



# MAPS Global Core Balanced Portfolio

## Portfolio Update

### Cautious Optimism

**The Trade Update provides an update on our investment strategy for the MAPS Global Core Balanced 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 Global Core Balanced Portfolio are as follows:

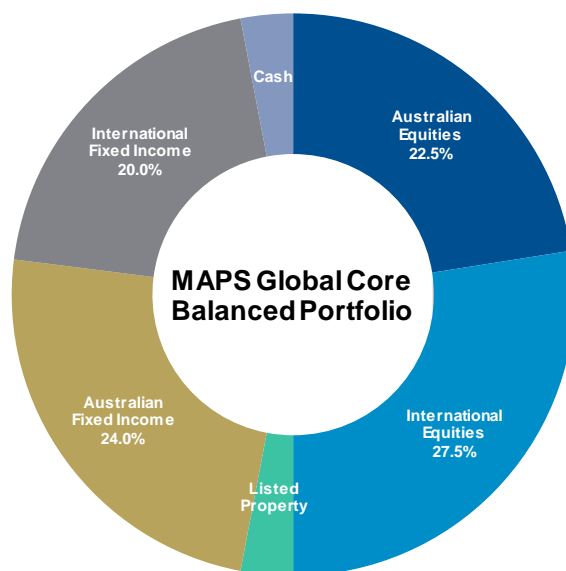
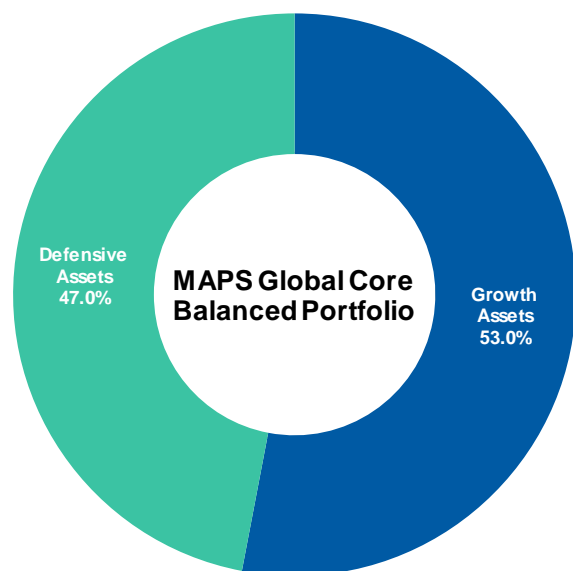
- Sold a 2.0% position in the Xtrackers MSCI Japan ETF 1C (XMJP.S).
- Bought a 2.5% position in the Lazard Japanese Strategic Eq A Acc JPY (IE00B8JGVH80). The Fund invests in Japanese Equity securities using a fundamental research process with a large focus on valuations to construct a concentrated portfolio of 20 to 30 stocks.
- Lowered 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 4.0% 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.
- Decreased by 4.0% the Xtrackers MSCI World ETF 1C (XDWD.L). This ETF tracks the MSCI World Index which provides exposure to large and mid-cap companies from 23 global Developed Market countries, aiming to cover approximately 85% of the free-float market capitalisation. The US comprises ~65% of the index and is tilted towards Information Technology, Financials and Healthcare.
- Added 1.0% in the Ironbark Royal London Divers Glb Sh AU nh (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.
- Lowered by 1.0% the iShares Edge MSCI Wld Min Vol ETF \$ Acc (MVOL.L). This ETF tracks the performance of the MSCI World Minimum Volatility Index, holding ~300 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 1.0% in the iShares Edge MSCI Wld Qual Fctr ETF \$Acc (IWQU.L). This ETF is designed to track the performance of the MSCI World Sector Neutral Quality index. The MSCI World Sector Neutral Quality Index aims to reflect the performance of securities that exhibit stronger quality characteristics relative to their peers within the same General Industry Classification Standard Sector. Stocks are selected from the MSCI World Index using a "quality score" that is calculated by the index provider, MSCI. The index methodology targets minimal active weights on sectors while ensuring reasonably high trading liquidity and investment capacity of constituent companies.
- Lowered by 10.0% 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.
- Raised 3.0% 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.
- Increased 2.5% 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 2.0% 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.
- Raised 2.0% 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.
- Added 1.0% in the Vanguard USD Corp1-3yrBd ETFUSDAcc (VDCA.L). This ETF aims to track the performance of the Bloomberg Global Aggregate Corporate – United States Dollar Index 1-3 Year. This ETF is comprised of fixed-rate investment grade US Dollar-denominated bonds with 1–3-year maturities.
- Increased 0.5% in 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.
- Decreased by 2.0% 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 Global Core Balanced Portfolio

Asset Class	Code	Instrument Name	Management Fee	Performance Fee	Previous Weights	New Weights	Weight Changes
<b>Growth Assets</b>					52.0%	53.0%	+1.0%
<b>Australian Equities</b>					22.5%	22.5%	
Large Core	A200.AX	BetaShares Australia 200 ETF	0.07%		9.0%	9.0%	
Large Core (a)	RFA0059AU	Pendal Focus Australian Share	0.75%	15.0%	11.0%	11.0%	
Large Core Systematic	MAQ0443AU	Macquarie Australian Shares	0.60%		1.0%	1.0%	
High Dividend	VHY.AX	Vanguard Australian Shares High Yld ETF	0.25%		1.5%	1.5%	
<b>International Equities</b>					26.5%	27.5%	+1.0%
US Quality	MOAT.AX	VanEck Morningstar Wide Moat ETF	0.49%		1.5%	1.5%	
Japanese Equities (I)	XMJP.S	Xtrackers MSCI Japan ETF 1C	0.10%		2.0%	0.0%	-2.0%
Japanese Equities (a)	IE00B8JGVH80	Lazard Japanese Strategic Eq A Acc JPY	0.85%		0.0%	2.5%	+2.5%
Emerging Markets (a)	ETL4581AU	GQG Partners Emerging Markets Equity Z	0.86%		2.0%	1.5%	-0.5%
Global Core (h)	VGAD.AX	Vanguard MSCI Intl (Hdg) ETF	0.21%		1.0%	5.0%	+4.0%
Global Core	XDWD.L	Xtrackers MSCI World ETF 1C	0.09%		5.5%	1.5%	-4.0%
Global Core (a)	DAM2442AU	Ironbark Royal London Divers Glb Sh AUnh	0.36%		3.5%	4.5%	+1.0%
Global Min Vol	MVOL.L	iShares Edge MSCI Wid Min Vol ETF \$ Acc	0.30%		3.0%	2.0%	-1.0%
Global Value	MVVL.L	iShares Edge MSCI Wid Val Fctr ETF \$Acc	0.30%		2.0%	2.0%	
Global Quality	MQU.L	iShares Edge MSCI Wid Qual Fctr ETF \$Acc	0.30%		4.0%	5.0%	+1.0%
US Buy Write	JEPLAX	JPMorgan Equity Premium Income ActiveETF	0.40%		2.0%	2.0%	
<b>Listed Property</b>					3.0%	3.0%	
Australian REITs	VAP.AX	Vanguard Australian Property Secs ETF	0.23%		1.0%	1.0%	
Global Infrastructure	IDIN.L	iShares Global Infrs ETF USD Dist	0.65%		2.0%	2.0%	
<b>Defensive Assets</b>					48.0%	47.0%	-1.0%
<b>Australian Fixed Income</b>					26.5%	24.0%	-2.5%
Australian Government Bonds	VGB.AX	Vanguard Australian Government Bond ETF	0.20%		12.5%	2.5%	-10.0%
Australian IG Credit	VACF.AX	Vanguard Australian Corp Fxd Intr ETF	0.20%		2.0%	5.0%	+3.0%
Floating Rate Notes	QPON.AX	BetaShares Aus Bank Sr Fltng Rt Bd ETF	0.22%		2.5%	2.5%	
Domestic Diversified (a)	BTA0507AU	Pendal Sustainable Aust Fixed Interest	0.40%		7.5%	10.0%	+2.5%
Australian Subdebt	SUBD.AX	VanEck Australian Sbdntd Dbt ETF	0.29%		2.0%	4.0%	+2.0%
<b>International Fixed Income</b>					16.5%	20.0%	+3.5%
Government Bonds	VIF.AX	Vanguard Intl Fxd Intr (Hdg) ETF	0.20%		12.0%	14.0%	+2.0%
US Corporate Credit	VDCA.L	Vanguard USD Corp1-3yrBd ETFUSDAcc	0.09%		3.0%	4.0%	+1.0%
Global Diversified (a)	ETL0018AU	PIMCO Global Bond W	0.49%		1.5%	2.0%	+0.5%
<b>Cash</b>					5.0%	3.0%	-2.0%
Cash AUD	AAA.AX	BetaShares Aus High Interest Cash ETF	0.18%		5.0%	3.0%	-2.0%
<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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