Quarterly Economic Briefing

Morningstar Manager Research
30 September 2020

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Executive Summary

Debt levels are at all-time highs, economic output is at multi-decade lows, there are widespread job losses, a global pandemic halting many human interactions… yet global stock prices are at or near record highs. If you're left scratching your head, you're not alone. A meaningful part of the narrative is attributable to record levels of stimulus. Interest rates are expected to sit around all-time lows for the foreseeable future, with the U.S. Federal Reserve and the Reserve Bank of Australia both hinting that rates are likely to remain low until at least 2023.

Unsung heroes in times of stress—such as cash and longer-dated bonds—continue to play their role as a defensive ballast. Remember that the pledges by central banks to keep rates low has provided some comfort for fixed income investors, despite the low yields. In this regard, the spread between riskier bond holdings (such as lower-quality corporate bonds) and safer exposure (such as government bonds, which tend to offset equity risk) saw a big spike in early 2020. Emerging market debt remains an area of interest, given the high relative yields on offer.

Looking within equities, it's clear that not all is equal. Divergence in returns continues, by both country and sector. While the U.S. has done well 2020-to-date, the U.K. sharemarket remains under pressure. Elsewhere, "new world" growth companies, notably in the technology sector, are demanding a curiously high premium, while "established" businesses fall out of favour. This is true across developed and emerging markets. Understanding this dispersion is key to navigating the current investment environment. Ultimately, it is unpopular stocks that tend to outperform popular stocks in the long run, as validated in several academic studies. While 2020 has so far proven to be an outlier in this sense, it is the contrarian investor that has the upper hand probabilistically. This popularity/unpopularity conundrum should not be understated in these extreme times.

Taken together, balancing capital growth and capital preservation is undoubtedly demanding at present. This requires a steady hand. There are the simple things to get right, such as keeping costs low, focusing on the long term, and diversifying the return/risk drivers. But to excel in today's environment, it also requires advanced analytical and behavioural skill – the ability to rationally assess the market extremes against your goals, then sensibly execute on those observations. In this regard, changes to positioning are relatively minor this quarter – generally trimming global equities (given recent strength), with the proceeds being put towards an increased allocation to international fixed interest and/or cash.

Asset Allocation Summary - Growth Risk Profile (as at 30 June 2020)

Growth Portfolio	SAA (%)	Current Allocation (%)	Over/Underweight (%)	Previous Allocation (%)	Change (%)
Australian Equity	23.0	23.0	0.0	23.0	0.0
International Equity (Hedged)	17.5	12.8	-4.7	13.6	-0.8
International Equity (Unhedged)	17.5	19.2	+1.7	20.4	-1.2
Australian Listed Property	3.0	2.0	-1.0	2.0	0.0
International Listed Property	5.0	4.0	-1.0	4.0	0.0
Global Infrastructure	4.0	5.0	+1.0	5.0	0.0
Australian Fixed Interest	11.0	11.0	0.0	11.0	0.0
International Fixed Interest	7.0	8.0	+1.0	7.0	1.0
Cash	12.0	15.0	+3.0	14.0	1.0
Total Defensive	30.0	34.0	+4.0	32.0	2.0
Total Growth	70.0	66.0	-4.0	68.0	-2.0

Market Returns to 30 September 2020 (AUD)

Asset Class	QTR	YTD	1yr	3yr
Australian Cash	0.02	0.25	0.47	1.32
Australian Fixed Income	1.02	4.59	3.21	5.96
Global Fixed Income	0.68	4.27	3.47	4.66
Australian REITs	6.96	-15.81	-16.65	3.72
Global REITs	0.62	-22.02	-21.55	-2.03
Global Infrastructure	-0.58	-20.86	-18.58	-2.05
Australian Equities	-0.44	-10.82	-10.21	4.80
Global Equities ($A)	3.78	0.04	4.30	11.21

Source: Morningstar Direct

International Equity
Review

Following a sharp rebound in the second quarter, international equity markets maintained some of this momentum to record solid gains of around 7%, in the third quarter (in local currency terms). However, while aggregate returns were again strong, the real story is one of significant divergence among regions and sectors. The U.S. sharemarket, for instance, led the way, recording gains of 8.8%, for the quarter (and, amazingly, is now showing positive returns 2020-to-date). By contrast, the U.K. sharemarket was again weak (-4.6%) and remains down more than 20% this year, as concerns around Brexit and COVID-19 continue to impact investor sentiment.

With returns of almost 15%, consumer discretionary was the best performing sector. Elsewhere, the I.T. sector again performed well (+11%), underpinned by the strong performance of a handful of dominant U.S. I.T companies. Extraordinarily, this brings year-to-date returns to almost 27%! At the other end of the spectrum, sectors that are sensitive to the economic outlook, notably energy, remain under pressure, with poor sentiment contributing to a negative quarterly return of -17%.

Outlook

At current prices, U.S. equities still look expensive overall, on our analysis, especially relative to international markets.

However, there are pockets that we do like. One issue that we face is that these opportunities tend to cluster in more cyclical (or economically sensitive) areas of the market—including energy and financials. For example, we continue to believe integrated energy companies with diversified business models and strong balance sheets should be able to weather the downturn and provide significant potential upside for investors at today’s prices. Our research also leads us to believe that large U.S. banks are attractively valued. They are much better positioned than during the previous crisis, and we think they will be able to withstand a severe economic downturn, even if it includes mounting job cuts.

Outside of these contrarian sector opportunities, much of our concern is related to the implied growth rate of “new economy” stocks, many of which are clustered in the U.S. technology sector. These have become untenable in our view, with implied growth expectations that are extremely difficult to sustain. Against any measure of corporate history, meeting these expectations looks improbable, leading us to a cautious stance regarding these companies.

We have a contrarian stance on Europe, and on a comparative basis, believe valuations look to be on a much more durable footing than the U.S. market. For example, European financials look very attractively priced, on our analysis, as do European telecoms, which have undergone an extended period of weakness relating to concerns around future revenues, changing business models and a heightened regulatory environment. Elsewhere, we still have a positive view on European energy companies, a shining contrarian investment opportunity in our analysis.

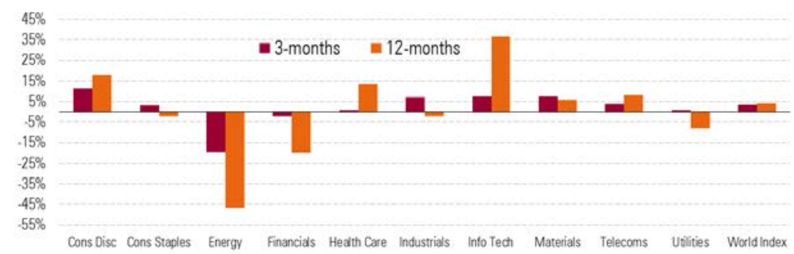
U.K. shares are one of the few opportunities that we consider to be "cheap", due in part to energy and financials companies which are heavily represented on the FTSE100 index. As such, we continue to view U.K. equities being among the most attractive investment prospects. In fact, we have upgraded U.K. equities to a “high” conviction given its attractive relative valuation compared to other development markets.

Beyond sector considerations, investor sentiment has also encountered a one-two punch, with a long-winded Brexit transition flowing straight into COVID-19 lockdowns. This has meant sellers have outnumbered buyers for an extended period, which we believe represents a contrarian opportunity supported by inviting valuations. Most of these businesses derive their revenues from other regions—with as much as 70% of the FTSE100 coming from abroad (25% coming from emerging markets)—so it is hard to argue for a U.K. demise as the main reason for the underperformance over the past decade.

We continue to see merit in Japanese holdings. For the most part, our conviction in Japanese stocks was built on some major structural change taking place at a corporate level. While some of this structural tailwind is now behind us, we see scope for a continuation of improving shareholder interests, rising dividend payouts and board independence.

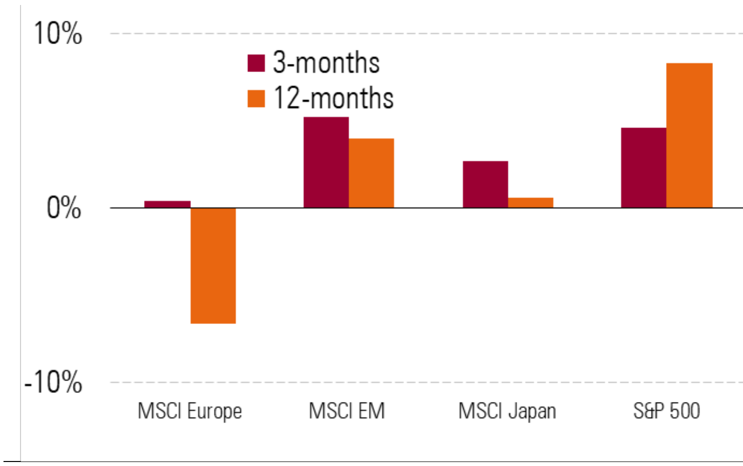
Emerging-markets equities are considered among our preferred equity regions (alongside U.K., European and Japanese equities), with South Korea and Mexico standing out. Sector opportunities also exist, with technology offering a reasonable reward for risk—especially relative to U.S. peers.

Exhibit 1.1 Global Sub-sectors and Market (AUD) - Trailing Returns to 30 Sept 2020



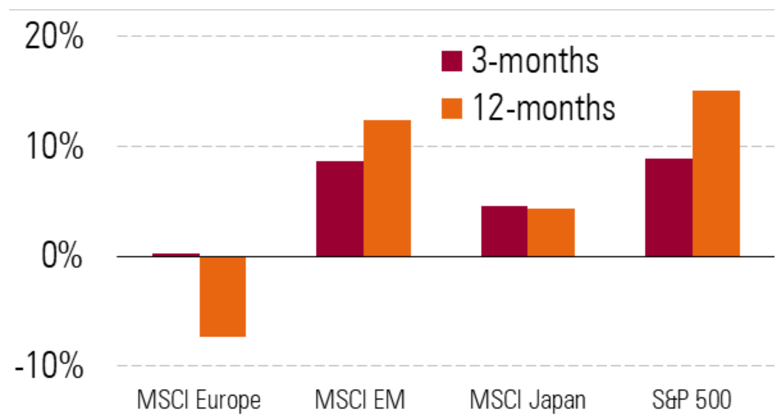
Source: Morningstar Direct

Exhibit 1.2 Regional Indexes (AUD) - Trailing Returns to 30 Sept 2020



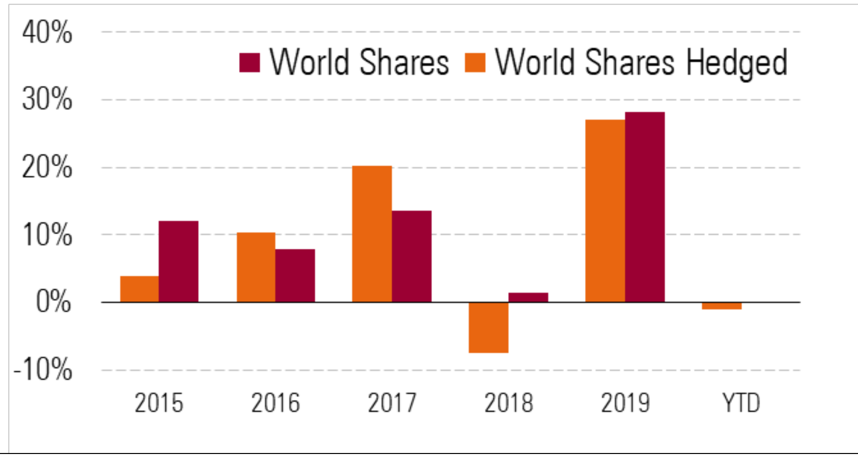
Source: Morningstar Direct

Exhibit 1.3 Regional Indexes (LCL) - Trailing Returns to 30 Sept 2020



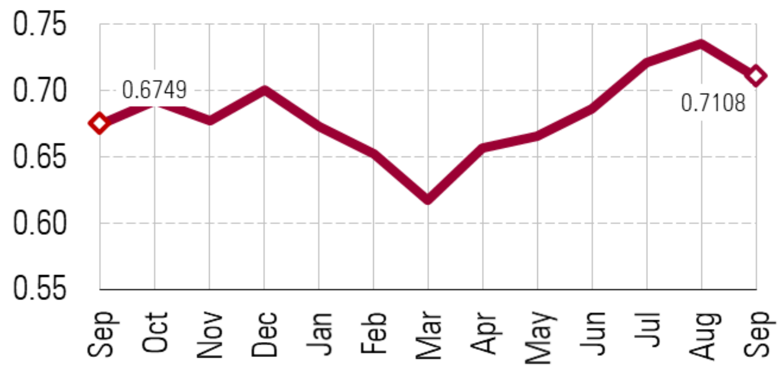
Source: Morningstar Direct

Exhibit 1.4 Global Shares Hedged vs Unhedged (AUD) - Calendar Year Returns



Source: Morningstar Direct

Exhibit 1.5 AUD/USD Exchange Rate - Trailing One - Year to 30 Sept 2020



Source: Reserve Bank of Australia

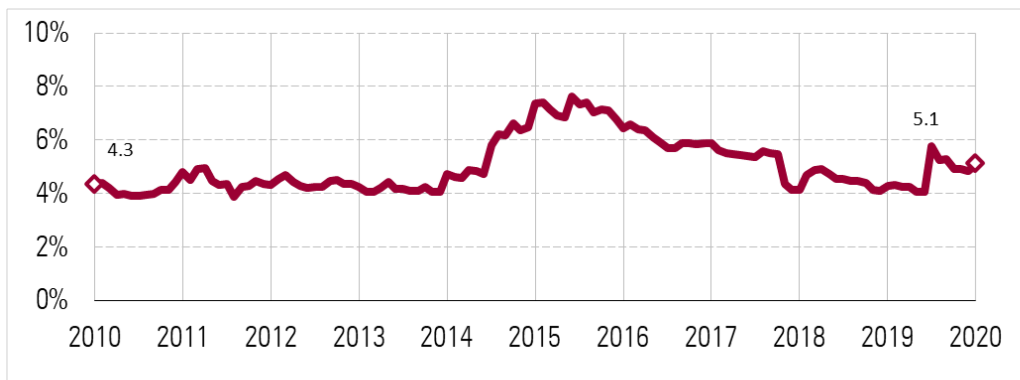
Australian Equity Review

Despite the third quarter seeing strong performances across global sharemarkets, the local market didn't reflect the full extent of this lift. Nonetheless, there was consistency among key investment themes, with consumer discretionary and I.T. reflecting the positive global pattern, while more economically sensitive sectors (such as energy and financials) delivered negative returns. Over both a 2020-to-date and rolling 12-month view, returns from the Australian market materially lag the benchmark for global sharemarkets.

Outlook

Prior to the March selloff, our view was that the Australian sharemarket was among one of the most expensive global asset classes, with poor expected returns elevating the likelihood of loss. However, with that market turbulence, we have seen a significant improvement in expected returns, and while these have reduced in an absolute sense, with the subsequent rally, they remain meaningfully higher than a year ago. That said, the majority of global share regions continue to appear relatively more attractive, (with the notable exception being the U.S. sharemarket).

. **Exhibit 2.1** Market Dividend Yield Style Factor - 10 Years to 30 Sept



Source: Morningstar Direct

Exhibit 2.2 Market P/E Ratio - 10 Years to 30 Sept

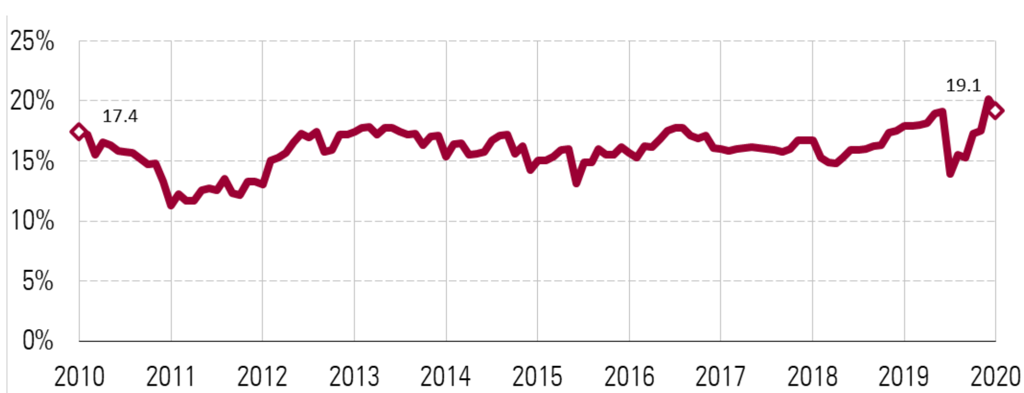
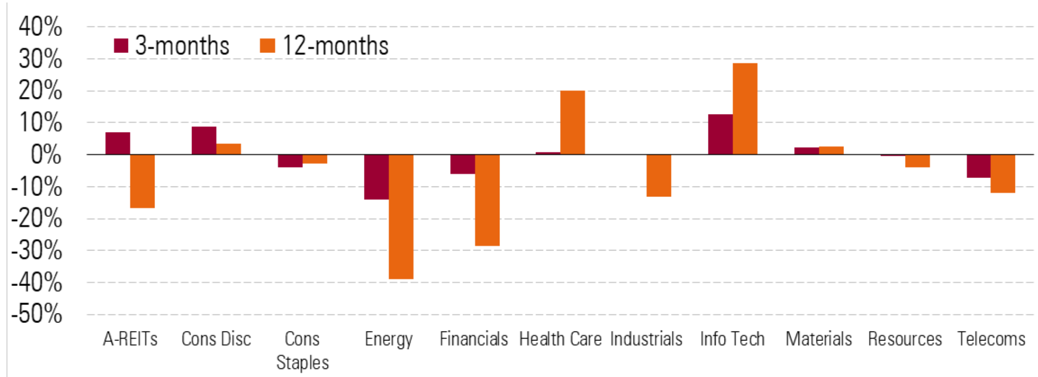


Exhibit 2.3 S&P/ASX 200 Sub-sectors and Market (AUD) - Trailing Returns to 30 Sept



Source: Morningstar Direct

International Listed Property

Review

Global real estate investment trusts (GREITS) lost some of the steam they'd gathered during the second quarter, with mild returns at best (particularly Europe ex UK, +3.3%; Japan +3.5%) and slight losses at worst (Asia ex Japan -1.4%; UK -2.3%), in local currency terms. The 0.8% return for the North American region (which accounts for over 55% of the investment universe) delivered returns just under the global benchmark (1.0%).

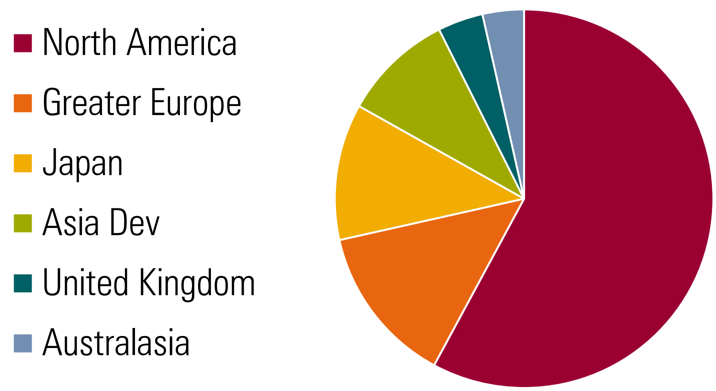
From a global sector perspective, industrials were the best performing sector (+8.4% in local currency terms) and has been a long-term outperformer benefitting from the trend towards on-line retail. More specifically, Japanese industrial stocks fared particularly well, as did German residential property stocks within Europe ex U.K. Conversely, retail was the worst performing sector, falling -3.7%, in local currency terms. European retail and U.K. retail were particularly poor performers (around -19% each), while U.S. retail was also weak.

Outlook

We believe earnings risks remain in the short term, as social-distancing restrictions impact the immediate profitability (and potentially viability) of shopping mall operators (and their tenants), while investors in office REITs face a more depressed rental growth outlook over the short term and an uncertain outlook over the medium to long term.

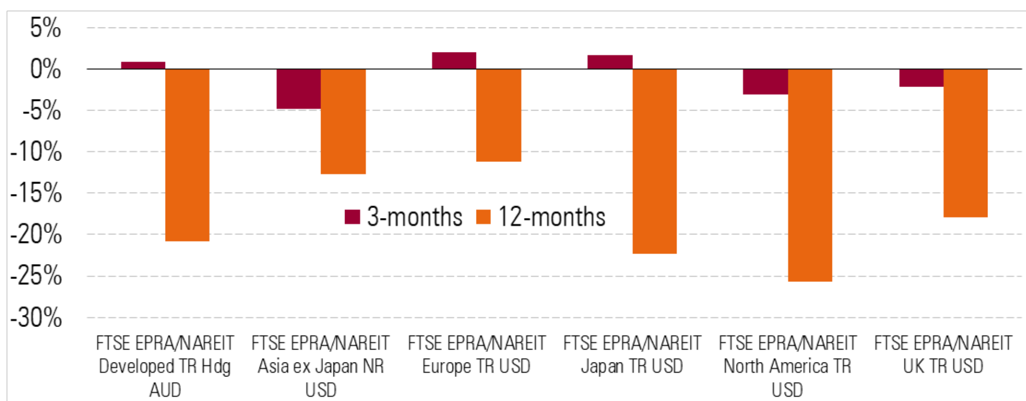
Time will tell if the trends toward accelerating online sales and working-from-home persists. While uncertainty in this asset class may be beginning to be priced into current asset prices, our view is that global listed property remains a generally unattractive investment opportunity and we continue to see superior opportunities in other growth assets.

Exhibit 3.1 Global REITs - FTSE EPRA/NAREIT Index Regional Exposure as at 30 Sept



Source: Morningstar Direct

Exhibit 3.2 Global REITs (AUD) - Trailing Returns to 30 Sept



Source: Morningstar Direct

Global Infrastructure

Review

Despite an optimistic rally in the second quarter, third quarter returns from global infrastructure were flat. Quarterly returns held at -0.6%, while year-to-date returns are meaningfully lagging behind other asset classes.

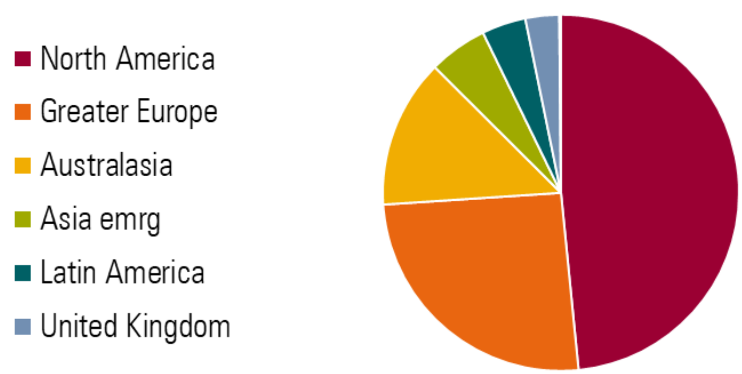
North America was the best performing region (up more than 5% in local currency), with Japan and the U.K. taking the opposite mantle, returning -7.0% and -6.3%, respectively. From a sub-sector perspective, electric utilities performed well (+5.1%), with most of these companies residing in North America. Transportation infrastructure, particularly toll roads and airports, didn't fare as well, turning in a mixed performance due to European airports and toll roads performing poorly, while their Australian and NZ counterparts performed better (Sydney Airport was up +6.0% and Auckland Airport was up 10.9%). Not surprisingly, oil and gas storage infrastructure performed poorly (-6.8%), and was the worst performing sector, falling alongside broader weakness in the energy sector.

Outlook

The near-term outlook for global infrastructure remains uncertain. On one hand, expectations of a sustained period of low interest rates at the hands of global central banks is likely to be seen as a positive; on the other, earnings uncertainty, particularly for those more economically sensitive assets, may well weigh on sentiment for some time, as the COVID-19 pandemic plays out.

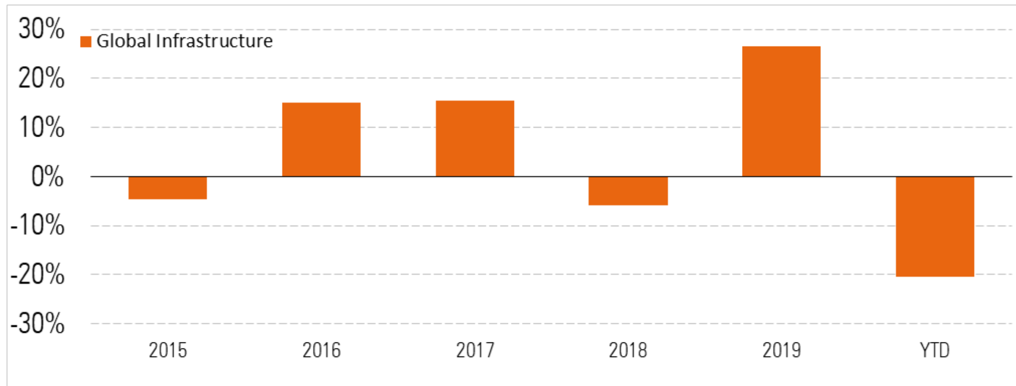
While expected returns from global infrastructure are better than a year ago other growth assets continuing to offer more appeal.

Exhibit 4.1 S&P Global Infrastructure - Regional Exposure as at 30 Sept



Source: Morningstar Direct

Exhibit 4.2 Global Infrastructure (AUD) - Calendar Year Returns to 30 Sept



Source: Morningstar Direct

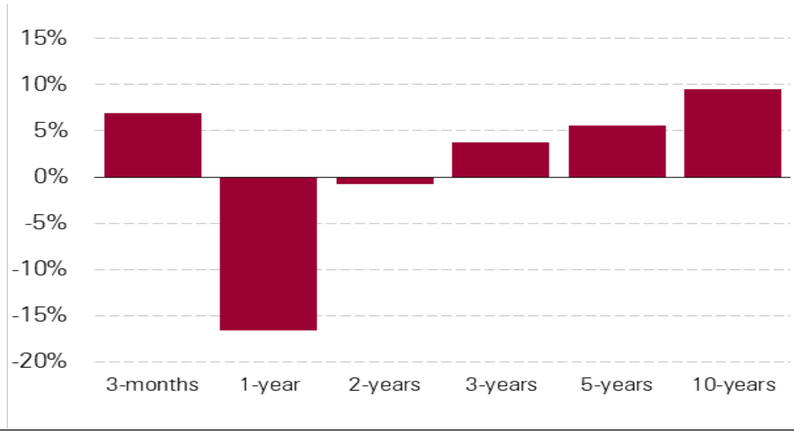
Australian Listed Property - Review

Australian listed property was among the best-performing asset classes of the third quarter, finishing up 7.0%. Renewed optimism around a relaxation of social distancing measures flowed through into better sentiment toward this asset class. Nonetheless, COVID-19 has acutely affected this asset class, appearing to accelerate the trend toward online shopping (at the expense of foot traffic through shopping malls), while questions remain regarding the outlook for demand for office space, given the shift toward 'working from home'. This has seen significant divergence in the performance of individual companies, with many enacting dividend cuts and capital raisings in order to help weather this period of extreme uncertainty.

Outlook

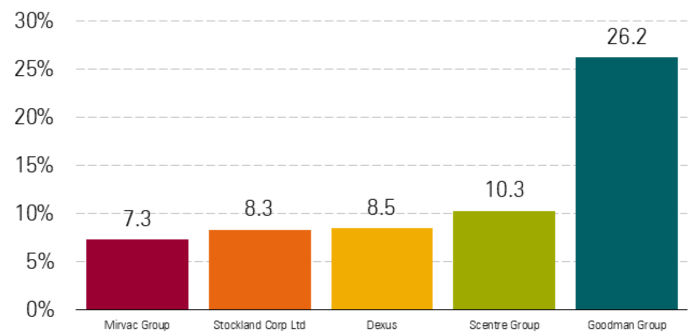
We previously held the view that Australian listed property was expensive, with the underlying fundamentals of the asset class not justifying the high prices paid. Expected returns improved following the dramatic decline in prices throughout the first quarter of 2020. However, the extent of this has diminished of late and we continue to see a better reward for risk elsewhere.

Exhibit 5.1 A-REITS (AUD) - Trailing Returns to 30 Sept



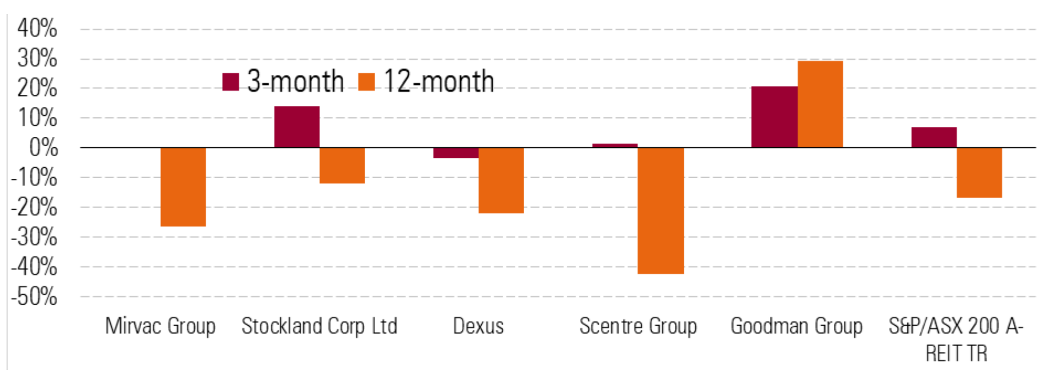
Source: Morningstar Direct

Exhibit 5.2 S&P/ASX 200 A-REITS Index - Exposure to the top 5 holdings as at 30 Sept



Source: Morningstar Direct

Exhibit 5.3 Top 5 A-REITS (AUD) Trailing Returns to 30 Sept



Source: Morningstar Direct

Global Fixed Interest

Review

Interest rates are extremely low, and inflation is subdued—keeping government bond yields at historically low levels. Nonetheless, the global fixed interest benchmark managed to eke out small gains, for the quarter. As a general observation, governments are borrowing more money for longer periods, which makes sense for them, but increases the sensitivity to interest rates for bond holders. That said, investors continue to flock to these assets during times of stress, creating a ballast against equity exposure.

Outlook

While rates are uninspiring at these levels, government bonds continue to play a role in a total portfolio context. In this regard, we recently affirmed our U.S. Treasury position at “Low to Medium”. This acknowledges the Federal Reserve’s commitment to supporting and stabilizing the bond market, with aggressive and unprecedented amounts of Treasury bond purchases, and a verbal commitment to maintain interest rates at a zero bound until they are confident about an economic recovery.

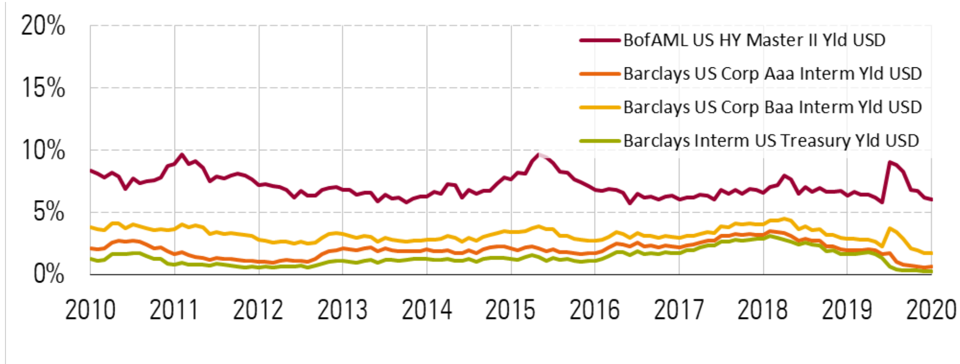
That said, updated language regarding the Fed’s inflation targeting policy could put pressure on nominal bonds in the future as they will tolerate overshoots of its 2% target. On a relative basis and despite the significant decline in yields, U.S. Treasuries still offer a premium to other non-U.S. developed markets, albeit much smaller than in recent history. Finally, despite yields at record lows, should yields move lower if we encounter another bout of risk aversion, scenario analysis suggests that U.S. Treasury exposure still offers some return potential in that environment.

We note that the timing of any weakness in this asset class is unknowable. Much of the current market debate is really about the depth and duration of the expected contraction and the feedback into the real economy through credit markets. Central bank intervention is also an issue, as it keeps government bond yields low to entice spending and reduce the interest burden of governments.

Exhibit 6.1 Global Bond Yield - Barclays Global Aggregate Yield (USD) - 10 Years to 30 Sept

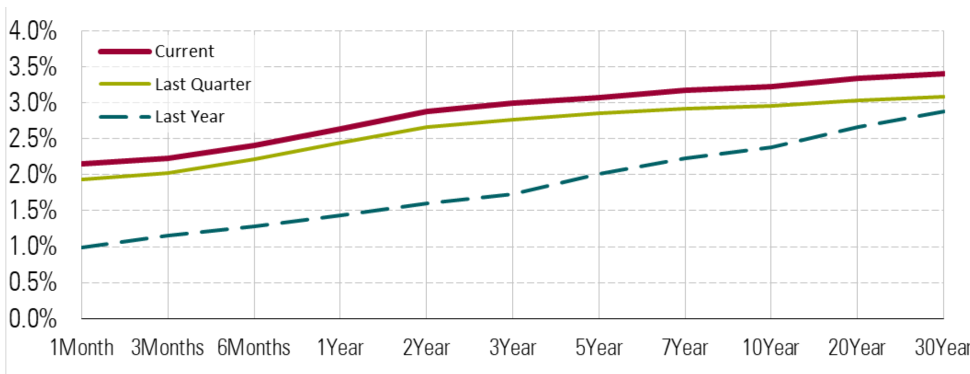
Source: Morningstar Direct

Exhibit 6.2 US Bond Yield Indexes - AAA to High Yield - 10 Years to 30 Sept



Source: Morningstar Direct

Exhibit 6.3 US Treasury Bond Yield Curves as at 30 Sept



Source: U.S Department of the Treasury

Australian Fixed Interest

Review

Bond markets saw modest gains over the quarter, with longer-dated bonds benefitting from the "lower for longer" view of domestic interest rates and expectations that we will see further stimulus to soften the economic blow of COVID-19. While this asset class is a particularly important diversifier for Australian-domiciled investors, a 10-year bond yield of around 0.8% remains generally unattractive, thereby limiting the ability of this asset class to provide income and help preserve capital in a multi asset portfolio over the longer term, in our view.

Outlook

Australian bonds typically perform two functions in a multi-asset portfolio – diversifying sharemarket exposure (thereby helping to preserve capital) and providing income to the portfolio. At current valuations, the ability of Australian bonds to fulfil these functions is becoming increasingly limited, in our view. This is particularly the case for longer dated securities, which are most sensitive to changes in interest rate and inflation expectations, notwithstanding that yields on this part of the curve have improved slightly in recent times.

Investment grade credit markets offer better relative value although even the extent of this has diminished of late. In an absolute sense, it is worth noting that the overall yield on credit is low versus history owing to the decline in government bond yields to record lows, and we anticipate that low absolute yields are likely to persist for some time.

Australian Dollar

Review

The performance of the Australian dollar (versus the U.S. dollar) over the quarter was relatively benign, compared to the volatile start to the year, grinding its way to finish the quarter slightly higher at USD$0.7162. Underpinning this, is weakness in the U.S. dollar, given the scale of U.S. stimulus, while an improvement in sentiment generally sees the Australian dollar more in favour. At this level, it is now marginally ahead of where it finished 2019, notwithstanding that the currency has been on a roller coaster ride between those two dates. The strength in the currency slightly hampered unhedged international equity returns, with global shares delivering around 7%, in local currency terms, versus ~4% in Australian dollar terms.

Outlook

While currencies are notoriously volatile, the impact of the global pandemic on the Australian dollar is noteworthy. Indeed, having slumped throughout the March Covid-selloff, the currency has since recovered and is now trading slightly ahead of our fair value estimate (versus the U.S. dollar) (and is also marginally ahead of where it finished 2019, notwithstanding that the currency has been on a roller coaster ride between those two dates).

More broadly, exposure to the Japanese Yen and the British Pound continues to appeal, In aggregate, this favours maintaining select exposure to foreign currencies, all things being equal, and subject to individual portfolio objectives, with the Yen, in particular, expected to provide diversification qualities and help preserve capital in times of market stress.

Exhibit 7.1 Australian Bond Yield - Barclays Global Australia Yield (AUD) - 10 Years to 30 Sept

Source: Morningstar Direct

Asset Allocation

Strategic Asset Allocations Summary

The table below presents the key attributes of the five portfolios. Morningstar derived the portfolios using the optimisation process based on mean-variance analysis. In designing the portfolios, Morningstar aimed to balance the objective of income and growth requirements for a typical investor in each of the five risk profiles: conservative, moderate, balanced, growth and aggressive.

Risk Profile	Conservative	Moderate	Balanced	Growth	Aggressive
Minimum Investment Period (Years)	2+	3+	5+	7+	9+
Portfolio Characteristics %					
Growth Assets	15.0	30.0	50.0	70.0	90.0
Defensive Assets	85.0	70.0	50.0	30.0	10.0
Strategic Asset Allocation %					
Australian Equity	5.0	10.0	17.0	23.0	30.0
International Equity (50% Hedged)	7.0	14.0	24.0	35.0	45.0
Australian Listed Property	0.0	0.0	3.0	3.0	4.0
International Listed Property	3.0	3.0	3.0	5.0	6.0
Global Infrastructure	0.0	3.0	3.0	4.0	5.0
Australian Fixed Interest	28.0	23.0	18.0	11.0	4.0
International Fixed Interest	21.0	17.0	12.0	7.0	3.0
Cash	36.0	30.0	20.0	12.0	3.0
Expected Long-Term Return %*					
Total	4.2	4.7	5.5	6.2	6.9
Income	3.6	3.6	3.5	3.4	3.4
Growth	0.5	1.0	1.8	2.5	3.1
Franking Credit	0.1	0.1	0.2	0.3	0.4
Projected Range of Returns % pa (95% Confidence interval) **					
5 Years	1.2 to 7.2	0.7 to 8.8	-0.5 to 11.4	-1.9 to 14.2	-3.4 to 17.2
10 Years	2.1 to 6.3	1.9 to 7.6	1.2 to 9.7	0.5 to 11.9	-0.4 to 14.1
20 Years	2.7 to 5.7	2.7 to 6.7	2.5 to 8.4	2.1 to 10.2	1.8 to 12.0
Risk**					
Expected probability of a negative return over any single year (%)	9.5	13.4	18.9	22.7	25.3
Expected number of negative years in 20	1.9 years	2.7 years	3.8 years	4.5 years	5.1 years

* Income, growth and other capital market assumptions refer to long term expectations over multiple decades. Over shorter periods outcomes may vary significantly.

** Analytics shown in this table are a forecast not a prediction. The projected balance and results are only estimates, the actual amounts may be higher or lower.

Strategic and Tactical Asset Allocations

Conservative Portfolio	SAA (%)	Current Allocation	Over/Underweight (%)	Previous	Change (%)
Australian Equity	5.0	4.0	-1.0	4.0	0.0
International Equity (Hedged)	3.5	3.0	-0.5	3.0	0.0
International Equity (Unhedged)	3.5	3.0	-0.5	3.0	0.0
Australian Listed Property	0.0	0.0	0.0	0.0	0.0
International Listed Property	3.0	3.0	0.0	3.0	0.0
Global Infrastructure	0.0	0.0	0.0	0.0	0.0
Australian Fixed Interest	28.0	27.0	-1.0	27.0	0.0
International Fixed Interest	21.0	21.0	0.0	21.0	0.0
Cash	36.0	39.0	+3.0	39.0	0.0
Total Defensive	85.0	87.0	+2.0	87.0	0.0
Total Growth	15.0	13.0	-2.0	13.0	0.0
Total Domestic	69.0	70.0	+1.0	70.0	0.0
Total International	31.0	30.0	-1.0	30.0	0.0
Australian Dollar Exposure	96.5	97.0	+0.5	97.0	0.0
Foreign Currency Exposure	3.5	3.0	-0.5	3.0	0.0
Currency Hedge Ratio	50%	50%	0%	50%	0.0%

Moderate Portfolio	SAA (%)	Current Allocation (%)	Over/Underweight (%)	Previous Allocation (%)	Change (%)
Australian Equity	10.0	9.0	-1.0	9.0	0.0
International Equity (Hedged)	7.0	6.5	-0.5	7.0	-0.5
International Equity (Unhedged)	7.0	6.5	-0.5	7.0	-0.5
Australian Listed Property	0.0	0.0	0.0	0.0	0.0
International Listed Property	3.0	3.0	0.0	3.0	0.0
Global Infrastructure	3.0	2.0	-1.0	2.0	0.0
Australian Fixed Interest	23.0	22.0	-1.0	22.0	0.0
International Fixed Interest	17.0	18.0	+1.0	17.0	1.0
Cash	30.0	33.0	+3.0	33.0	0.0
Total Defensive	70.0	73.0	+3.0	72.0	1.0
Total Growth	30.0	27.0	-3.0	28.0	-1.0
Total Domestic	63.0	64.0	+1.0	64.0	0.0
Total International	37.0	36.0	-1.0	36.0	0.0
Australian Dollar Exposure	93.0	93.5	+0.5	93.0	0.5
Foreign Currency Exposure	7.0	6.5	-0.5	7.0	-0.5
Currency Hedge Ratio	50%	50%	0%	50%	0.0%

Balanced Portfolio	SAA (%)	Current Allocation (%)	Over/Underweight (%)	Previous Allocation (%)	Change
Australian Equity	17.0	17.0	0.0	17.0	0.0
International Equity (Hedged)	12.0	11.0	-1.0	11.5	-0.5
International Equity (Unhedged)	12.0	11.0	-1.0	11.5	-0.5
Australian Listed Property	3.0	2.0	-1.0	2.0	0.0
International Listed Property	3.0	3.0	0.0	3.0	0.0
Global Infrastructure	3.0	3.0	0.0	3.0	0.0
Australian Fixed Interest	18.0	18.0	0.0	18.0	0.0
International Fixed Interest	12.0	13.0	+1.0	12.0	1.0
Cash	20.0	22.0	+2.0	22.0	0.0
Total Defensive	50.0	53.0	+3.0	52.0	1.0
Total Growth	50.0	47.0	-3.0	48.0	-1.0
Total Domestic	58.0	59.0	+1.0	59.0	0.0
Total International	42.0	41.0	-1.0	41.0	0.0
Australian Dollar Exposure	88.0	89.0	+1.0	88.5	0.5
Foreign Currency Exposure	12.0	11.0	-1.0	11.5	-0.5
Currency Hedge Ratio	50%	50%	0%	50%	0.0%

Growth Portfolio	SAA (%)	Current Allocation (%)	Over/Underweight (%)	Previous Allocation	Change (%)
Australian Equity	23.0	23.0	0.0	23.0	0.0
International Equity (Hedged)	17.5	12.8	-4.7	13.6	-0.8
International Equity (Unhedged)	17.5	19.2	+1.7	20.4	-1.2
Australian Listed Property	3.0	2.0	-1.0	2.0	0.0
International Listed Property	5.0	4.0	-1.0	4.0	0.0
Global Infrastructure	4.0	5.0	+1.0	5.0	0.0
Australian Fixed Interest	11.0	11.0	0.0	11.0	0.0
International Fixed Interest	7.0	8.0	+1.0	7.0	1.0
Cash	12.0	15.0	+3.0	14.0	1.0
Total Defensive	30.0	34.0	+4.0	32.0	2.0
Total Growth	70.0	66.0	-4.0	68.0	-2.0
Total Domestic	49.0	51.0	+2.0	50.0	1.0
Total International	51.0	49.0	-2.0	50.0	-1.0
Australian Dollar Exposure	82.5	80.8	-1.7	79.6	1.2
Foreign Currency Exposure	17.5	19.2	+1.7	20.4	-1.2
Currency Hedge Ratio	50%	40%	-10%	55%	-15%

Aggressive Portfolio	SAA (%)	Current Allocation (%)	Over/Underweight (%)	Previous Allocation (%)	Change
Australian Equity	30.0	30.0	0.0	30.0	0.0
International Equity (Hedged)	22.5	16.4	-6.1	17.2	-0.8
International Equity (Unhedged)	22.5	24.6	+2.1	25.8	-1.2
Australian Listed Property	4.0	2.0	-2.0	2.0	0.0
International Listed Property	6.0	6.0	0.0	6.0	0.0
Global Infrastructure	5.0	6.0	+1.0	6.0	0.0
Australian Fixed Interest	4.0	4.0	0.0	4.0	0.0
International Fixed Interest	3.0	4.0	+1.0	3.0	1.0
Cash	3.0	7.0	+4.0	6.0	1.0
Total Defensive	10.0	15.0	+5.0	13.0	2.0
Total Growth	90.0	85.0	-5.0	87.0	-2.0
Total Domestic	41.0	43.0	+2.0	42.0	1.0
Total International	59.0	57.0	-2.0	58.0	-1.0
Australian Dollar Exposure	77.5	75.4	-2.1	74.2	1.2
Foreign Currency Exposure	22.5	24.6	+2.1	25.8	-1.2
Currency Hedge Ratio	50%	40%	-10%	40%	0.0%

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