



MAPS Core Conservative Portfolio

Portfolio Update

Cautious Optimism

The Trade Update provides an update on our investment strategy for the MAPS Core Conservative Portfolio. It is a summary of our basis for the strategy. This Trade Update should not be used to make any investment decision regarding any particular financial product (or class of financial products). Please speak with your financial adviser if you would like any advice about any potential investment decision.

As per the Morgan Stanley Wealth Management Australia Implementation Report, 27 November 2023:

Morgan Stanley recently published a series of reports focused on the outlook for 2024. The key takeaways were that while many asset classes are already priced for a 'soft-landing' scenario, 2024 remains a good year for income investing. Potential opportunities remain in high-quality fixed income: Developed Market government bonds (including Australia), Investment Grade (IG) credit, and senior tranches of securitized credit. Unlike the last two years where there was a strong preference for securities outside the US, we expect 2024 to be more favourable for US assets, and Emerging Markets (EM) less so. We believe Japanese stocks are undergoing a secular bull market, assisted by stronger growth and corporate governance as well as being more insulated from downside risks to Asia growth and geopolitical risks.

Consensus has consolidated around the narrative of a 'soft-landing', and we are also aligned. Morgan Stanley economists see global growth drifting below-trend, but still positive at 2.8% in 2024. Inflation is forecast to gradually move downwards, with US core PCE and euro area core inflation projected at 2.4% and 2.1% respectively for 4Q/4Q 2024.

Australia's cycle is lagged compared to global peers. Inflation and rates will likely stay higher for longer (including one more rate hike) and thus weigh on domestic activity. As a result, both domestic bonds and equity index performance are expected to lag international benchmarks.

In our outlook, we foresee further equity volatility as likely over the next 3-6 months and recommend keeping a defensive tilt and looking for signs of a 'soft-landing' to add risk to the portfolio. Even if we expect a 'soft-landing', we remain late cycle and cannot completely dismiss recession risks. However, we have been reducing the size of our underweight to equities.

Portfolio Changes:

As per the Morgan Stanley Wealth Management Australia Implementation Report, 27 November 2023:

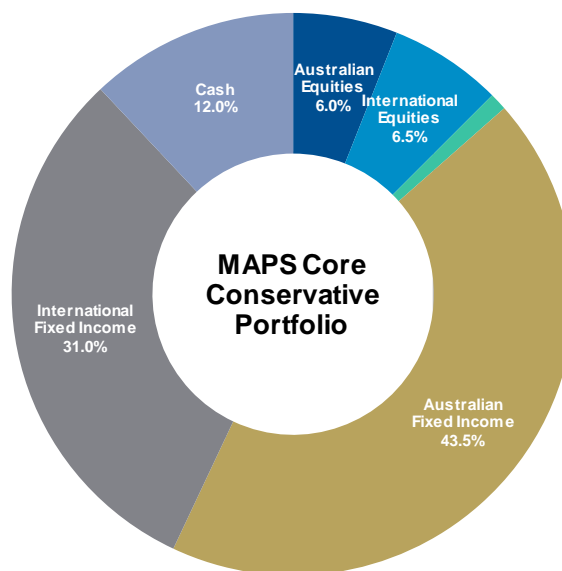
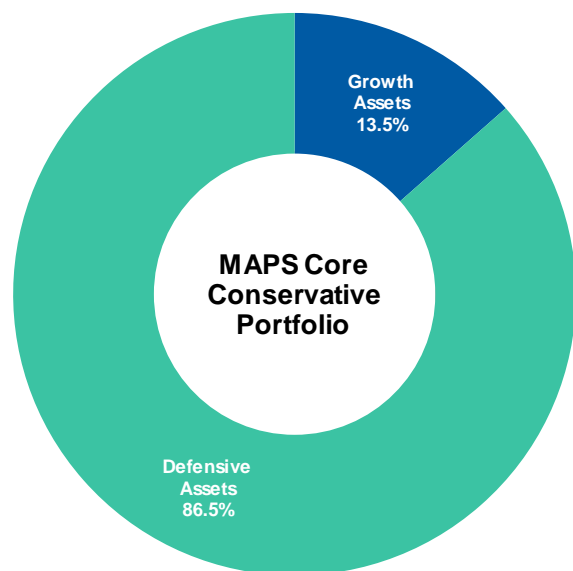
We add to International equities by increasing Japanese equities and our exposure to quality companies while reducing our EM position. We remain cautious and overweight duration, however we reallocate to IG corporate bonds and International bonds funded from a reduction in Australian government bonds as well as cash.

The trades in the MAPS Core Conservative Portfolio are as follows:

- Sold a 1.0% position in the Vanguard Australian Property Secs ETF (VAP.AX).
- Bought a 1.0% position in the Vanguard Global Infrastructure ETF (VBLD.AX). This ETFs tracks the FTSE Developed Core Infrastructure Index holding ~135 securities. The Index includes companies that derive a minimum of 65% of their revenue from businesses/activities within core infrastructure (transportation, energy and telecommunications). Companies with revenue only attributable to infrastructure-related activities are not eligible for the indexes.
- Decreased by 14.0% the Vanguard Australian Government Bond ETF (VGB.AX). This ETF tracks the Bloomberg AusBond Govt 0+ Yr Index. All debt securities are issued by the Commonwealth Government of Australia and Australian State Government authorities and treasury corporations.
- Added 4.5% in the Vanguard Australian Corp Fxd Intr ETF (VACF.AX). This ETF tracks the performance of the Bloomberg AusBond Credit 0+ Yr Index. The underlying index is a market weighted index of Australian dollar denominated investment grade corporate bonds issued by corporations. These include Australia's four largest banks, offshore banks, other lending institutions and property trusts.
- Added 4.0% in the Pandal Sustainable Aust Fixed Interest (BTA0507AU). The Fund invests in Australian Fixed Income securities, taking a benchmark relative approach to sector allocation and applying a sustainable and ethical assessment process to security selection. A large portion of the Fund (30-40%) is invested in Social, Green and Sustainable bonds.
- Raised 1.0% in the VanEck Australian Sbdntd Dbt ETF (SUBD.AX). This ETF tracks the performance of the iBoxx AUD Investment Grade Subordinated Debt Mid Price Index. SUBD.AX provides a 'pure-play' exposure to the investment grade Australian dollar denominated subordinated bond market.
- Added 2.5% in the Vanguard Intl Fxd Intr (Hdg) ETF (VIF.AX). This ETF tracks the return of the Bloomberg Barclays Global Treasury Scaled Index hedged into Australian dollars. The underlying index includes fixed-rate and local currency government debt from investment grade countries, including both Developed and Emerging markets. This ETF invests in fixed income securities that generally range in credit quality from BBB- to AAA.
- Increased 5.5% in the Principal Global Credit Opportunities (PGI0001AU). The Fund primarily invests in global credit sectors including investment-grade credit, high yield credit, emerging market debt and securitized assets. The Fund uses a combination of topdown and bottom-up research to opportunistically invest across these sectors.
- Reduced by 3.0% the PIMCO Global Bond W (ETL0018AU). The Fund invests in a diversified portfolio of investment grade bonds denominated in major world currencies. The Fund actively manages exposure to interest rates, currencies, credit and countries.
- Reduced by 0.5% the BetaShares Aus High Interest Cash ETF (AAA.AX). This ETF is the oldest and largest listed cash product on the ASX, launching in March 2012 and now having a market cap of ~A\$1.2bn. AAA holds at-call and notice-account bank deposits, with an 80% cap on 31 day deposits, and a 30% cap on deposits greater than 31 days.

MAPS Core Conservative Portfolio

Asset Class	Code	Instrument Name	Management Fee	Performance Fee	Previous Weights	New Weights	Weight Changes
Growth Assets					13.5%	13.5%	
Australian Equities					6.0%	6.0%	
Large Core	A200.AX	BetaShares Australia 200 ETF	0.07%		4.5%	4.5%	
Large Core Systematic	MAQ0443AU	Macquarie Australian Shares	0.60%		1.5%	1.5%	
International Equities					6.5%	6.5%	
Japanese Equities	JP.AX	iShares MSCI Japan ETF (AU)	0.50%		1.0%	1.0%	
Global Core	VGS.AX	Vanguard MSCI Intl ETF	0.18%		2.5%	2.5%	
Global Core (a)	DAM2442AU	Ironbark Royal London Divers Glb Sh AUnh	0.36%		2.0%	2.0%	
Global Quality	QUAL.AX	Vaneck Msci International Quality Etf	0.40%		1.0%	1.0%	
Listed Property					1.0%	1.0%	
Australian REITs	VAP.AX	Vanguard Australian Property Secs ETF	0.23%		1.0%	0.0%	-1.0%
Global Infrastructure	VBLD.AX	Vanguard Global Infrastructure ETF	0.47%		0.0%	1.0%	+1.0%
Defensive Assets					86.5%	86.5%	
Australian Fixed Income					48.0%	43.5%	-4.5%
Australian Government Bonds	VGB.AX	Vanguard Australian Government Bond ETF	0.20%		20.0%	6.0%	-14.0%
Australian IG Credit	VACF.AX	Vanguard Australian Corp Fxd Intr ETF	0.20%		3.0%	7.5%	+4.5%
Floating Rate Notes	QPON.AX	BetaShares Aus Bank Sr Fltng Rt Bd ETF	0.22%		4.0%	4.0%	
Domestic Diversified (a)	BTA0507AU	Pendal Sustainable Aust Fixed Interest	0.40%		16.0%	20.0%	+4.0%
Australian Subdebt	SUBD.AX	VanEck Australian Sbdntd Dbt ETF	0.29%		5.0%	6.0%	+1.0%
International Fixed Income					26.0%	31.0%	+5.0%
Government Bonds	VIF.AX	Vanguard Intl Fxd Intr (Hdg) ETF	0.20%		17.5%	20.0%	+2.5%
Global IG Credit (a)	PGI0001AU	Principal Global Credit Opportunities	0.80%		2.5%	8.0%	+5.5%
Global Diversified (a)	ETL0018AU	PIMCO Global Bond W	0.49%		6.0%	3.0%	-3.0%
Cash					12.5%	12.0%	-0.5%
Cash AUD	AAA.AX	BetaShares Aus High Interest Cash ETF	0.18%		12.5%	12.0%	-0.5%
TOTAL					100.0%	100.0%	



Source: MSWM Research, Morningstar. As at 27 November 2023. May not sum due to rounding. Previous and New Weights represent transaction dates.

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