

# Enhanced Strategic Model Portfolios

November 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**

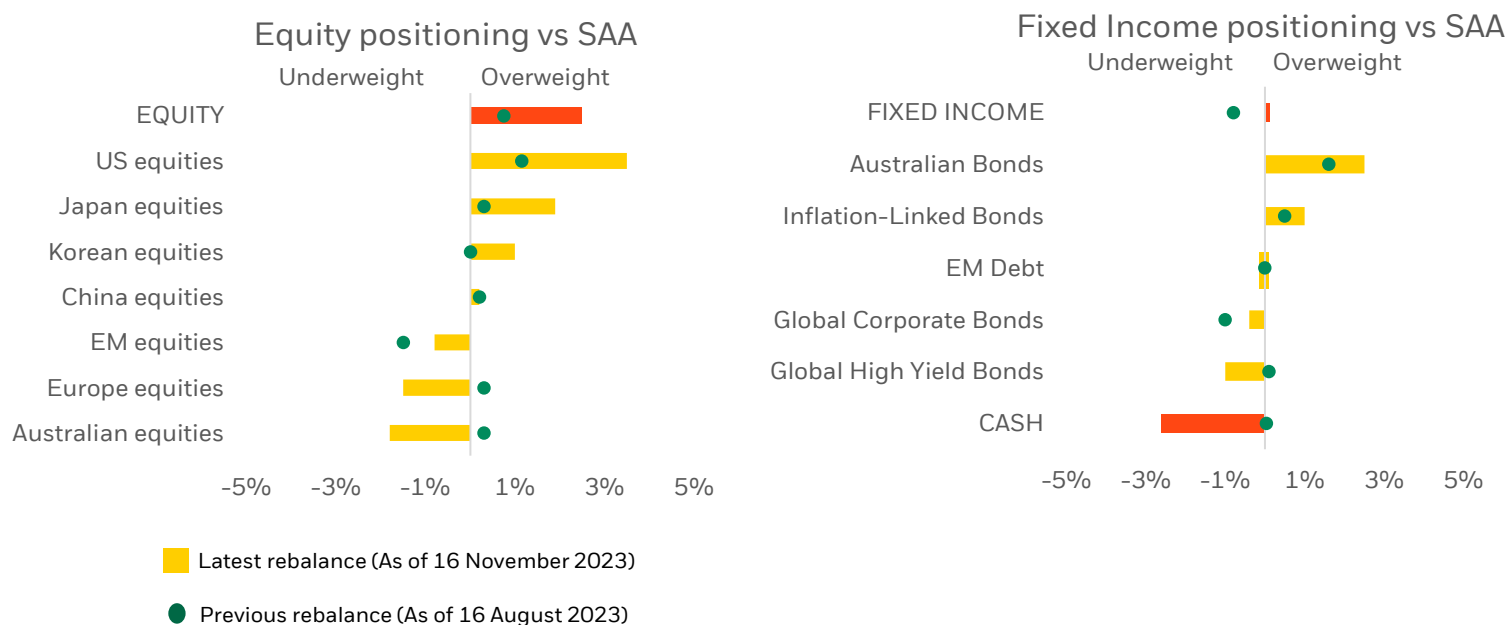
**Add exposure to Korean equities given more favourable trading signals and an upturn in the export cycle**

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

## KEY TRADES IN OUT-OF-CYCLE 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.

## PORTFOLIO POSITIONING CHANGES (BALANCED MODEL)



## ASSET ALLOCATION

Portfolio Constituents & Weights – 16 November 2023		Conservative	Moderate	Balanced	Growth	Aggressive	All Growth
Indirect Cost Ratio (% p.a.)		0.17%	0.19%	0.20%	0.21%	0.21%	0.22%
<b>Equity</b>		<b>17.50%</b>	<b>32.50%</b>	<b>52.50%</b>	<b>72.50%</b>	<b>87.50%</b>	<b>98.00%</b>
<b>International Equity</b>		<b>12.80%</b>	<b>23.30%</b>	<b>35.30%</b>	<b>47.30%</b>	<b>57.30%</b>	<b>63.50%</b>
IVV	iShares S&P 500 ETF	3.80%	6.90%	10.90%	14.90%	18.90%	20.80%
IHV	iShares S&P 500 (AUD Hedged) ETF	2.00%	3.60%	5.10%	7.10%	9.10%	9.40%
IVE	iShares MSCI EAFE ETF	0.00%	0.00%	0.00%	1.00%	1.00%	1.00%
IEU	iShares Europe ETF	0.00%	1.50%	5.00%	6.50%	8.00%	10.00%
IJP	iShares MSCI Japan ETF	1.80%	1.90%	2.90%	3.90%	3.90%	4.50%
WVOL	iShares Edge MSCI World Minimum Volatility ETF	2.00%	4.00%	4.50%	5.50%	6.00%	6.00%
IEM	iShares MSCI Emerging Markets ETF	1.00%	2.20%	3.70%	4.70%	5.70%	6.80%
IZZ	iShares China Large-Cap ETF	1.20%	2.20%	2.20%	2.70%	3.70%	4.00%
IKO	iShares MSCI South Korea ETF	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
<b>Australian Equity</b>		<b>4.70%</b>	<b>9.20%</b>	<b>17.20%</b>	<b>25.20%</b>	<b>30.20%</b>	<b>34.50%</b>
IOZ	iShares Core S&P/ASX 200 ETF	4.70%	9.20%	17.20%	25.20%	30.20%	34.50%
<b>Fixed Income</b>		<b>69.10%</b>	<b>57.60%</b>	<b>42.10%</b>	<b>25.00%</b>	<b>9.50%</b>	<b>0.00%</b>
<b>International Fixed Income</b>		<b>16.60%</b>	<b>13.10%</b>	<b>8.60%</b>	<b>5.10%</b>	<b>3.00%</b>	<b>0.00%</b>
AESG	iShares Global Aggregate Bond ESG (AUD Hedged) ETF	4.00%	3.00%	2.00%	1.00%	1.00%	0.00%
IHCB	iShares Core Global Corporate Bond (AUD Hedged) ETF	8.60%	6.10%	3.10%	1.60%	1.00%	0.00%
IHHY	iShares Global High Yield Bond (AUD Hedged) ETF	2.00%	2.00%	1.50%	1.00%	0.00%	0.00%
IHEB	iShares J.P. Morgan USD Emerging Markets Bond (AUD Hedged) ETF	2.00%	2.00%	2.00%	1.50%	1.00%	0.00%
<b>Australian Fixed Income</b>		<b>52.50%</b>	<b>44.50%</b>	<b>33.50%</b>	<b>19.90%</b>	<b>6.50%</b>	<b>0.00%</b>
IAF	iShares Core Composite Bond ETF	39.50%	33.00%	23.50%	12.50%	2.00%	0.00%
IGB	iShares Treasury ETF	7.00%	6.50%	6.00%	5.20%	3.20%	0.00%
ILB	iShares Government Inflation ETF	6.00%	5.00%	4.00%	2.20%	1.30%	0.00%
<b>Cash</b>		<b>13.40%</b>	<b>9.90%</b>	<b>5.40%</b>	<b>2.50%</b>	<b>3.00%</b>	<b>2.00%</b>
ISEC	iShares Enhanced Cash ETF	10.90%	7.40%	2.90%	0.00%	1.00%	0.00%
BAUBIL	AusBond Bank Bill Index	2.50%	2.50%	2.50%	2.50%	2.00%	2.00%

Source: BlackRock, as of latest rebalance on 16 November 2023.

Notes: Indirect Cost Ratio only includes the underlying sub-fund fees, but excludes investment management, platform and transaction fees.

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