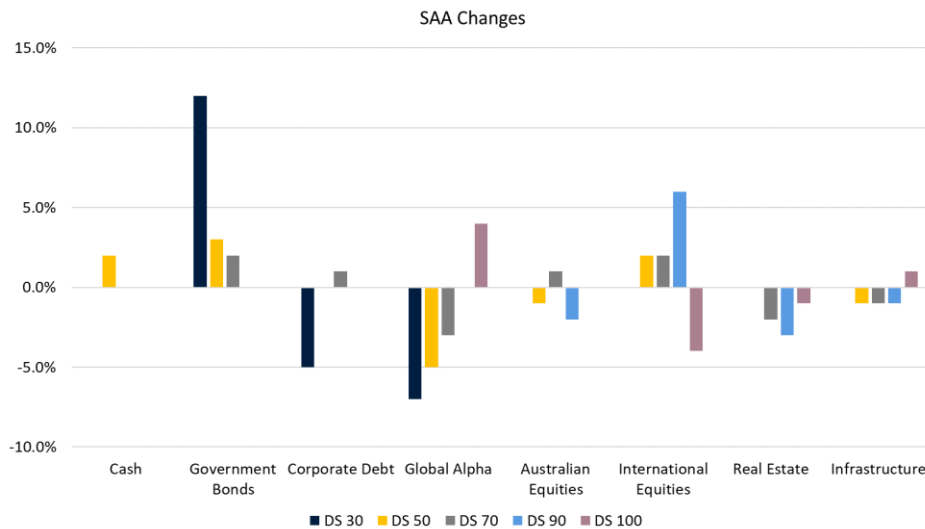


Portfolio Update

18 JULY 2023

PORTFOLIO CHANGE AND RATIONALE

We recently published our *2023 Strategic Asset Allocation Review* which we hope you enjoyed. In summary, exposure to global alpha has fallen, largely as a result of the removal of a structural exposure to global alpha defensives. This has generally moved to government bonds. Infrastructure and real estate exposure has also been reduced, going towards a larger international equities exposure. The following chart shows the changes to neutral SAA weights across the portfolios:



Managed fund unit prices are now pricing ex-June 30 distributions and so we are now resetting the target allocations to account for the new SAAs as well as incorporating our latest research ideas. As part of the change we are adding 2 new managers to the portfolios.

International Equities: Arrowstreet Global Equity Fund

Arrowstreet implements a quantitative investment approach across both developed and emerging market equities. The quantitative models aim to exploit market mispricing's whilst being style neutral which we view as favourable in the current environment and will form a core exposure within international equities. Arrowstreet was founded in 1999, is headquartered in Boston, USA and manages over US\$150 billion. As a 100% employee-owned firm there is strong alignment of interest which is demonstrated by the consistent long term track record:

Post fee as at 31 May 2023	1 month	3 months	1 year	3 years (pa)	5 years (pa)	7 years (pa)	10 years (pa)	15 years (pa)	Since inception (pa) ¹
Fund return	1.3%	7.8%	13.1%	15.6%	12.5%	13.0%	14.8%	10.8%	9.2%
Benchmark return ²	1.1%	8.0%	12.0%	11.0%	10.2%	10.8%	12.2%	8.4%	6.8%
Net excess return	0.2%	-0.2%	1.1%	4.6%	2.3%	2.2%	2.6%	2.4%	2.4%

Corporate Debt: Realm Short Term Income Fund

The Realm Short Term Income Fund provides access to a diversified, actively managed portfolio of cash and domestic issued fixed interest securities. The fund aims to provide a monthly income stream and with a capital preservation mindset, investing only in investment grade rated securities, we believe the strategy is suitable as a core corporate debt allocation.

Established in Melbourne in 2012 by experienced fixed income professionals Robert Camilleri and Andrew Papergeorgiou, Realm now manage \$3.2bn and remain 100% owned by the investment team. The Fund has an objective of RBA cash +1-2% net of fees p.a. and has outperformed peers since inception. With a low MER of 0.33%, only marginally higher than Mutual Cash of 0.25% we believe this allocation can deliver higher yield and total return for the portfolios without a substantial increase in overall portfolio risk.

Drummond Investment Research on both funds is available via the portal.

PORTFOLIO CHANGES

New target weights in the SoA insert have been uploaded to the portal which can be summarised as follows:

Growth Assets:

- Increase to international equities via the addition of Arrowstreet Global Equity Fund.
- Slight reduction to GQG to diversify the international equities exposure given GQG's more volatile return profile.

Defensive Assets:

- Reduction of Perpetual Pure Equity Alpha Fund following the removal of defensive global alpha from the SAA.
- Increase in corporate debt via the introduction of Realm Short Term Income Fund.
- Increase to government bonds via Vanguard Australian Government Bond Fund and PIMCO Global Bond Fund.
- Reduction in cash via Mutual Cash Fund and model /at call cash account.

There are some other minor balancing items across the portfolios depending on risk profile, portfolio drift and required adjustment to align the series with new SAA.

ASSET CLASS POSITIONING

The table below shows the new weights vs the updated 2023 SAA and whilst equity exposure has increased slightly the portfolios remain underweight growth assets. Key changes are as follows:

- Property is no longer underweight primarily due to a lower SAA weight
- Government bonds remain underweight the new SAA despite a large increase via Vanguard Australian Government Bonds
- Corporate debt remains an underweight following the addition of Realm Short Term Income
- Cash remains a strong overweight despite a large reduction in both Mutual and at call cash.

	Strong Underweight	Underweight	Neutral	Overweight	Strong Overweight
Australian Equities	○	○	●	○	○
Global Equities	○	●	○	○	○
Property	○	○	●	○	○
Infrastructure	○	○	○	●	○
Global Alpha	○	○	●	○	○
Government Bonds	○	●	○	○	○
Corporate Debt	○	●	○	○	○
Cash	○	○	○	○	●
Total Growth vs Defensive	○	●	○	○	○

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