

# Enhanced Strategic Model

## Moderate Model Portfolio Summary

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# Performance (%)

As of 31/08/2024

Model	Last Month (%)	3 Month (%)	Year to Date (%)	1 Year (%)	3 Year (%)	5 Year (%)
*Moderate (30/70)	0.57	3.94	6.47	8.73	1.32	2.86

The inception date for the model portfolios is **31/01/2015**.

Performance figures represent past performance and are not indicative of future performance. Current performance may be higher or lower than that shown. Performance is estimated and net of underlying fund fees, but gross of platform fees and does not include brokerage and commissions that may be incurred in the trading of financial products within the model portfolios. Actual investment outcomes may vary. Unless otherwise stated, performance for periods greater than one year is annualised and performance calculated to the last business day of the month. The model performance shown is hypothetical and for illustrative purposes only. The performance does not represent the performance of an actual account or investment product and is not the result of any actual trading.

# PERFORMANCE COMMENTARY

As of 31/08/2024

## Market Commentary

**Markets experienced a tumultuous month:** Global equities, as measured by the MSCI All Country World Index (unhedged), sold off early in August amid economic growth concerns and a surprise policy hike by the Bank of Japan, before recovering most of their losses to finish the month down -1.3%. Fixed income markets, as represented by the Bloomberg Barclays Global Aggregate Index (hedged), rose 1.0% amid rising expectations of upcoming rate cuts.

**Developed markets outperformed Emerging markets:** Equity performance diverged across geographies, with US equities (as represented by the S&P 500) modestly outperforming on the back of renewed hopes for interest rate cuts. Japanese equities, as represented by the Nikkei 225 Index, encountered heightened volatility and declined -1.1% over the month (in local currency terms), partially recovering from a historic three-day sell-off early in August. Emerging market equities posted relatively softer returns as Chinese economic activity remained subdued.

**Fixed income markets moved higher in August:** Global bonds rose strongly over the month as bond yields declined alongside weaker economic data and heightened expectations for central bank rate cuts. The Bloomberg Barclays Global Aggregate index (hedged) finished the month up 1.0%, while the Australian composite bond index gained 1.2% over August. Riskier parts of the fixed income market, namely corporate credit and emerging market debt indices also realised gains across the period.

## Performance commentary

**Total portfolio returns were mixed in August,** with the more Conservative risk profiles outperforming the more Aggressive risk profiles. Fixed income assets were amongst the largest positive contributors to total returns, as the broad decline in yields pushed both Global and Australian bond prices higher. The allocation to Global Listed Infrastructure and Global Listed Property also added value, with both asset classes outperforming broad equities and fixed income over the month. On the equity front, Australian equities contributed positively to total returns, while Developed equities were somewhat more mixed. Specifically, US equities (hedged) contributed positively to returns amid the appreciation of the Australian dollar, while Japanese equities (unhedged) and Emerging market equities (unhedged) detracted from returns.

Tactical positioning relative to the strategic asset allocation modestly contributed to performance, as the preference for US equities (hedged) and global bonds was partially offset by reduced exposure to Australian fixed income. Over the long-term horizon (including 3, 5 and 7 years), the strategy has broadly continued to outperform the Morningstar multi-sector 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. The peer group median refers to the Morningstar multi-sector peer group.

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# Latest Holdings (%)

Allocation as of 20/08/2024

As of Date		*Moderate (30/70)
Latest Allocation	20/08/2024	32.5/67.5
<b>Australian Equities</b>		<b>11.5</b>
IOZ	iShares Core S&P/ASX 200 ETF	11.5
<b>Emerging Market Equities</b>		<b>3.0</b>
IEM	iShares MSCI Emerging Markets ETF (AU)	3.0
<b>Developed Market Equities</b>		<b>13.0</b>
IEU	iShares Europe ETF (AU)	2.4
IHVV	iShares S&P 500 AUD Hedged ETF	2.5
IJP	iShares MSCI Japan ETF (AU)	1.3
IVV	iShares S&P 500 ETF	6.8
<b>Property &amp; Infrastructure</b>		<b>5.0</b>
GLIN	iShares Core FTSE Global Infrastructure (AUD Hedged) ETF	4.0
GLPR	iShares Core FTSE Global Property Ex Australia (AUD Hedged) ETF	1.0
<b>Australian Fixed Income</b>		<b>46.0</b>
IAF	iShares Core Composite Bond ETF	33.5
IGB	iShares Treasury ETF	3.2
ILB	iShares Government Inflation ETF	9.3
<b>International Fixed Income</b>		<b>10.6</b>
AESG	iShares Global Aggregate Bond ESG (AUD Hedged) ETF	2.1
IHCB	iShares Core Global Corporate Bond (AUD Hedged) ETF	4.0
IHEB	iShares JP Morgan USD Emerging Markets Bond (AUD Hedged) ETF	1.0
IHHY	iShares Global High Yield Bond (AUD Hedged) ETF	3.5
<b>Alternatives</b>		<b>3.0</b>
GLDN	iShares Physical Gold ETF	3.0
<b>Cash</b>		<b>7.9</b>
18357	BlackRock Cash Fund	2.5
ISEC	iShares Enhanced Cash ETF	5.4

Note: The BlackRock Cash Fund represents platform cash holdings held for operational purposes and is not an actual investment in the Fund.

# TRADE RATIONALE

As of 20/08/2024

On 20th August 2024, the portfolio underwent a scheduled tactical rebalance. The following summarises the key changes made in the portfolio.

## KEY TRADES

**Reduce risk amid elevated market volatility:** Policy uncertainty, election jitters and a slowing macro backdrop are expected to keep volatility elevated in the near-term. Following a pro-risk stance in the first half of this year which worked well, we now trim equity risk, bringing the overall equity exposure closer to neutral.

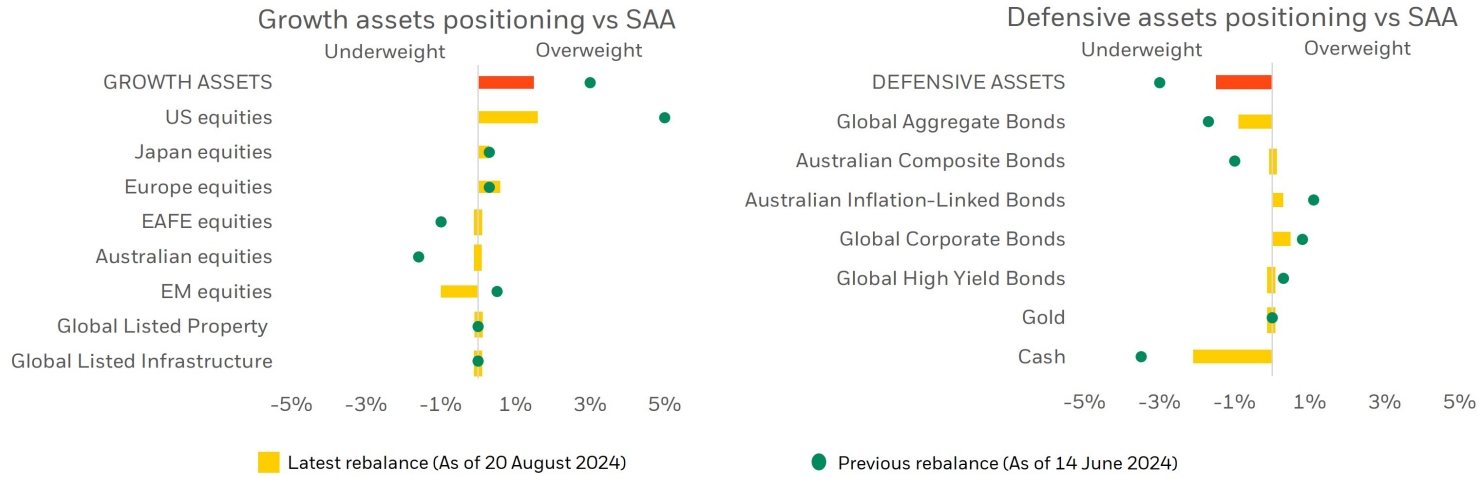
**Re-calibrate regional equity tilts:** Following a strong year of US exceptionalism, we expect some broadening out in regional equity leadership across other Developed markets. We take some profits off year-to-date winners like US equities, while slightly increasing our exposure to European and Australian equities amid improving earnings fundamentals.

**Modestly increase global fixed income:** While we expect interest rates to remain structurally higher than their pre-pandemic trends, moderating inflation and an economic slowdown could embolden global central banks to adopt a less restrictive monetary policy stance, which could benefit global fixed income returns.

**Reduce exposure to Australian inflation-linked bonds:** While Australian inflation remains above the Reserve Bank of Australia's target band, recent data prints have shown further progress in the disinflationary trend, prompting us to trim our exposure to inflation-linked bonds in favour for nominal bonds.

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**PORTFOLIO POSITIONING CHANGES**



Notes: The positioning changes illustrated here refer to the Balanced Model.

# Changes to Holdings (%)

Allocation as of 20/08/2024

\*Moderate  
(30/70)

<b>Australian Equities</b>		<b>1.6</b>
IOZ	iShares Core S&P/ASX 200 ETF	+1.6
<b>Emerging Market Equities</b>		<b>-1.5</b>
IEM	iShares MSCI Emerging Markets ETF (AU)	-1.5
<b>Developed Market Equities</b>		<b>-2.6</b>
IEU	iShares Europe ETF (AU)	+0.3
IHVV	iShares S&P 500 AUD Hedged ETF	-1.7
IJP	iShares MSCI Japan ETF (AU)	-
IVV	iShares S&P 500 ETF	-1.2
<b>Property &amp; Infrastructure</b>		<b>1.0</b>
GLIN	iShares Core FTSE Global Infrastructure (AUD Hedged) ETF	-
GLPR	iShares Core FTSE Global Property Ex Australia (AUD Hedged) ETF	+1.0
<b>Australian Fixed Income</b>		<b>-0.1</b>
IAF	iShares Core Composite Bond ETF	+1.0
IGB	iShares Treasury ETF	-0.3
ILB	iShares Government Inflation ETF	-0.8
<b>International Fixed Income</b>		<b>0.2</b>
AESG	iShares Global Aggregate Bond ESG (AUD Hedged) ETF	+0.8
IHCB	iShares Core Global Corporate Bond (AUD Hedged) ETF	-0.3
IHEB	iShares JP Morgan USD Emerging Markets Bond (AUD Hedged) ETF	-
IHHY	iShares Global High Yield Bond (AUD Hedged) ETF	-0.3
<b>Alternatives</b>		<b>-</b>
GLDN	iShares Physical Gold ETF	-
<b>Cash</b>		<b>1.4</b>
18357	BlackRock Cash Fund	-
ISEC	iShares Enhanced Cash ETF	+1.4

Note: The BlackRock Cash Fund represents platform cash holdings held for operational purposes and is not an actual investment in the Fund.

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