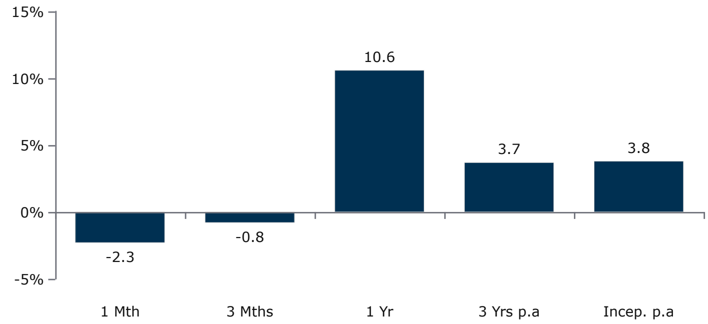
CONSERVATIVE GROWTH MODEL PORTFOLIO

QUARTERLY REPORT

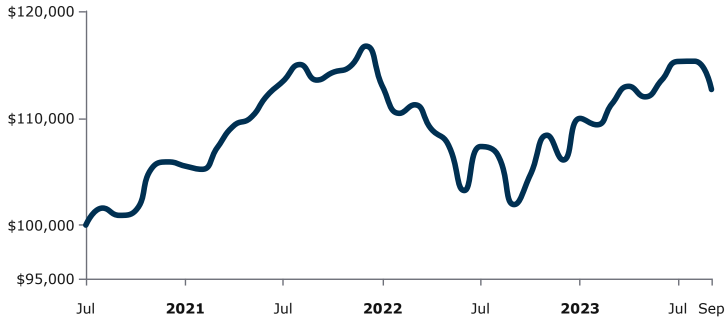
As at September 30, 2023

Performance Summary



Model Inception Date: 01/08/2020 | Source data: Hub24

Investment Growth



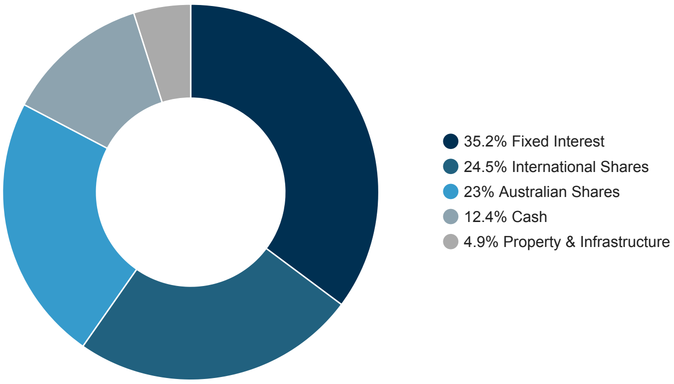
Model Inception Date: 01/08/2020 | Source data: Hub24

Executive Summary

The Conservative Growth Model Portfolio recorded a negative return of -0.8% for the quarter. Fixed interest (bond) and share markets weakened in the quarter on concerns that major global economies were showing greater resilience than anticipated and inflation could be more persistent, resulting in an expectation that interest rates would remain higher for longer. Despite reasons to be cautious in the current environment, pockets of value are now emerging in shares, and higher bond yields should set the scene for better future returns in fixed interest.

Portfolio Summary

As at September 30, 2023



	Current	Neutral	Range
Australian Shares	23.0%	19.0%	15-30%
International Shares	24.5%	25.0%	10-25%
Property & Infrastructure	4.9%	6.0%	0-25%
Fixed Interest	35.2%	40.0%	10-65%
Cash	12.4%	10.0%	0.5-30%

Market Review

Global markets were universally weaker over the quarter, with selling pressure accelerating during September as expectations of rate cuts were pushed further out, and a jump in oil prices stoked fears of a reacceleration in inflation. Bond yields increased sharply in response, triggering losses for longer-dated fixed interest (bonds) and shares.

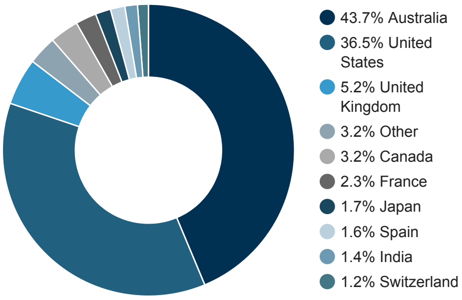
A spike in bond yields weighed heavily on Australian shares, with the S&P/ASX 200 Index slipping -0.8% after a difficult September. Most sectors went backwards. Energy, which benefited from a surge in oil prices, and consumer discretionary, which rebounded after a better-than-feared reporting season, were the standouts. More sensitive to higher interest rates, small companies fared worse, with the S&P/ASX Small Ordinaries Index falling -1.9% over the quarter.

International shares were also hit hard. The MSCI All Country World Hedged Index fell -2.7% over the quarter, with a weaker Australian dollar cushioning some of the fallout with the unhedged equivalent holding up relatively well at -0.4%. Again, performance was negative across most sectors with energy a clear winner. Information technology fell as several of the 'magnificant seven' megacap companies ran out of steam. US shares posted their biggest monthly percentage falls of the year in September, dragging down quarterly returns with the S&P 500 Index and Nasdaq down -3.3% and -3.9%. The UK and Japan were the only major markets to post gains over the month on weaker local currencies.

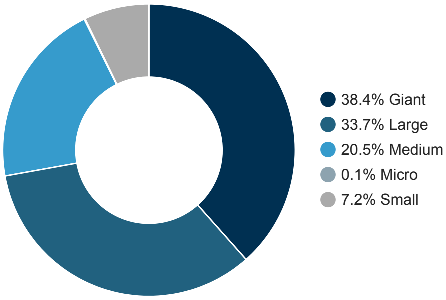
Rising interest rates and the prospect of weakening economic growth played havoc with listed property. The local S&P/ASX 200 A-REIT Index erased all the gains from the previous two months to end the quarter -2.9% lower. Global property suffered as well, with the FTSE EPRA Nareit Developed Index (Hedged) falling -5.2%. Higher rate expectations created a torrid time for infrastructure with the FTSE Global Core Infrastructure 50/50 (Hedged) Index losing -7.3%.

Bond yields jumped higher at the start of September and just kept on going, and with bond prices inversely related to bond yields, fixed interest markets endured a challenging month. The spike in yields was particularly severe for longer-dated government bonds, which pulled both local and global composite indices into negative territory for the quarter. The Australian Bloomberg AusBond Composite 0+ Yr Index retreated -0.3%, while globally, the Bloomberg Global Aggregate Bond Hedged Index dropped -2.1%.

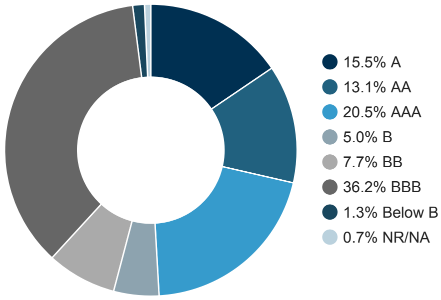
Regional Exposure



Market Capitalization



Credit Analysis



Portfolio Commentary

In Australian Shares, **Quality Growth (+0.2%)** significantly outperformed the S&P/ASX 200 TR Index (-0.8%) over the quarter — benefiting from a positive reporting season for several of the portfolio's consumer discretionary positions, as well as energy and financials exposures. **L1 Capital Long Short (+1.3%)** had a resilient quarter, driven by several positive company-specific updates over reporting season and tailwinds from exposure to energy. More sensitive to higher interest rates, small-cap strategy **Yarra Australian Smaller Companies (-1.1%)** followed the S&P/ASX Small Ordinaries Index lower.

Following a difficult end to the quarter for International Shares as bond yields surged, manager performance was mixed. In a reversal of the previous two quarters, value style outpaced growth, impacting growth manager **Capital Group New Perspective Hedged (-3.6%)**. **Ironbark Royal London Concentrated Global Shares (+2.8%)** enjoyed another impressive quarter on positive company selection. **Pendal Global Emerging Markets Opportunities (-2.4%)** followed the MSCI Emerging Markets Index lower, as higher US rates and ongoing weakness in China negatively impacted the region.

Australian and global REITs endured a torrid September. Rising bond yields also weighed heavily on global infrastructure — **ClearBridge RARE Infrastructure Income (-9.3%)** — but the asset class continues to offer important diversification benefits if economic conditions weaken and has historically outperformed once real yields begin to taper.

In Fixed Interest, the spike in bond yields was particularly severe for longer-dated government bonds (duration) with yields on 10-year government bonds soaring to new cyclical highs. Given the inverse relationship with bond yields, bond prices went backwards. This was felt hardest in US treasuries, which was the main detractor at **Principal Global Credit Opportunities (-3.5%)**, which has been increasing duration positions in anticipation of a soft-landing scenario. Australian duration exposure also weighed on **Western Asset Australian Bond (-0.2%).** Returns from the portfolio's absolute return strategy **Franklin Australian Absolute Return Bond (+2.0%)** — which aims to deliver attractive returns through the interest rate cycle — were positive.

Underlying Investments

As at September 30, 2023

	Weight	1Mth	3Mth	1Year	3 Yrs (pa)
Australian Shares	**23.0%**				
Quality Growth Portfolio	15.2%	-3.3%	0.2%	14.1%	10.0%
L1 Capital Long Short - Retail	5.0%	0.9%	1.3%	22.8%	24.6%
Yarra Australian Smaller Companies	2.8%	-4.0%	-1.1%	12.6%	-
International Shares	**24.5%**				
Capital Group New Perspective Hdg	5.9%	-4.1%	-3.6%	17.5%	4.3%
AB Global Equities	5.8%	-3.7%	-0.6%	21.4%	9.1%
Ironbark Royal London ConcentratedGlbShr	5.7%	-3.0%	2.8%	35.8%	21.5%
Intermede Global Equities Fund	5.0%	-5.0%	-1.0%	19.3%	6.4%
Pendal Global Emerging Mkts Oppes – WS	2.0%	-3.2%	-2.4%	9.9%	4.5%
Property & Infrastructure	**4.9%**				
ClearBridge RARE Infrastructure Income	4.9%	-5.2%	-9.3%	-5.1%	3.3%
Fixed Interest	**35.2%**				
Principal Global Credit Opportunities	15.0%	-2.6%	-3.5%	3.4%	-6.0%
Western Asset Australian Bond A	9.1%	-1.6%	-0.2%	2.4%	-3.9%
Franklin Australian Absolute Return Bd W	6.1%	0.2%	2.0%	4.7%	-0.2%
Ardea Real Outcome Fund	5.0%	0.2%	1.5%	3.9%	1.8%
Cash	**12.4%**				
iShares Enhanced Cash ETF	11.6%	0.4%	1.1%	3.8%	1.5%
Platform Cash	0.8%	0.0%	0.0%	0.0%	0.0%

Portfolio Changes

There were no changes during the quarter.

Portfolio Weights

	Current	Last Quarter	Change
Australian Shares	**23.0%**	**23.0%**	**-0.1%**
International Shares	**24.5%**	**26.0%**	**-1.5%**
Property & Infrastructure	**4.9%**	**4.6%**	**+0.4%**
Fixed Interest	**35.2%**	**34.3%**	**+0.9%**
Cash	**12.4%**	**12.2%**	**+0.3%**

*Actual floating weights vary from weights depending on market conditions