



# MAPS Core Growth Portfolio

## Portfolio Update

### Cautious Optimism

**The Trade Update provides an update on our investment strategy for the MAPS Core Growth 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:*

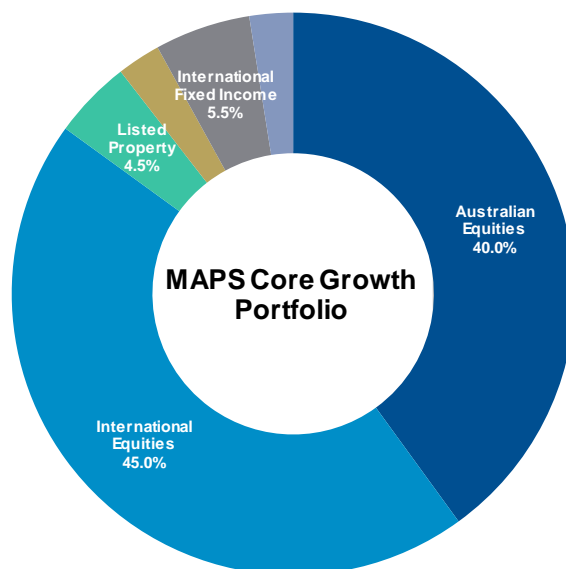
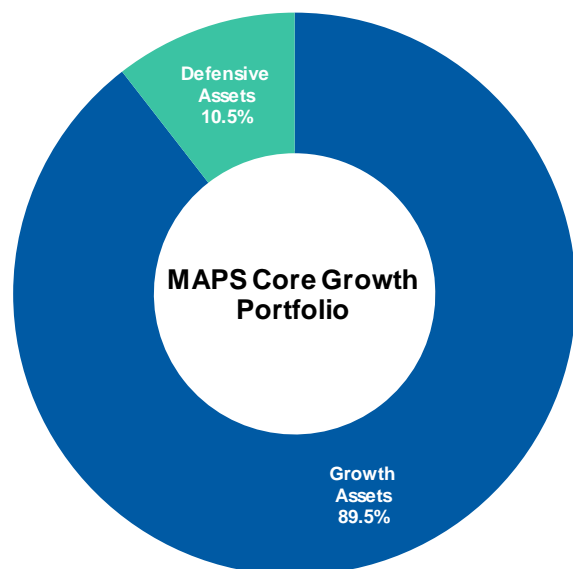
We add to International equities by increasing Japanese equities and our exposure to quality companies while reducing our EM position. We remain cautious and overweight duration, however we reallocate to IG corporate bonds and International bonds funded from a reduction in Australian government bonds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

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

- Added 0.5% in the iShares MSCI Japan ETF (AU) (IJP.AX). This ETF tracks the performance of the MSCI Japan Index. The index is a portfolio of diversified, market capitalisation weighted mid and large-cap Japanese companies.
- Decreased by 0.5% the GQG Partners Emerging Markets Equity Z (ETL4581AU). The Fund is a high-conviction portfolio that seeks to invest in large high quality businesses that have durable and sustainable growth traits and are believed to be mispriced in the short term relative to longer-term prospects.
- Raised 0.5% in the Vanguard MSCI Intl (Hdg) ETF (VGAD.AX). This ETF tracks the MSCI World ex-Australia Index. The underlying index is a market capitalisation weighted index providing exposure to approximately 22 Developed Markets. This ETF is tilted towards Information Technology, Financials and Healthcare companies with a country bias towards the US (~69%) and is the hedged version of this index.
- Raised 0.5% in the Vanguard MSCI Intl ETF (VGS.AX). This ETF tracks the MSCI World ex-Australia Index. The underlying index is a market capitalisation weighted index providing exposure to approximately 22 Developed Markets. VGS.AX is tilted towards Information Technology, Financials and Healthcare companies with a country bias towards the US (~69%) and is the unhedged version of this index.
- Increased 1.0% in the Ironbark Royal London Divers Glb Sh AUnh (DAM2442AU). The Fund invests in global equities utilising a fundamental bottom-up stock selection strategy which identifies companies based on criteria unique to their position in the "Corporate Life Cycle". The Fund combines qualitative analysis and quantitative screening to construct a benchmark-aware, low tracking error portfolio of 150 to 250 securities.
- Decreased by 1.5% the iShares Edge MSCI World Minimum Vol ETF (WVOL.AX). This ETF tracks the performance of the MSCI World Minimum Volatility (AUD) Index, holding ~350 securities which provide smart beta exposure to a global portfolio of securities with lower volatility characteristics. The underlying index is rules based, using a Barra multi-factor weighted global equity index comprising the large and mid-cap sectors of Developed Markets, as defined by MSCI.
- Increased 1.5% in the Vaneck Msci International Quality Etf (QUAL.AX). This ETF tracks the performance of the MSCI World ex Australia Quality Index (with net dividends reinvested) in Australian dollars, before taking into account fees, expenses and tax. The underlying index aims to capture the performance of 'quality' growth stocks included in the MSCI World ex Australia Index. All securities in the index are given a score based on three metrics: return on equity, earnings variability and leverage using the debt to equity (D/E) ratio. The three metrics are averaged to generate a cumulative score of 'quality'.
- Raised 0.5% 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.
- Liquidated a 1.0% position in the PIMCO Global Bond W (ETL0018AU).
- Reduced by 1.5% 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 Growth Portfolio

Asset Class	Code	Instrument Name	Management Fee	Performance Fee	Previous Weights	New Weights	Weight Changes
<b>Growth Assets</b>					87.5%	89.5%	+2.0%
<b>Australian Equities</b>					40.0%	40.0%	
Large Core	A200.AX	BetaShares Australia 200 ETF	0.07%		19.0%	19.0%	
Large Core (a)	RFA0059AU	Pendal Focus Australian Share	0.75%	15.0%	10.0%	10.0%	
Large Core Systematic	MAQ0443AU	Macquarie Australian Shares	0.60%		10.0%	10.0%	
High Dividend	VHY.AX	Vanguard Australian Shares High Yld ETF	0.25%		1.0%	1.0%	
<b>International Equities</b>					43.0%	45.0%	+2.0%
US Quality	MOAT.AX	VanEck Morningstar Wide Moat ETF	0.49%		2.5%	2.5%	
Japanese Equities	JP.AX	iShares MSCI Japan ETF (AU)	0.50%		4.0%	4.5%	+0.5%
Emerging Markets (a)	ETL4581AU	GQG Partners Emerging Markets Equity Z	0.86%		2.5%	2.0%	-0.5%
Global Core (h)	VGAD.AX	Vanguard MSCI Intl (Hdg) ETF	0.21%		2.0%	2.5%	+0.5%
Global Core	VGS.AX	Vanguard MSCI Intl ETF	0.18%		6.5%	7.0%	+0.5%
Global Core (a)	DAM2442AU	Ironbark Royal London Divers Glb Sh AUnh	0.36%		6.0%	7.0%	+1.0%
Global Min Vol	WVOL.AX	iShares Edge MSCI World Minimum Vol ETF	0.30%		5.0%	3.5%	-1.5%
Global Value	VVUE.AX	VanEck MSCI Intl Val ETF	0.40%		4.0%	4.0%	
Global Quality	QUAL.AX	VanEck Msci International Quality Etf	0.40%		7.0%	8.5%	+1.5%
US Buy Write	JEPL.AX	JPMorgan Equity Premium Income ActiveETF	0.40%		3.5%	3.5%	
<b>Listed Property</b>					4.5%	4.5%	
Australian REITs	VAP.AX	Vanguard Australian Property Secs ETF	0.23%		1.5%	1.5%	
Global Infrastructure	VBLD.AX	Vanguard Global Infrastructure ETF	0.47%		3.0%	3.0%	
<b>Defensive Assets</b>					12.5%	10.5%	-2.0%
<b>Australian Fixed Income</b>					2.5%	2.5%	
Australian Government Bonds	VGB.AX	Vanguard Australian Government Bond ETF	0.20%		1.5%	1.5%	
Australian Subdebt	SUBD.AX	VanEck Australian Sbdntd Dbt ETF	0.29%		1.0%	1.0%	
<b>International Fixed Income</b>					6.0%	5.5%	-0.5%
Government Bonds	VIF.AX	Vanguard Intl Fxd Intr (Hdg) ETF	0.20%		3.5%	3.5%	
Global IG Credit (a)	PGI0001AU	Principal Global Credit Opportunities	0.80%		1.5%	2.0%	+0.5%
Global Diversified (a)	ETL0018AU	PIMCO Global Bond W	0.49%		1.0%	0.0%	-1.0%
<b>Cash</b>					4.0%	2.5%	-1.5%
Cash AUD	AAA.AX	BetaShares Aus High Interest Cash ETF	0.18%		4.0%	2.5%	-1.5%
<b>TOTAL</b>					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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