Quarterly Economic Briefing

Morningstar Manager Research
26 April 2019

Contents

Executive Summary

The March quarter was characterised by strength across all key markets, with equities, bonds and commodities recording gains. Equity markets, most notably, rebounded from the sharp losses of the December quarter of 2018, with some markets returning towards all-time highs. Indeed, the start of 2019 has been exceptionally strong, with returns more akin to a full year period than a 3 month period. The most significant driver of market returns was a change in direction from the U.S Federal Reserve, from an assertive hiking path to a 'wait and see' approach, reflecting concerns over slowing global growth. This resulted in softer global interest rate expectations, which saw equity and bond markets rise, leaving both markets at more stretched valuations than they started the year.

Reflecting the strong performance of equity markets and the corresponding deterioration in valuations over the quarter, we have reduced the asset allocation to global equities from overweight to neutral. We raised the allocation to global fixed interest and cash to increase the defensiveness of the portfolios, reflecting the heightened risk of loss from risk assets at these levels. We also lowered the currency hedge ratio to improve diversification during periods of weakness in international assets. While these asset allocation changes have resulted in a decrease in the growth allocation and an increase in the income allocation; we retain an overall underweight growth and overweight income split.

Asset Allocation Summary - Growth Risk Profile (as at 31 March 2019)

Growth Portfolio	SAA (%)	Current Allocation (%)	Over/Underweight (%)	Previous Allocation (%)	Change (%)
Australian Equity	23.0	19.0	-4.0	19.0	0.0
International Equity (Hedged)	17.5	14.8	-2.7	16.2	-1.4
International Equity (Unhedged)	17.5	22.2	4.7	22.8	-0.6
Australian Listed Property	3.0	1.0	-2.0	1.0	0.0
International Listed Property	5.0	3.0	-2.0	3.0	0.0
Global Infrastructure	4.0	4.0	0.0	4.0	0.0
Australian Fixed Interest	11.0	11.0	0.0	11.0	0.0
International Fixed Interest	7.0	7.0	0.0	6.0	1.0

Cash	12.0	18.0	6.0	17.0	1.0
Total Defensive	30.0	36.0	6.0	34.0	2.0
Total Growth	70.0	64.0	-6.0	66.0	-2.0

Market Returns to 31 March 2019 (AUD)

Asset Class	QTR	YTD	1yr	3yr
Australian Cash	0.48	0.48	1.98	1.86
Australian Fixed Income	3.43	3.43	7.20	4.17
Global Fixed Income	2.79	2.79	4.58	3.21
Australian REITs	14.75	14.75	26.17	9.90
Global REITs	14.52	14.52	16.16	6.89
Global Infrastructure	13.93	13.93	13.04	9.35
Australian Equities	10.89	10.89	12.06	11.46
Global Equities ($A)	11.50	11.50	12.30	13.71

International Equity

Review

The index for global equities surged by 11.50% (MSCI World ex- Australia, $A, Net Return Index) in the March quarter, rebounding from the sharp losses of the December quarter of 2018, with some markets returning towards all-time highs. Indeed, the index ended 12.38% higher than 12 months ago, however, it is important to note that individual country returns have varied widely over the last 12 month period, where some countries recorded double digit gains while others have recorded negative returns.

Gains over the quarter were broad-based across share markets in developed economies. The most significant driver of market returns was a change in direction from the U.S Federal Reserve, from an assertive hiking path to a 'wait and see' approach, reflecting concerns over slowing U.S and global growth. This policy U-turn was key in driving a softening outlook for interest rates and sparking gains in US and global equity markets. Similarly, the European Central Bank shifted towards an easier monetary policy stance, which further buoyed European share market sentiment. Emerging share markets lagged developed markets but still delivered strong gains, with China being the standout performer. On a sectoral basis, IT was the star performer, while defensive sectors tended to lag.

While bond markets are purportedly pricing in a U.S recession over the next 18-24 months, global equity markets have seemingly brushed off this concern as well as other risks, such as Brexit and trade negotiations between the US and China.

Outlook

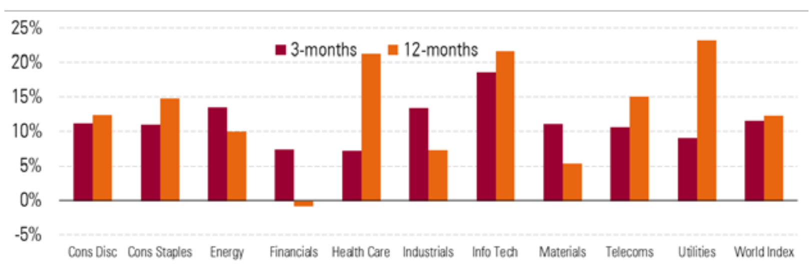
Reflecting the strong performance of equity markets over the quarter and the corresponding deterioration in valuations, where many sectors and countries appear expensive versus our estimates of long-term fair value, we have reduced the asset allocation to global equities from overweight to neutral. Importantly, the portfolios retain an overall underweight allocation to growth assets, which is expressed mainly through underweight allocations to Australian and global listed property.

It is our view that the U.S sharemarket continues to present an elevated risk of loss and consequently, remains our least preferred region. Indeed, at current levels, valuations in U.S. equities are not adequately compensating investors for the significant risk of the permanent loss of capital.

While the overall reward for risk in markets leads us to proceed with caution, we can identify selective opportunities by applying a long-term, valuation-driven approach. The underlying investment case for Emerging Market equities remains sound, given their improving earnings profile and reasonable valuations compared to developed market peers (notwithstanding China's strong gains over the course of 2019). U.K. equities too are among our most preferred investments, as a high level of pessimism is being priced into U.K. shares, with the U.K. moving past the initial March 29 Brexit deadline without a resolution in place. We regard British corporates as high quality, in general; and while risks are present, investors are being attractively compensated to invest, in our view. Japanese equities also appear attractively priced as corporates continue to improve shareholder outcomes (increased dividends, improving profit margins). In terms of relative preference among the regions, the UK and Japan are higher ranked, followed by Europe and the Emerging Markets, and then U.S equities.

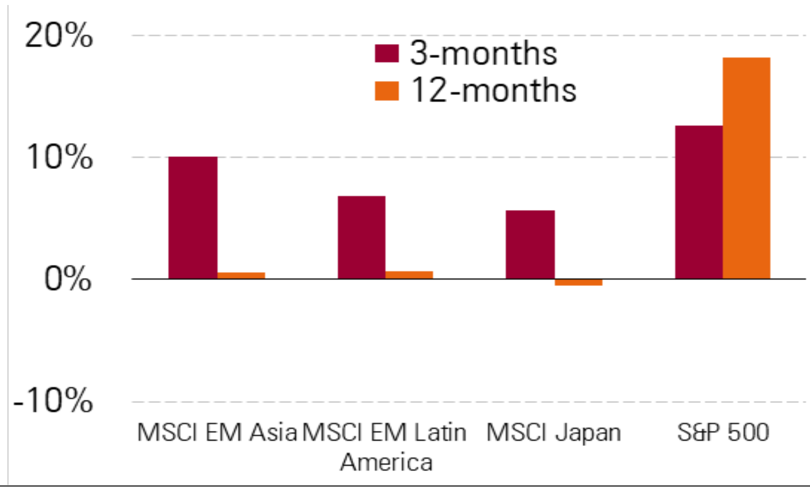
At a sector level, we favour U.S consumer staples. While there are risks to the sector, such as increasing competitive threats and changing consumer tastes, we believe that there is a sufficient margin of safety to compensate for that risk. Our view of the U.S healthcare sector has been tempered in recent times owing to strong performance versus other sectors over the past year, however we retain a favourable outlook versus the broader U.S market and global equities overall. We remain positive about selective European sectors, namely, European energy, European financials, and European telecommunications, where we believe current valuations provide a reasonable margin of safety to invest.

Exhibit 1.1 Global Sub-sectors and Market (AUD) - Trailing Returns to 31 Mar 2019



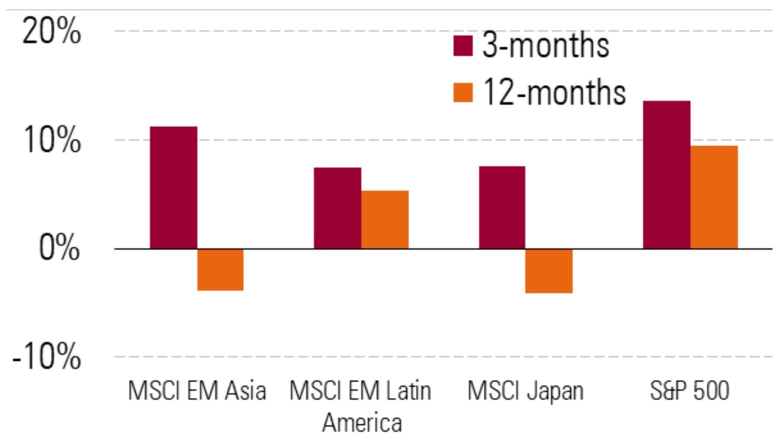
Source: Morningstar Direct

Exhibit 1.2 Regional Indexes (AUD) - Trailing Returns to 31 Mar 2019



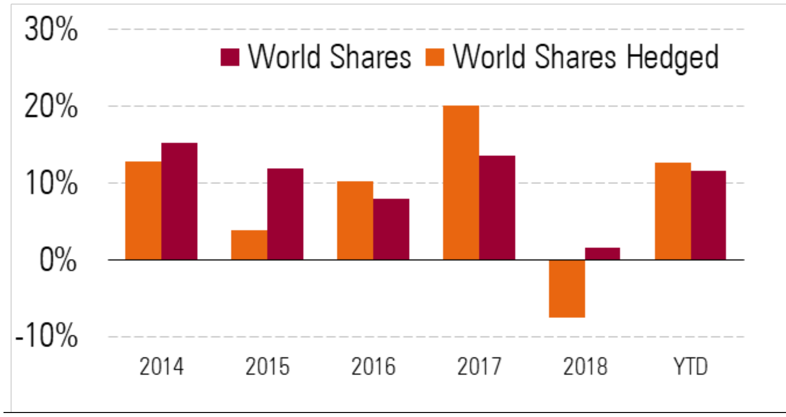
Source: Morningstar Direct

Exhibit 1.3 Regional Indexes (LCL) - Trailing Returns to 31 Mar 2019



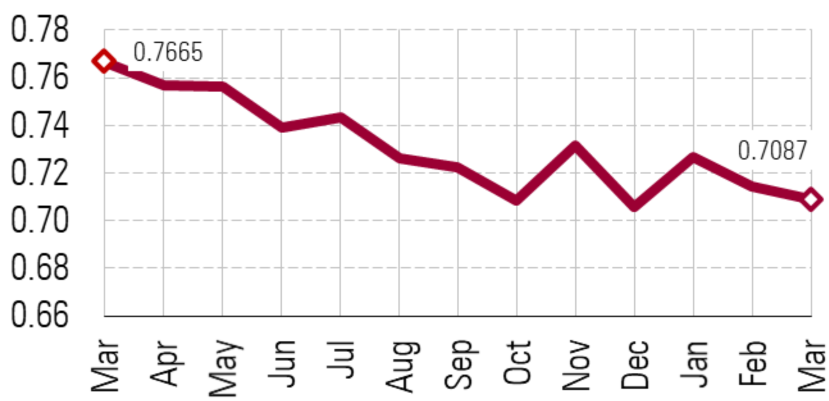
Source: Morningstar Direct

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 Mar 2019



Source: Reserve Bank of Australia

Australian Equity
Review

The S&P/ASX 200 Accumulation Index rose steadily throughout the quarter to gain an impressive 10.9%, which more than reversed the losses recorded in the December quarter of 2018. Indeed, this was the strongest quarterly return since 2009, with returns more akin to a full year than a quarter. While Australian equities slightly lagged global developed markets for the quarter, the Australian market had performed better than global peers when equities were selling off in the final months of 2018, and reflecting this resilience, managed to record a small positive return for the 12 months ended March 2019.

All sectors recorded positive returns in the quarter, with particularly strong gains coming from the information technology (20.7%) and materials (17.8%) sectors, the latter benefitting from a significant rise in the price of iron ore. The financial sector was amongst the weakest performers, although still managed to return almost 6%, with sentiment pressured by an uncertain interest rate outlook, a flatter yield curve, and continued weakness in the residential property market. Notably, the Banking Royal Commission delivered its final recommendations in February 2019, and although these were relatively benign for the banking sector, some areas of uncertainty remain.

More broadly, the company reporting season was marked by mediocre earnings, with less than 30% of companies beating earnings expectations, and forward-looking earnings expectations suggesting subdued growth is on the horizon. With the Australian federal election due to be held in May, and the opposition Labor party vowing to change taxation policy, companies moved to preempt a potential change to the current treatment of franking credits by issuing special dividends. On aggregate, Australian equities continue to offer poor long-term return expectations after inflation. Similarly, the relative appeal of Australian equities continues to languish, with other share markets offering a better reward for risk. Given this current situation, we remain underweight Australian equities.

Outlook

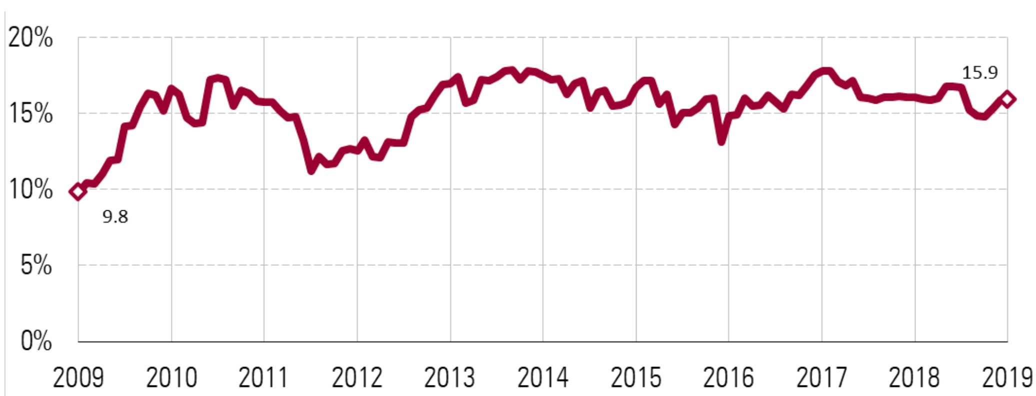
Like many global markets, Australian equities have been on a roller coaster over the past six months. We continue to regard valuations in Australian shares as expensive in both absolute and relative terms. If anything, relative valuations have deteriorated further, with the local market being among one of the strongest performing share markets over a twelve month period. As such, we retain an overall underweight allocation.

For some time, we have regarded the largest sector, financials, to be generally unattractive. Regulatory issues remain at the fore for the banking industry, notwithstanding the recent conclusion of the Royal Commission. APRA's focus on macroprudential policy remains and the poor residential property outlook also contribute to the uncertain outlook for the sector. More broadly, global financials continue to appeal relative to domestic peers, particularly Japanese and U.K. financials. Within the second-largest sector, materials, our view remains that valuations are still unattractive, with these companies also being typically viewed to be of lower quality (that is, no Morningstar Economic Moat Rating).

Exhibit 2.1 Market Dividend Yield Style Factor - ASX - Morningstar Australia Index GR AUD - 10 Years to 31 Mar

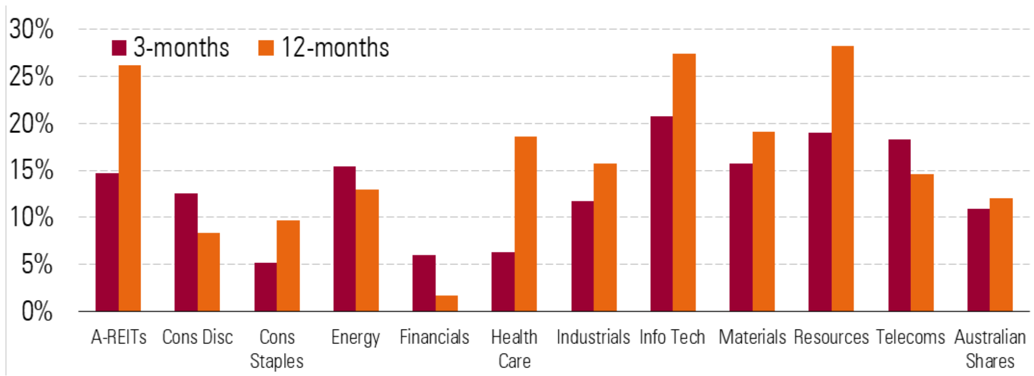
Source: Morningstar Direct

Exhibit 2.2 Market P/E Ratio Dividend Yield Style Factor - ASX - Morningstar Australia Index GR AUD - 10 Years to 31 Mar



Source: Morningstar Direct

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



Source: Morningstar Direct

International Listed Property Review

Global real estate investment trusts (G-REITs) delivered stellar returns for the quarter and outperformed general equities, with the FTSE EPRA/NAREIT Developed NR ($A Hedged) Index gaining 14.5% for the quarter and 16.2% for the year. The dramatic decline in bond yields and the shift in interest rate expectations were key in driving strong returns for global listed property, leading to further stretched valuations.

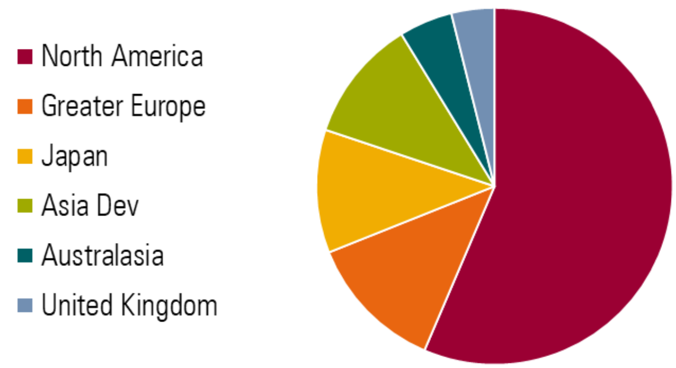
For the quarter, Asia ex Japan was the best performing region, led by Hong Kong (HK), which benefited from the U.S Federal Reserve's softer monetary policy stance given that HK interest rates are linked to the US via the currency peg. The weakest performing region was Japan, which still delivered a strong 11% return (in local currency terms), attesting to the broad-based strength in the asset class.

Retail was the worst performing sector but still recorded double digit gains, while Industrials was the best performing sector. This has continued the trend we have seen for some time, where increased demand for logistics and on-line retail has dominated investor preferences, while traditional bricks and mortar retail property has been relatively out of favour.

Outlook

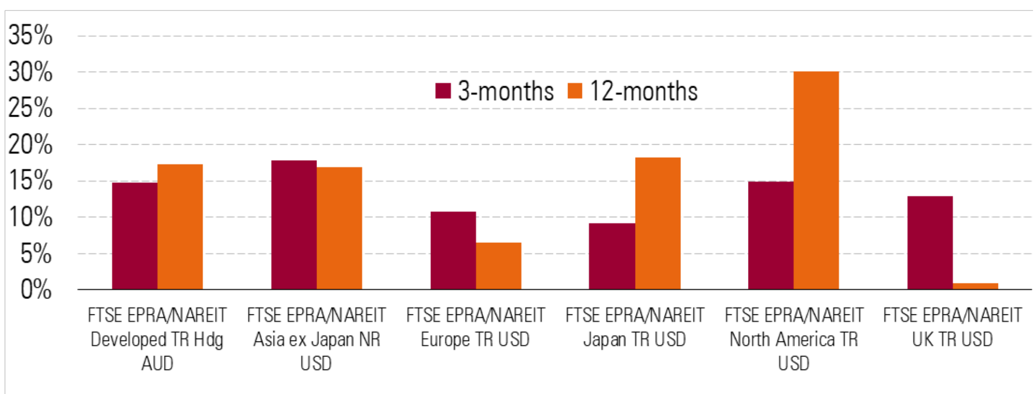
With absolute and relative valuations for Global REITs deteriorating in 2019, the asset class remains expensive and presents a heightened risk of capital losses at current prices. At a regional level, valuations in U.S REITs look very unattractive on an absolute basis, albeit they look more attractive relative to Asian peers. As investors in global REITs are generally not being adequately compensated for the risk of loss in this asset class, we retain an underweight asset allocation.

Exhibit 3.1 Global REITs - Regional Exposure as at 31 Mar



Source: Morningstar Direct

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



Source: Morningstar Direct

Global Infrastructure

Review

Global infrastructure posted an extraordinary gain of 13.9% for the quarter (S&P Global Infrastructure, Net Returns, $A hedged index), performing better than general equities as yield-sensitive sectors benefited from global interest rate expectations being revised lower.

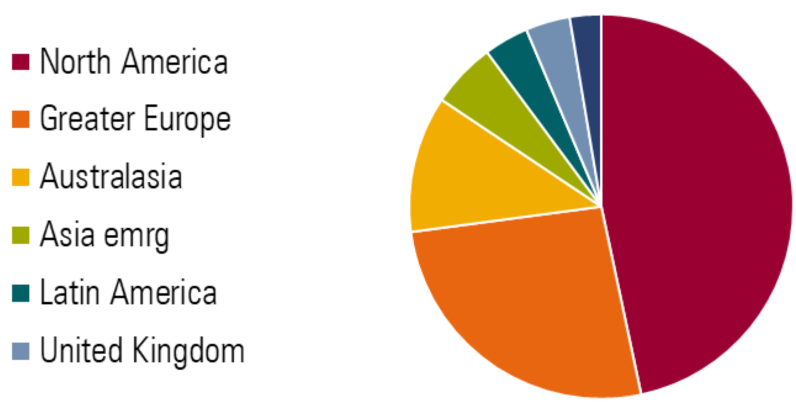
All regions recorded strong gains, with North America being the best performer. By sector, the economically sensitive Energy Pipelines, Communications, Infrastructure and Rail were the best performers, recording double digit gains; while the more regulated sectors, such as Integrated Utilities, Water and Transmission, and Distribution lagged, but still recorded strong gains.

Outlook

We currently hold a neutral asset allocation to the asset class. The asset class has experienced volatility over the past 12 months as investors moved to price in higher interest-rate expectations. While further volatility is likely, there are growing doubts over the extent of further, if any, U.S interest rate hikes during 2019.

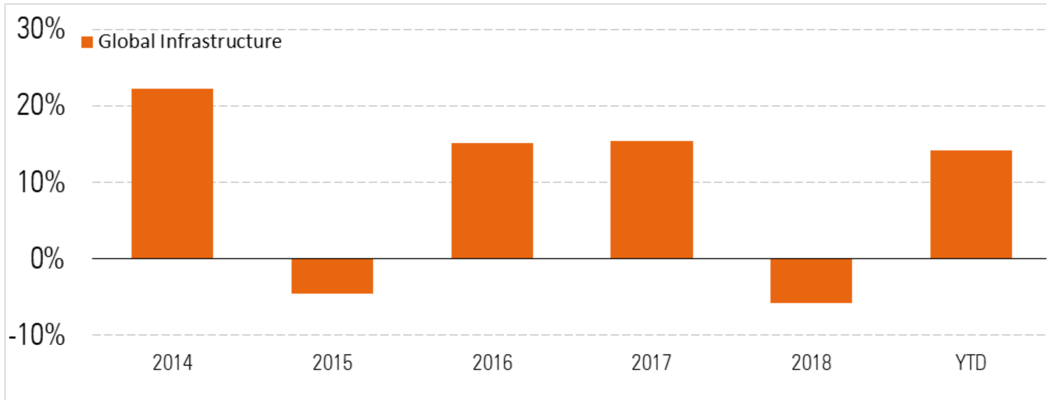
While there are expectations of increasing infrastructure spend as Central Banks look to hand over the stimulus baton to governments to enact fiscal policy, not to mention the potential infrastructure bonanza in the U.S. under President Trump, this has not yet transpired.

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



Source: Morningstar Direct

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



Source: Morningstar Direct

Australian Listed Property

Review

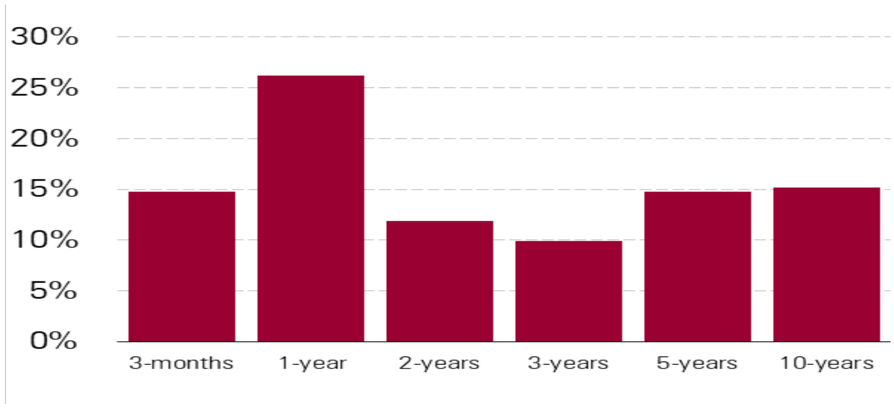
Australian real estate investment trusts (A-REITs) recorded exceptional gains for the quarter with the S&P/ASX 300 A-REIT Accumulation Index delivering a return of 14.4% and outperforming the broader Australian sharemarket, buoyed by sharp declines in Australian and global bond yields. Over the past 12 months, the asset class has strengthened by 26.93%.

While Australian REITs underperformed its global peers, sectoral performance trends were similar across the globe, with the Industrials sector performing strongly while the Retail sector was amongst the lowest returning sectors.

Outlook

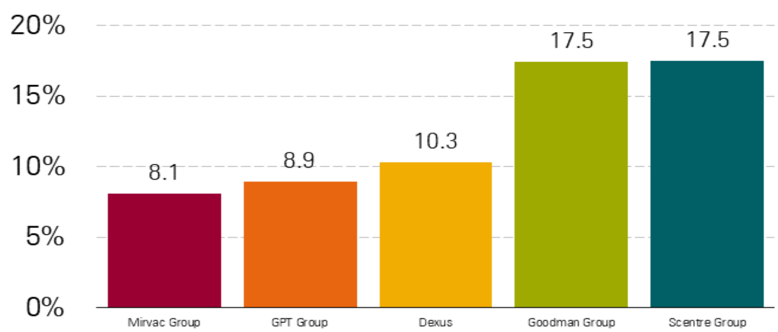
Australian listed property continues to trade ahead of our fair value estimates. With a focus on more defensive earnings among growth assets (given the volatility seen among equity peers), the reward for risk deteriorated further in 2019. As such, we maintain an underweight asset allocation to the asset class.

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



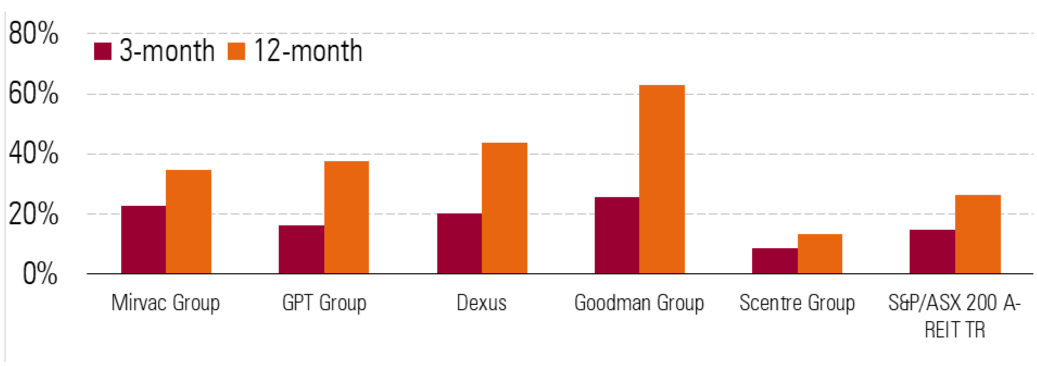
Source: Morningstar Direct

Exhibit 5.2 A-REITS - Exposure to the top 5 holdings as at 31 Mar



Source: Morningstar Direct

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



Source: Morningstar Direct

Global Fixed Interest

Review

The benchmark global bond index (Bloomberg Barclays Global Aggregate Total Return, $A hedged) rose 2.8% over the quarter, with gains underpinned by expectations of softer monetary policy, particularly in the U.S.

Yields in global bond markets fell significantly as slowing global growth gained focus, leading to expectations that central banks would embark on cutting interest rates or resume quantitative easing. Indeed, the yield on U.S. 10-year bonds ended the quarter at ~2.5%, well below the peaks seen less than five months ago. Of particular concern to investors, yields on 3-year bonds rose above yields on 5-year bonds, which has historically indicated the increasing risk of a U.S. recession; while the yield on U.S 10 year bonds and 3 month bills ended the quarter roughly the same, after briefly turning negative, reflecting a dramatic shift in the economic outlook. While recessions are difficult to predict, we note that the slowing global growth thematic has impacted other bond markets too, notably with German 10-year bond yields briefly falling below zero for the first time in more than two years.

Consistent with the strong performance of equity markets, global credit markets outperformed government bond markets, while credit spreads on riskier bonds (high yield debt) also narrowed back towards historically low levels. Emerging market debt (in local currency terms) also strengthened over the quarter.

Outlook

We acknowledge that global bond markets, on aggregate, are expensive, however we have raised the asset allocation to global fixed interest from underweight to neutral, to increase the defensiveness of the portfolio in the event of equity market declines. This reflects the elevated risk of loss that equity markets present at current prices, and the greater capacity for permanent loss of capital from equities versus bonds.

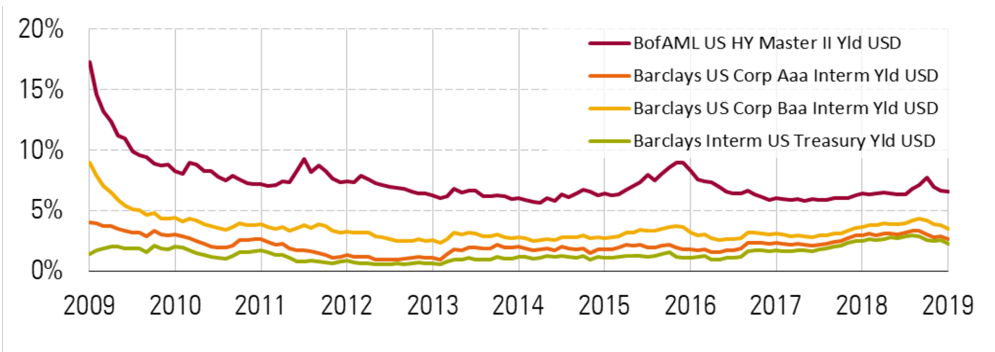
In addition, there are pockets of relative value within global bonds. For instance, while Japanese, European and U.K. bonds offer a poor reward for risk, we view short to medium dated U.S. bond valuations as reasonable and this underpins our medium conviction to the asset class. As such, we are biased to shorter dated U.S bonds, which have relatively higher yields than other markets and have the potential to provide defense qualities in the event of equity market weakness.

We continue to favour emerging market bonds over developed market bonds. Within emerging market bonds, we equally rank the return outlook for hard currency and local currency bonds (where the bonds are issued in the currency of the Emerging Market nation). The range of opportunities within Emerging Market Debt are diverse, with country and currency selection being vital.

Exhibit 6.1 Global Bond Yield - Barclays Global Aggregate Yield (USD) - 10 Years to 31 Mar

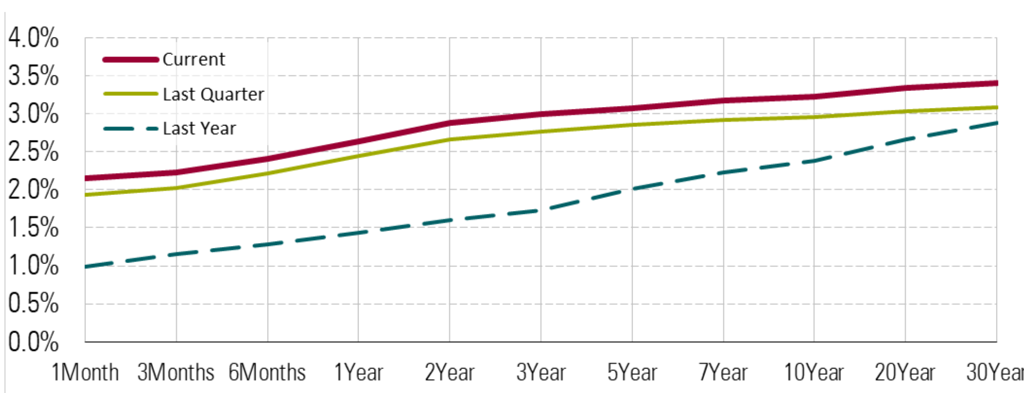
Source: Morningstar Direct

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



Source: Morningstar Direct

Exhibit 6.3 US Treasury Bond Yield Curves as at 31 Mar



Source: U.S Department of the Treasury

Australian Fixed Interest

Review

The Australian fixed interest market performed well versus developed market peers, with the Bloomberg AusBond Composite 0 + Years Total Return Index returning 3.4% for the quarter. For the year, the Australian bond market delivered a strong 7.2% return, outperforming global peers.

The economic backdrop was generally lacklustre, reflecting growing caution from consumers, further softening in the residential property sector, and scant evidence of inflation or wage pressures. Jobs growth was a bright light, with the unemployment rate nudging to its lowest level since 2011. The Reserve Bank of Australia lowered its growth expectations, and rhetoric became more balanced about the future course of rates, leading bond markets to shift from expectations of steady policy to several rate cuts being priced in for 2019. With bond yields around the world tumbling lower on concerns over slowing growth, and yield curves flattening or inverting, Australian bond yields fell sharply, and ended the quarter as one the best-performing bond markets. Consequently, return expectations for Australian bonds have declined, and with bond yields already very low, the reward for risk has deteriorated.

Outlook

Since the end of 2018, Australian bonds have strengthened significantly and have become increasingly unattractive in an absolute sense. At current valuations, the ability of Australian bonds to diversify equity exposure, provide income to a portfolio and help preserve capital is becoming much more limited. Our concerns especially apply to longer dated securities, which are most sensitive to changes in interest rate and inflation expectations.

Australian credit markets also represent a poor absolute reward for risk trade off compared to what has been available historically, and the relative appeal to other global credit markets has also reduced.

Australian Dollar

Review

The Australian dollar ended the quarter little changed against the U.S dollar but traded in a wide range as the interest rate policy outlook for both countries shifted dramatically. Over the past 12 months, the Australian dollar has weakened significantly against the U.S dollar, with a key driver being the widening differential in interest rates. Against a broader basket of currencies, Australian dollar weakness over the past 12 months has been less remarkable.

Outlook

With the AUD softening against the U.S Dollar over the past year, we see Australian Dollar valuations as getting closer to its long-term fair value. We remain constructive on the British pound, due to its improved valuations in the face of ongoing Brexit negotiation risks. We also continue to expect further gains for the Japanese Yen (and therefore a falling Australian Dollar in relative terms), as moves higher would be well justified on valuation grounds. In aggregate, we favour being predominantly unhedged, subject to individual portfolio investment objectives and risk profile.

Exhibit 7.1 Australian Bond Yield - Barclays Global Australia Yield (AUD) - 10 Years to 31 Mar

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 & Moderate

Conservative Portfolio	SAA (%)	Current Allocation	Over/Underweight	Previous Allocation	Change (%)
Australian Equity	5.0	3.0	-2.0	3.0	0.0
International Equity (Hedged)	3.5	2.8	-0.7	3.2	-0.4
International Equity (Unhedged)	3.5	4.2	0.7	4.8	-0.6
Australian Listed Property	0.0	0.0	0.0	0.0	0.0
International Listed Property	3.0	1.0	-2.0	1.0	0.0
Global Infrastructure	0.0	0.0	0.0	0.0	0.0
Australian Fixed Interest	28.0	26.0	-2.0	26.0	0.0
International Fixed Interest	21.0	18.0	-3.0	17.0	1.0
Cash	36.0	45.0	9.0	45.0	0.0
Total Defensive	85.0	89.0	4.0	88.0	1.0
Total Growth	15.0	11.0	-4.0	12.0	-1.0
Total Domestic	69.0	74.0	5.0	74.0	0.0
Total International	31.0	26.0	-5.0	26.0	0.0
Australian Dollar Exposure	96.5	95.8	-0.7	95.2	0.6
Foreign Currency Exposure	3.5	4.2	0.7	4.8	-0.6
Currency Hedge Ratio	50%	40%	-10%	40%	0.0%

Moderate Portfolio	SAA (%)	Current Allocation	Over/Underweight	Previous Allocation	Change (%)
Australian Equity	10.0	7.0	-3.0	7.0	0.0
International Equity (Hedged)	7.0	5.6	-1.4	6.4	-0.8
International Equity (Unhedged)	7.0	8.4	1.4	9.6	-1.2
Australian Listed Property	0.0	0.0	0.0	0.0	0.0
International Listed Property	3.0	1.0	-2.0	1.0	0.0
Global Infrastructure	3.0	2.0	-1.0	2.0	0.0
Australian Fixed Interest	23.0	21.0	-2.0	21.0	0.0
International Fixed Interest	17.0	17.0	0.0	16.0	1.0
Cash	30.0	38.0	8.0	37.0	1.0
Total Defensive	70.0	76.0	6.0	74.0	2.0
Total Growth	30.0	24.0	-6.0	26.0	-2.0
Total Domestic	63.0	66.0	3.0	65.0	1.0
Total International	37.0	34.0	-3.0	35.0	-1.0
Australian Dollar Exposure	93.0	91.6	-1.4	90.4	1.2
Foreign Currency Exposure	7.0	8.4	1.4	9.6	-1.2
Currency Hedge Ratio	50%	40%	-10%	40%	0.0%

Balanced & Growth

Balanced Portfolio	SAA (%)	Current Allocation (%)	Over/Underweight (%)	Previous Allocation (%)	Change
Australian Equity	17.0	14.0	-3.0	14.0	0.0
International Equity (Hedged)	12.0	10.0	-2.0	11.4	-1.4
International Equity (Unhedged)	12.0	15.0	3.0	15.6	-0.6
Australian Listed Property	3.0	0.0	-3.0	0.0	0.0
International Listed Property	3.0	2.0	-1.0	2.0	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	12.0	0.0	11.0	1.0
Cash	20.0	26.0	6.0	25.0	1.0
Total Defensive	50.0	56.0	6.0	54.0	2.0
Total Growth	50.0	44.0	-6.0	46.0	-2.0
Total Domestic	58.0	58.0	0.0	57.0	1.0
Total International	42.0	42.0	0.0	43.0	-1.0
Australian Dollar Exposure	88.0	85.0	-3.0	84.4	0.6
Foreign Currency Exposure	12.0	15.0	3.0	15.6	-0.6
Currency Hedge Ratio	50%	40%	-10%	42%	-2.2%

Growth Portfolio	SAA (%)	Current Allocation (%)	Over/Underweight (%)	Previous Allocation (%)	Change
Australian Equity	23.0	19.0	-4.0	19.0	0.0
International Equity (Hedged)	17.5	14.8	-2.7	16.2	-1.4
International Equity (Unhedged)	17.5	22.2	+4.7	22.8	-0.6
Australian Listed Property	3.0	1.0	-2.0	1.0	0.0
International Listed Property	5.0	3.0	-2.0	3.0	0.0
Global Infrastructure	4.0	4.0	0.0	4.0	0.0
Australian Fixed Interest	11.0	11.0	0.0	11.0	0.0
International Fixed Interest	7.0	7.0	0.0	6.0	1.0
Cash	12.0	18.0	6.0	17.0	1.0
Total Defensive	30.0	36.0	6.0	34.0	2.0
Total Growth	70.0	64.0	-6.0	66.0	-2.0
Total Domestic	49.0	49.0	0.0	48.0	1.0
Total International	51.0	51.0	0.0	52.0	-1.0
Australian Dollar Exposure	82.5	77.8	-4.7	77.2	0.6
Foreign Currency Exposure	17.5	22.2	4.7	22.8	-0.6
Currency Hedge Ratio	50%	40%	-10%	42%	-1.5%

Aggressive

Aggressive Portfolio	SAA (%)	Current Allocation (%)	Over/Underweight (%)	Previous Allocation (%)	Change (%)
Australian Equity	30.0	28.0	-2.0	28.0	0.0
International Equity (Hedged)	22.5	18.4	-4.1	20.2	-1.8
International Equity (Unhedged)	22.5	27.6	5.1	28.8	-1.2
Australian Listed Property	4.0	1.0	-3.0	1.0	0.0
International Listed Property	6.0	3.0	-3.0	3.0	0.0
Global Infrastructure	5.0	4.0	-1.0	4.0	0.0
Australian Fixed Interest	4.0	4.0	0.0	4.0	0.0
International Fixed Interest	3.0	3.0	0.0	3.0	0.0
Cash	3.0	11.0	8.0	8.0	3.0
Total Defensive	10.0	18.0	8.0	15.0	3.0
Total Growth	90.0	82.0	-8.0	85.0	-3.0
Total Domestic	41.0	44.0	3.0	41.0	3.0
Total International	59.0	56.0	-3.0	59.0	-3.0
Australian Dollar Exposure	77.5	72.4	-5.1	71.2	1.2
Foreign Currency Exposure	22.5	27.6	5.1	28.8	-1.2
Currency Hedge Ratio	50%	40%	-10%	41%	-1.2%

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