

**BlackRock GSS ESG****Screened Model Portfolios**

April 2024

**ANNUAL STRATEGIC ASSET ALLOCATION (SAA) REVIEW**

We recently conducted our annual review of the portfolios' strategic asset allocation (SAA), where we re-assessed the latest capital market assumptions, investment universe and strategic holdings of the portfolio. These SAA changes were implemented during the latest portfolio rebalance on 3<sup>rd</sup> April.

**KEY SAA CHANGES**

**Slightly higher growth/defensive split** amid ongoing economic resiliency and higher return expectations for equities over bonds

**Increase Australian equities** given more favourable capital market assumptions relative to global equities

**Increase equity FX hedge ratio** given the potential for the Australian dollar to strengthen

**Reduce cash and international fixed income** to fund an increase in Australian fixed income

**ASSET CLASS VIEWS**

Asset Class	View	Rationale
<b>Growth/Defensive Split</b>	Increase	Higher expected returns and ongoing resiliency in forward earnings leads us to slightly increase the allocation to growth assets. For example, the Balanced portfolio is now 51/49 compared to 50/50 last year. We also increased the growth/defensive split for the Aggressive portfolio from 85/15 to 91/9 to better align to investors' risk appetite within this category.
<b>Growth Assets</b>		
Australian Equities	Increase	Relatively attractive valuations and higher dividend yields lead us to increase Australian equities marginally.
Developed ex AU Equities	Neutral	We reduce unhedged equities in favour for hedged equities to increase the currency hedge ratio. A higher currency hedge ratio would better protect the value of the portfolio in the event of a stronger Australian dollar.
<b>Defensive Assets</b>		
Australian Fixed Income	Increase	Relatively higher expected returns for Australian fixed income sees us increasing the exposure to Australian bonds over that of international fixed income and cash.
International Fixed Income	Decrease	We reduce International fixed income in favour for Australian fixed income based on the relative attractiveness of capital market assumptions.
Cash	Decrease	Reduce cash in favour for fixed income given higher expected returns for the latter.

Source: BlackRock, as of latest SAA review on 3<sup>rd</sup> April 2024.

**SAA CHANGES**

	Asset class	Underlying building block	Conservative	Moderate	Balanced	Growth	Aggressive	Conservative - Change	Moderate - Change	Balanced - Change	Growth - Change	Aggressive - Change
Growth Assets	Australian Equities	iShares Core MSCI Australia ESG ETF	7.0%	11.5%	19.5%	28.0%	35.0%	0.5%	0.5%	0.5%	1.0%	3.0%
	International Equities	iShares Core MSCI World ex Australia ESG ETF	5.5%	12.5%	22.0%	30.5%	39.0%	-1.0%	-2.5%	-3.0%	-4.5%	-4.0%
	International Equities	iShares Core MSCI World ex Australia ESG (AUD Hedged) ETF	3.5%	7.0%	9.5%	12.5%	17.0%	1.5%	3.0%	3.5%	4.5%	7.0%
Defensive Assets	Australian Fixed Income	iShares ESG Australian Bond Index Fund	55.0%	45.0%	31.5%	19.0%	5.0%	4.0%	2.0%	0.0%	0.5%	-2.0%
	International Fixed Income	iShares ESG Screened Global Bond Index Fund	16.0%	14.0%	10.5%	7.0%	2.0%	-2.0%	-0.5%	0.0%	0.0%	-3.0%
	Cash	iShares Core Cash AUD ETF	10.0%	7.0%	4.0%	0.0%	0.0%	-3.0%	-2.5%	-1.0%	-1.5%	0.0%
	Cash	Platform Cash	3.0%	3.0%	3.0%	3.0%	2.0%	0.0%	0.0%	0.0%	0.0%	-1.0%
		<b>Growth assets</b>	<b>16.0%</b>	<b>31.0%</b>	<b>51.0%</b>	<b>71.0%</b>	<b>91.0%</b>					
		<b>Defensive assets</b>	<b>84.0%</b>	<b>69.0%</b>	<b>49.0%</b>	<b>29.0%</b>	<b>9.0%</b>					

Source: BlackRock, as of latest SAA review on 3<sup>rd</sup> April 2024.

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