

# Enhanced Strategic Model Conservative Model Portfolio Summary

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# Performance (%)

As of 31/07/2024

Model	Last Month (%)	3 Month (%)	Year to Date (%)	1 Year (%)	3 Year (%)	5 Year (%)
*Conservative (15/85)	1.99	3.32	3.98	6.74	0.15	1.51

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 31/07/2024

## Market Commentary

**Markets saw a partial reversal over the month:** Global equities, as measured by the MSCI All Country World Index (unhedged), experienced intra-month volatility amid economic growth concerns and lacklustre quarterly tech earnings, but ended the month up 3.9%. Fixed income markets, as represented by the Bloomberg Barclays Global Aggregate Index (hedged), rose 1.9% as softer inflation data cemented hopes for a less restrictive monetary policy stance.

**Developed markets outperformed Emerging markets:** Equity performance diverged across geographies, with Developed markets broadly advancing and Emerging market equities posting positive but relatively softer returns as Chinese economic activity remained subdued. Japanese equities, as represented by the Nikkei 225 Index, underwent sharp swings in July and declined 1.2% (in local currency terms) after having rallied strongly across the first half of the month and year, driven by the Bank of Japan's (BoJ) decision to hike interest rates.

**Fixed income markets surged higher in July:** 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 1.9%, while the Australian composite bond index gained 1.5% over July. 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 positive in July,** supported by the positive gains across asset classes. Developed market equities were amongst the largest positive contributors to total returns, while the allocation to Global Listed Infrastructure, Global Listed Property and Gold also added value. Within equities, while Japanese stocks declined in Japanese Yen terms, the depreciation of the Australian dollar relative to the Japanese Yen in July helped buffer losses and led to positive returns for the AUD denominated portfolio. Fixed income securities also delivered positive returns, with both Global and Australian bonds adding value over the month.

Tactical positioning relative to the strategic asset allocation detracted slightly from performance, as the preference for global corporate bonds were offset by the reduced exposure to Australian equities. Over the long-term horizon, 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	*Conservative (15/85)
<b>Latest Allocation</b>	20/08/2024	17.5/82.5
<b>Australian Equities</b>		<b>7.2</b>
IOZ	iShares Core S&P/ASX 200 ETF	7.2
<b>Emerging Market Equities</b>		<b>1.0</b>
IEM	iShares MSCI Emerging Markets ETF (AU)	1.0
<b>Developed Market Equities</b>		<b>5.8</b>
IEU	iShares Europe ETF (AU)	1.7
IVV	iShares S&P 500 ETF	4.1
<b>Property &amp; Infrastructure</b>		<b>3.5</b>
GLIN	iShares Core FTSE Global Infrastructure (AUD Hedged) ETF	3.5
<b>Australian Fixed Income</b>		<b>56.0</b>
IAF	iShares Core Composite Bond ETF	42.0
IGB	iShares Treasury ETF	3.7
ILB	iShares Government Inflation ETF	10.3
<b>International Fixed Income</b>		<b>12.6</b>
AESG	iShares Global Aggregate Bond ESG (AUD Hedged) ETF	3.6
IHCB	iShares Core Global Corporate Bond (AUD Hedged) ETF	4.0
IHEB	iShares JP Morgan USD Emerging Markets Bond (AUD Hedged) ETF	1.5
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>10.9</b>
18357	BlackRock Cash Fund	2.5
ISEC	iShares Enhanced Cash ETF	8.4

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.

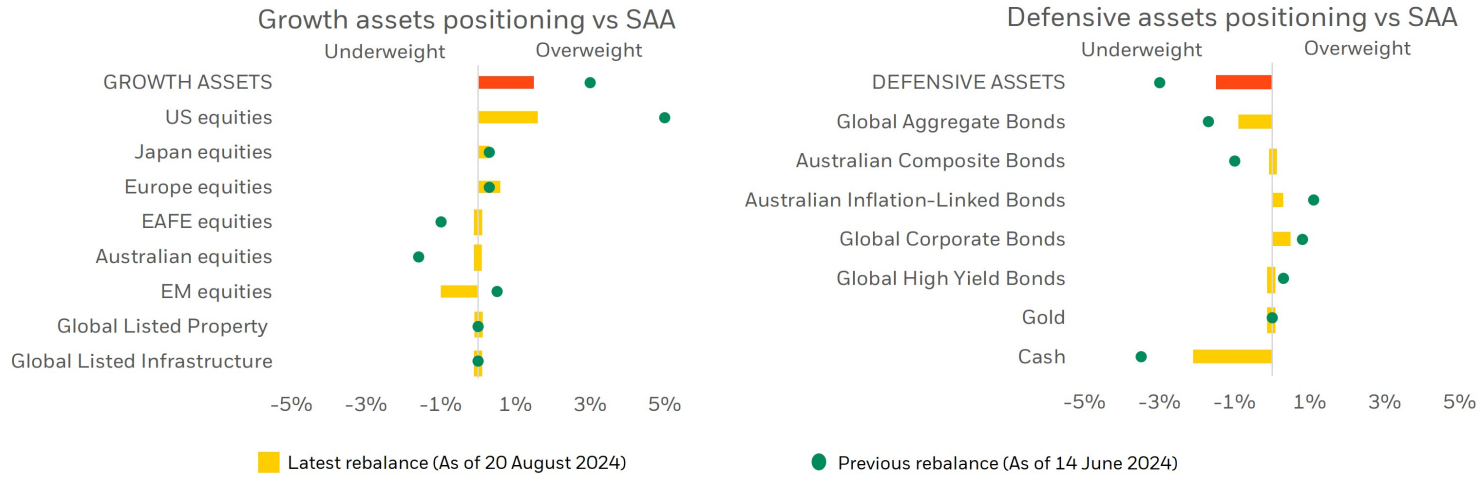
**Re-calibrate regional equity tilts:** Following a strong year of US exceptionalism, we expect some broadening out in regional equity leadership across other Developed markets. We take some profits off year-to-date winners like US equities, while slightly increasing our exposure to European and Australian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

\*Conservative  
(15/85)

<b>Australian Equities</b>		<b>2.1</b>
IOZ	iShares Core S&P/ASX 200 ETF	+2.1
<b>Emerging Market Equities</b>		<b>-1.5</b>
IEM	iShares MSCI Emerging Markets ETF (AU)	-1.5
<b>Developed Market Equities</b>		<b>-2.1</b>
IEU	iShares Europe ETF (AU)	+0.4
IHVV	iShares S&P 500 AUD Hedged ETF	-2.0
IVV	iShares S&P 500 ETF	-0.5
<b>Property &amp; Infrastructure</b>		<b>-</b>
GLIN	iShares Core FTSE Global Infrastructure (AUD Hedged) ETF	-
<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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