Commentary
Model Portfolio

Q4 2022

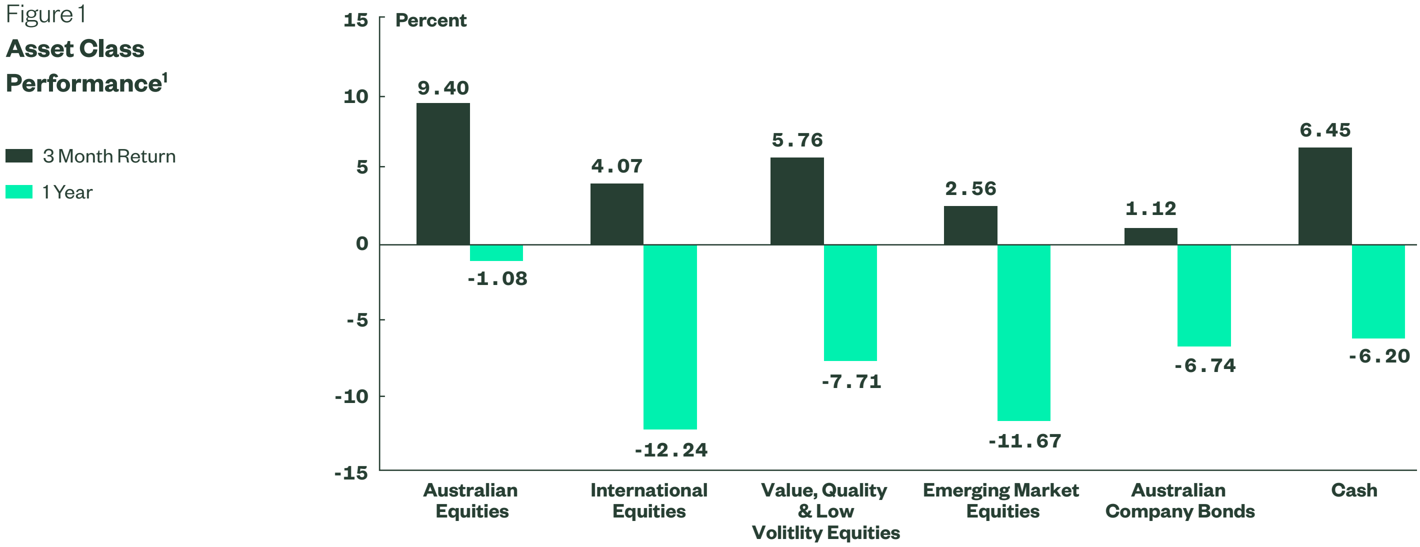
Market and Model Commentary

- Global financial markets rallied in the fourth quarter of 2022
- Easing inflation pressures and optimism around the direction of future interest rates was helpful for markets
- How does this backdrop impact portfolios?

The Market in Review

- Economic growth is slowing as central banks make efforts to tame inflation
- The Australian economy grew marginally for the fourth quarter. Demonstrating a level of resilience to the RBA's interest rate increase
- Emerging Markets such as China improved in the fourth quarter as China moved away from its "zero Covid" policy
- Unsurprisingly, we expect global growth to continue to slow down, particularly for next year

Figure 1
Asset Class Performance[1]



Source: As of 31 December 2022, Bloomberg Finance L.P, MSCI and S&P Dow Jones Indices. Index returns are unmanaged and do not reflect the deduction of any fees or expenses. The index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income. Past performance is not a reliable indicator of future performance. Australian Equities: S&P/ASX 200 Total Return Index; International Equities: MSCI World Net Total Return AUD Index; Value, Quality and Low Volatility Equities: MSCI World Factor Mix A- Series (AUD) Net Total Return Index in AUD; Emerging Markets Equities: FTSE Emerging Markets All Cap China A Inclusion Net Tax Index (AUD); Australian Corporate Bonds: Bloomberg AusBond Credit 0+ Yr Index; Cash: S&P/ASX Bank Bill Total Return Index.

- **Australian equities** were up 9.4% for the third quarter of 2022[2]
- **International equities** gained 4.07% for the third quarter of 2022[3]
- The **combined value, quality & low volatility equity** factor investment strategy was down 5.76% for the fourth quarter of 2022.[4]
- **Emerging market equities** fell -3.7% for the third quarter of 2022[5]
- Australian company bonds were up 1.12% for the fourth quarter of 2022[6]
- **Cash** returns in the Australia were marginally up 0.75% for the fourth quarter of 2022[7]

Factor investing is a 'rules-based' approaches to investing. These strategies seek to capture specific investment characteristics such as value and quality. Why? Academic research has documented long-term outperformance of factors.

History tells us that over that over long term equally combining the below 3 factors can leads to outperformance

— Value companies with attractive fundamental ratios like Price/Book, Price/Earnings, Price/Cash Flow and Dividend Yield

— Low volatility companies that are less likely to fluctuate dramatically, and tends to be more steady

— Quality companies are those with high and stable profitability, and low leverage

Performance Summary

For the third quarter of 2022, the Australian equity and the multi factor strategy that combines value, quality & low volatility type equities were the major contributors to total return. Emerging market equities to a lesser extent positively contributed to total return. Looking at fixed income, both Australian Government and Corporate bonds improved during the quarter, therefore positively impacting the portfolios total return.

Performance Disclosure Asset Class Performance is hypothetical and has been provided for illustrative purposes only, it does not reflect the results of the actual trading of any account or group of accounts and actual results could differ substantially.

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Endnotes

1 All returns as at 31 December 2022. Index returns reflect capital gains and losses, income, and the reinvestment of dividends. Index returns are unmanaged and do not reflect the deduction of any fees or expenses. The index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income. Past performance is not a reliable indicator of future performance.

2 Source: S&P/ASX 200 Total Return Index.

3 Source: MSCI World Net Total Return AUD Index.

4 Source: MSCI World Factor Mix A- Series (AUD) Net Total Return Index in AUD.

5 Source: FTSE Emerging Markets All Cap China A Inclusion Net Tax Index (AUD).

6 Source: Bloomberg AusBond Credit 0+ Yr Index.

7 Source: S&P/ASX Bank Bill Total Return Index.

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* Pensions & Investments Research Center, as of December 31, 2021.
† This figure is presented as of September 30, 2022 and includes approximately $55.12 billion USD of assets with respect to SPDR products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Global Advisors are affiliated. Please note all AUM is unaudited.

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Important Risk information

State Street Global Advisors, Australia, Limited (AFSL Number 238276, ABN 42 003 914 225) ("SSGA Australia"). Registered office: Level 14, 420 George Street, Sydney, NSW 2000, Australia. T: +612 9240-7600. Web: ssga.com.

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The value style of investing that emphasizes undervalued companies with characteristics for improved valuations, which may never improve and may actually have lower returns than other styles of investing or the overall stock market.

A "quality" style of investing emphasizes companies with high returns, stable earnings, and low financial leverage. This style of investing is subject to the risk that the past performance of these companies does not continue or that the returns on "quality" equity securities are less than returns on other styles of investing or the overall stock market.

Low volatility funds can exhibit relative low volatility and excess returns compared to the Index over the long term; both portfolio investments and returns may differ from those of the Index. The fund may not experience lower volatility or provide returns in excess of the Index and may provide lower returns in periods of a rapidly rising market. Active stock selection may lead to added risk in exchange for the potential outperformance relative to the Index.

Investing in foreign domiciled securities may involve risk of capital loss from unfavorable fluctuation in currency values, withholding taxes, from differences in generally accepted accounting principles or from economic or political instability in other nations. Investments in emerging or developing markets may be more volatile and less liquid than investing in developed markets and may involve exposure to economic structures that are generally less diverse and mature and to political systems which have less stability than those of more developed countries.

Bonds generally present less short-term risk and volatility than stocks, but contain interest rate risk (as interest rates raise, bond prices usually fall); issuer default risk; issuer credit risk; liquidity risk; and inflation risk. These effects are usually pronounced for longer-term securities. Any fixed income security sold or redeemed prior to maturity may be subject to a substantial gain or loss.

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