Portfolio Update

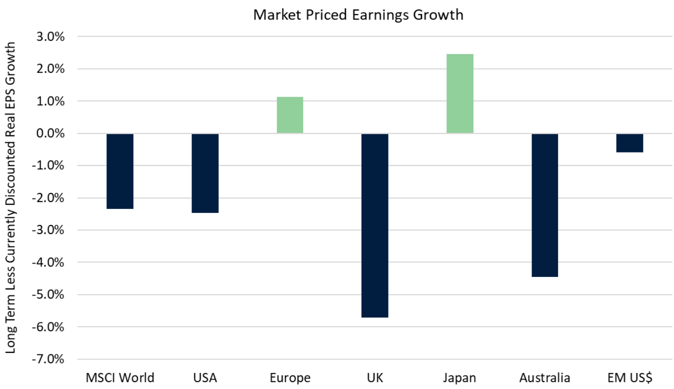
23 OCTOBER 2025

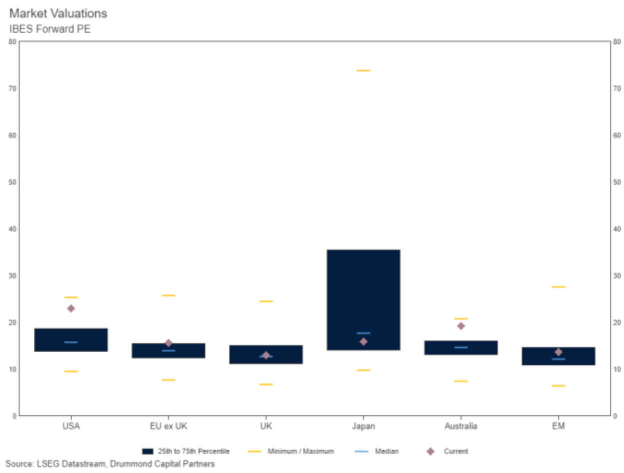
PORTFOLIO CHANGE AND RATIONALE

Japan is not a country that many Australians have had much equity exposure to historically. Fighting the hangover of the 80's equity market heyday and structural growth detractors of an aging population and deflation, it has been an equity market that was easy to ignore. That is despite Japan being 3x the size of Australia's within global equity benchmarks.

The chart on the left shows what earnings growth is currently priced into each equity market relative to its historical growth rate. Japan & Europe are the only developed markets where you are paying for lower earnings growth than these markets have historically delivered, i.e. they are cheap versus history. At the same time, if you looked at the forward P/E of Japan on the right-hand side, it currently sits below the median historical level, again an outlier. Of course, markets can stay cheap. However, there has been a raft of changes within the Japanese economy to suggest that this valuation discount may continue to narrow.

Most notably has been the return of inflation. Typically avoided in western economies, it's a welcome relief for Japan with companies now able to raise prices after decades of deflation, which drives revenue and earnings growth, whilst it also encourages savers to invest outside the bond market. Change in government policy to improve corporate governance and most recently a new Prime Minister considered equity market friendly only enhances the corporate outlook for Japan.





As such we are adding a small regional exposure to Japan via the iShares MSCI Japan ETF. At the same time, we are switching the remaining balance of Alphinity Global Equity Fund to passive iShares global equities. Alphinity, whilst performing well for most of the holding period in the portfolio, has struggled with the changing macro landscape over the last couple of years. With little certainty on whether their quality biased style will return to favour nor when their next period of outperformance may come, we are returning to passive exposure as we await more conviction in active manager outperformance.

In addition, we are reducing the tilt away from Australian REITs by trimming the Quay Global Real Estate Fund in favour of a small allocation to domestic REIT manager UBS CBRE Property Securities Fund. Overall real estate exposure remains unchanged.

UBS CBRE Property Securities Fund

The fund provides exposure to a style neutral, benchmark aware, Australian listed real estate portfolio. The fund is managed by CBRE Investment Management, the real asset investment management arm of CBRE Group, one of the world's largest commercial real estate services and investment management firms. The team's bottom-up fundamental research process is considered highly detailed and benefits from the global reach of CBRE. The team build a portfolio of approximately 15 - 20 stocks and having managed the fund since 2018 have delivered consistently strong returns.

PORTFOLIO CHANGES

	Change	Dynamic	DS30	DS50	DS70	DS90	DS100	DS100+
Global Equities		**5.0%**	**2.0%**	**2.0%**	**2.0%**	**2.0%**		**1.0%**
iShares International Equity Index Fund (Hedged)	▲	5.0%	1.5%	1.5%				
iShares International Equity Index Fund	▲	2.0%	2.0%	2.0%	3.5%	4.0%	2.0%	
iShares MSCI Japan ETF	▲	1.0%		1.0%	2.0%	2.0%	2.0%	3.0%
Betashares Geared U.S. Equity Fund (Hedged)	▲							3.0%
Alphinity Global Equity Fund	▼	-3.0%	-1.5%	-2.5%	-3.5%	-4.0%	-4.0%	-5.0%
Real Estate								**-1.0%**
UBS CBRE Property Securities Fund	▲	1.0%			1.5%	2.0%	1.5%	
Quay Global Real Estate Fund	▼	-1.0%			-1.5%	-2.0%	-1.5%	-1.0%
Government Bonds		**-5.0%**	**-2.0%**	**-2.0%**	**-2.0%**	**-1.0%**		
PIMCO Wholesale Plus Global Bond Fund	▼	-2.5%	-1.0%	-1.0%	-1.0%	-1.0%		
Macquarie True Index Australian Fixed Interest Fund	▼	-2.5%	-1.0%	-1.0%	-1.0%			
Credit						**-1.0%**		
Realm Short Term Income Fund	▼					-1.0%		

ASSET CLASS POSITIONING

The table below shows the tactical positioning compared to the SAA upon completion of these changes. Growth assets are above neutral with an overweight to infrastructure and global equities partly offset by underweight to global alpha and Australian equities. We retain our large overweight to corporate debt and move strong underweight to government bonds.

	Strong Underweight	Underweight	Neutral	Overweight	Strong Overweight
Australian Equities	○	●	○	○	○
Global Equities	○	○	○	●	○
Property	○	○	●	○	○
Infrastructure	○	○	○	●	○
Global Alpha	●	○	○	○	○
Government Bonds	●	○	○	○	○
Corporate Debt	○	○	○	○	●
Cash	○	○	●	○	○
Total Growth vs Defensive	○	○	○	●	○

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