

# CoreSeries Defensive

Portfolio Performance to 31 October 2023

## Portfolio details

### Investment Objective

The portfolio aims to achieve an Inflation (Consumer Price Index "AUCPI") + 1.5% p.a. objective over rolling three year periods by taking exposures to a mix of growth and defensive asset classes.

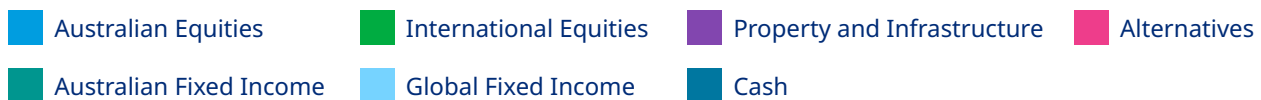
### Investment Strategy

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 30% Growth assets and 70% 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 p.a. (%)	Since inception p.a. (%)*
CoreSeries Defensive	-1.1	-2.7	-2.5	1.1	1.8	0.9	-	2.2
AUCPI + 1.5%	0.6	1.6	2.9	5.2	6.7	6.8	-	5.2
Excess return	-1.7	-4.3	-5.4	-4.1	-4.9	-5.9	-	-3.0

\* Performance since 30 November 2018.

### Actual Asset Allocation



## Market Commentary

In October, the CoreSeries Defensive portfolio returned -1.1% underperforming its AUCPI + 1.5% benchmark by 1.7%.

Australian economic indicators painted a mixed picture for the economy in October. The latest business surveys broadly indicate ongoing resilience, albeit with softer conditions recorded in the Retail and Mining sectors. Meanwhile, house prices have continued to rise, with a further 0.9% month-on-month increase in October. A tight labour market is helping to sustain the housing market and limit weaknesses in consumer spending.

Australian Shares continued to decline in October, with the S&P/ASX 300 Index returning -3.8% for the month. Investor concerns that interest rates may remain 'higher for longer', as well as geopolitical tensions, continued weighing on market sentiment. The Platypus Australian Equity MPS Fund underperformed its benchmark over the month. Underperformance was driven by an underweight to Financials and overweight to Healthcare. The Solaris Core Australian Equity MPS Fund exceeded its benchmark over the month, with an overweight allocation to APM Human Services and underweight to Liontown Resources adding value. Value style manager Realindex also outperformed, with sector allocation bolstering performance.

The MSCI World ex-Australia Accumulation Index returned -2.7% in hedged terms and -1.0% in unhedged terms in October. The strongest performing sectors were Utilities and Information Technology, while Consumer Discretionary, Energy and Industrials underperformed. The Energy sector's weakness continued despite escalating tensions in the Middle East as investors weighed the risks of a softening in demand over the medium term. The T. Rowe Price Global Focused Equity MPS Fund outperformed its benchmark. Stock selection in the Consumer Discretionary sector contributed the most to relative performance. The Wellington Global Equity MPS Fund underperformed its benchmark. Security selection detracted from performance, with weak selection in Industrials, Communication Services & Consumer Staples being the key drivers.

A-REITs underperformed G-REITs, declining -5.7% and -4.5% respectively. The selloff was driven by an increase in global bond yields and sentiment for higher interest rates. The FTSE Global Core Infrastructure 50/50 Index returned -1.2% in October. The Magellan Wholesale Plus Infrastructure Fund outperformed its benchmark over the month despite delivering a negative absolute return. The strategy's Toll Road exposure drove performance over the month, whilst returns from Airports were also strong on a relative basis. Whilst the Principal Global Property MPS Fund delivered a negative return over the month, it outperformed its benchmark. Strong relative performance was largely due to stock selection within the US, particularly housing REITs.

October was a disappointing month for bond markets. Australian yields rose across the curve as higher-than-expected inflation data and hawkish RBA commentary negatively impacted the market. The Australian 10-year bond yield rose 44bps for the month to 4.93%.

Consequently, the Bloomberg Ausbond Treasury Index weakened -1.9%, and the Bloomberg Ausbond Credit Index, declined 0.8%. The Pandal Australian Fixed Interest MPS Fund modestly outperformed its benchmark, with both dynamic duration positioning and security selection underpinning returns. The Janus Henderson Australian Fixed Interest MPS Fund disappointed over the month, as its duration positioning detracted relative to the benchmark. The Macquarie Australian Bond MPS Fund performed in line with the benchmark over October, with security and sector selection driving performance, whilst curve exposure detracted.

Global Sovereign Bond performance was negative in October following the upward revision of interest rate expectations, on the back of strong US economic data, continued inflation risk and heightened geopolitical uncertainty. The benchmark 10-year bond yields in the US briefly hit 5% for the first time since 2007. Meanwhile, in Europe, lower-than-expected inflation and GDP resulted in the ECB maintaining rates on hold. The Wellington Global Bond MPS Fund performed in line with its benchmark, as Macro strategies detracted, whilst Quantitative and Credit allocations were positive. However, the Western Asset Global Bond MPS Fund underperformed its benchmark, with an overweight to US duration detracting as yields moved higher over the month.

### Portfolio Changes over the Month:

Advance Asset Management Limited (AAML) reviewed the CoreSeries International Equity manager allocations and removed the portfolio's exposure to the Ardevora Global Equity MPS Fund during October. The Ardevora allocation has been reallocated to the remaining International Equity managers in both the Developed Markets Equity allocation and the Blended Global Equities Hedged MPS Fund. The new portfolio allocation ensures the portfolio remains style neutral, with no one manager dominating from a risk perspective.

## Underlying Fund Returns

	1 Mth (%)	3 Mth (%)	1 Yr (%)	3 Yrs p.a. (%)	5 Yrs p.a. (%)
<b>Australian Equities</b>					
Fidelity Australian Opportunities MPS Fund	-4.4	-8.7	-0.9	5.4	5.5
Platypus Australian Equity MPS Fund	-5.2	-10.9	1.0	-	-
Realindex Australian Shares MPS Fund	-2.6	-5.6	5.7	12.7	8.6
Solaris Core Australian Equity MPS Fund	-3.6	-5.9	1.9	8.1	5.4
<b>International Equities</b>					
Blended Global Equities Hedged MPS Fund	-1.4	-7.2	6.7	4.1	-
Guardcap Global Equity MPS Fund	1.4	-0.3	16.2	13.0	7.4
T. Rowe Price Global Focused Equity MPS Fund	0.1	-3.1	13.1	4.3	12.5
Wellington Global Equity MPS Fund	-1.7	-4.5	9.7	12.1	11.0
<b>Property and Infrastructure</b>					
Mercer Indexed Australian Listed Property Fund	-5.6	-12.0	-4.1	2.7	2.0
Principal Global Property MPS Fund	-4.0	-11.5	-6.9	-0.3	-
Magellan Wholesale Plus Infrastructure Fund	-0.6	-9.0	-3.7	2.4	2.3
<b>Alternatives</b>					
Mercer Multi-Strategy Alternatives Fund	0.7	4.0	3.2	-	-
<b>Australian Fixed Interest</b>					
Macquarie Australian Bond MPS Fund	-1.8	-2.6	-0.3	-4.4	0.0
Janus Henderson Australian Fixed Interest MPS Fund	-2.1	-2.9	-0.2	-4.7	-
Kapstream Wholesale Plus Absolute Return Income Fund	0.5	1.4	5.1	1.5	1.8
Pendal Australian Fixed Interest MPS Fund	-1.8	-2.7	-0.9	-4.7	-0.2
<b>Global Fixed Interest</b>					
PIMCO Global Fixed Interest MPS Fund	-0.9	-2.7	0.2	-4.4	-0.2
Wellington Global Bond MPS Fund	-0.9	-2.8	-0.8	-4.9	-0.6
Western Asset Global Bond MPS Fund	-1.0	-3.8	0.1	-4.8	-
<b>Cash</b>					
Advance Cash Multi-Blend Fund	0.4	1.1	3.9	1.6	1.5
Platform Cash	0.3	0.8	-	-	-



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