

CFS Sestante Index Balanced Portfolio – Super & Pension Monthly Investment Report

As of 31/12/2023

Latest Performance*

| | 1-mth | 3-mths | 6-mths | 1-yr | Inception |
|---|-------|--------|--------|-------|-----------|
| CFS MA Index Balanced Pension | 3.79 | 6.35 | 4.79 | — | 8.25 |
| CFS MA Index Balanced Super | 3.38 | 5.64 | 4.31 | — | 7.40 |
| RBA Cash Rate + 2.5% p.a. | 0.59 | 1.72 | 3.43 | 6.60 | 5.63 |
| Morningstar AUS Growth Tgt Alloc NR AUD | 4.32 | 6.67 | 5.55 | 12.76 | 9.22 |

Market Review

In the closing month of 2023, global equity markets experienced a surge, propelled primarily by the robust performance of the US market with a notable gain of +3.9%. In contrast, the overall MSCI global equity index returned a solid 1.7%. The strength exhibited by the US market can be attributed to the nation's remarkable economic prowess across key metrics such as employment, consumption, and production. Concurrently, the rest of the world displayed signs of a marked economic slowdown. This favourable combination, characterised by the Federal Reserve's strategic pivot, decreasing market rates, diminishing inflation, and a resilient overall economy, facilitated the extension of the rally initiated in late October. However, the Chinese equity market stood out as a notable detractor, recording a negative return of 0.6% in December. China grapples with ongoing challenges in countering deflation, exemplified by a noteworthy decline of wages in major cities during 4Q, marking the fastest pace since at least 2016 (-1.3% y/y).

In Australia, the equity market delivered a robust return of 7.1%, fuelled by a strong rebound in the property sector (+11.5%) as supported by the RBA cash rate reaching its anticipated peak. Additionally, the materials sector (+8.9%) significantly contributed to this positive performance, capitalising on robust demand for commodities like iron ore and coal. Shifting the focus to fixed income, both the Australian Fixed Income and Global Fixed Income indices experienced a positive trend in December, delivering returns of 2.7% and 3%, respectively. Market sentiment indicates an expectation that the RBA is nearing the peak of its cash rate cycle, with a likelihood of maintaining the current level through the end of 2024. Conversely, the market anticipates an assertive rate-cutting approach from the Fed throughout 2024.

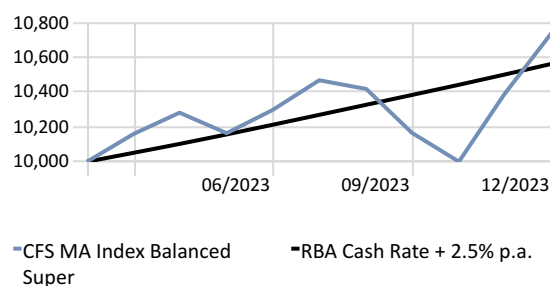
The significant drop in US interest rates commenced after the November meeting of the Federal Reserve. Although Powell initially stated it was premature to discuss possible rate cuts, a reversal occurred two weeks later during the FOMC, with the dot-plot indicating three rate cuts for 2024. Despite Powell's remarks during a conference call about not ruling out further rate hikes and emphasizing the Fed's "data-dependent" stance, the market largely interpreted the dots as confirmation that the expectation of a 150-basis-point cut (twice the Fed's indicated rate cut) by 2024 was increasingly likely. Consequently, U.S. government bond rates witnessed a cumulative decline of about 100-120 basis points across the curve over the past two months.

This anticipation of aggressive rate cuts extends to the US REIT market, propelling the sector to a positive return of 6.51% in December, making it the best-performing sector in the S&P 500. Lower interest rates are expected to benefit the REITs market in terms of reduced borrowing costs, increased relative attractiveness, and support for its valuation.

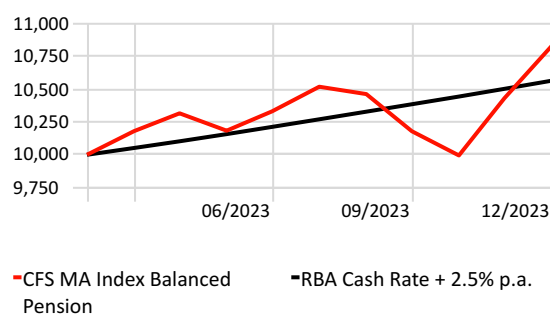
For a detailed market review and outlook, please refer to the Monthly Market Commentary document available on www.azsestante.com/investment-options



\$10,000 invested over time - Super



\$10,000 over time - Pension

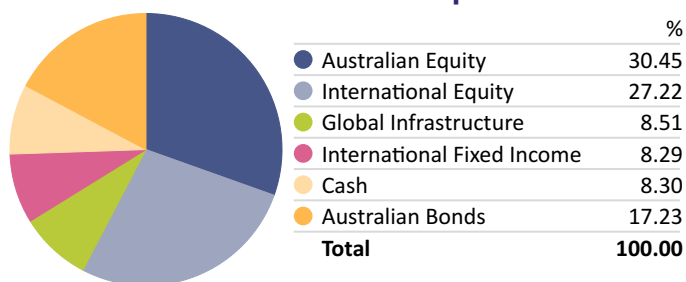


Portfolio information

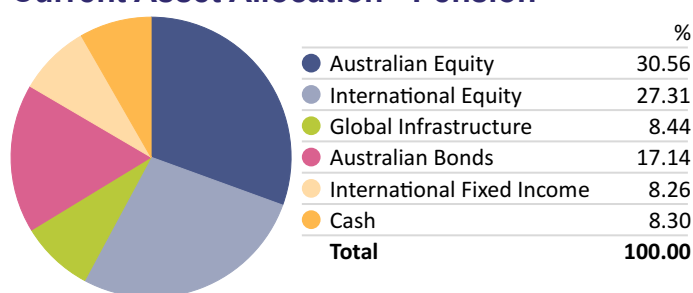
- Investment Objective: target RBA cash rate +2.5% per annum over rolling 5-year periods after fees.
- Asset Class: Diversified
- Standard Risk Measure: High
- 70% Growth / 30% Defensive
- Portfolio Inception Date: 1 March 2023
- Estimated Total Cost (before transaction costs and platform fees):

Super: 0.35%
Pension: 0.35%

Current Asset Allocation - Super



Current Asset Allocation - Pension



Where your funds are invested

| | | |
|--|---------------|-----|
| Australian Equity | 30.45 | — |
| CFS FC W PSup-CFS Index Australian Share | 30.45 | 🌐🌐🌐 |
| International Equity | 27.22 | — |
| CFS FC W PSup-CFS Index Global Share | 16.71 | 🌐🌐 |
| CFS FC W PSup-CFS Index Global Shr-Hgd | 10.52 | — |
| Australian Bonds | 17.23 | — |
| CFS FC W PSup-CFS Index Australian Bond | 17.23 | 🌐🌐🌐 |
| Global Infrastructure | 8.51 | — |
| CFS FC W PSup-CFS Ind Glb List Infr Sec | 8.51 | 🌐🌐 |
| Cash | 8.30 | — |
| CFS FC W PSup-FSI Strategic Cash | 8.30 | — |
| International Fixed Income | 8.29 | — |
| CFS FC W PSup-CFS Index Global Bond | 8.29 | 🌐🌐🌐 |
| | 100.00 | |

Morningstar's Globe Ratings are just one tool that can help investors work out a fund's ESG credentials. A 5 Globe Rating indicates a fund is at the top end of its peer group in terms of sustainability, while a 1 Globe Rating shows it is underperforming on sustainability issues.

Portfolio changes

No changes this month

Major Index Returns

| | 1 Month | 3 Months | 6 Months | 1 Year | 3 Years |
|--|---------|----------|----------|--------|---------|
| S&P/ASX 200 TR AUD | 7.26 | 8.40 | 7.57 | 12.42 | 9.24 |
| MSCI World Ex Australia NR AUD | 1.83 | 5.31 | 4.85 | 23.23 | 11.79 |
| S&P Global Infrastructure NR AUD | 1.21 | 4.72 | -0.10 | 5.13 | 9.56 |
| Bloomberg AusBond Composite 0+Y TR AUD | 2.69 | 3.79 | 3.49 | 5.06 | -2.69 |
| Bloomberg Global Aggregate TR Hdg AUD | 3.02 | 5.43 | 3.17 | 5.31 | -3.11 |

Where your funds are invested

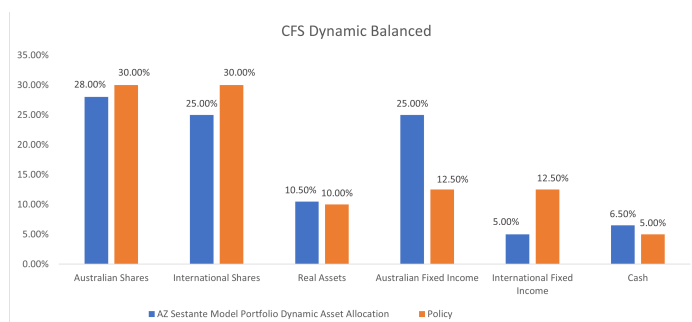
| | | |
|---|---------------|-----|
| Australian Equity | 30.56 | — |
| CFS FC W Pen-CFS Index Australian Share | 30.56 | 🌐🌐🌐 |
| International Equity | 27.31 | — |
| CFS FC W Pen-CFS Index Global Share | 16.75 | 🌐🌐 |
| CFS FC W Pen-CFS Index Global Shr-Hgd | 10.55 | — |
| Australian Bonds | 17.14 | — |
| CFS FC W Pen-CFS Index Australian Bond | 17.14 | 🌐🌐🌐 |
| Global Infrastructure | 8.44 | — |
| CFS FC W Pen-CFS Ind Glb List Infr Sec | 8.44 | 🌐🌐 |
| Cash | 8.30 | — |
| CFS FC W Pen-FSI Strategic Cash | 8.30 | — |
| International Fixed Income | 8.26 | — |
| CFS FC W Pen-CFS Index Global Bond | 8.26 | 🌐🌐🌐 |
| | 100.00 | |

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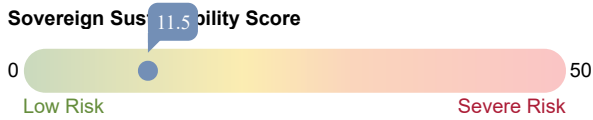
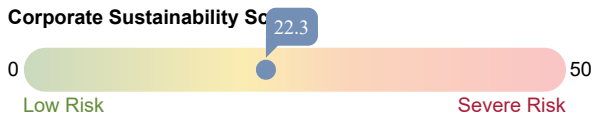
Portfolio changes

No changes this month

Active Asset Allocation: AZ Sestante Model Portfolio vs Investment Policy Target

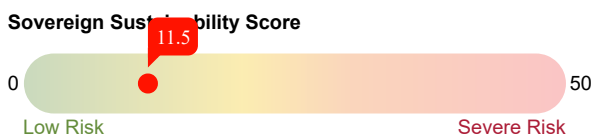
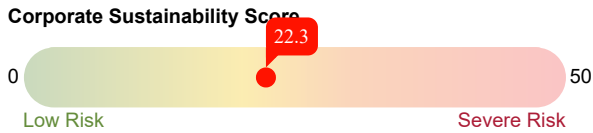


Sustainability Score - Super



● CFS MA Index Balanced Super

Sustainability Score - Pension



● CFS MA Index Balanced Pension

ESG Pillar Score - Super



ESG Pillar Score - Pension



AZ SESTANTE

AZ Sestante is a specialist investment consultant focused on designing and managing a range of multi-manager model portfolios via SMAs, MDAs, and fund of funds. Our parent company Azimut is Italy's largest independent asset manager listed on the Italian stock exchange. The group manages over AU\$55 billion in assets globally including over AU\$6 billion in multi-manager solutions.

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Important information

*Past performance is not a reliable indicator of future performance. Performance is calculated before taxes, model management and platform fees and after underlying investment management fees. For full details of fees please refer to the relevant platform offer documents. Performance is notional in nature and an individual investor's actual performance may differ to the that of the model portfolio. Investment performance is shown from 01/03/23 and represents modelled performance only and assumes income received is reinvested.

The Morningstar Historical Corporate Sustainability Score is a weighted average of the trailing 12 months of Morningstar Portfolio Corporate Sustainability Scores. Historical portfolio scores are not equal-weighted; rather, more-recent portfolios are weighted more heavily than older portfolios. Combining the trailing 12 months of portfolio scores adds consistency while still reflecting portfolio managers' current decisions by weighting the most recent portfolio scores more heavily.

ESG pillar scores are displayed as a number between 0 and 100 with most scores range between 0 and 25. It is the asset-weighted average of the company environmental, social, governance risk scores for the covered corporate holdings in a portfolio. The scores measure the degree to which a company's economic value may be at risk driven by environmental, social, and governance factors. The risk represents the unmanaged risk exposure after taking into account a company's management of such risks.

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