

# Portfolio Update

20 MAY 2024

## PORTFOLIO CHANGE AND RATIONALE

US economic growth remains robust and despite some recent persistence, inflation remains on track to keep falling over time. We think it's therefore valid to listen to Federal Reserve chair Jerome Powell's latest comments suggesting that despite some upside inflation surprises and better than expected data, interest rate hikes are not on the cards. Given some mild softening in labour and manufacturing data recently, the door remains open for interest rate cuts this year and indeed the market is still pricing two 25bps cuts before year end. Rate cuts historically have been positive for equity markets in periods where there is not a recession and our *Growth Barometer*, labour markets and services data certainly continue to suggest a recession is not imminent.

In the near term at least, it seems likely that bond markets will stop fretting about runaway inflation and rate hikes, and the prospect of rate cuts will allow equity markets to continue to enjoy what remains a surprisingly positive environment for corporate earnings. As such, today we are increasing our exposure to global equities, predominantly via iShares Hedged International Equities. Given this benign backdrop, we are also reducing the hedge funds within the global alpha bucket that tend to struggle in this environment versus listed equities. The other funding source other than cash is a small reduction to the overweight in credit via Realm Short Term Income Fund. Following the change, overall growth exposure moves to +2% above neutral across the strategic series. In the 100Plus portfolio we are replacing Barrow Hanley with BetaShares Geared US Equity Fund.

## PORTFOLIO CHANGES

Fund	Change	Dynamic	DS30	DS50	DS70	DS90	DS100	DS100+
iShares Hedged International Equity index Fund	▲	5.0%	1.0%	2.0%	3.0%	3.0%		
GQG Partners Global Equity Fund Hedged	▲	2.0%	2.0%	1.0%	1.0%	1.5%	1.0%	
Totus Alpha Long Short Fund	▼	-1.0%	-1.0%		-1.0%	-1.0%	-1.0%	
CC Sage Capital Absolute Return Fund	▼	-1.0%		-1.0%	-1.0%	-1.5%		
Realm Short Term Income Fund	▼		-2.0%	-2.0%	-2.0%	-2.0%		
Mutual Cash and Term Deposits	▼	-5.0%						
Betashares Geared US Equity	▲							6.0%
Barrow Hanley Global Share Fund	▼							-6.0%

## ASSET CLASS POSITIONING

Following the changes, the portfolios are now overweight growth exposure.

	Strong Underweight	Underweight	Neutral	Overweight	Strong Overweight
Australian Equities	○	○	○	●	○
Global Equities	○	○	○	●	○
Property	○	○	○	●	○
Infrastructure	○	○	●	○	○
Global Alpha	●	○	○	○	○
Government Bonds	○	●	○	○	○
Corporate Debt	○	○	○	●	○
Cash	○	○	●	○	○
<b>Total Growth vs Defensive</b>	○	○	○	●	○

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