

Market and Model Commentary

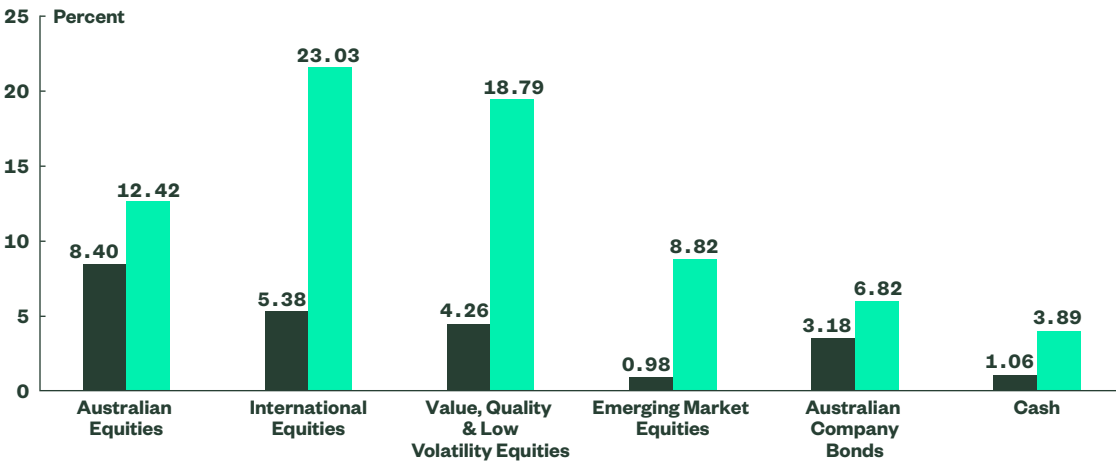
- In the final quarter of 2023 inflation appeared to be cooling, leading to interest rate cut expectations.
- Bond markets and stock markets had positive performance for the fourth quarter of 2023. With the expectation rate cuts may be on the horizon for 2024.
- How does this backdrop impact portfolios?

The Economy in Review

- Economic growth in the United States outpaced expectations. Growth in other developed countries was disappointing for the final quarter of 2023.
- A slow down in the rate of inflation occurred across the globe.
- Australia’s unemployment rate increased to 3.9% in November.
- In its final meeting for 2023, the Reserve Bank of Australia (RBA) kept its official cash target rate at 4.35%, following the 25 basis point increase in November.

Figure 1
Asset Class Performance¹

3 Month Return
1 Year



Source: As of 29 December 2023, 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 8.4% for the fourth quarter of 2023²
- **International equities** were positive, 5.4% for the fourth quarter of 2023³
- The **combined value, quality & low volatility equity** factor investment strategy was up 4.3% for the fourth quarter of 2023⁴
- **Emerging market equities** were up 1.0% for the fourth quarter of 2023⁵
- Australian company bonds were up 3.2% for the fourth quarter of 2023⁶
- **Cash** returns in Australia were up 1.1% for the fourth quarter of 2023⁷

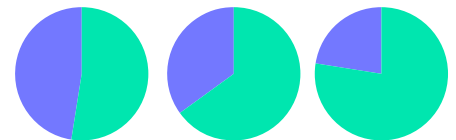
Factor investing is a 'rules-based' approach to investing. These strategies seek to capture specific investment characteristics such as value and quality. Why? Academic research has lead documented long-term outperformance of factors.

History tells us 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.

Figure 2

Target Model Portfolio Allocations



Ticker	Asset Class	ETF Name	Moderate (%)	Balanced (%)	Growth (%)
	Growth		52.5	65.0	77.5
QMIX	International Equities	SPDR MSCI World Quality Mix Fund	25.0	30.0	35.0
STW	Australian Equities	SPDR S&P/ASX 200 Fund	22.5	27.5	32.5
VGE	Emerging Market Equities	Vanguard FTSE Emerging Markets Shares ETF	5.0	7.5	10.0
	Defensive		47.5	35.0	22.5
GOVT	Australian Government Bonds	SPDR S&P/ASX Australian Government Bond Fund	12.5	7.5	2.5
VACF	Australian Credit	Vanguard Australian Corporate Fixed Interest Index ETF	20.0	15.0	15.0
BILL	Cash	iShares Core Cash ETF	12.0	9.5	2.0
	Cash	Cash Liquidity Implementation	3.0	3.0	3.0

Important Information Source: State Street Global Advisors as of 30 June 2023. Model Portfolio Allocations presented above are hypothetical and have been provided for illustrative purposes only. They do not reflect the results of the actual trading of any account or group of accounts and actual results could differ substantially. A model portfolio is an allocation to a list of funds that are group together. Where a model portfolio is offered on an investment platform, investors who select it effectively instruct the platform operator to acquire units in the ETFs that comprise the model portfolio. The model portfolio described above has not been implemented by State Street, so the results are hypothetical.

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Performance Summary

For the fourth quarter of 2023, the Australian equity strategy and the multi factor strategy that combines value, quality & low volatility type equities were the major contributor to total return. Emerging market equities also positively contributed to total return but to a lesser extent when compared to developed equities. Looking at fixed income, Australian Corporate bonds and government where positive for the quarter. Therefore, the bond component of the asset allocation positively impacted portfolios total return.

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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.

Endnotes

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| 1 | All returns as at 29 December 2023. Index returns reflect capital gains and losses, income, and the reinvestment of distributions. 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. | 4 | Source: MSCI World Factor Mix A- Series (AUD) Net Total Return Index in AUD. |
| 2 | Source: S&P/ASX 200 Total Return Index. | 5 | Source: FTSE Emerging Markets All Cap China A Inclusion Net Tax Index (AUD). |
| 3 | Source: MSCI World Net Total Return AUD Index. | 6 | Source: S&P/ASX Australian Fixed Interest — Total Return Index. |
| | | 7 | Source: S&P/ASX Bank Bill Total Return Index. |

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- Start with rigor
- Build from breadth
- Invest as stewards
- Invent the future

For four decades, these principles have helped us be the quiet power in a tumultuous investing world. Helping millions of people secure their financial futures. This takes each of our employees in 29 offices around the world, and a firm-wide conviction that we can always do it better. As a result, we are the world's fourth-largest asset manager* with US \$3.69 trillion[†] under our care.

* Pensions & Investments Research Center, as of December 31, 2022.

[†] This figure is presented as of September 30, 2023 and includes approximately \$58.13 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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