

Portfolio Update

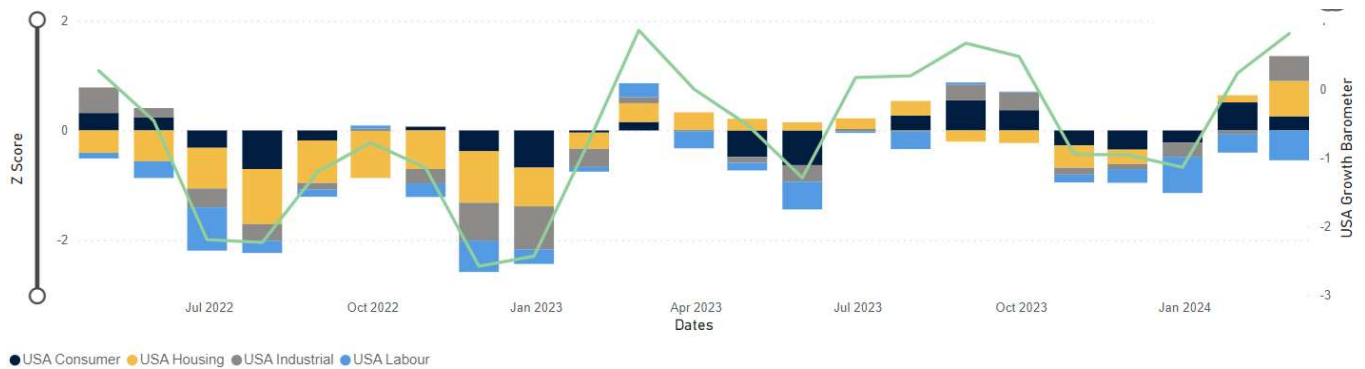
4 MARCH 2024

PORTFOLIO CHANGE AND RATIONALE

While US equity markets have been strong, as many would be aware, the majority of gains have been concentrated in a small number of stocks. Much of this is due to their exposure to AI driven demand (especially for NVIDIA, Microsoft, and Meta). Earnings estimates for the rest of the market have been soft, and so too has the relative performance of the stocks outside of the Magnificent 7.

With inflation having cooled a long way from 2022 peaks despite economic growth remaining solid, scope remains for the Federal Reserve to cut interest rates this year. Whether it's 3 cuts or 7, the direction is important for equity markets, especially absent significantly weaker economic growth.

On that point, lead indicators of manufacturing activity (the ISM New Orders index) have begun to pick up steam of late which typically correlate well with earnings growth. So too has our Growth Barometer which captures a significantly broader set of data (shown below). This bodes well for the trajectory of earnings growth across the market and should benefit those more cyclical sectors that have been pressured by higher interest rates more so than the dominant technology firms.



In terms of portfolio changes, after raising cash through reducing infrastructure, we are now adding global small-cap exposure via American Century Global Small Cap Fund (research note can be found on the portal), which we believe is well placed to benefit from rising earnings expectations with relatively low valuations. We are slightly increasing Australian equities at the same time which overall brings the portfolios into neutral growth exposure. This has largely been funded via cash and TDs and for the DS100 portfolio, funded via removing CC Sage Absolute Return Fund.

Within the 100 Plus portfolio, we are adding the American Century Global Small Cap Fund and Betashares Geared Australian Equity Fund, which is funded through removing PIMCO TRENDS Managed Futures Strategy Fund and Eiger Australian Small Companies Fund as well as re-balancing the portfolio to align to target weights.

PORTFOLIO CHANGES

Fund	Change	Dynamic	DS30	DS50	DS70	DS90	DS100	DS100+
American Century Global Small Cap Fund	▲	3.0%	2.5%	2.5%	3.0%	3.5%	4.0%	6.0%
iShares Australian Equity Index Fund	▲	2.5%	1.5%	1.5%	1.0%	0.5%		
Mutual Cash and Term Deposits	▼	-1.5%	-2.0%	-2.0%	-2.0%	-1.0%	-1.5%	
CC Sage Capital Absolute Return Fund	▼	-2.0%					-2.5%	
Realm Short Term Income Fund	▼					-1.0%		
Cash	▼	-2.0%	-2.0%	-2.0%	-2.0%	-2.0%		
Betashares Geared Australian Equity Fund	▲							7.0%
Eiger Australian Small Companies Fund	▼							-5.0%
PIMCO TRENDS Managed Futures Strategy Fund	▼							-4.7%
CC Sage Capital Equity Plus Fund	▼							-3.2%

ASSET CLASS POSITIONING

Following the changes, the portfolios are now neutral growth exposure.

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

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