Trade Notice – Scheduled Quarterly Rebalance

Enhanced Strategic Model Portfolios – Aggressive

May 2023

Key Takeaways

Heightened uncertainty sees us further reducing our equity overweight in favour for a more balanced approach

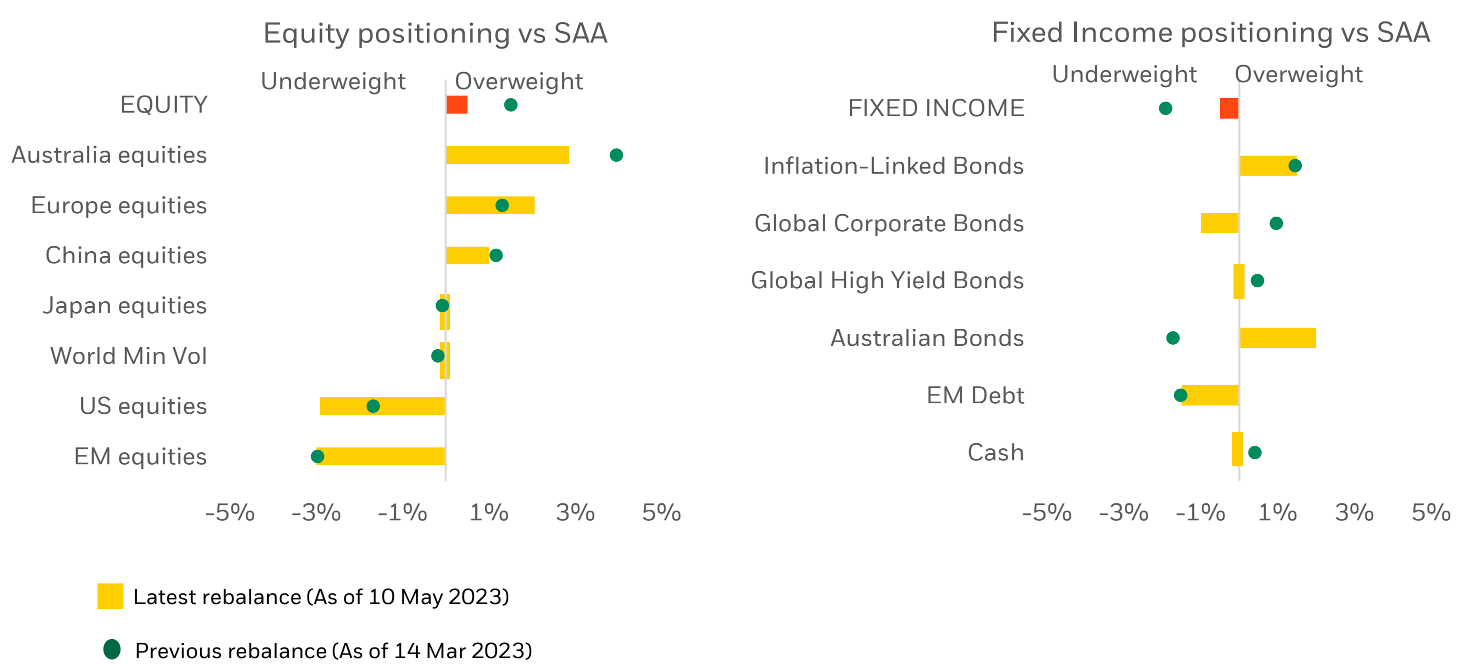
We increase exposure to Australian high-quality bonds over riskier fixed income to improve portfolio resilience

We reduce allocation to US equities driven by less favourable trading insights and financial ramifications from rapid rate hikes

KEY TRADES IN SCHEDULED QUARTERLY REBALANCE

- **Lower equity exposure in favour for a more balanced approach:** Financial cracks and economic damage from rapid rate hikes leads us to remain cautious in our risk-taking appetite. We reduce the overall equity overweight in favour for more fixed income.
- **Selectively position within developed equities:** Within equities, we further reduce the portfolio's exposure to US equities following a deterioration in US bank lending conditions. Instead, we prefer Australian and European equities, given more favourable valuation and momentum signals.
- **Cautiously optimistic on China, but remain underweight Emerging Markets (EM) overall**: The ongoing re-opening of the Chinese economy remains a tailwind to Chinese equity returns. However, we pair this with an underweight to broad EM as a region given the vulnerabilities arising from tightening financial conditions.
- **Prefer Australian over global bonds:** Following the surprise hike by the RBA in early May, Australian bond yields have re-priced higher, reflecting expectations for rates to stay higher-for-longer in Australia. By contrast, we expect to see further re-pricing in US bond markets given overly optimistic views (relative to our views) on rate cuts in the next 12-24 months.
- **Going up in quality within fixed income:** Given elevated macroeconomic uncertainty and cracks appearing in financial markets, we see room to increase the allocation to higher quality bonds – mainly Australian investment grade bonds – whilst decreasing the allocation to riskier fixed income such as global high yield bonds.

PORTFOLIO POSITIONING CHANGES



ASSET ALLOCATION

Portfolio Constituents & Weights – 10 May 2023		Aggressive
Indirect Cost Ratio (% p.a.)		0.22%
Equity		**85.5%**
Developed Equity		**50.6%**
IVV	iShares S&P 500 ETF	15.0%
IHVV	iShares S&P 500 (AUD Hedged) ETF	6.5%
IVE	iShares MSCI EAFE ETF	1.5%
IEU	iShares Europe ETF	11.6%
IJP	iShares MSCI Japan ETF	2.0%
WVOL	iShares Edge MSCI World Minimum Volatility ETF	6.0%
IEM	iShares MSCI Emerging Markets ETF	3.5%
IZZ	iShares China Large-Cap ETF	4.5%
Australian Equity		**34.9%**
IOZ	iShares Core S&P/ASX 200 ETF	34.9%
Fixed Income		**11.5%**
International Fixed Income		**2.5%**
AESG	iShares Global Aggregate Bond ESG (AUD Hedged) ETF	1.0%
IHCB	iShares Core Global Corporate Bond (AUD Hedged) ETF	0.0%
IHHY	iShares Global High Yield Bond (AUD Hedged) ETF	1.5%
IHEB	iShares J.P. Morgan USD Emerging Markets Bond (AUD Hedged) ETF	0.0%
Australian Fixed Income		**9.0%**
IAF	iShares Core Composite Bond ETF	1.0%
IGB	iShares Treasury ETF	5.5%
ILB	iShares Government Inflation ETF	2.5%
Cash		**3.0%**
ISEC	iShares Enhanced Cash ETF	1.0%
BAUBIL	AusBond Bank Bill Index	2.0%

Source: BlackRock, as of latest rebalance on 10th May 2023.
Notes: Indirect Cost Ratio only includes the underlying sub-fund fees, but excludes investment management, platform and transaction fees.

IMPORTANT INFORMATION

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