assets section of the ARA funds, the part that plays the key role in capital protection, close to 70% of Defensive and 30% of Growth are still in securities with bank safety or similar. Having locked in some long term deposits a couple of years ago before the bottom fell out of the interest rate market, most of our term deposits still have around 3 years to run at or around interest rates of 3% or more, and very little will roll off in the coming year. In the charts below each dot represents one such deposit, with the interest rate on the vertical axis and years left to run on the horizontal.



As for risk assets, those that are supposed to do the heavy lifting and generate returns above the safe rate, the key theme is still the anomaly whereby the US sharemarket looks by many measures startlingly expensive, while markets elsewhere remain relatively attractive. One example quoted to illustrate this "irrational exuberance", particularly in large tech-oriented stocks in the US, is a statistic concerning the Tesla company, which has only recently begun turning a profit. It is now valued at \$1,250,000 per car sold annually, while "old school" General Motors is valued at \$9,000 per car.

So, notwithstanding the positives of a new administration and the multi-trillion dollar stimulus plans in the US, heady valuations call for caution.

Our market, even after the strong rebound since March, looks fair value still, if largely on the back of the attractive dividend yield. And similarly global stocks outside the US still trade on attractive terms.

So our strategy here is pretty simple. Profitable businesses remain a sound investment provided you don't pay too much for them. Hence we hold effectively nothing in the US market, and our exposure to shares is limited to Australian companies and the World outside the US.

And introducing Dulani Goonawardena

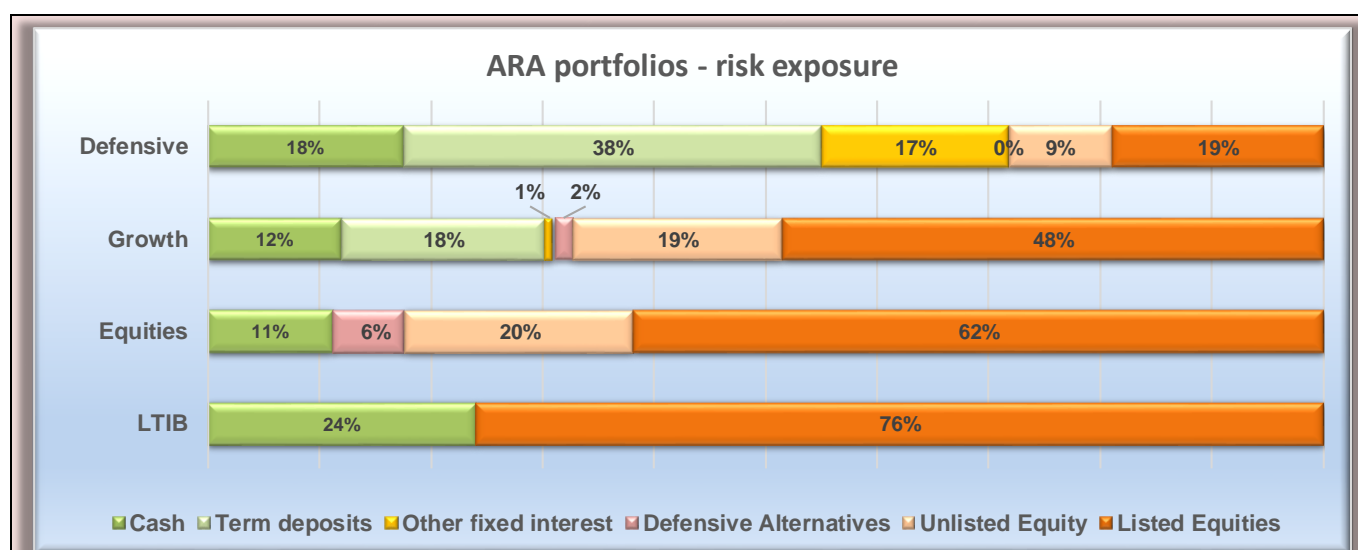
We are delighted to welcome Dulani to our service team. You will no doubt be hearing from her.



So, who's got what?

The table below shows the ARAIF's investments at the time of writing. Please note, the percentages refer to the proportion of each portfolio allocated to that investment, not its rate of return.

	Asset Class	Defensive Portfolio	Growth Portfolio	Equities Portfolio	Long Term Income Builder
National Australia Bank Cash account	Cash &	9.7%	8.2%	8.0%	11.0%
National Australia Bank Term Deposits	Tier 1	24.4%	15.9%	0.0%	
Challenger Life Guaranteed Annuities	Fixed	12.8%	2.4%	0.0%	
Coolabah Cash Fund	Interest	8.4%	3.9%	3.3%	
Coolabah Active Credit Fund	Other	10.6%	0.0%	0.0%	
GCI Capital Stable Fund	Fixed Interest	6.1%	0.8%	0.0%	
River Capital Growth Fund		2.7%	8.1%	6.7%	
Sterling Equity		6.8%	9.7%	11.7%	
Anacacia Wattle Fund		5.3%	12.5%	9.5%	
Betashares Aust Sustainable ETF	Listed Securities	1.3%	2.4%	11.3%	
Future Generation Global		0.0%	0.0%	5.0%	
Vanguard World Ex-US ETF		2.8%	15.9%	17.5%	
Listed Investment Companies		0.0%	0.0%	0.0%	89.0%
Anacacia Capital		1.9%	7.5%	8.9%	
Cobram Estate	Private	1.6%	1.6%	0.8%	
Polaris Marine	(unlisted)	0.8%	1.4%	0.9%	
Morrison Utilities Trust	Equity &	0.0%	4.6%	2.4%	
Proserpine Capital Partners	Alternative	4.8%	3.4%	2.8%	
Infradebt	assets	0.0%	1.7%	6.5%	
Gold ETF		0.0%	0.0%	4.7%	
		100.0%	100.0%	100.0%	100.0%



Major Holdings

Apart from bank deposits and other interest-bearing accounts, the Fund invests in a range of assets through the fund managers listed in the table above. If we drill through to the assets selected and overseen by those managers, there are in fact over a hundred individual securities providing diversification of risk and exposure to a wide range of opportunities.

The table below shows the 20 largest individual holdings and what proportion of each portfolio they represent. These are the investments that will have the biggest impact on the return of your portfolio.

Investment	Type	Principal Activity	Defensive Portfolio Exposure	Growth Portfolio Exposure	Equities Portfolio Exposure
Schaffer	ASX listed company	Diversified industrial	1.3%	1.8%	2.2%
Infradebt	Private trust	Infrastructure lending	0.0%	1.7%	6.5%
Nearmap	ASX listed company	Aerial mapping services	1.2%	1.7%	2.0%
Perth Airport	Infrastructure	Transport hub	0.0%	1.7%	0.9%
Objective Corp	ASX listed company	Software solutions	0.7%	1.6%	1.2%
Cobram Estate	Private company	Olive oil producer	1.6%	1.6%	0.8%
Polaris Marine	Private company	Maritime services	0.8%	1.4%	0.9%
Big River Industries	ASX listed company	Building supplies	0.7%	1.4%	1.3%
Westpac Bank	ASX listed company	Financial services	0.9%	1.3%	1.5%
Force Fire	Private company	Fire safety services	0.6%	1.2%	1.1%
3P Learning	ASX listed company	Education software	0.8%	1.2%	1.4%
Quota Trust	Private trust	Statutory fishing rights	3.8%	1.1%	1.2%
SmartPay	ASX listed company	Financial services	0.4%	1.0%	1.0%
Transgrid	Infrastructure	Electricity transmission	0.0%	1.0%	0.5%
Direct Couriers	Private company	Transport/logistics	0.0%	0.9%	1.3%
Data#3 Ltd	ASX listed company	Info and comm's technology	0.4%	0.9%	0.7%
Australian Wildcatch	Private company	Commercial fishing	0.4%	0.9%	0.7%
Lotus Filters	Private company	Commercial cleaning	0.4%	0.9%	0.7%
Smartgroup	ASX listed company	Administration services	0.3%	0.8%	0.6%
Melbourne Airport	Infrastructure	Transport hub	0.0%	0.7%	0.4%

ARA Consultants Limited provides this update for the information of its clients and associates. If you do not wish to receive this or other information about ARA in future, please contact us on (03) 9853 1688, or enter your name below and return this to PO Box 2273 Kew Vic 3101.

Name (Please print) _____

This document has been issued by ARA Consultants Limited for its own use and the use of its clients. Fundhost Limited (ABN 69 092 517 087) (AFSL No: 233 045) (Fundhost) is the issuer of the ARA Investment Fund (ARSN:104 232 448). The information contained in this document is general information and is not intended to constitute nor does it purport to offer any specific or individual investment advice. Whilst every effort has been made to ensure the accuracy of the information contained in this document, neither ARA nor Fundhost accept any liability in relation to anyone who makes and acts upon a decision based upon that information. No person should make a decision based upon the information contained in this document without first seeking and obtaining the appropriate professional advice relevant to their own individual circumstances and financial needs. You should consider the Product Disclosure Statement in deciding whether to acquire, or continue to hold the product. The PDS is available by contacting ARA Consultants by phone at (03) 9853 1688 or email info@araconsultants.com.au. We also caution that past returns are just that, and the fact that they have been achieved does not guarantee they will be achieved again.