Quarterly Economic Briefing

Morningstar Manager Research
31 March 2020

Contents

Executive Summary

COVID-19 has gripped financial markets with anxiety regarding the virus's increasing global reach seemingly intensifying with every breaking media headline. With this, many global share markets fell more than 30% from their mid-February highs, before rallying into quarter-end, in response to the massive stimulus initiatives put in place by central banks and governments around the world. Complicating the outlook for global economic growth, is discord in the oil market, with key oil producing nations, Saudi Arabia and Russia, at loggerheads over the appropriate supply of oil in such a challenged environment. This has seen the Brent Crude Oil price (in USD) plunge by 66% over the quarter.

Perhaps surprisingly, the listed property and infrastructure asset classes have underperformed the poor returns of growth peers, with the impact of lockdowns delivering significant near-term earnings risk to these investments. Bond yields too have plunged (i.e. bond prices have rallied), with Australian and U.S. 10-year bond yields recently hitting all-time lows (of around 0.6% and 0.5% respectively), reflecting the depressed growth outlook and a flight to safety by unnerved investors. Safe-haven currencies, such as the U.S. dollar, have similarly been well supported.

While the ultimate humanitarian and economic cost of COVID-19 remains hard to quantify (let alone predicting the response from governments and central banks around the world), we can apply an investment perspective to these situations by asking ourselves "what's in the price" of assets at this point, while further assessing the risk that cashflows from these assets become permanently impaired as a consequence of these events. In this respect, we can recognise the irrational signs of human behaviour that sees investors panicking and recklessly discarding assets.

Significant improvement in the valuation of the Australian sharemarket leads us to adopt a more neutral stance on this asset class for the Growth portfolio, while we retain our neutral stance to international equities, notwithstanding that we have materially increased the level of currency hedging, following recent weakness in the Australian dollar. Better value in listed property sees us reduce the size of our underweight to both Australian and global listed property, while we remain slightly overweight global infrastructure as we seek to maintain a more diversified growth exposure to manage downside risks. Despite continued strength in bond markets, our underweight allocation to Australian bonds, and neutral weighting to global bonds, remains unchanged. Cash levels have fallen substantially (although we still remain slightly overweight), primarily as we take advantage of select opportunities presenting among growth assets. With these changes, the split between growth and defensive assets is now in line with the SAA (70% growth / 30% defensive).

Asset Allocation Summary - Growth Risk Profile (as at 31 March 2020)

Growth Portfolio	SAA (%)	Current Allocation (%)	Over/Underweight (%)	Previous Allocation (%)	Change (%)
Australian Equity	23.0	23.0	0.0	19.0	4.0
International Equity (Hedged)	17.5	19.3	1.8	14.0	5.3
International Equity (Unhedged)	17.5	15.8	-1.8	21.0	-5.3
Australian Listed Property	3.0	2.0	-1.0	1.0	1.0
International Listed Property	5.0	4.0	-1.0	3.0	1.0
Global Infrastructure	4.0	6.0	2.0	6.0	0.0
Australian Fixed Interest	11.0	10.0	-1.0	10.0	0.0
International Fixed Interest	7.0	7.0	0.0	7.0	0.0
Cash	12.0	13.0	1.0	19.0	-6.0
Total Defensive	30.0	30.0	0.0	36.0	-6.0
Total Growth	70.0	70.0	0.0	64.0	6.0

Market Returns to 31 March 2020 (AUD)

Asset Class	QTR	YTD	1yr	3yr
Australian Cash	0.19	0.19	1.05	1.59
Australian Fixed Income	2.99	2.99	6.80	5.74
Global Fixed Income	1.27	1.27	5.61	4.35
Australian REITs	-34.37	-34.37	-31.73	-5.10
Global REITs	-28.63	-28.63	-24.50	-3.89
Global Infrastructure	-28.08	-28.08	-20.90	-3.49
Australian Equities	-23.10	-23.10	-14.42	-0.56
Global Equities ($A)	-9.00	-9.00	4.44	9.95

Source: Morningstar Direct

International Equity

Review

Global shares fell dramatically in the first quarter, with the MSCI All Country World ex Australia Net Return Index (local currency), that includes the performance of both developed and emerging markets, plunging approximately 30% at its lows, before rallying back in the final week of March to finish the quarter down 20%. Currency markets, however, delivered some reprieve for unhedged investors, with the aforementioned index returning -9.4% for the quarter, on an unhedged basis.

Fears and uncertainty about the ultimate humanitarian and economic cost of COVID-19 saw few markets spared. The developed markets of the United States (S&P500 Net Return Index; -19.7%), Europe (MSCI Europe Ex U.K. Net Return Index; -21.1.%) and particularly the U.K. (MSCI U.K. Net Return Index; -23.9%) were among the worst performers, in local currency terms - hardly surprising when you consider the burgeoning health crises in those countries/regions. In the case of the former, it is also worth highlighting though that the COVID-19 turmoil comes after a decade-long bull market. Nonetheless, experiencing the fastest bear market (a recorded fall of 20% or more) in history left many investors understandably unnerved, notwithstanding that expensive valuations in the U.S. market were warning of the increasing risk of loss, with investors pricing in little room for error regarding the outlook for economic growth and corporate profitability.

Curiously Japanese and Emerging Market shares, especially in Asia, fared slightly better. This may be counter-intuitive when you consider the widely acknowledged origins of the virus but likely reflects efforts to keep the virus contained. More importantly, however, this can be justified through a valuation lens, with these markets not achieving the lofty heights seen in other markets in 2019 (notably, the U.S.), because of the ongoing threat of ‘trade wars’.

Looking deeper, those global sectors particularly sensitive to the outlook for economic growth (i.e. their revenues are cyclical) like energy and financials were very harshly dealt with (declining by 43% and 30% respectively, for the quarter). This goes some way to explaining the U.K.'s underperformance, given its relatively high weighting to these sectors. By contrast, those sectors that are perceived to have a more defensive earnings profile, like healthcare, utilities and consumer staples were well supported (albeit that they still incurred double digit falls), with healthcare further boosted by expectations of increased demand for the sector's products and services amid this unfolding health crisis.

Outlook

It is easy to view the current environment with pessimism. For example, in the U.S., it's reasonable to expect that we’re entering a period when economic growth, aggregate demand, consumer spending, industrial production, automobile consumption, credit creation, employment, wages and corporate investment are all contracting, with corporate profits expected to come down heavily. However, as valuation driven investors, we must distinguish between what we think is a temporary impairment of cash flows from assets, versus those that are more likely to be permanent, while understanding what is being captured in the current price of assets.

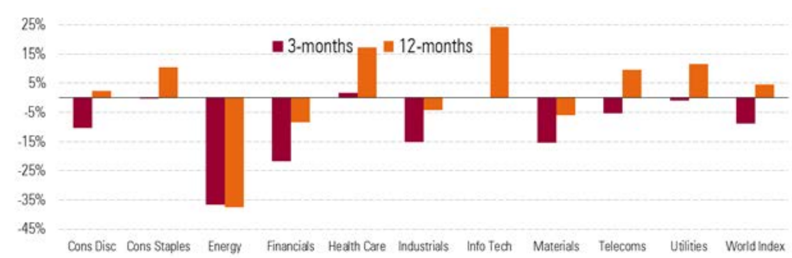
In this regard, all key global share regions now offer an improved reward for risk, with expected returns across most now much closer to what we consider to be fair, over the long term. However, superior opportunities remain for those able to take a more granular approach. U.K. equities now appear cheap, on our analysis, having encountered a one-two punch, with a long-winded Brexit transition flowing straight into COVID-19 lockdowns. However, the U.K. market is home to a range of high-quality businesses with diverse revenue sources and, at current prices, we believe that investors are being well compensated for the risk of investing.

We retain our conviction to Japanese shares which 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. Indeed, valuations continue to appeal, as they do for Europe and Emerging Markets, however country and/or sector selection is vital in achieving superior reward for risk in these markets.

By contrast, while now more adequate, expected returns from U.S. shares continue to lag key global peers. With this in mind, we find that the opportunity in the U.S. is best expressed at the sector level, with our preference being for unloved and beaten up sectors like energy and financials (specifically toward those companies with diversified business models and strong balance sheets), in lieu of growth oriented sectors such as information technology, which remain unattractive.

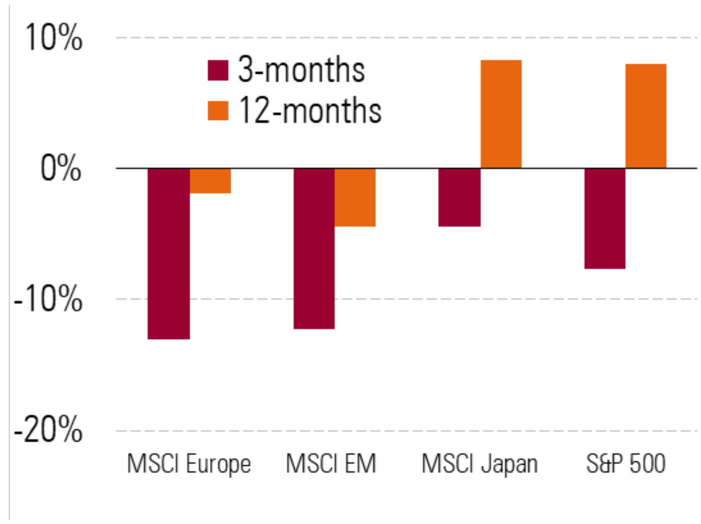
For all of the above comments, the major change in our positioning this quarter is with regard to the increased level of hedging applied, with exposure to foreign currencies no longer offering the same diversification benefits given the extent of the recent Australian dollar weakness.

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



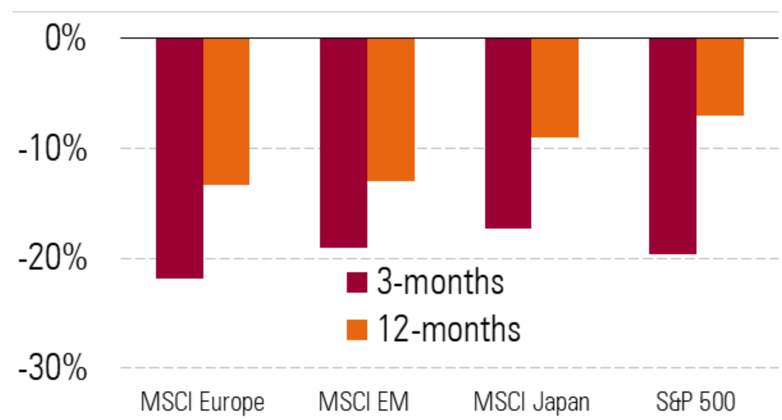
Source: Morningstar Direct

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



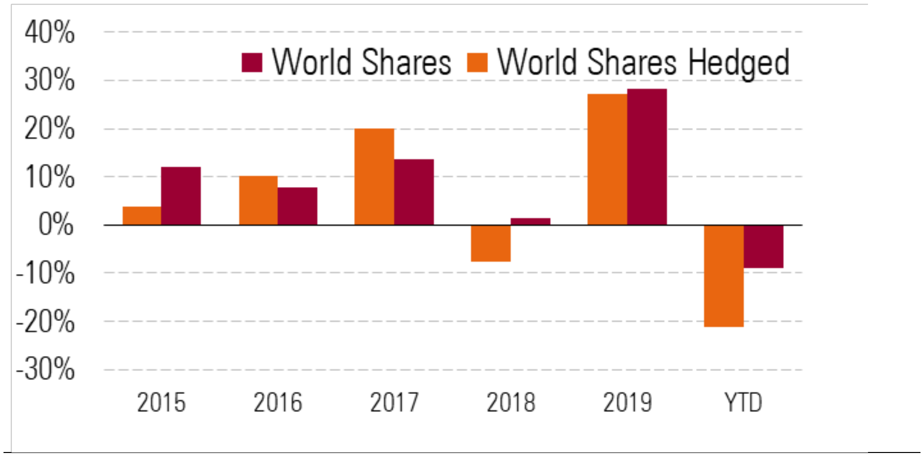
Source: Morningstar Direct

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



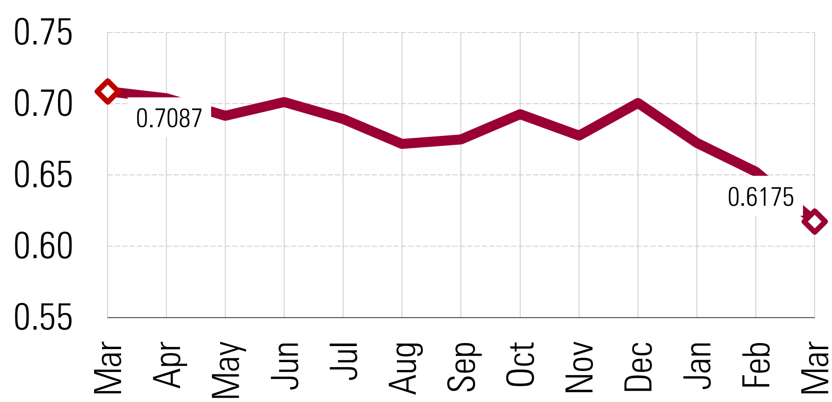
Source: Morningstar Direct

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 March 2020



Source: Reserve Bank of Australia

Australian Equity
Review

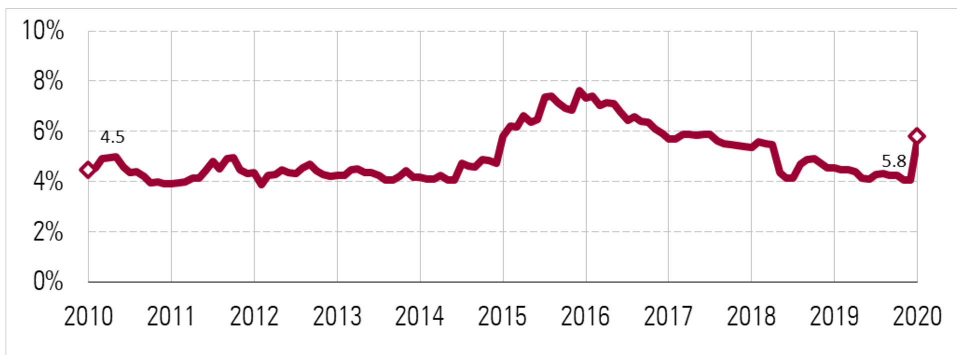
The Australian sharemarket experienced considerable volatility through the quarter, pushing to record highs in the early part of February before plunging as concerns over the COVID-19 impact on global economies escalated. The S&P/ASX 200 Accumulation Index recorded some of the largest one-day declines on record before ending the quarter with a loss of 23%, reversing almost 4 years of gains to end at levels last seen at the start of 2016. The magnitude of losses for the quarter weighed heavily on 1-year returns, which fell by -14%. While sharemarket losses were significant for the period overall, volatility was also high, with meaningful gyrations occurring within a single trading day.

On a sectoral basis, losses were recorded for all but one sector, with the most significant loss posted by the energy sector which fell by a whopping 48% owing to the sharp plunge in oil prices. The best performing sector was healthcare, which managed to eke out a 2.1% return, reflecting the increased demand for medical services and products stemming from the global health crisis.

Outlook

Prior to the selloff, our view was that the Australian sharemarket was among the most expensive global asset classes, with poor expected returns increasing the likelihood of loss, and we had been biasing our positioning toward other sharemarkets with better relative valuations. However, with this market turbulence, we have seen a significant improvement in expected returns (indeed, expected returns have not been this positive in years), which warranted increasing the asset allocation to neutral. That said, the majority of global share regions (with the notable exception of the U.S.) continue to appear relatively more attractive (although the extent of this has diminished over the quarter).

. **Exhibit 2.1** Market Dividend Yield Style Factor - 10 Years to 31 March



Source: Morningstar Direct

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

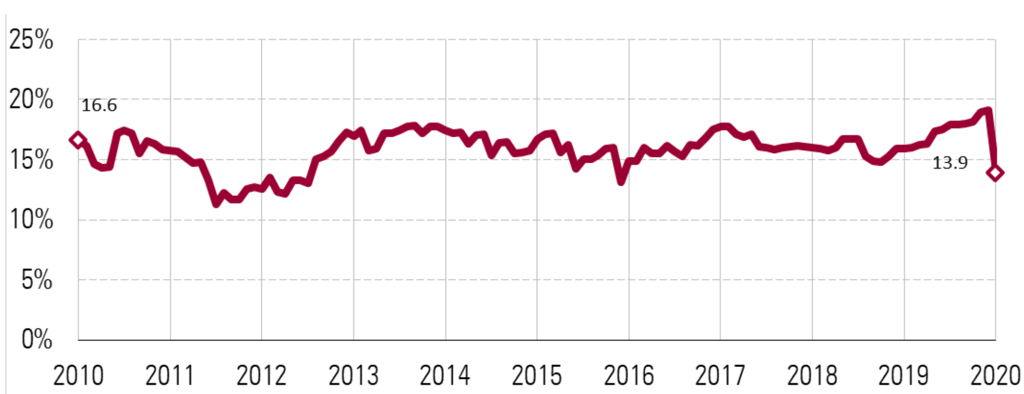
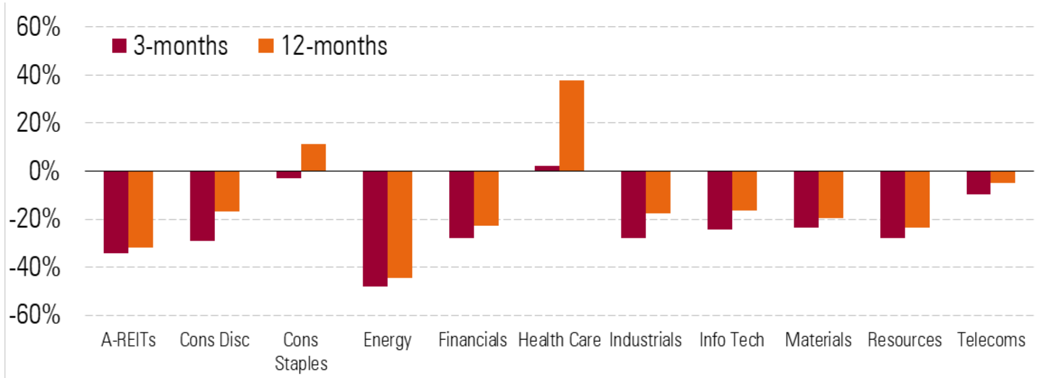


Exhibit 2.3 S&P/ASX 200 Sub-sectors and Market (AUD) - Trailing Returns to 31 March



Source: Morningstar Direct

International Listed Property Review

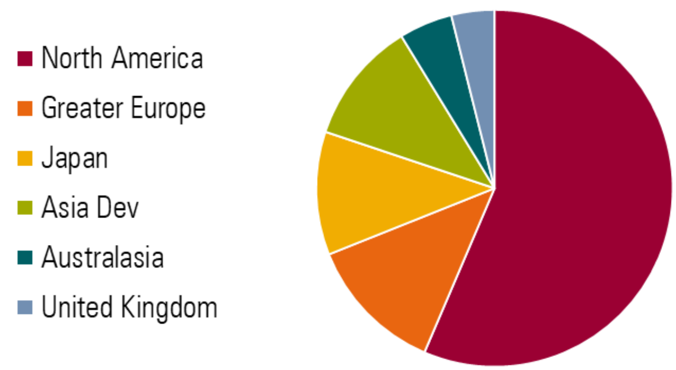
Global real estate investment trusts (GREITs) delivered a poor result for the March quarter, with the FTSE EPRA/NAREIT Developed NR ($A Hedged) Index falling a whopping 28.6%, i.e. incurring greater losses than key global sharemarkets. Curiously, global listed property held up relatively well in the early stage of the broader sell off, with investors drawn in by the perception of a more defensive earnings profile from these investments (and a source of yield), compared to other growth assets which were under significant pressure. Throughout March, however, social-distancing restrictions being imposed on global citizens has delivered earnings risk to the sector (for example, via less foot traffic through shopping centres and expectations of lower demand for office/commercial space), resulting in heavy losses in the asset class.

Outlook

With the sharp pullback among global listed REITs over the month of March, our conviction toward the asset class has increased. However, significant risks remain especially in the short term, as lockdown measures impact the immediate profitability (and potentially viability) of shopping mall operators (and their tenants), while investors in previously overvalued office REITs must adjust expectations for a more depressed growth outlook in the near term.

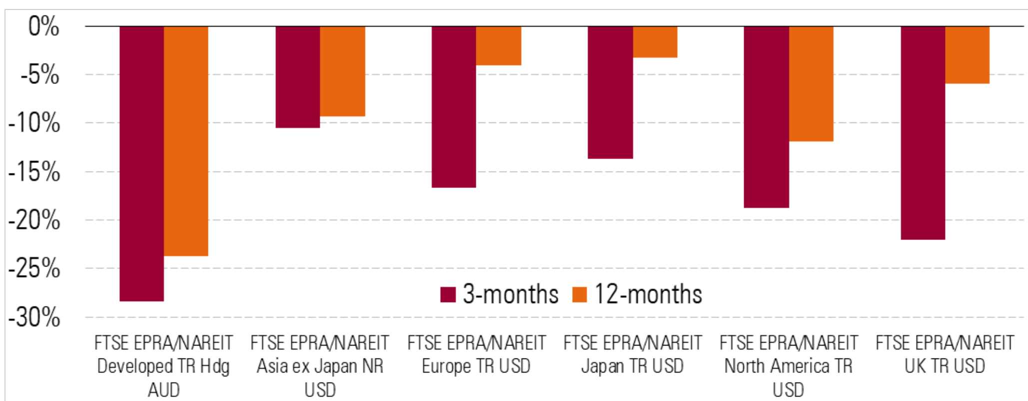
Time will tell if the trends toward accelerating online sales and working-from-home persist but even so, the share price reaction in this asset class (which many view as being quasi-defensive) has been staggering, suggesting that much of uncertainty in this asset class may be beginning to be priced in to current asset prices, particularly if low interest rates persist. This has warranted raising exposure to the asset class modestly but retaining an underweight allocation, as we continue to see superior opportunities in other markets.

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



Source: Morningstar Direct

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



Source: Morningstar Direct

Global Infrastructure

Review

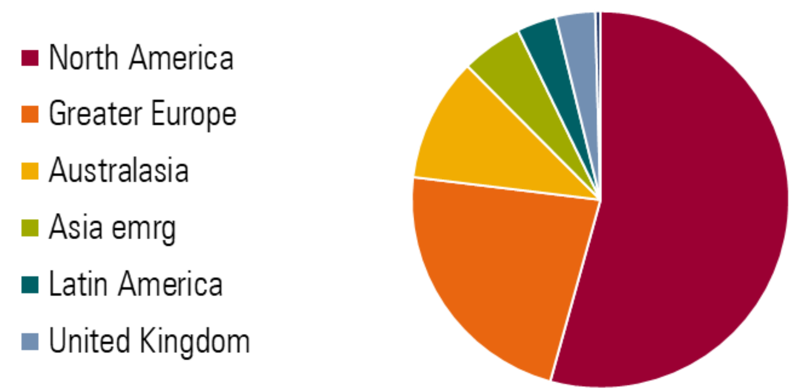
Global infrastructure recorded substantial losses for the March quarter, with the S&P Global Infrastructure, Net Returns, $A hedged index falling 28.1%. With significant concerns around the outlook for global growth under COVID-19, it was understandably the more economically sensitive (i.e. cyclical) sectors, such as ports and airports, which bore the brunt of the losses. By contrast, the more defensive and regulated infrastructure assets, which are more bond-like, performed relatively better.

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.

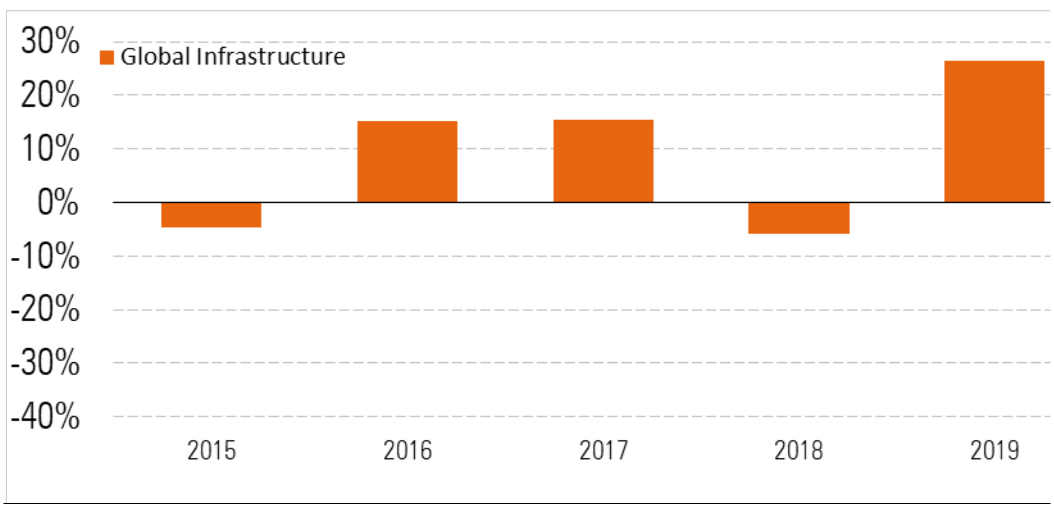
In this regard, expected returns from global infrastructure have improved, with the outlook for the asset class further boosted by the potential for global governments to extend fiscal stimulus via increased infrastructure spending, in an effort to soften the economic blow of COVID-19. That said, we have made no change to our overweight position, as we seek to increase the diversification of the growth portfolio (by increasing our weighting in other assets).

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



Source: Morningstar Direct

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



Source: Morningstar Direct

Australian Listed Property -

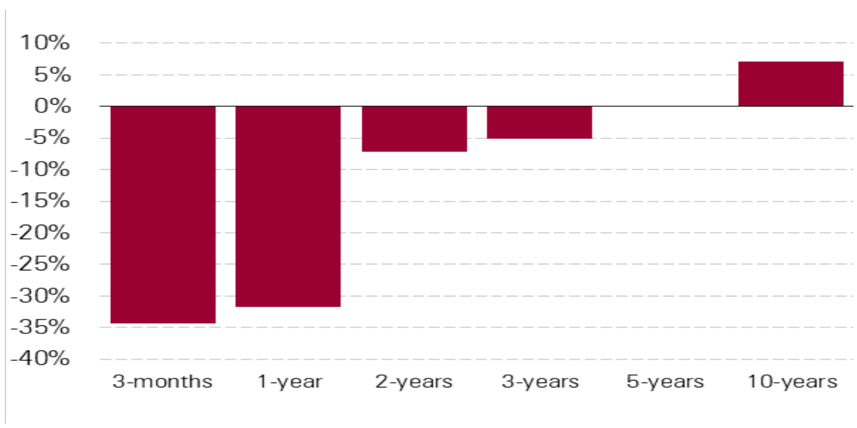
Review

Australian listed property was amongst the worst performing global asset classes, ending the quarter with a 34% loss and the 1-year period with a 32% loss. With the sharp decline in global demand for travel and leisure, the immediate impact on hotels and malls was severe; while the office sector was hit by poor sentiment related to higher expected vacancies. These declines were consistent with losses in global listed property and with this, we have seen value returning to property.

Outlook

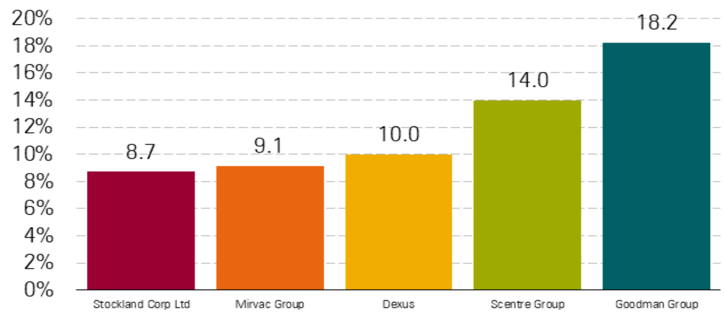
We previously held the view that that Australian listed property was expensive, with the underlying fundamentals of the asset class not justifying the high prices paid. Following the dramatic decline in prices through the quarter, our conviction to the asset class has increased, with investors in this asset class are now being more appropriately compensated on a long-term view. This has warranted raising exposure to the asset class modestly but retaining an underweight allocation. We continue to see a better reward for risk among Australian and global sharemarkets.

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



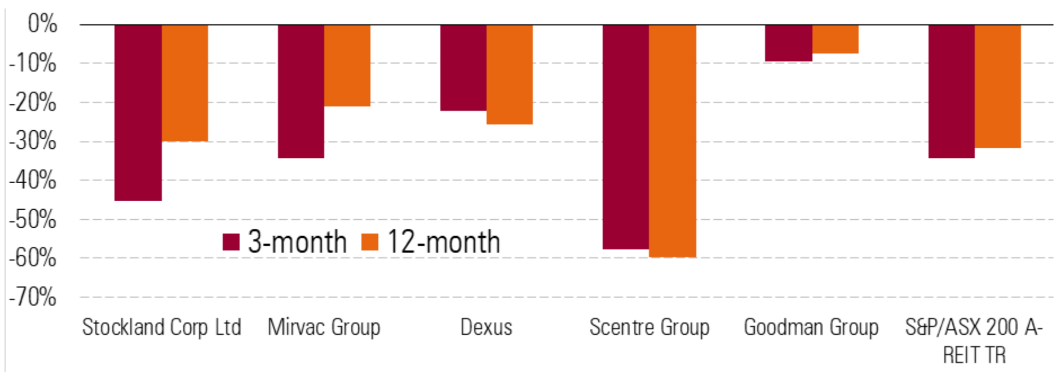
Source: Morningstar Direct

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



Source: Morningstar Direct

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



Source: Morningstar Direct

Global Fixed Interest

Review

Global lockdowns and an abundance of stimulus from global governments and central banks has led a flight to safety into key global bond markets. This has seen developed-market government bonds perform well, with the benchmark global bond index (Bloomberg Barclays Global Aggregate Total Return, $A hedged) rising by 1.3% for the quarter (to be +5.6% on the rolling year).

While government bond yields have fallen substantially, with many ending the quarter near record-low levels, heightened risk aversion has resulted in credit spreads blowing out (as investors demand a higher interest rate to invest in these types of securities). Indeed, losses among select Emerging Market debt and high yield (i.e. junk) credit markets throughout March (which, for the most part, reversed the strong gains achieved by these assets in the previous quarter), looked more akin to what we might expect from equities amid periods of uncertainty.

Outlook

We acknowledge that global bond markets, on aggregate, are expensive. However, we retain a neutral asset allocation as the portfolios still require defensive characteristics in the event of further potential equity market declines.

COVID-19 has exacerbated existing bond market concerns around future economic growth, with many now asking: "How severe could the downturn be? Will the recovery be swift (a V-shaped recovery), slow (a U-shaped recovery), stuttered (a W-shaped recovery) or non-existent (an L-shaped recovery)?" In short, this is very difficult to predict as not only must we be able to forecast the path for COVID-19, among other issues, we must also make assumptions around how governments and central banks around the world will react with stimulus measures (again, very difficult to do).

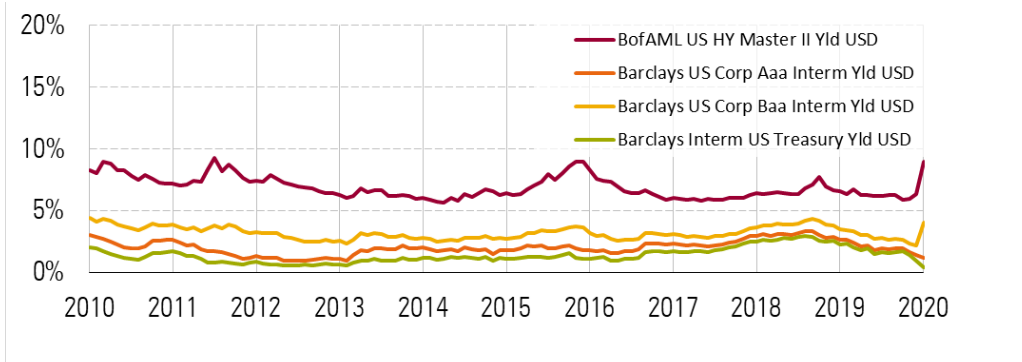
However, we can achieve more clarity through a valuation lens, with Japanese, European and U.K. bonds all offering a poor reward for risk. The appeal of U.S. bonds has also diminished, following further strength in this asset class over the quarter. Indeed, longer dated U.S. bonds appear particularly vulnerable to interest rate changes at a time when interest rates are well below what we might reasonably consider fair. With forecast benchmark returns looking unattractive, investors in global fixed income will need to adopt a flexible and disciplined approach, identifying those bonds that offer value while managing fixed interest levers like credit spreads and bond duration (sensitivity to interest rate movements) to reduce the risk of a permanent loss of capital.

For the cautious outlook on this asset class, there are pockets of opportunity, in our view. Those niche parts of the bond universe that recently sold off heavily, namely high yield credit and Emerging Market debt, increasingly appeal relative to developed sovereign peers. Indeed, we think that investors have over-compensated for the risk of loss in the "junk" space while we believe that select Emerging Market sovereigns were much better positioned leading into this period of uncertainty (in terms of improved current account balances, enhanced reserves, movement to orthodox monetary policy, build-out of local investor base allowing for a shift to local currency funding) than they may have been in previous crises, thereby increasing the margin of safety in this opportunity.

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

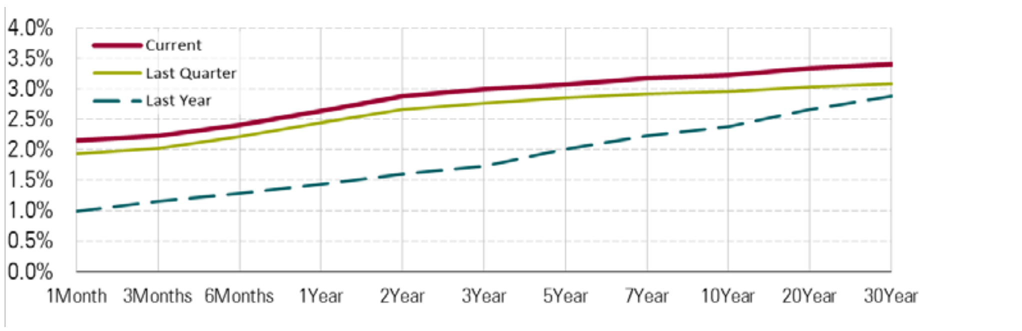
Source: Morningstar Direct

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



Source: Morningstar Direct

Exhibit 6.3 US Treasury Bond Yield Curves as at 31 March



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 increasing threat of COVID-19) by repeatedly cutting interest rates and, more recently, enacting a quantitative easing program (aimed at keeping yields, on bonds with a shorter time to maturity, low).

With this, the Bloomberg AusBond Composite 0 + Years Total Return Index ended the quarter up 3.0% (+6.8% on a 12-month view), benefitting from the rise in risk aversion and the rotation to safe haven assets, resulting in yields falling to record lows. However, bond markets were not immune to the volatility, with technical factors and a liquidity squeeze causing yields to rise through part of the period.

Outlook

With 10-year bond yields ending the quarter at 0.79%, slightly above the record lows achieved during March, Australian bonds have become increasingly unattractive. Indeed, at current valuations, the ability of Australian bonds to diversify equity exposure, provide income to a portfolio and help preserve capital is becoming increasingly limited, in our view (underpinning our underweight position in the asset class). Our concerns especially apply to longer dated securities, which are most sensitive to changes in interest rate and inflation expectations. As such, we retain a modest underweight asset allocation to the asset class.

Credit markets offer better relative value following the blowout in credit spreads over the quarter, which have widened close to historical highs. 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 Australian Dollar weakened significantly against the U.S. Dollar over the quarter, pushing to as low as US$0.55, while also weakening against a broader basket of currencies (trade-weighted index), including the Euro and Japanese Yen. Much of this currency weakness can be attributed to the broad-based decline in commodity prices as well as the 'risk-off' sentiment that characterised the quarter. With the weakening of the AUD, returns for unhedged international investments were boosted.

Outlook

While currencies are notoriously volatile, the impact of the global pandemic on the Australian dollar is noteworthy. Indeed, at quarter-end, the AUD/USD exchange rate traded well below our fair value estimates for the currency pair. More broadly, exposure to the Japanese Yen and the British Pound continues to appeal, although the extent of this has diminished with the recent Australian dollar weakness. In aggregate, this favours holding a higher ratio of offshore assets on a currency- hedged basis, subject to individual portfolio investment objectives and risk profiles.

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

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	3.0	1.0
International Equity (Hedged)	3.5	4.2	0.7	3.2	1.1
International Equity (Unhedged)	3.5	2.8	-0.7	3.9	-1.1
Australian Listed Property	0.0	0.0	0.0	0.0	0.0
International Listed Property	3.0	2.0	-1.0	1.0	1.0
Global Infrastructure	0.0	0.0	0.0	0.0	0.0
Australian Fixed Interest	28.0	25.0	-3.0	26.0	-1.0
International Fixed Interest	21.0	19.0	-2.0	18.0	1.0
Cash	36.0	43.0	7.0	45.0	-2.0
Total Defensive	85.0	87.0	2.0	89.0	-2.0
Total Growth	15.0	13.0	-2.0	11.0	2.0
Total Domestic	69.0	72.0	3.0	74.0	-2.0
Total International	31.0	28.0	-3.0	26.0	2.0
Australian Dollar Exposure	96.5	97.2	0.7	96.2	1.1
Foreign Currency Exposure	3.5	2.8	-0.7	3.9	-1.1
Currency Hedge Ratio	50%	60%	10%	45%	15.0%

Moderate Portfolio	SAA (%)	Current Allocation (%)	Over/Underweight (%)	Previous Allocation (%)	Change (%)
Australian Equity	10.0	9.0	-1.0	7.0	2.0
International Equity (Hedged)	7.0	8.4	1.4	6.3	2.1
International Equity (Unhedged)	7.0	5.6	-1.4	7.7	-2.1
Australian Listed Property	0.0	0.0	0.0	0.0	0.0
International Listed Property	3.0	2.0	-1.0	1.0	1.0
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	17.0	0.0
Cash	30.0	35.0	5.0	38.0	-3.0
Total Defensive	70.0	73.0	3.0	76.0	-3.0
Total Growth	30.0	27.0	-3.0	24.0	3.0
Total Domestic	63.0	65.0	2.0	66.0	-1.0
Total International	37.0	35.0	-2.0	34.0	1.0
Australian Dollar Exposure	93.0	94.4	1.4	92.3	2.1
Foreign Currency Exposure	7.0	5.6	-1.4	7.7	-2.1
Currency Hedge Ratio	50%	60%	10%	45%	15.0%

Balanced Portfolio	SAA (%)	Current Allocation (%)	Over/Underweight (%)	Previous Allocation (%)	Change
Australian Equity	17.0	17.0	0.0	14.0	3.0
International Equity (Hedged)	12.0	14.4	2.4	10.8	3.6
International Equity (Unhedged)	12.0	9.6	-2.4	13.2	-3.6
Australian Listed Property	3.0	1.0	-2.0	0.0	1.0
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	17.0	-1.0	18.0	-1.0
International Fixed Interest	12.0	12.0	0.0	12.0	0.0
Cash	20.0	24.0	4.0	27.0	-3.0
Total Defensive	50.0	53.0	3.0	57.0	-4.0
Total Growth	50.0	47.0	-3.0	43.0	4.0
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	90.4	2.4	86.8	3.6
Foreign Currency Exposure	12.0	9.6	-2.4	13.2	-3.6
Currency Hedge Ratio	50%	60%	10%	45%	15.0%

Growth Portfolio	SAA (%)	Current Allocation (%)	Over/Underweight (%)	Previous Allocation	Change (%)
Australian Equity	23.0	23.0	0.0	19.0	4.0
International Equity (Hedged)	17.5	19.3	1.8	14.0	5.3
International Equity (Unhedged)	17.5	15.8	-1.8	21.0	-5.3
Australian Listed Property	3.0	2.0	-1.0	1.0	1.0
International Listed Property	5.0	4.0	-1.0	3.0	1.0
Global Infrastructure	4.0	6.0	2.0	6.0	0.0
Australian Fixed Interest	11.0	10.0	-1.0	10.0	0.0
International Fixed Interest	7.0	7.0	0.0	7.0	0.0
Cash	12.0	13.0	1.0	19.0	-6.0
Total Defensive	30.0	30.0	0.0	36.0	-6.0
Total Growth	70.0	70.0	0.0	64.0	6.0
Total Domestic	49.0	48.0	-1.0	49.0	-1.0
Total International	51.0	52.0	1.0	51.0	1.0
Australian Dollar Exposure	82.5	84.3	1.8	79.0	5.3
Foreign Currency Exposure	17.5	15.8	-1.8	21.0	-5.3
Currency Hedge Ratio	50%	55%	5%	40%	15.0%

Aggressive Portfolio	SAA (%)	Current Allocation (%)	Over/Underweight (%)	Previous Allocation (%)	Change
Australian Equity	30.0	30.0	0.0	26.0	4.0
International Equity (Hedged)	22.5	24.8	2.3	15.8	9.0
International Equity (Unhedged)	22.5	20.3	-2.3	29.3	-9.0
Australian Listed Property	4.0	2.0	-2.0	1.0	1.0
International Listed Property	6.0	5.0	-1.0	4.0	1.0
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	3.0	0.0	3.0	0.0
Cash	3.0	5.0	2.0	11.0	-6.0
Total Defensive	10.0	12.0	2.0	18.0	-6.0
Total Growth	90.0	88.0	-2.0	82.0	6.0
Total Domestic	41.0	41.0	0.0	42.0	-1.0
Total International	59.0	59.0	0.0	58.0	1.0
Australian Dollar Exposure	77.5	79.8	2.3	70.8	9.0
Foreign Currency Exposure	22.5	20.3	-2.3	29.3	-9.0
Currency Hedge Ratio	50%	55%	5%	35%	20.0%

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