Sestante Dynamic Assertive Portfolio
Monthly Investment Report

As of 31/01/2024

Latest performance*

	1-mth	3-mths	1-yr	3-yr	Inception
Sestante Dynamic Assertive	1.73	11.26	10.02	6.13	7.10
RBA Cash Rate +4.5%p.a.	0.75	2.24	8.80	6.50	6.00

Market Review

For the past two years, the Fed had emphasised its focus solely on restoring price stability even at the expense of sacrificing full employment. In the latest FOMC meeting, however, Powell indicated a rebalancing of the two objectives. If the decline in inflation observed over the past six months is confirmed, the Federal Reserve will consider cutting official rates to prevent the risk of an unnecessary slowdown in economic growth. Powell, therefore, only requested additional time to gain a higher level of confidence that the recent decline in inflation is not transitory particularly due to the robustness of the US economy – before initiating rate cuts. International fixed income slid by -0.3% as markets digested the cautious message from Powell after the latest FOMC meetings.

In Australia inflation posted a headline figure of 4.1% annually for the December quarter, uplifting market sentiment. Australian Equity saw a 1.1% return in January, with energy leading the way due to higher oil prices, while materials struggled with weakened demand from China. Investors await further stimulus from the Chinese government. Australian fixed income also experienced a boost (+0.2%) from the encouraging inflation print, which sent the 2-year yield down to 3.64%, offset by a mild increase in the 10-year yield.

The US reporting season kicked off in mid-January, focusing on mega-cap tech companies. The 'Magnificent 7' companies mostly surpassing lofty investor expectations. Meta delivered stellar results and announced its first-ever quarterly dividend, leading to a sharp rally in stock prices. Amazon also exceeded top and bottom-line estimates, expecting continued acceleration in its cloud business in 2024. Alphabet and Apple, while largely meeting expectations, were disappointed on specific issues like sales weakness in China for Apple and a lack of positive surprises at Alphabet. MSCI World IT and Comm Services were the biggest winners in January, delivering 4% and 4.3% returns, respectively, while the MSCI World Index returned 1.2% in USD terms.

Global listed real estate (AUD hedged) experienced a subdued beginning to the year, returning -3.9%, while global listed infrastructure lost 2.2%. After a robust conclusion to 2023, these asset classes faced setbacks this month owing to a reduction in market optimism for an imminent Fed rate cut influenced by economic data releases. Notably, US GDP, retail sales, and job openings were all stronger than forecast. Moody's downgraded New York Community Bancorp's credit rating to Ba2, below investment grade, citing concerns related to losses tied to commercial real estate. Aside from idiosyncratic risks, there is a belief that the risk of meaningful systemic crisis, or contagion to other commercial lending sectors is low. The main concerns are seen in urban and suburban office properties, but they are deemed manageable, constituting around 2% of average total loans at large banks and around 4% at small and midsize banks. Most banks have increased their allowance for credit losses in this segment to around 8–10% of outstanding loans.

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

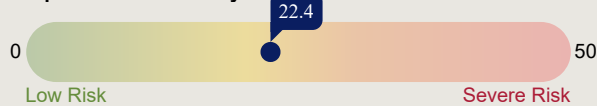Sestante Dynamic Assertive   RBA Cash Rate +4.5%p.a.

Portfolio information

- Investment Objective:
  target RBA cash rate +4.5% per annum over rolling 5-year periods after fees.

- Asset Class: Diversified

- 85% Growth / 15% Defensive Split

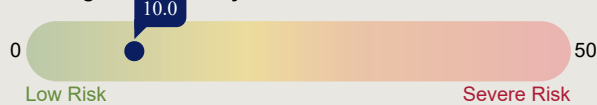- Portfolio Inception Date: 7 February 2019

Source: Morningstar Direct

Sustainability Score

● Sestante Dynamic Assertive

Corporate Sustainability Score

22.4

0 — Low Risk ———————————— Severe Risk — 50

Sovereign Sustainability Score

10.0

0 — Low Risk ———————————— Severe Risk — 50

ESG Pillar Score

🌱 **5.9** Environmental

👥 **8.9** Social

🏛 **6.5** Governance

🧩 **0.8** Unallocated

Major Index Returns

	1 Month	3 Months	6 Months	1 Year	3 Years
S&P/ASX 200 TR AUD	1.19	13.99	5.79	7.09	9.56
MSCI World Ex Australia GR AUD	4.54	11.27	7.57	25.73	14.17
Bloomberg AusBond Composite 0+Y TR AUD	0.21	5.96	3.17	2.45	-2.49
Bloomberg Global Aggregate TR Hdg AUD	-0.31	5.98	2.89	2.82	-3.02
S&P Global Infrastructure NR AUD	-0.08	5.87	-0.90	3.97	10.13

Important information

Current Asset Allocation

	%
● International Equities	36.76
● Australian Equities	38.58
● Cash	5.45
● Global Infrastructure	6.39
● Global Property	9.08
● Australian Fixed Income	3.74
Total	**100.00**
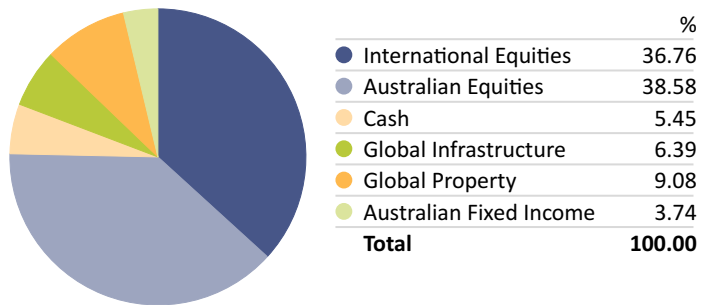
Where your funds are invested

Australian Equities	**38.58**
iShares Core S&P/ASX 200 ETF	18.53
Schroder Australian Equity Fund - PC	8.51
Paradice Australian Equities Fund	5.18
Yarra Ex-20 Australian Equities Fund	3.84
FSI Australian Small Companies	2.53
International Equities	**36.76**
Ironbark Royal London ConcentratedGlbShr	11.78
BetaShares S&P 500 Equal Weight ETF	8.83
GQG Partners Global Equity AUD Hedged	7.98
iShares S&P 500 AUD Hedged ETF	5.98
Fidelity Asia	2.19
Global Property	**9.08**
Martin Currie Real Income A	5.29
VanEck FTSE Intl Prop Hdg ETF	3.80
Global Infrastructure	**6.39**
VanEck FTSE Glbl Infras(Hdg)ETF	6.39
Cash	**5.45**
BetaShares Aus High Interest Cash ETF	3.28
iShares Core Cash ETF	2.17
Australian Fixed Income	**3.74**
Franklin Australian Core Plus Bond A	3.74
	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

There were no portfolio changes the month.

Active Asset Allocation: AZ Sestante Model Portfolio vs Investment Policy Target
As of 31/01/2024

Dynamic Assertive

	AZ Sestante Model Portfolio Dynamic Asset Allocation	Policy
Australian Shares	40.00%	32.00%
International Shares	32.50%	32.00%
Real Assets	13.50%	13.00%
Australian Fixed Income	4.00%	5.00%
International Fixed Income	0.00%	5.00%
Alternatives	0.00%	10.50%
Cash	9.50%	2.50%

Source: Morningstar Direct