

CoreSeries Balanced

Portfolio Performance to 31 July 2023

Portfolio details

Investment Objective

The portfolio aims to achieve an Inflation (Consumer Price Index "AUCPI") + 3.5% p.a. objective over rolling 5 year periods by taking exposures to a mix of growth and defensive asset classes.

Investment Strategy








The strategy is an actively managed diversified portfolio investing in both growth asset classes such as equities, property and infrastructure, and defensive asset classes such as cash and fixed interest securities. The portfolio's exposure will typically be 70% growth assets and 30% defensive assets; however over time these allocations may deviate within a range due to market movements and asset allocation decisions. These exposures are expected to provide a return in excess of inflation over the long-term and aim to minimise the impact of shorter-term market volatility through asset diversification, manager selection and risk management.

	1 Mth (%)	3 Mth (%)	6 Mth (%)	YTD (%)	1 Yr (%)	3 Yrs p.a. (%)	5 Yrs pa (%)	Since inception pa(%)*
CoreSeries Balanced	2.1	1.8	2.6	7.2	6.1	6.6	-	6.3
AUCPI + 3.5%	0.7	1.8	3.9	4.7	9.4	8.8	-	7.1
Excess return	1.4	0.0	-1.3	2.5	-3.3	-2.2	-	-0.8

* Performance since 30 November 2018.

Actual Asset Allocation



-  Australian Equities
-  International Equities
-  Property and Infrastructure
-  Alternatives
-  Australian Fixed Income
-  Global Fixed Income
-  Cash

*May not sum to 100% due to rounding.

Market Commentary

In July, the CoreSeries Balanced portfolio returned 2.1% outperforming its AUCPI + 3.5% benchmark by 1.4%.

Global equity markets maintained current upward momentum with most regions delivering solid, positive returns. On the other hand, fixed income performance was mixed, although in this “risk on” phase of the cycle, riskier parts of the sector fared better. A combination of further declines in headline inflation, resilient economic data, particularly from the US, and market expectations that the current interest rate hiking cycle is nearing an end, led to positive investor sentiment throughout the month.

The Australian share market outperformed its hedged overseas counterpart over the month as the S&P/ASX300 Index returned 2.9%. The best performing sectors were Financials (4.9%) and Energy (8.4%), while the weakest performing sectors were Healthcare (-1.5%) and Consumer Staples (-1.0%). Fidelity Australian Opportunities MPS Fund had positive absolute returns over the quarter but underperformed its respective benchmark primarily due to stock selection in Macquarie Bank and insurance broker, Steadfast Group. Solaris Core Australian Equity MPS Fund returned positive, however underperformed its benchmark. Underperformance was driven by overweight holdings to healthcare, namely CSL and consumer staples, namely, Coles Group Limited.

The broad MSCI World ex-Australia Accumulation Index returned 2.8% in hedged terms and 2.1% unhedged over the month as the Australian Dollar (AUD) depreciated against most major developed market currencies. On a global basis, the best performing sectors were Energy (5.1%) and Communication Services (5.0%), while weakest were Healthcare (0.1%) and Utilities (0.5%). Value modestly outperformed growth over the period, although when looking on a year-to-date basis, mega-cap tech stocks still dominate returns and has led to increased market concentration within that segment of global markets. The T.Rowe Price Global Focused Equity MPS Fund underperformed its benchmark with stock selection in the consumer discretionary sector detracting from relative performance, particularly Amadeus IT. Furthermore, IT names were also a drag on returns such as Japanese firm, Keyence. The Wellington Global Equity MPS Fund had positive absolute performance and outperformed its benchmark. Stock selection was a driver of relative outperformance with selection in financials, information technology and energy sectors contributing to returns.

The MSCI Emerging Markets Index was up 4.9% in AUD terms. The Russell Investments Wholesale Plus Emerging Markets Fund marginally underperformed its benchmark which was driven by stock selection in China and South Korea, notably in consumer related entities such as Alibaba Group.

The global listed real assets sector produced positive returns over July with the FTSE EPRA/NAREIT Developed (Global REITs) increasing 3.2% and FTSE Global Core Infrastructure 50/50 Index returning 1.5% (both in AUD hedged terms). Within Global Listed Infrastructure, the Magellan Wholesale Plus Infrastructure Fund underperformed its benchmark due to stock selection in French airport operator AdP, US communications company Crown Castle and Spanish airport operator Aena. The Principal Global Property MPS Fund returned positive over July, however underperformed its benchmark.

Returns for most Australian bondholders were positive over July as 10-year bond yields increased slightly (2bps to 4.05%), but shorter dated bonds dropped with five-year bond yields (-12bps to 3.84%) and two-year bond yields (-15bps to 4.05%) lower. The Pental Australian Fixed Interest MPS Fund outperformed its benchmark over the quarter due to the fund’s positioning in industrials, utilities and supra-nationals. The Janus Henderson Australian Fixed Interest MPS Fund also outperformed due to overweight duration, as yields came off their highs, following an indication that inflationary pressures are easing. Within the Macquarie Australian Bond MPS, the portfolio’s overweight to physical credit contributed positively to performance, as Australian credit spreads rallied.

Hedged Overseas Government Bonds returned -0.4% over the month, as bond yields across most regions increased in July. Yields on both key long bonds in the US (10-year and 30-year) rose by approximately 15bps over the month. Outside the US, Japan’s 10-year yield rose by around 19bps, which is noteworthy following the Bank of Japan’s announcement that it will further increase the upper tolerance range for the 10-year yield (now 1.0% vs 0.5% previously). The UK was the only major economy where the 10-year yield fell, albeit modestly. The Wellington Global Bond MPS Fund underperformed its benchmark, due to their macro driven currency strategies whereby its overweight position in the Mexican peso detracted from returns. Similarly, the Western Asset Global Bond MPS Fund outperformed over the quarter as an overweight to UK duration and an underweight to Japanese duration contributed positively to returns.

The CoreSeries Balanced portfolio remains well positioned relative to its long-term objectives and did not require any changes to the strategic asset allocation or rebalancing over the period.

Underlying Fund Returns

	1 Mth (%)	3 Mth (%)	1 Yr (%)	3 Yrs p.a. (%)	5 Yrs pa (%)
Australian Equities					
Fidelity Australian Opportunities MPS Fund	2.5	1.2	7.9	9.8	-
Platypus Australian Equity MPS Fund	2.6	2.0	12.2	-	-
Realindex Australian Shares MPS Fund	3.2	2.7	13.6	15.3	-
Solaris Core Australian Equity MPS Fund	2.7	1.4	9.9	10.3	-
International Equities					
Ardevora Global Equities MPS Fund	1.8	3.7	11.9	6.6	-
Blended Global Equities Hedged MPS Fund	3.4	5.4	7.3	7.1	-
Guardcap Global Equity MPS Fund	2.5	-0.1	15.4	14.1	-
Russell Investments Wholesale Plus Emerging Markets Fund	4.5	6.2	11.8	3.1	-
T. Rowe Price Global Focused Equity MPS Fund	1.8	7.5	15.6	8.0	-
Wellington Global Equity MPS Fund	3.8	4.2	17.3	14.5	-
Property and Infrastructure					
Mercer Indexed Australian Listed Property Fund	3.8	1.9	-0.2	9.4	4.2
Principal Global Property MPS Fund	2.8	1.2	-10.9	2.3	-
Magellan Wholesale Plus Infrastructure Fund	0.8	-3.2	-5.0	4.5	3.7
Alternatives					
Mercer Multi-Strategy Alternatives Fund	0.2	-0.1	0.1	-	-
Australian Fixed Interest					
Macquarie Australian Bond MPS Fund	0.6	-2.5	-0.7	-3.2	-
Janus Henderson Australian Fixed Interest MPS Fund	0.6	-2.4	-0.8	-3.2	-
Kapstream Wholesale Plus Absolute Return Income Fund	0.6	1.0	3.7	1.3	1.7
Pendal Australian Fixed Interest MPS Fund	0.6	-2.4	-1.2	-3.5	-
Global Fixed Interest					
PIMCO Global Fixed Interest MPS Fund	0.3	-0.3	-3.0	-3.3	-
Wellington Global Bond MPS Fund	-0.2	-1.3	-4.1	-4.1	-
Western Asset Global Bond MPS Fund	0.5	-0.8	-3.5	-3.6	-
Cash					
Advance Cash Multi-Blend Fund	0.4	1.0	3.3	1.2	1.3
Platform Cash	0.3	0.8	-	-	-



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