

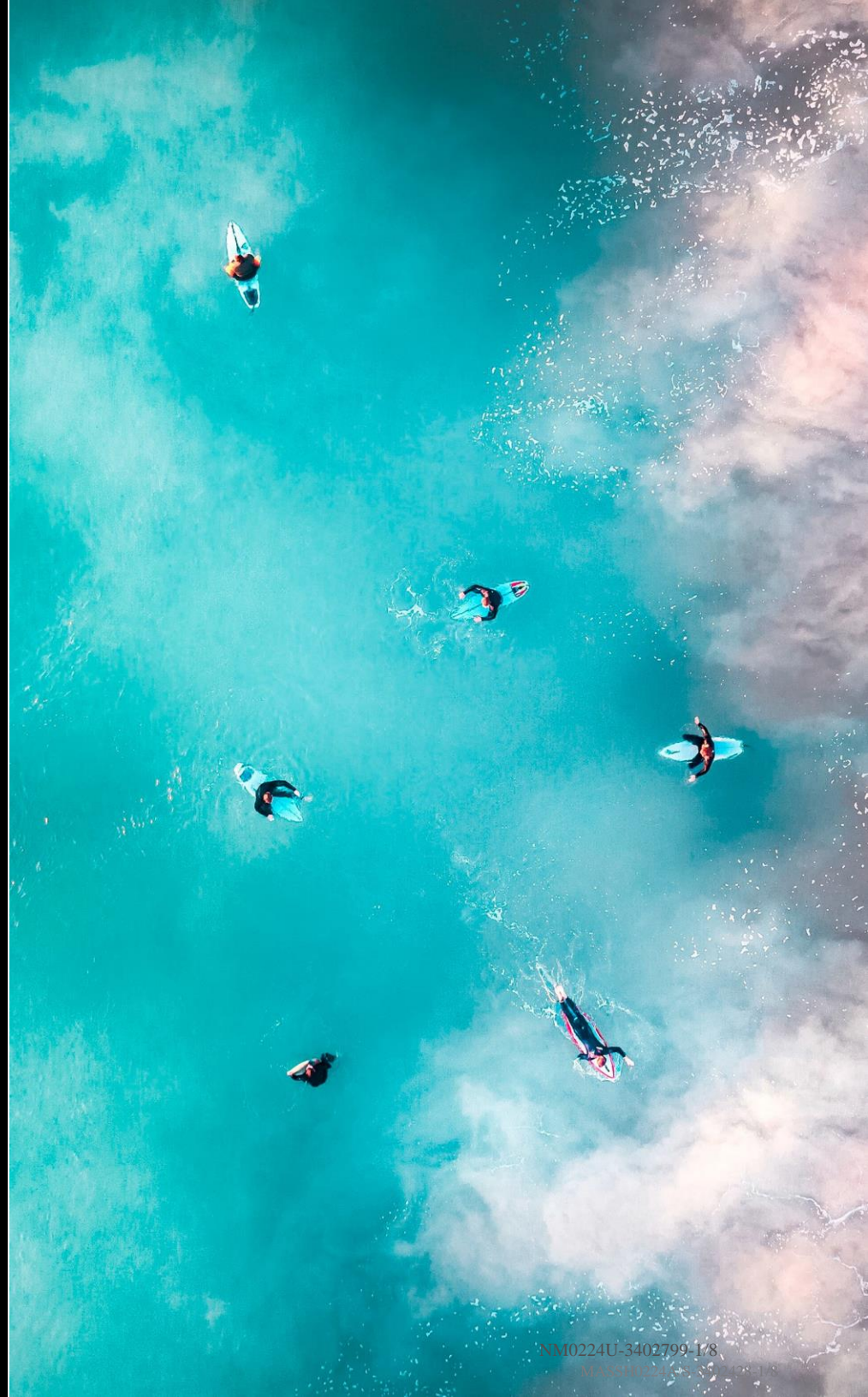
# Enhanced Strategic Models

## Model Portfolio Summary

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# TRADE RATIONALE

As of 16/11/2023

## KEY TAKEAWAYS

**Move to a cautiously “risk-on” stance and re-calibrate cross-country exposures**

**Lean further into Japanese and US equities while moving away from Australian and European equities**

**Add exposure to Korean equities given more favourable trading signals and an upturn in the export cycle**

**Marginally increase duration to neutral and go “up-in-quality” within fixed income to act as a ballast to equity risk**

## KEY TRADES IN SCHEDULED QUARTERLY REBALANCE

**Move the portfolio to a more “risk-on” stance:** We see the recent pullback in markets and ongoing resilience in fundamentals as an opportunity to lean more meaningfully pro-risk into year-end. Specifically, valuations appear more attractive following the market correction over the third quarter and, in our view, creates a buyable dip in certain markets.

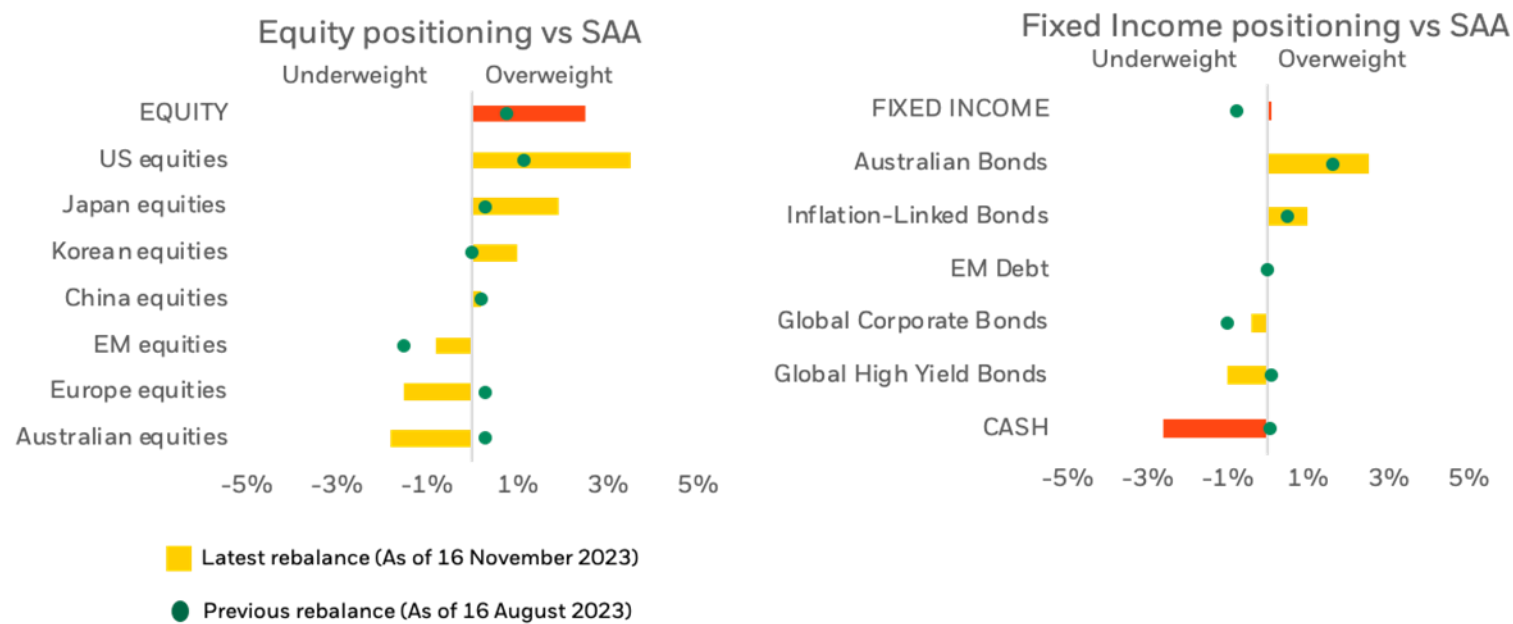
**Recalibrate cross-sectional equity positioning:** Within equities, we prefer Japanese and US equities over that of Australian and European equities. Shareholder-friendly reforms and upward revision in earnings expectations creates a structural tailwind for Japanese equities, while a relatively less fragile economic backdrop and favorable trading signals leads us to favour US equities over that of European and Australian equities.

**Add allocation to South Korean equities:** Positive momentum signals create a favourable backdrop for Korean equities, while fundamentals remain supported by a bottoming in the export cycle with both tech and non-tech exports rebounding.

**Marginally increase duration and quality of fixed income to hedge equity risk:** We increase the portfolio duration back to neutral to act as a diversifier to equity risk, while also increasing the exposure to higher-quality investment-grade credit over more risky debt like global high yield.

Views are subject to change and may not reflect current model portfolio allocations. These views are relative to the model's benchmark weights.

PORTFOLIO POSITIONING CHANGES



# PERFORMANCE COMMENTARY

As of 31/01/2024

## Market Commentary

**Risk assets continued to rally in January:** Global equities, as measured by the MSCI All Country World Index (unhedged), delivered positive returns of 3.8% over the month, as robust economic data supported risk appetite. Fixed income markets, as represented by the Bloomberg Global Aggregate Index (hedged), declined 0.3% over the month as hopes for near-term rate cuts subsided.

**Developed markets outperformed Emerging markets:** Equity performance diverged across geographies, with Developed market equities advancing and Emerging market equities posting negative returns amid ongoing concerns around the lackluster Chinese economic outlook. Japanese equities, as represented by the Nikkei 225 Index, outperformed most other sharemarkets, rising by 8.4% (in local currency terms) over the month following their strong performance in 2023.

**Fixed income markets weakened slightly:** Global bonds saw a partial reversal in the positive performance experienced at the end of 2023, as investors lost faith that rate cuts by central banks would occur in the near-term. The Global Aggregate Index (hedged) finished the month down 0.3%, while the Australian composite bond index modestly rose 0.2% over January. Riskier parts of the fixed income market saw mixed performance – while corporate credit realised small gains, emerging market debt indices declined over the period.

## Performance commentary

Total portfolio returns were positive in January, supported by the rally in developed market equities. Japanese and US equities were amongst the largest positive contributors to total returns, while Chinese equities detracted from returns in January. Active returns relative to the strategic asset allocation were positive over the month, as the preference for Japanese and US equities were additive, while the reduced exposure to Emerging market equities served to limit the drawdown from Chinese equities. Over the long-term horizon, the strategy has continued to outperform its peer group median, with both the strategic and tactical asset allocation delivering value over time.

Notes: Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index.

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## Latest Holdings (%)

Latest Holdings (%)		Allocation as of 16/11/2023						
		As of Date	*Conservative (15/85)	*Moderate (30/70)	*Balanced (50/50)	*Growth (70/30)	*Aggressive (85/15)	*All Growth (98/2)
Latest Allocation		16/11/2023	17.5/82.5	32.5/67.5	52.5/47.5	72.5/27.5	87.5/12.5	98/2
<b>Australian Equities</b>			<b>4.7</b>	<b>9.2</b>	<b>17.2</b>	<b>25.2</b>	<b>30.2</b>	<b>34.5</b>
IOZ	iShares Core S&P/ASX 200 ETF		4.7	9.2	17.2	25.2	30.2	34.5
<b>International Equities</b>			<b>12.8</b>	<b>23.3</b>	<b>35.3</b>	<b>47.3</b>	<b>57.3</b>	<b>63.5</b>
IEM	iShares MSCI Emerging Markets ETF (AU)		1.0	2.2	3.7	4.7	5.7	6.8
IEU	iShares Europe ETF (AU)		-	1.5	5.0	6.5	8.0	10.0
IHWV	iShares S&P 500 AUD Hedged ETF		2.0	3.6	5.1	7.1	9.1	9.4
IJP	iShares MSCI Japan ETF (AU)		1.8	1.9	2.9	3.9	3.9	4.5
IKO	iShares MSCI South Korea ETF (AU)		1.0	1.0	1.0	1.0	1.0	1.0
IVE	iShares MSCI EAFE ETF (AU)		-	-	-	1.0	1.0	1.0
IVV	iShares S&P 500 ETF		3.8	6.9	10.9	14.9	18.9	20.8
IZZ	iShares China Large-Cap ETF (AU)		1.2	2.2	2.2	2.7	3.7	4.0
WVOL	iShares Edge MSCI World Minimum Volatility ETF		2.0	4.0	4.5	5.5	6.0	6.0
<b>Australian Fixed Income</b>			<b>52.5</b>	<b>44.5</b>	<b>33.5</b>	<b>19.9</b>	<b>6.5</b>	<b>-</b>
IAF	iShares Core Composite Bond ETF		39.5	33.0	23.5	12.5	2.0	-
IGB	iShares Treasury ETF		7.0	6.5	6.0	5.2	3.2	-
ILB	iShares Government Inflation ETF		6.0	5.0	4.0	2.2	1.3	-
<b>International Fixed Income</b>			<b>16.6</b>	<b>13.1</b>	<b>8.6</b>	<b>5.1</b>	<b>3.0</b>	<b>-</b>
AESG	iShares Global Aggregate Bond ESG (AUD Hedged) ETF		4.0	3.0	2.0	1.0	1.0	-
IHCB	iShares Core Global Corporate Bond (AUD Hedged) ETF		8.6	6.1	3.1	1.6	1.0	-
IHEB	iShares JP Morgan USD Emerging Markets Bond (AUD Hedged) ETF		2.0	2.0	2.0	1.5	1.0	-
IHHY	iShares Global High Yield Bond (AUD Hedged) ETF		2.0	2.0	1.5	1.0	-	-
<b>Cash</b>			<b>13.4</b>	<b>9.9</b>	<b>5.4</b>	<b>2.5</b>	<b>3.0</b>	<b>2.0</b>
18357	BlackRock Cash Fund		2.5	2.5	2.5	2.5	2.0	2.0
ISEC	iShares Enhanced Cash ETF		10.9	7.4	2.9	-	1.0	-

## Changes to Holdings (%)

Allocation as of 16/11/2023

		*Conservative (15/85)	*Moderate (30/70)	*Balanced (50/50)	*Growth (70/30)	*Aggressive (85/15)	*All Growth (98/2)
<b>Australian Equities</b>		<b>-2.0</b>	<b>-2.1</b>	<b>-2.1</b>	<b>-2.1</b>	<b>-2.1</b>	<b>-2.3</b>
IOZ	iShares Core S&P/ASX 200 ETF	-2.0	-2.1	-2.1	-2.1	-2.1	-2.3
<b>International Equities</b>		<b>3.7</b>	<b>3.8</b>	<b>3.8</b>	<b>3.9</b>	<b>3.9</b>	<b>2.3</b>
IEM	iShares MSCI Emerging Markets ETF (AU)	-	+0.3	+0.7	+0.7	+0.7	+1.0
IEU	iShares Europe ETF (AU)	-1.5	-1.7	-1.8	-1.8	-1.8	-1.8
IHV	iShares S&P 500 AUD Hedged ETF	+0.7	+0.8	+0.8	+0.9	+0.9	+0.6
IJP	iShares MSCI Japan ETF (AU)	+1.8	+1.9	+1.6	+1.6	+1.6	+1.5
IKO	iShares MSCI South Korea ETF (AU)	+1.0	+1.0	+1.0	+1.0	+1.0	+1.0
IVE	iShares MSCI EAFE ETF (AU)	-	-	-	-	-	-
IVV	iShares S&P 500 ETF	+1.5	+1.5	+1.5	+1.5	+1.5	+1.0
IZZ	iShares China Large-Cap ETF (AU)	+0.2	-	-	-	-	-
WVOL	iShares Edge MSCI World Minimum Volatility ETF	-	-	-	-	-	-1.0
<b>Australian Fixed Income</b>		<b>1.3</b>	<b>1.3</b>	<b>1.4</b>	<b>0.8</b>	<b>-0.6</b>	<b>-</b>
IAF	iShares Core Composite Bond ETF	+0.7	+0.7	+0.9	+0.9	+1.0	-
IGB	iShares Treasury ETF	+0.1	+0.1	-	-0.3	-1.4	-
ILB	iShares Government Inflation ETF	+0.5	+0.5	+0.5	+0.2	-0.2	-
<b>International Fixed Income</b>		<b>-0.5</b>	<b>-0.5</b>	<b>-0.5</b>	<b>-0.5</b>	<b>-1.1</b>	<b>-</b>
AESG	iShares Global Aggregate Bond ESG (AUD Hedged) ETF	-	-	-	-	-	-
IHCB	iShares Core Global Corporate Bond (AUD Hedged) ETF	+0.6	+0.6	+0.6	+0.6	+1.0	-
IHEB	iShares JP Morgan USD Emerging Markets Bond (AUD Hedged) ETF	+0.1	-	-	-	-0.6	-
IHHY	iShares Global High Yield Bond (AUD Hedged) ETF	-1.2	-1.1	-1.1	-1.1	-1.5	-
<b>Cash</b>		<b>-2.5</b>	<b>-2.5</b>	<b>-2.6</b>	<b>-2.1</b>	<b>-0.1</b>	<b>-</b>
18357	BlackRock Cash Fund	-	-	-	-	-	-
ISEC	iShares Enhanced Cash ETF	-2.5	-2.5	-2.6	-2.1	-0.1	-

Performance (%)

As of 31/01/2024

Model	Last Month (%)	3 Month (%)	Year to Date (%)	1 Year (%)	3 Year (%)	5 Year (%)
*Conservative (15/85)	0.36	6.04	0.36	3.63	-0.04	2.32
*Moderate (30/70)	0.80	6.85	0.80	4.95	1.49	3.62
*Balanced (50/50)	1.45	8.40	1.45	7.36	3.87	5.56
*Growth (70/30)	2.09	9.82	2.09	9.69	6.20	7.44
*Aggressive (85/15)	2.54	10.66	2.54	11.16	7.83	8.75
*All Growth (98/2)	2.78	10.92	2.78	12.21	-	-

Inception date for the Conservative (15/85), Moderate (30/70), Balanced (50/50), Growth (70/30), Aggressive (85/15) models are **31/01/2015**. Inception date for the All Growth (98/2) model is **8/09/2022**.

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