

BlackRock GSS Index 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 portfolios. These SAA changes were implemented during the latest portfolio rebalance on 3rd 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
Growth/Defensive Split	Increase	Higher expected returns for equities 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.
Growth Assets		
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.
Defensive Assets		
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 3rd April 2024.

SAA CHANGES

	Asset Class	Fund Name	Conservative	Balanced	Growth	High Growth	Total Growth	Conservative	Balanced	Growth	High Growth	Total Growth
								- Change	Change	Change	- Change	Change
Growth Assets	Australian Equities	BlackRock GSS Australian Equities Index Fund	11.5%	19.5%	28.0%	33.0%	38.0%	0.5%	0.5%	1.0%	1.0%	1.0%
	International Equities	BlackRock GSS Unhedged International Equities Index Fund	12.5%	22.0%	33.0%	40.0%	45.0%	-4.0%	-5.0%	-4.0%	-5.0%	-6.0%
	International Equities	BlackRock GSS Hedged International Equities Index Fund	7.0%	9.5%	10.0%	13.0%	15.0%	4.5%	5.5%	4.0%	5.0%	5.0%
Defensive Assets	Australian Fixed Income	BlackRock GSS Australian Bond Index Fund	35.0%	25.0%	17.0%	7.7%	0.0%	6.0%	4.5%	4.5%	0.0%	0.0%
	International Fixed Income	BlackRock GSS Global Bond Index Fund	26.0%	17.0%	9.0%	4.3%	0.0%	-7.0%	-4.5%	-4.0%	0.0%	0.0%
	Cash	Platform Cash	8.0%	7.0%	3.0%	2.0%	2.0%	0.0%	-1.0%	-1.5%	-1.0%	0.0%
	Growth		31.0%	51.0%	71.0%	86.0%	98.0%					
	Defensive		69.0%	49.0%	29.0%	14.0%	2.0%					

Source: BlackRock, as of latest SAA review on 3rd April 2024.

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