Quarterly Economic Briefing

Morningstar Manager Research
31 December 2020

Contents

Executive Summary

For humanity, we gladly wave goodbye to 2020, but for financial markets, we endured a period of surprising benefit. Not even the wildest of market predictions would have been right. If someone asked you how the market would perform if a global pandemic hit, causing widespread job losses and the biggest contraction in the economy for around 90 years, we doubt you'd describe today's reality. Global stocks, corporate bonds, real estate, gold, commodities and bitcoin have all moved forward and delivered positive performance.

The final quarter of 2020 was a strong one by historical measures. It is a clear case of market participants looking over the horizon, spurred on by the vaccine rollout combined with a perception of greater political stability. The wave of "good news" comes with many fascinating and constructive sub plots. One of the most interesting happened in the fourth quarter of 2020, where value stocks bucked a multi-year trend to join the winner's list. This was partly marked by President-elect Biden's victory but is also a vision for life after lockdowns and COVID-19, with the reopening of the economy considered a positive for economically sensitive sectors. Company defaults and bankruptcies also remain low globally, defying the doomsayers, supported by record stimulus and the cheapest borrowing rates ever seen.

Here are some of the fourth-quarter and full-year 2020 highlights:

- Global shares rose meaningfully in the fourth quarter, finishing 2020 with healthy overall returns. Returns from this asset class have been somewhat muted for unhedged investors, however, given the stronger Australian dollar. At year-end, the U.S. market had rallied as much as 70% from the March lows.
- Shares in emerging market companies outperformed developed market peers, during the fourth quarter and on a 12-month view. This sector was buoyed by renewed confidence in the outlook for global growth and low U.S. interest rates.
- Energy and financials were the best performing sectors in Q4 2020 recording gains of more than 20%! Nonetheless, returns from these sectors finished down on a calendar year view, materially so in the case of energy. Even accounting for the recent rally, this sector continues to appeal as an attractive investment opportunity given its compelling valuation, in our view.
- Among fixed income assets, interest-rate-sensitive bonds were one of the rare assets to fall in the fourth quarter. Meanwhile, riskier high-yield and emerging-markets bond categories performed the best on the back of the improved outlook for global growth.

Above all else, while it may feel like a good time to invest, investors still need to weigh up the prices that they are paying, as we've seen extreme divergence in asset prices, which potentially raises the risk of loss. As Warren Buffett once said, "Only when the tide goes out do you discover who's been swimming naked". That said, we continue to see opportunities and remain confident that our positions are in the best long-term interests of our clients—acknowledging tomorrow's challenges and working towards a prosperous 2021 and beyond with good financial decision making.

In this regard, changes to positioning are relatively minor this quarter – generally trimming sharemarket exposure (given recent strength), while reducing the level of currency hedging in the more growth-oriented portfolios (following the recent surge in the Australian dollar). With improvement in bond yields, we have increased the allocation to Australian fixed interest, notably part-funded from cash for the more defensive portfolios.

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

Growth Portfolio	SAA (%)	Current Allocation (%)	Over/Underweight (%)	Previous Allocation (%)	Change (%)
Australian Equity	23.0	22.0	-1.0	23.0	-1.0
International Equity (Hedged)	17.5	12.0	-5.5	12.8	-0.8
International Equity (Unhedged)	17.5	20.0	+2.5	19.2	0.8
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	12.0	+1.0	11.0	+1.0
International Fixed Interest	7.0	8.0	+1.0	8.0	0.0
Cash	12.0	15.0	+3.0	15.0	0.0
Total Defensive	30.0	35.0	+5.0	34.0	+1.0
Total Growth	70.0	65.0	-5.0	66.0	-1.0

Market Returns to 31 December 2020 (AUD)

Asset Class	QTR	YTD	1yr	3yr
Australian Cash	0.01	0.26	0.26	1.18
Australian Fixed Income	-0.10	4.48	4.48	5.42
Global Fixed Income	0.79	5.09	5.09	4.62
Australian REITs	13.30	-4.61	-4.61	5.42
Global REITs	10.63	-13.74	-13.74	0.13
Global Infrastructure	11.28	-11.93	-11.93	0.97
Australian Equities	13.70	1.40	1.40	6.73
Global Equities ($A)	5.68	5.73	5.73	11.16

Source: Morningstar Direct

International Equity

Review

The final quarter of 2020 proved to be an extremely eventful period in global sharemarkets. Notwithstanding a recent wave of COVID-19 infections, 2020 appears to have closed amid hope, with multiple COVID-19 vaccines coming to fruition (and in various stages of rollout), bringing confidence that economic activity may return to more normal levels in the foreseeable future. Elsewhere, we have further clarity around other potential areas of investor concern, with the U.S. Presidential election now done and dusted, while the U.K. passed an important milestone in December, formally ending its union with Europe.

With this, global sharemarkets surged in the final quarter of 2020 (with many key regions up in excess of 10%, in local currency terms), with a notable improvement in sentiment toward those economically sensitive sharemarket sectors, such as energy and financials. Indeed, energy and financials were the best performing sectors in Q4 2020 recording gains of more than 20%! Nonetheless, returns from these sectors finished down on a calendar year view, materially so in the case of energy. The information technology and consumer discretionary sectors each posted a strong quarter to finish the year as the top two sectors on a 12-month view (with the IT sector buoyed by the strong performance of a handful of dominant U.S. companies such as, Microsoft, Apple and Amazon). At a regional level, while U.S. shares continue to do well, shares in emerging market companies have actually outperformed developed market peers, during the fourth quarter and on a 12-month view (benefitting from renewed confidence in the outlook for global growth and low U.S. interest rates).

Outlook

At current prices, U.S. shares look increasingly expensive overall, on our analysis, especially relative to other global sharemarkets.

However, there are pockets of the market that we do like. One issue that we face is that our preferred 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 provide significant potential upside for investors at today's prices (even accounting for recent gains). 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.

More broadly, much of our concern regarding this market relates 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 on these companies.

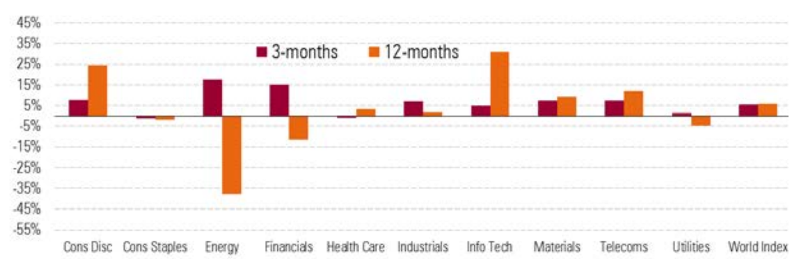
U.K. shares continue to appeal as one of the few opportunities that we consider to be "cheap". This is due in part to energy and financials being heavily represented on the FTSE 100 Index, both ranking highly as contrarian opportunities in our view. That said, we have tempered this view, following recent market strength (with sentiment further improving as the U.K. recently removed one of its biggest macroeconomic headwinds, with a Brexit deal agreed at the eleventh hour), downgrading our conviction from “High” to “Medium to High”.

We also continue to see merit in Japanese holdings. For the most part, our conviction in Japanese shares 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.

We maintain our 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.

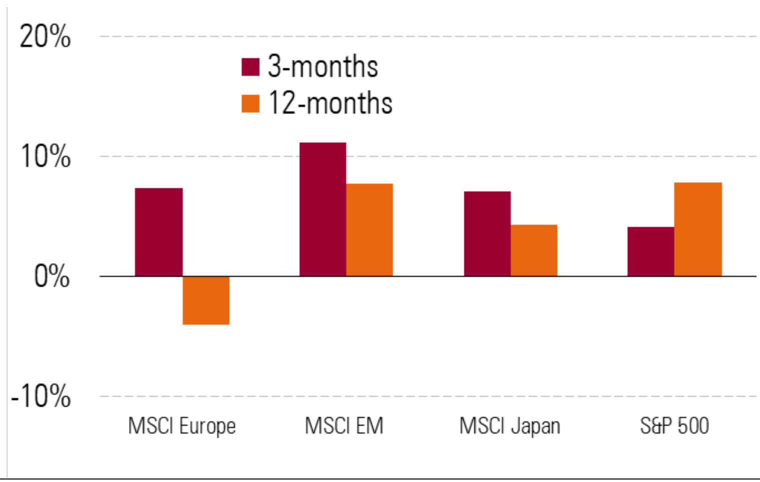
Lastly, and despite recent strength, Emerging Market shares are considered among our preferred equity regions (alongside U.K., European and Japanese equities). That said, this asset class is quite heterogeneous with nuanced opportunities often presenting at a country or sector level. In this regard, South Korean and Mexican shares stand out, although it is worth noting that we have recently downgraded our conviction to the former to “Medium” (having previously been “Medium to High”). This is following a period of exceptional gains, with investors showing renewed confidence in this market, given the improving outlook for global growth.

Exhibit 1.1 Global Sub-sectors and Market (AUD) - Trailing Returns to 31 Dec 2020



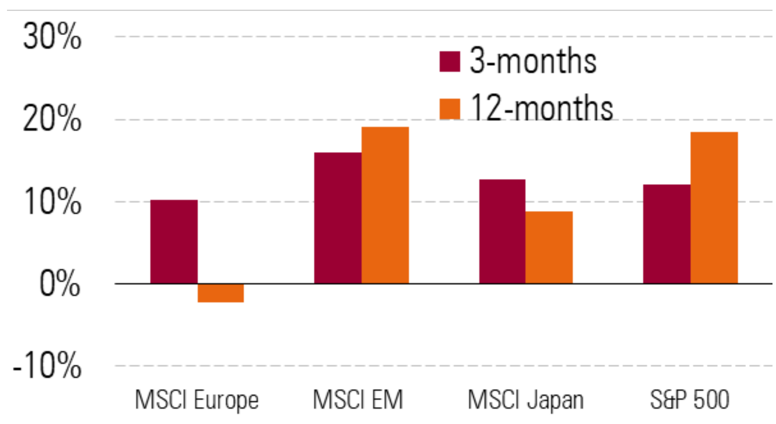
Source: Morningstar Direct

Exhibit 1.2 Regional Indexes (AUD) - Trailing Returns to 31 Dec 2020



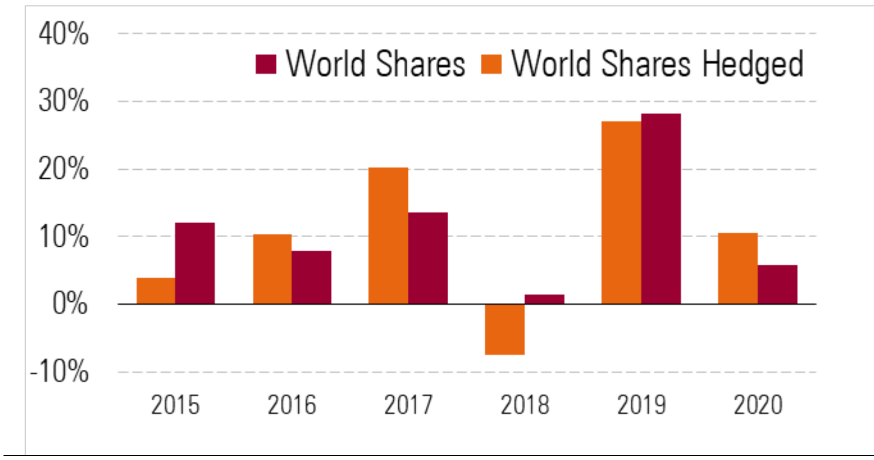
Source: Morningstar Direct

Exhibit 1.3 Regional Indexes (LCL) - Trailing Returns to 31 Dec 2020



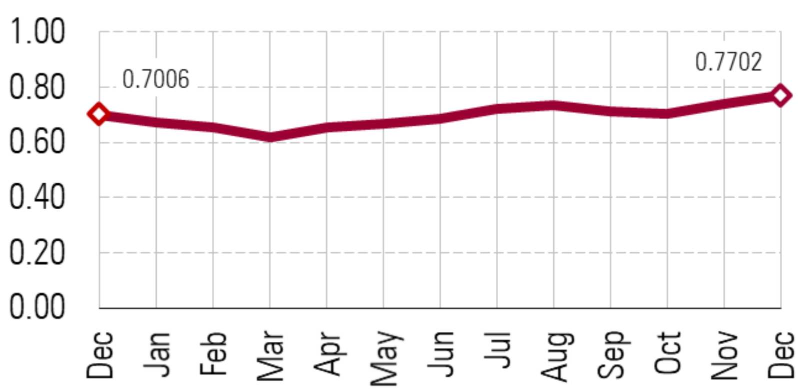
Source: Morningstar Direct

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 31 Dec 2020



Source: Reserve Bank of Australia

Australian Equity
Review

The S&P/ASX 200 finished 2020 with a flurry, recording a quarterly return of almost 14%. This increase helped turn rolling 12-month returns positive (+1.4%), although Australian shares meaningfully underperformed global peers (in local currency terms), over this period.

Notwithstanding a recent wave of COVID-19 infections, 2020 appears to have closed amid hope, with multiple COVID-19 vaccines coming to fruition (and in various stages of rollout), bringing confidence that economic activity may return to more normal levels in the foreseeable future. This has led to a marked improvement in investor sentiment, notably toward those economically sensitive sectors, such as energy and financials (the latter of which dominates the Australian market), which previously remained out of favour (given concerns regarding the outlook for global growth). Indeed, the energy sector was the best performing sector in Q4, delivering returns in excess of 26%, while financials posted gains of almost 23%. Nonetheless, returns from these sectors finished underwater for the year, materially so in the case of energy, which fell 27.5%

While a small component of the Australian market, the information technology sector enjoyed a strong Q4 (up around 23%) to end the year as the best-performing sector (+52.4%), in part reflecting positive global sentiment toward the sector.

Elsewhere, the resources sector rallied to finish the year as the second-best performing sector (+19%), with key constituents, BHP, Rio Tinto and Fortescue leveraged to the surging iron ore price. Greater support for cyclical sectors came at the expense of the more defensive sectors, with utilities (-5.4%) and healthcare (-1.1%) the only two sectors to deliver negative returns this quarter. For the former, this prolongs a challenging period with utilities being the second-worst performing sector on a 12-month view (-15.7%), largely because of the poor performance of AGL and, to a lesser extent, APA.

Outlook

With the strong recent performance of this market, expectations around future returns have fallen, so much so, that we have recently downgraded our conviction toward this asset (to be "Low to Medium"). In this regard, the Australian market appears increasingly expensive, especially in an absolute sense. With this in mind, we continue to prefer global sharemarket investments, notably those in the U.K, Japan, and select Emerging Markets.

Exhibit 2.1 Market Dividend Yield Style Factor - 10 Years to 31 Dec

Source: Morningstar Direct

Exhibit 2.2 Market P/E Ratio - 10 Years to 31 Dec

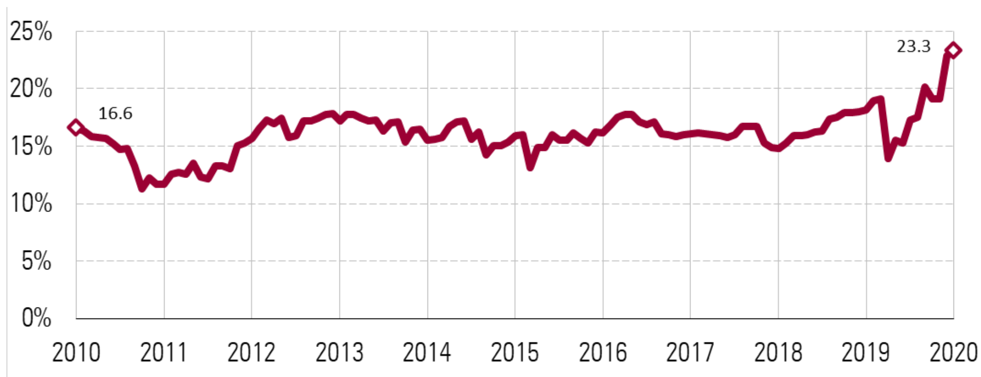
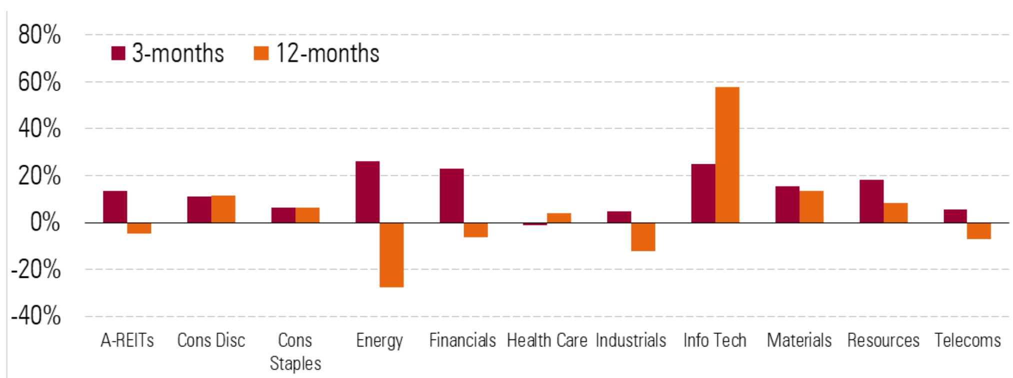


Exhibit 2.3 S&P/ASX 200 Sub-sectors and Market (AUD) - Trailing Returns to 31 Dec



Source: Morningstar Direct

International Listed Property Review

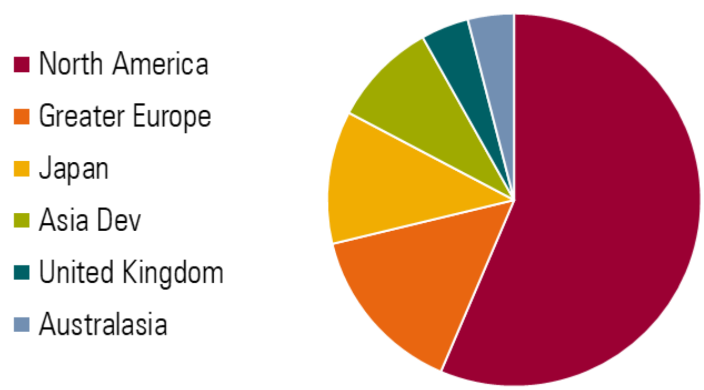
Global real estate investment trusts (GREITs) enjoyed a strong final quarter, recording double digit returns (but slightly underperforming domestic peers) on the back of promising news regarding the rollout of multiple COVID-19 vaccines. Understandably, with the improvement in the outlook for global growth (and increasing hope that we may get back to some version of "normal" in the foreseeable future), the hotels sector performed well, while the retail sector also saw renewed investor interest. In each case, this was somewhat of a reversal of the poor sentiment that plagued these assets throughout much of 2020, however, 12-month returns from this asset class remain materially underwater, delivering returns significantly below what we have seen among other growth assets, like shares.

Outlook

We believe that earnings risks remain elevated 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.

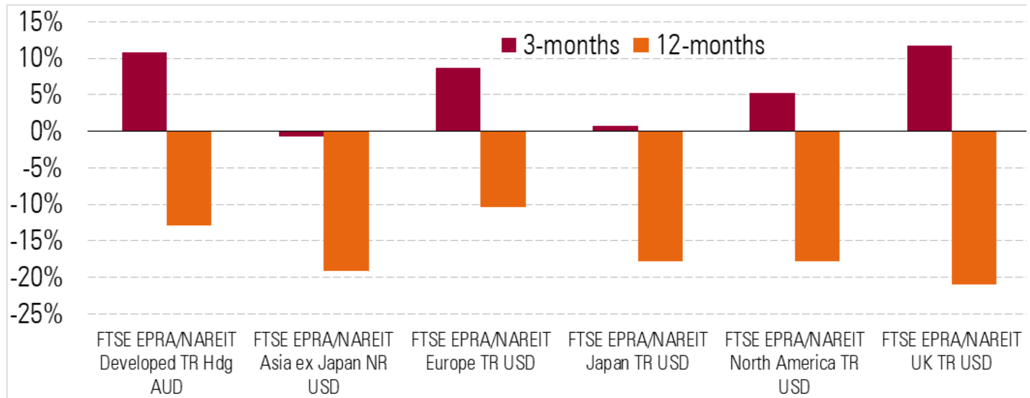
Time will tell if the trends toward accelerating online sales and working-from-home persists. However, from a valuation perspective, global listed property assets are beginning to price in little room for error in this recovery and we continue to see superior opportunities in other growth assets.

Exhibit 3.1 Global REITs - FTSE EPRA/NAREIT Index Regional Exposure as at 31 Dec



Source: Morningstar Direct

Exhibit 3.2 Global REITs (AUD) - Trailing Returns to 31 Dec



Source: Morningstar Direct

Global Infrastructure

Review

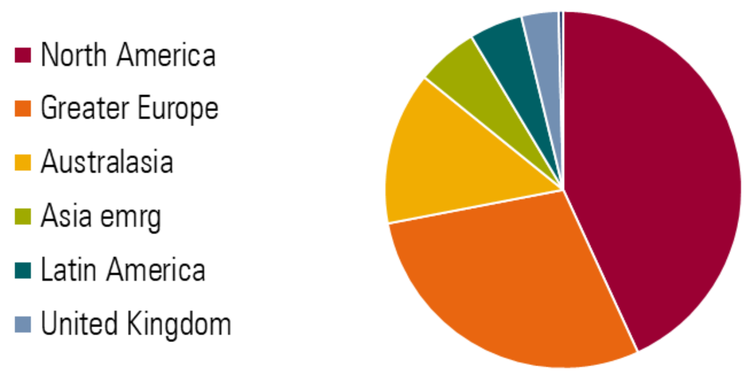
Global infrastructure performed well in the final quarter of 2020, with economically sensitive sectors, most notably ports and airports, delivering sizeable gains (given the improved outlook for global growth and, as it relates to airports, amid hopes that we may be able to resume normal levels of travel in the foreseeable future, albeit in a "COVID-vaccinated" world). That said, while sentiment was much improved in the final quarter of 2020 (which underpinned double digit returns for the broader asset class this quarter), this was not enough to reverse what has been a poor 2020, with 12-month returns from this asset class recording a material loss (to be significantly below the returns achieved from other growth assets, such as shares).

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 impact sentiment for some time, as the COVID-19 pandemic plays out. Further, the likelihood of government stimulus that favours infrastructure development may have also tempered, with the recent election of new U.S President, Joe Biden.

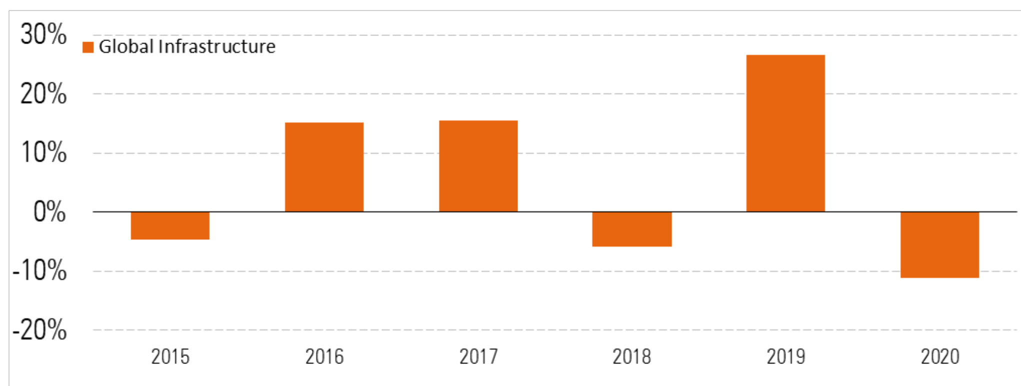
More importantly, from a valuation perspective, expected returns from global infrastructure appear increasingly unattractive, with other growth assets continuing to offer more appeal.

Exhibit 4.1 S&P Global Infrastructure - Regional Exposure as at 31 Dec



Source: Morningstar Direct

Exhibit 4.2 Global Infrastructure (AUD) - Calendar Year Returns to 31 Dec



Source: Morningstar Direct

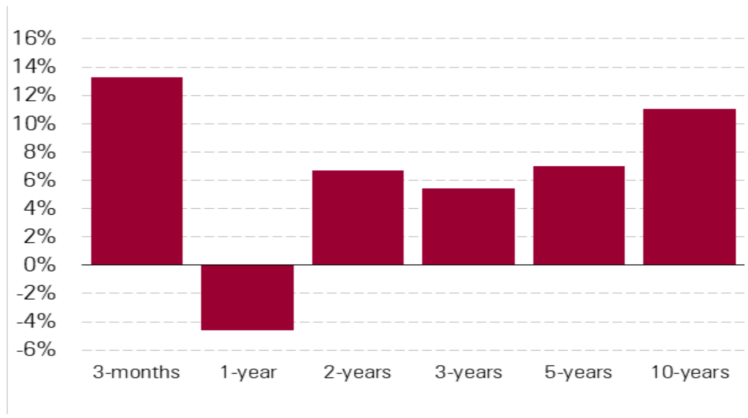
Australian Listed Property - Review

Australian listed property has rallied strongly in recent quarters, now having almost recovered the losses that saw it among the worst performing global asset classes in the first quarter of 2020. COVID-19 had acutely affected this asset class, appearing to accelerate the trend toward online shopping (at the expense of foot traffic through shopping malls), while questions remained 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 in this asset class. Notably, the retail sector has recently outperformed the broader index, given encouraging news around the development and rollout of multiple COVID-19 vaccines.

Outlook

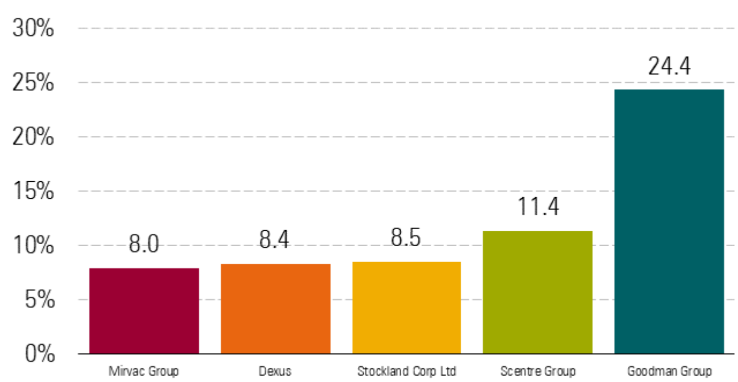
Six-month performance for this asset class has been exceptional (indeed eclipsing, or at least being on par with, the returns seen among many key global sharemarkets). With these gains, expected future return have fallen, so much so, that Australian listed property once again appears among the least attractive investment opportunities, on our analysis.

Exhibit 5.1 A-REITS (AUD) - Trailing Returns to 31 Dec



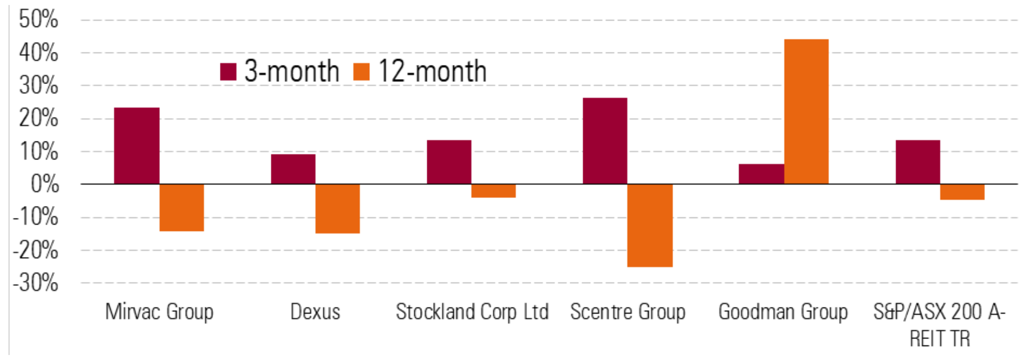
Source: Morningstar Direct

Exhibit 5.2 S&P/ASX 200 A-REITS Index - Exposure to the top 5 holdings as at 31 Dec



Source: Morningstar Direct

Exhibit 5.3 Top 5 A-REITS (AUD) Trailing Returns to 31 Dec



Source: Morningstar Direct

Global Fixed Interest

Review

We've witnessed some meaningful moves in the yield curve recently, with the global "reflation trade" generally lifting longer term bond yields higher (for example, the U.S. 10-year bond yield is now back above 1%). Nonetheless, quarterly returns for the global benchmark were positive (+0.8%), with 12-month returns for this asset class continuing to impress. In this regard, interest rates remain extremely low and inflation is subdued – keeping government bond yields at around historically low levels.

Outlook

While this is an uninspiring space, 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 remaining near 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.

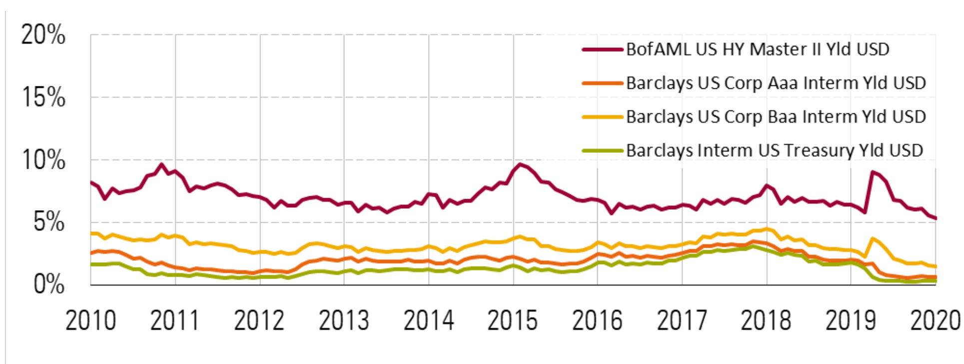
Japanese bonds too, offer a poor yield. Nonetheless, we recognise the appeal of this opportunity relative to other fixed income assets. Said another way, expected returns from Japanese bonds are now at the upper end of what we might expect for all bond assets with yields on developed world peers having trended toward (and in some cases, beyond) the consistently low yields that have been seen in Japanese bonds for many years.

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 31 Dec

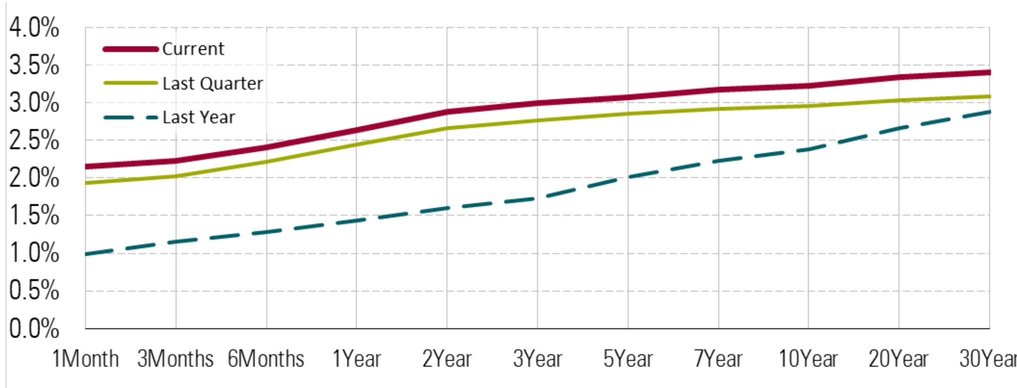
Source: Morningstar Direct

Exhibit 6.2 US Bond Yield Indexes - AAA to High Yield - 10 Years to 31 Dec



Source: Morningstar Direct

Exhibit 6.3 US Treasury Bond Yield Curves as at 31 Dec



Source: U.S Department of the Treasury

Australian Fixed Interest

Review

The outlook for interest rates has changed significantly over the last twelve months, with the Reserve Bank of Australia responding to a challenging economic outlook (which has been exacerbated by the prolonged threat of COVID-19) by repeatedly cutting interest rates and enacting a quantitative easing program (whereby they purchase select bonds issued by the Australian government with the intention of keeping yields, on bonds with a shorter time to maturity, low).

With this, Australian bonds have delivered robust returns over that period, however, more recent performance has been much more muted. This is understandable, given the renewed investor focus on growth assets, particularly those leveraged to the improving outlook for economic growth (following confirmation of the rollout of a number of COVID-19 vaccines). In this regard, the so called "reflationary trade" has seen longer-dated bonds bond yields lift slightly with the current yield on the sovereign 10-year bond once again sitting above 1%.

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, with investors now willing to accept less compensation to lend to companies, given a perception that we may be past the worst of COVID-19. In this regard, it is worth noting that the overall yield on credit, in an absolute sense, 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

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, surging (versus the U.S. dollar) to close 2020 at US$0.7694 (a level not seen since Q2 2018), given renewed confidence in the outlook for global growth, and confirmation that U.S. interest rates are likely to stay low for the foreseeable future (amid plentiful stimulus).

Outlook

At this level, the Australian dollar versus the U.S. dollar appears slightly overvalued (versus our long-term fair value). 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 31 Dec

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	2.5	-1.0	3.0	-0.5
International Equity (Unhedged)	3.5	2.5	-1.0	3.0	-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	0.0	0.0	0.0	0.0	0.0
Australian Fixed Interest	28.0	29.0	+1.0	27.0	+2.0
International Fixed Interest	21.0	21.0	0.0	21.0	0.0
Cash	36.0	38.0	+2.0	39.0	-1.0
Total Defensive	85.0	88.0	+3.0	87.0	+1.0
Total Growth	15.0	12.0	-3.0	13.0	-1.0
Total Domestic	69.0	71.0	+2.0	70.0	+1.0
Total International	31.0	29.0	-2.0	30.0	-1.0
Australian Dollar Exposure	96.5	97.5	+1.0	97.0	+0.5
Foreign Currency Exposure	3.5	2.5	-1.0	3.0	-0.5
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	6.0	-1.0	6.5	-0.5
International Equity (Unhedged)	7.0	6.0	-1.0	6.5	-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	24.0	+1.0	22.0	+2.0
International Fixed Interest	17.0	18.0	+1.0	18.0	0.0
Cash	30.0	32.0	+2.0	33.0	-1.0
Total Defensive	70.0	74.0	+4.0	73.0	+1.0
Total Growth	30.0	26.0	-4.0	27.0	-1.0
Total Domestic	63.0	65.0	+2.0	64.0	+1.0
Total International	37.0	35.0	-2.0	36.0	-1.0
Australian Dollar Exposure	93.0	94.0	+1.0	93.5	+0.5
Foreign Currency Exposure	7.0	6.0	-1.0	6.5	-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	10.5	-1.5	11.0	-0.5
International Equity (Unhedged)	12.0	10.5	-1.5	11.0	-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	19.0	+1.0	18.0	+1.0
International Fixed Interest	12.0	13.0	+1.0	13.0	0.0
Cash	20.0	22.0	+2.0	22.0	0.0
Total Defensive	50.0	54.0	+4.0	53.0	+1.0
Total Growth	50.0	46.0	-4.0	47.0	-1.0
Total Domestic	58.0	60.0	+2.0	59.0	+1.0
Total International	42.0	40.0	-2.0	41.0	-1.0
Australian Dollar Exposure	88.0	89.5	+1.5	89.0	+0.5
Foreign Currency Exposure	12.0	10.5	-1.5	11.0	-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	22.0	-1.0	23.0	-1.0
International Equity (Hedged)	17.5	12.0	-5.5	12.8	-0.8
International Equity (Unhedged)	17.5	20.0	+2.5	19.2	+0.8
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	12.0	+1.0	11.0	+1.0
International Fixed Interest	7.0	8.0	+1.0	8.0	0.0
Cash	12.0	15.0	+3.0	15.0	0.0
Total Defensive	30.0	35.0	+5.0	34.0	+1.0
Total Growth	70.0	65.0	-5.0	66.0	-1.0
Total Domestic	49.0	51.0	+2.0	51.0	0.0
Total International	51.0	49.0	-2.0	49.0	0.0
Australian Dollar Exposure	82.5	80.0	-2.5	80.8	-0.8
Foreign Currency Exposure	17.5	20.0	+2.5	19.2	+0.8
Currency Hedge Ratio	50%	37.5%	-12.5%	40%	-2.5%

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	15.4	-7.1	16.4	-1.0
International Equity (Unhedged)	22.5	25.6	+3.1	24.6	+1.0
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	5.0	+1.0	4.0	+1.0
International Fixed Interest	3.0	4.0	+1.0	4.0	0.0
Cash	3.0	6.0	+3.0	7.0	-1.0
Total Defensive	10.0	15.0	+5.0	15.0	0.0
Total Growth	90.0	85.0	-5.0	85.0	0.0
Total Domestic	41.0	43.0	+2.0	43.0	0.0
Total International	59.0	57.0	-2.0	57.0	0.0
Australian Dollar Exposure	77.5	74.4	-3.1	75.4	-1.0
Foreign Currency Exposure	22.5	25.6	+3.1	24.6	+1.0
Currency Hedge Ratio	50%	37.5%	-12.5%	40%	-2.5%

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