

CoreSeries Defensive

Portfolio Performance to 29 February 2024

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	0.9	4.2	4.4	1.3	6.7	2.4	3.0	3.5
AUCPI + 1.5%	0.4	1.1	2.3	0.8	5.2	6.7	5.2	5.1
Excess return**	0.5	3.1	2.1	0.5	1.5	-4.3	-2.2	-1.6

* Performance since 30 November 2018.

Actual Asset Allocation



Market Commentary

Over February, the CoreSeries Defensive portfolio returned 0.9% outperforming its AUCPI + 1.5% benchmark by 0.5%.

Australian economic conditions have remained broadly resilient in February, albeit with some signs of easing. The unemployment rate ticked up to 4.1% in January from 3.9%, whilst readings from the latest NAB Business Survey indicated positive but easing business conditions. The January reading of the Consumer Price Index (CPI) remained unchanged at 3.4% Year-on-Year. Whilst the RBA left interest rates unchanged at 4.35% p.a. in their February meeting, the meeting minutes showed that the RBA board had also considered the case for raising rates, suggesting the Bank's focus remains squarely on inflation reduction.

The S&P/ASX 300 Index advanced 1.0% in February. The stronger performance of cyclicals was a theme for the month with Consumer Discretionary (9.7%), Financials (3.5%) and Industrials (3.5%) among the positively contributing sectors. The Materials sector (-5.9%) was an outlier, driven by lacklustre economic conditions in China and weakness in a number of metals prices weighing on the sector. IT (19.7%) was an outsize contributor to the positive performance of the Australian market off the back of the global Technology sector rally. The Fidelity Australian Opportunities MPS Fund returned 2.1% over February, with outperformance driven by stock selection within the Healthcare and Real Estate sectors. The manager saw key names such as Goodman Group and WiseTech rally off the back of better than expected financial results. The Solaris Core Australian Equity MPS Fund returned 1.8% over the month, with stock selection in Suncorp, Goodman Group and Altium a key driver of outperformance against the broader benchmark.

The MSCI World ex-Australia Index delivered another strong return in February, up 4.7% (Hedged) and 5.9% (Unhedged). Cyclical sectors were among the top contributors with Consumer Discretionary (9.1%), Information Technology (7.7%) and Industrials (7.4%) among the strongest performers. At the company level, the "Magnificent 7" again performed well, led by Nvidia which increased 30.5%. The MSCI Emerging Markets Index returned 6.4% in February, outperforming Developed Markets. This was driven largely by strong performance from China, with the Shanghai Composite up 8.1% in February on the back of renewed government stimulus measures which can be expected to buoy market performance. The T Rowe Price Global Focused Equity MPS Fund returned 9.4%, outperforming the broader benchmark, with stock selection in various Healthcare names contributing positively to performance. The manager's exposure to quality growth global equities benefitted performance as growth stocks rallied relative to value names. The Guardcap Global Equity MPS Fund returned 4.0%, underperforming its benchmark by 1.8% over the month. Stock selection was key to underperformance, with stock selection in the Consumer Discretionary and Healthcare sectors a major detractor.

A-REITs increased by 4.8% in February, outperforming the broader equity market, driven by strong contributions from companies like Goodman Group (16.9%) which raised its full year guidance for profits with data centres emerging as a key growth driver.

Meanwhile, G-REITs (FTSE EPRA/NAREIT Developed, AUD hedged) was more subdued, declining by -0.1% over the month, with the rise in global bond yields and receding expectations for near term interest rate cuts impacting the asset class more than broader equity markets. The Principal Global Property MPS Fund returned -0.1% over the month, performing broadly in line with the benchmark. Stock selection to data centres contributed positively to performance as the sector benefitted from the broader rally in artificial intelligence themed stocks.

The FTSE Global Core Infrastructure 50/50 Index fared better, returning 1.1% in February (in hedged AUD terms). Strong contribution from US names over the period contributed, while weaker performance in Europe weighed on the index. From a sector lens, Oil & Gas and Rail Transportation contributed to performance while Telecommunications and Utilities lagged. The Magellan Wholesale Plus Infrastructure Fund returned 0.3% over the month, with returns driven by Toll Road exposures. Given the defensive nature of the asset class, infrastructure can typically lag the broader equities markets if there is a growth risk on rally like we saw in February.

Global Sovereign Bond yields broadly rose over the month, with markets paring back expectations for near term interest rate cuts following ongoing resilient economic data in the US and central bank rhetoric warning against such expectations. Overall, the rise in bond yields in most regions led to a challenging month for Global Sovereign Bonds as an asset class with the FTSE World Government Bond (ex-Australia) Index down -0.8% on a fully hedged basis. Against a backdrop of better-than-expected earnings and resilient economic data in the US, credit spreads broadly ended the month lower. The Wellington Global Bond MPS Fund underperformed the benchmark, returning -1.0% over February. The strategy's tactical overweight to US duration was a key detractor, as yields rose from robust economic prints. The PIMCO Global Fixed Interest MPS Fund modestly outperformed the benchmark in February. Inflation-linked securities benefited from breakevens moving higher over the month, whilst security selection within securitized assets also contributed to relative performance.

In Australia, government bond yields also moved broadly higher, albeit primarily in longer-dated bonds on the back of global market conditions. Shorter-dated bonds saw little change in yields, with economic data in Australia showing some signs of softening. Investment grade credit spreads in Australia also tightened modestly over the month with the change reasonably broad based across the Financials, Industrials and Utilities sectors. The Janus Henderson Australian Fixed Interest MPS Fund performed in line with its benchmark in February as underperformance from duration positioning was offset by its overweight credit positioning as spreads contracted. The Pandal Australian Fixed Interest MPS Fund also performed in line with the benchmark, with sector positioning in Financials, Utilities & Industrials adding to performance. We note that the manager anticipates a potential increase in its duration exposure as pricing becomes more attractive.

Portfolio Changes over the Month:

No changes were made to the portfolio over the month.

Underlying Fund Returns

	1 Mth (%)	3 Mth (%)	1 Yr (%)	3 Yrs p.a. (%)	5 Yrs p.a. (%)
Australian Equities					
Fidelity Australian Opportunities MPS Fund	2.1	8.4	3.8	5.7	6.9
Platypus Australian Equity MPS Fund	7.0	16.6	21.1	-	-
Realindex Australian Shares MPS Fund	0.4	9.2	12.1	11.4	10.0
Solaris Core Australian Equity MPS Fund	1.8	9.2	9.5	9.2	6.9
International Equities					
Blended Global Equities Hedged MPS Fund	4.1	8.2	16.5	2.4	7.6
Guardcap Global Equity MPS Fund	4.0	8.1	21.1	9.0	8.7
T. Rowe Price Global Focused Equity MPS Fund	9.4	15.8	34.7	6.4	15.2
Wellington Global Equity MPS Fund	3.2	7.5	13.5	12.8	12.1
Property and Infrastructure					
Mercer Indexed Australian Listed Property Fund	4.8	18.1	14.9	10.2	5.8
Principal Global Property MPS Fund	-0.1	3.6	0.3	-1.2	-1.0
Magellan Wholesale Plus Infrastructure Fund	0.3	1.7	1.3	5.6	2.5
Alternatives					
Mercer Multi-Strategy Alternatives Fund	0.6	2.0	4.8	-	-
Australian Fixed Interest					
Macquarie Australian Bond MPS Fund	-0.3	2.7	4.0	-1.2	0.6
Janus Henderson Australian Fixed Interest MPS Fund	-0.3	3.3	4.5	-1.3	0.8
Kapstream Wholesale Plus Absolute Return Income Fund	0.0	1.4	5.3	2.0	2.1
Pendal Australian Fixed Interest MPS Fund	-0.2	2.7	3.9	-1.6	0.4
Global Fixed Interest					
PIMCO Global Fixed Interest MPS Fund	-0.7	2.5	4.6	-2.5	0.5
Wellington Global Bond MPS Fund	-1.0	1.8	2.5	-2.9	-0.3
Western Asset Global Bond MPS Fund	-1.2	1.7	4.0	-2.9	0.1
Cash					
Advance Cash Multi-Blend Fund	0.4	1.1	4.3	2.1	1.6
Platform Cash	0.3	0.9	-	-	-

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