Building resilient equity portfolios

Thinking through the three key buckets of manager risk

Core Offerings

Our latest view of markets and insights into our latest strategic and tactical asset allocation positions

November 2024

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AN UPDATE FROM LGT CRESTONE'S CHIEF INVESTMENT OFFICE

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When building equity portfolios, we typically categorise managers or strategies into three buckets. These are 'core low risk', 'mid risk', and 'high-risk satellite'. This helps us frame how strategies fit into a multi-manager portfolio, and enables us to size them appropriately.

Smoothing an investor's return profile through the cycle has always been a key rationale for constructing diversified portfolios. And this has never been more important in a world that appears to be rapidly changing. Many of the norms and conventions of the past several decades—regimes that we have become familiar with—are seemingly under threat.

As we have discussed previously, the geo-political backdrop is becoming more multi-polar, with the US uni-polar hegemony under threat. Increased social inequity is driving more populist and nationalist government policies, while demographics, the energy transition and generative artificial intelligence (AI) are presenting both challenges and opportunities. Building 'resilient' portfolios, in an era of greater macro and market volatility (across and within asset classes) has never been more crucial.

In this month's *Core Offerings*, we provide an overview of our approach to constructing equity portfolios. We discuss the strategies and styles we adopt to maximise opportunity and build resilience in portfolios, as well as some of the pitfalls investors should be aware of.

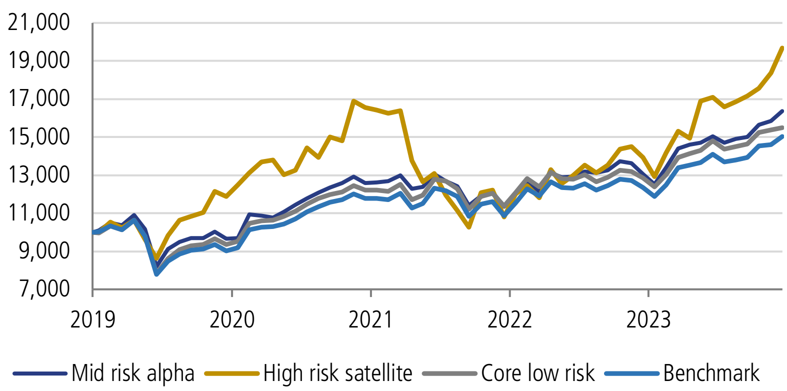
Objectives: Standing at the starting line

As we discuss in more detail below, when building equity portfolios, we typically categorise managers or strategies into three buckets: These are 'core low risk', 'mid risk', and 'high-risk satellite'. This helps us frame how strategies fit into a multi-manager portfolio and enables us to size them appropriately. As strategies can behave differently in the short term, blending them can lead to a smoother return profile over the cycle.

However, as a starting point, it is important to establish the objectives of a portfolio before formulating the best approach to effectively meet those objectives. As an example, while equity portfolios are typically designed to outperform the benchmark over the cycle (after fees), some portfolios may be required to target income with an element of defensiveness, while others may be focused on maximising growth over the long term.

These varying elements can—and should be—taken into consideration when designing a multi-manager equity portfolio. Other risk-related objectives may also be incorporated, such as limiting ex-ante tracking error (for example, to 3% through the cycle) or generating consistent alpha (1.5-2.0% through the cycle). Once we frame these objectives, we can then formulate the ideal combination of strategies to help us achieve this.

A three-bucket risk approach: Blended to manager risk



Source: LGT Crestone and Morningstar.

Manager diversification: Participating in the opportunities

Having a blend of differentiated manager strategies is one way an investor can ensure a portfolio can participate in opportunities, regardless of the market conditions (and a shifting secular environment). Different strategies (for example, concentrated or benchmark aware) will, at times, have greater success in delivering returns. Similarly, having a broad representation of strategies, which aggregates near neutral, can mitigate the impact on performance if one particular strategy is dominating.

Having a filtered universe of managers that has already passed due diligence (in our case, via LGT Crestone's fund due diligence team) is also a good starting point for building

Quantitative techniques should help investors resist the urge to add unnecessary strategies that are not necessarily optimising the portfolio. Unnecessary over-diversification can be costly, dampening outperformance and increasing portfolio redundancy.

portfolios with greater confidence. It also makes sense to think about how we combine managers, to ensure they complement each other. Indeed, how strategies interact should be assessed quantitatively, with a focus on the correlation of their holdings and returns in different environments (more on this below).

Finally, these quantitative techniques should also help investors resist the urge to add unnecessary strategies, which are not necessarily optimising the portfolio. Unnecessary over-diversification can be costly, dampening outperformance and increasing portfolio redundancy (i.e., the same security or dominant style across multiple managers).

Style diversification: Why style matters too

We can also embrace a further layer of complexity by taking into consideration various strategy styles, as well as their investment universe coverage. The key styles we consider are reflected in the table below. While there can be overlaps, some of the broad definitions of our strategies and styles are summarised below.

Key styles we consider

Strategy	Description
Core	Benchmark-aware and typically holds a large number of positions
Quality	Typically focuses on businesses with strong balance sheets, limited leverage, high return on equity, good cashflow and strong management
Growth	Typically focuses on companies with high projected earnings growth rates
Value	Typically focuses on businesses trading at a discount to their intrinsic value
High conviction	Typically holds a smaller number of sizeable positions. Also referred to as a concentrated portfolio
Quantitative	Typically employs a systematic approach that utilises various metrics/factors to forecast stock returns

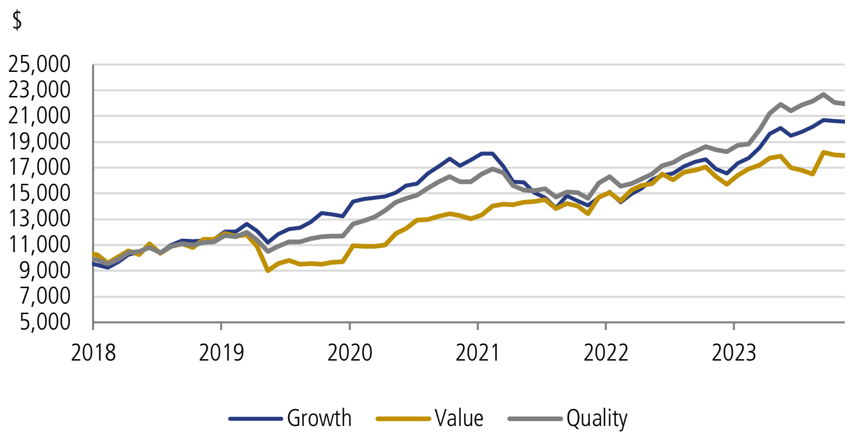
Source: LGT Crestone.

Different styles tend to perform better in different market regimes (when different 'factors' are responsible for market performance). However, over a full market cycle, they should balance out.

Different investment styles tend to work better in different market regimes (when different 'factors' are responsible for market performance). However, over a full market cycle, they should balance out. An example of this was in 2022, when the onset of the US Federal Reserve's (Fed) tightening cycle proved a significant headwind for growth-style strategies, but was a tailwind for value strategies. However, over time, we do tend to see these macro -driven forces even out, with a greater focus on company/business-specific metrics.

The chart below illustrates how these three styles have performed over the past few years. If an investor was invested fully in growth, the journey would have been more treacherous, despite having experience a very strong past 12 months.

Style performance has varied over the past few years



Source: LGT Crestone and Morningstar.

We typically categorise strategies into three risk-return segments—namely, 'core low risk', 'mid risk' and 'high-risk satellite'. The overall objectives of the portfolio will help formulate the ideal weightings to each segment.

Our three-bucket risk approach

Bringing this all together, when we are building portfolios, we typically categorise strategies into three risk-return segments, namely 'core low risk', 'mid risk' and 'high-risk satellite'. The overall objectives of the portfolio will help formulate the ideal weightings to each segment. As an example, a defensive portfolio with a low risk tolerance will be skewed towards core low risk and might not require higher risk satellite strategies. On the other hand, a portfolio with an aggressive risk profile and high risk tolerance will potentially have a higher allocation to mid-risk and satellite strategies, so it can generate higher levels of long-term outperformance. We define these segments and their typical weight ranges as:

- Core low risk (20-60%): These strategies typically have a low tracking error (under 3%) and are highly diversified.
- Mid-risk alpha (30-50%): These strategies tend to hold a lower number of positions and have a medium level tracking error (3-7%).
- High-risk satellite (0-20%): These strategies tend to be concentrated with a narrower focus area, e.g., small caps. Consequently, the tracking error is also high (above 7%).

Our three-bucket risk approach is applicable to all asset classes. Within fixed income, it would be reflected in how we allocate to benchmark bond managers through to our willingness to take on 'active risk' via a concentrated credit manager.

Sizing different strategies is key to generating a smoother return profile for the asset class. Allocating the risk budget to return drivers should be proportional to the attractiveness of the opportunity from a risk-return perspective.

Sizing strategies: The question of active risk

Sizing different strategies is key to generating a smoother return profile for the asset class. Allocating the risk budget to return drivers should be proportional to the attractiveness of the opportunity from a risk-return perspective. Assessing active risk—a strategy's potential contribution to performance variability—is a common approach to sizing strategies in a portfolio. For example, a small-cap strategy (which would reside within the high-risk satellite bucket), which had a tracking error of 10% to the benchmark and a weight of 10%, has an active risk of 1%. If the overall active risk of the portfolio is 4% then this strategy is contributing 25% to the active risk budget.

For most portfolios this would be a high level of active risk for a single strategy. According to Cambridge Associates, capping active risk at around 0.50% for individual strategies is ideal. Thus, instead of weighting strategies equally (which can lead to a sub-optimal outcome), we can use active risk to manage and target the desired risk level. This can be achieved by reducing the allocation to strategies with high active risk and focusing on lower tracking error strategies.

We use a quantitative and qualitative approach when sizing strategies. The quantitative process utilises a proprietary framework that incorporates each strategy's tracking error, its volatility over a market cycle, and its expected alpha.

At LGT Crestone, we use a quantitative and qualitative approach when sizing strategies. The quantitative process utilises a proprietary framework that incorporates each strategy's tracking error (i.e., variation in performance to the benchmark), its volatility over a market cycle, and its expected alpha. This process helps determine where a strategy sits in our three-bucket approach (strategies with low active risk tend to fall into the core component, while those with high active risk will be in the satellite component). The table and chart below illustrate how the process works. In this case, the proportional interaction between the strategy's tracking error and volatility forms the initial basis of the sizing.

Proportional interaction between tracking error and volatility

Risk size	Core active	Mid-risk 1	Mid-risk 2	Core enhanced passive	Satellite 1	Satellite 2	Satellite 3
Tracking error (%)	2.33	3.85	4.00	1.87	8.17	11.56	9.88
Volatility (%)	12.07	10.70	12.69	11.82	14.66	12.97	9.05
Sizing (%)	24.34	13.07	14.90	29.67	8.43	5.27	4.30
Vol:TE (ratio)	5.18	2.78	3.17	6.31	1.79	1.12	0.92

Source: LGT Crestone.

As the table (above) and chart (over) illustrate, the output places greater credence in the strategies with lower levels of benchmark variability. Subsequent allocations to mid-risk and satellite strategies are expected to have more active risk, but generate alpha over a cycle. Looking at the example below, the quantitative process results in 54% being core, 28% mid risk and 18% satellite. This is a low risk outcome, which leaves some room to increase the mid-risk component for alpha opportunities.

While we do blend parts of the portfolio with passive strategies, particularly the core component, we typically utilise active (non-ETF) strategies. These are often called 'enhanced passive' strategies, and can provide superior downside protection and capital preservation.

There are benefits to complementing active strategies with some passive exposure, particularly in parts of the portfolio where we can access cheap beta. This is primarily in the core low-risk parts of the portfolio, where we have a low tolerance for high tracking error.

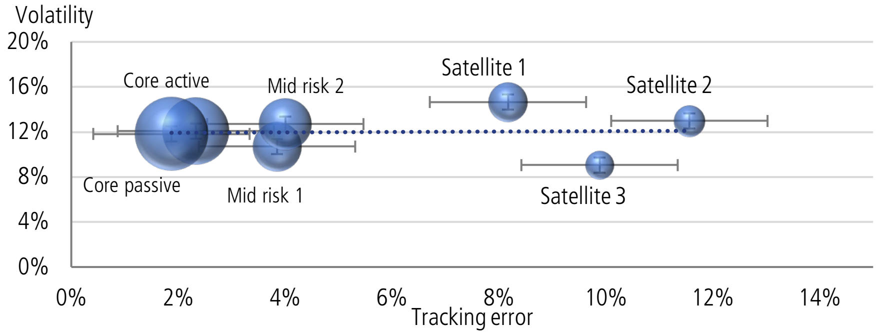
We utilise a quantitative and qualitative approach to formulate how we build portfolios and size strategies appropriately. Portfolios and markets are fluid and, at points in the cycle, some metrics can drift. It is, therefore, prudent to continue reviewing portfolios frequently and adjust accordingly.

Qualitative overlay: Know your managers

While the basis and majority of our process is quantitative, we also employ a qualitative overlay, which draws on our team's knowledge of the underlying strategies and how they have behaved over time. As our team is in constant dialogue with fund managers, they can provide insight into business level issues, process changes, team turnover, or a problematic position. The team maintains a scorecard of LGT Crestone's recommended strategies, which ranks strategies according to risk levels across multiple dimensions. Similar to the quantitative process, a higher weighting is allocated to low-risk strategies.

While we do blend parts of the portfolio with passive strategies, particularly the core component, we typically utilise active (non-exchange-traded fund (ETF)) strategies. These are often called 'enhanced-passive' strategies, and can provide superior downside protection and capital preservation. In the example above, the enhanced-passive element is around 30% of the portfolio. The low tracking error of these strategies leads many quantitative approaches to allocate a greater weight to them to lower benchmark risk. It is necessary, thus, to make adjustments to ensure the portfolio can also achieve its return (and other) objectives. For example, (higher return) mid-risk strategies tend to have a lower correlation to the benchmark, suggesting they may not participate in as much downside as passive.

Risk contribution and sizing



Source: LGT Crestone.

Balancing active and passive: Some perspectives

Investors have three options when it comes to implementing portfolios—active, passive management, or a combination of both. As we've noted, active management can provide outperformance over benchmarks, provide downside protection, and enhance diversification. However, there are benefits to complementing active strategies with some passive exposure, particularly in parts of the portfolio where we can access cheap beta.

This is primarily in the core low-risk parts of the portfolio, where we have a low tolerance for high tracking error. The balance can also be varied, depending on the level of fee tolerance and desired risk-return objectives from the asset class. Higher fee sensitivity lends itself more towards lower-cost passive and direct equities. ETFs can also make it easier to implement tactical shifts more efficiently in a portfolio of managed funds when it comes to short-term opportunities. This can take the form of regional opportunities and currency hedging. ETFs can also be utilised to balance out factor risks, manage portfolio beta against the benchmark, and avoiding selling active strategies at an inopportune time.

Monitoring and managing risks

At LGT Crestone, we take a systematic and fundamental approach to monitoring and managing risks. Our starting point is monitoring for unintended biases to specific factor risks—this includes style, yield, liquidity, and size. We utilise systems, such as Morningstar, to monitor and review portfolios, and continuously review portfolios to ensure they are within their prescribed risk limits. In reality, strategies perform differently through the cycle, which means there could be times when a specific strategy dominates the portfolio's overall profile. In many cases, rebalancing will help solve for this.

Conclusion

At LGT Crestone, we believe the key is to ensure the portfolio is well diversified across styles, regions and market capitalisation, as this will ensure it is best placed to deliver attractive risk-adjusted returns without being overly dependent on a particular outcome. We utilise a quantitative and qualitative approach to formulate how we build portfolios and size strategies appropriately. Portfolios and markets are fluid and, at points in the cycle, some metrics can drift. It is, therefore, prudent to continue reviewing portfolios frequently and adjust accordingly.

What's driving our views

Maintaining a constructive stance as we head into the eye of the US electoral hurricane

We maintain a broadly constructive macro view and, while we expect further moderation in global growth and inflation, the risk of a deeper slowdown remains modest. We acknowledge the potential for significant near-term volatility as markets navigate the US election, with the race still too close to call and a wide range of potential outcomes. In the face of this, we are maintaining a nimble stance.

Can policymakers stick the landing? After a fast and steep hiking cycle, central bankers now need to calibrate policy to lower inflation without triggering a recession. There are political and geo-political risks, and the secular inflation outlook is volatile.

Politics takes centre stage in 2024: The US election on 5 November will cap off a historic year of elections around the globe.

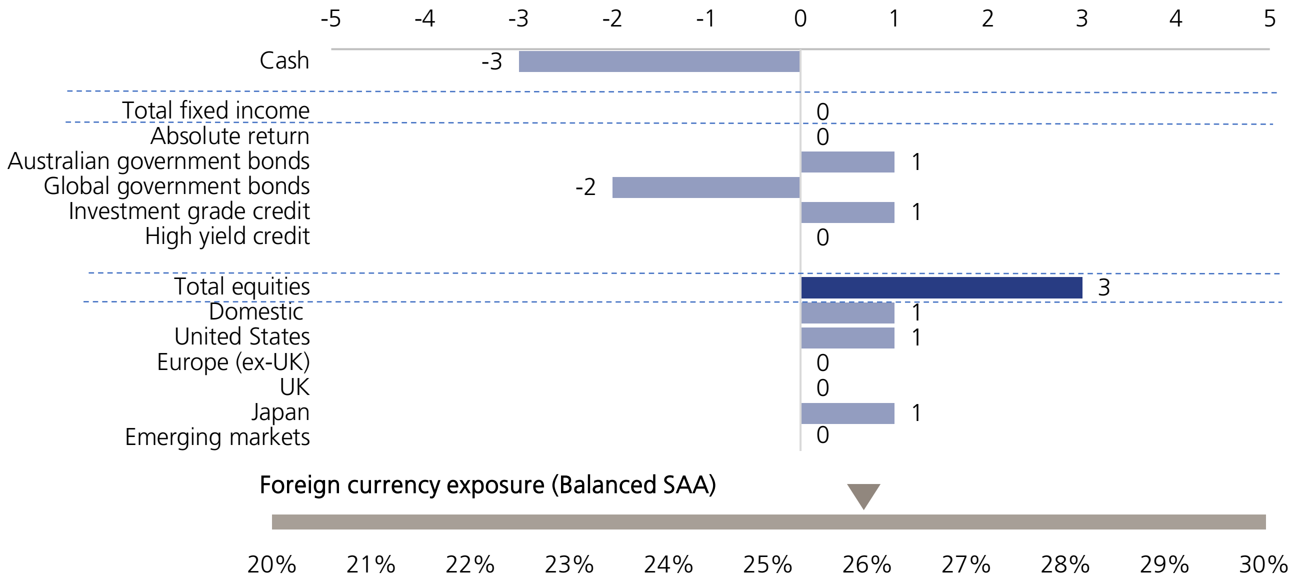
Diverging cycles: The US economy is resilient, but momentum has peaked, while Europe is struggling to emerge from recession. China faces key cyclical and structural challenges. How these macro dynamics play out will be a key driver for markets this year.

Fortune favours the flexible: With ongoing volatility and uncertainty, we believe it pays to be diversified, nimble, and flexible over the year ahead. Investors will benefit from prudently managing liquidity and investing with high quality active managers.

Structural thematics

Transitioning towards **multi-polarity** will likely create more volatility, presenting growth and opportunities for investors.	The trade-off between net-zero commitments, cost and energy security creates a **challenging energy transition**.	**Artificial intelligence** presents challenges and opportunities. Advances in pharmaceuticals are a constructive force for the long term.	**Higher rates** increase forward-looking returns across all asset classes, giving investors more options.

Tactical asset allocations (% weights)



	What we like	What we don't like
Equities	▪ Japanese equities with bottom-up corporate reform tailwinds. ▪ Actively managed small and mid-cap equities. ▪ Broader (non-mega cap) S&P 500 exposure.	▪ Passive or benchmark-aware strategies in concentrated markets. ▪ Expensive defensives in Australia (e.g., CBA and WES).
Fixed income	▪ Actively managed funds investing in higher quality credit. ▪ Fixed/floating rate 4 to 7-year senior and tier 2 bank credit. ▪ Investment grade fixed-rate corporates and Kangaroo issuers.	▪ Longer-maturity bonds, which are vulnerable to rising inflation and term premia risk. ▪ Lower quality credit vulnerable to higher cost of funds.
Alternatives	▪ Multi-strategy hedge funds and other diversifying strategies. ▪ Global venture capital secondaries. ▪ Senior private debt, incl corporate, asset-based finance. ▪ Global infrastructure across the risk spectrum, particularly playing to long-term structural themes.	▪ Long-bias equity hedge fund strategies. ▪ Construction and/or junior lending within real estate. ▪ Carbon-intensive assets/ industries with no transition plan.

Source: LGT Crestone Wealth Management. Units refer to the percentage point deviation from strategic asset allocations. Investment grade credit includes Australian listed hybrid securities. Foreign currency exposure is representative of the balanced strategic asset allocation.

Economic and asset class outlook

Economic outlook

Global economy

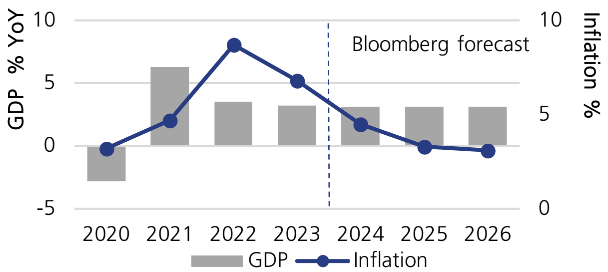
As noted in the International Monetary Fund's (IMF) annual outlook, published in mid-October, 2024 has been a year where most of the world has managed to successfully lower inflation, engineer a soft landing, and avoid recession. The US economy continues to slow, albeit glacially, while Europe and the UK face patchy recoveries post their mild 2023 recessions. Optimism regarding Japan's ability to sustainably exit decades of deflation is mirrored by concerns that China is facing a balance sheet recession that recent renewed stimulus can only triage. For Australia, the strong jobs market masks a weakening consumer, while for emerging markets, a recent slump in tech-sensitive trade is slowing exports and beginning to weigh.

In many countries, central banks have started cutting rates. This includes central banks in Europe, the UK, Canada, and Asia, which have trimmed rates several times over the past few months—and most recently, the US. The pace of easing by central banks has broadly aligned with their success in lowering inflation and the extent to which growth has slowed, as well as respective exchange rate pressure for emerging economies. A further moderation in global growth and inflation in H2 2024 should foster ongoing easing into 2025, albeit markets have begun to fret that the extent of cutting may fall short of expectations, given only modestly below trend world growth.

Despite this relatively constructive backdrop, the IMF also noted that much of the world faces rising geo-political risks and weaker long-term growth prospects. Downside risks to the growth outlook include the Middle East conflict and potential spikes in commodity prices. A potentially deeper China property market contraction, interest rates remaining too high for too long, and rising protectionism in global trade are other threats to prosperity. The US presidential election is also now imminent, where a delay in the result could foster post-poll uncertainty. These downside risks should be viewed in tandem with more positive secular themes around AI and the energy transition.

Consensus expects global growth to slow in 2024 to 3.1%, moderately below the long-term average of around 3.5%, with a similar pace unfolding through 2025. The IMF has left its 2024 outlook for growth unchanged at 3.2% but has trimmed its 2025 forecast from 3.3% to 3.2%. UBS expects similar growth of 3.2% in 2024, though edging lower to 3.1% in 2025.

Global GDP growth and inflation



Source: Bloomberg as of 31 October 2024.

Australia

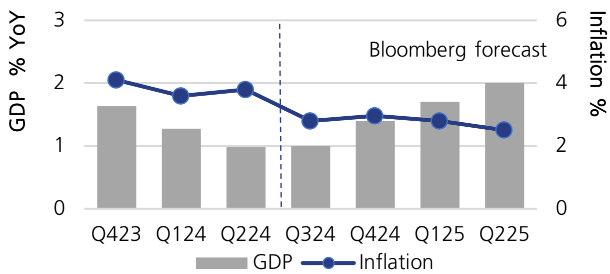
Australia's relatively tight jobs market (despite the past year's surge in immigration) and its poorly targeted fiscal stimulus (and extensive public capex) continue to weigh on prospects for lower interest rates in the period ahead. Growth has slowed sharply and is now at its weakest since the 1990/91 recession (excluding the pandemic). However, core inflation remains elevated, and the Reserve Bank of Australia (RBA) remains on hold and relatively hawkish. Recovering household income growth, and an under-supply of housing, suggest a recession is an unlikely scenario in the period ahead. Government subsidies to lower headline inflation may also spark the start of a lagged rate-cutting cycle in early 2025. However, the IMF notes that "should disinflation stall, a tighter fiscal stance would be warranted, while better targeting of transfers could more efficiently support vulnerable households."

Growth in Q2 remained weak, rising just 0.2%, with the annual pace slowing to 1.0% from 1.3% (well below trend of around 2.5%). With the population rising at 2.3% annually, Australia's growth 'per person' is in sharp decline. And much of this growth is coming from government consumption (up 1.4% over the year). Q3 data retains a mixed tone. Retail sales edged up only 0.1% in September (after a strong 0.7%), and according to UBS, "the momentum in retail sales is mixed, but still improving in recent months". Similarly, employment data jumped 64,100 in August, and the unemployment rate eased to 4.1% (despite leading indicators, such as vacancies and labour demand, trending weaker).

Government subsidies have driven a marked deceleration in Q3 headline inflation, which fell to 2.8% from 3.8%, placing it within the RBA's 2-3% target for the first time since 2021. However, core inflation remained elevated at 3.5% in Q3 (down from 3.9%), in line with the RBA's forecasts. Comments from RBA officials remain hawkish, with Governor Bullock flagging the need for demand to slow to bring it back in line with the economy's current rate of supply. UBS and Barrenjoey expect the first cut from the RBA to occur in February 2025.

After growth of 2.0% in 2023, UBS expects Australia to avoid a recession, with growth of 1.2% in 2024, ahead of a recovery to 2.0% in 2025. CBA sees slightly slower growth of 1.1% for 2024, ahead of a similar modest rebound to 1.9% in 2025.

Australian GDP growth and inflation



Source: Bloomberg as of 31 October 2024.

Economic outlook

United States

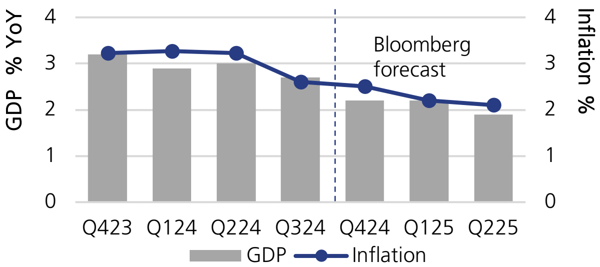
Recent months have revealed stronger evidence that the bulk of the US's inflationary pressures have passed. US growth remains on a slowing path, but recent data have proved stronger than expected. The Fed started its easing cycle in September, with further cuts expected in late 2024 and through 2025. While some analysts continue to raise the risk of a recession in 2025, recent data does not suggest an imminent collapse in growth. Instead, H2 2024 activity is expanding at an above-trend pace, despite a softening jobs market. This has led some to question whether the significant rate-cutting cycle priced into markets can be delivered. With the US presidential election imminent, polling suggests the outcome is too close to call, with former President Trump recently gaining significant ground in some of the key states, despite Vice President Harris's successful debate.

Growth rose by a robust 0.7% (2.8% annualised) in Q3, little changed from Q2's 3.0% pace. Consumer spending was the key driver in Q3, up a 'punchy' 3.7%, led by spending on goods. Retail sales (core) rose 0.7% in September (after 0.3%), while August's soft employment report of 114,000 was followed by a much stronger 254,000 gain, with unemployment easing from 4.2% to 4.1%. While October's composite Purchasing Managers' Index (PMI) edged higher to 54.3 from 54.0, the manufacturing indicator remains subdued at 47.8. UBS expects growth over the next several quarters to drop to a pace below 2%, contributing to a slower 2025.

Inflation has continued to trend lower, easing to 2.4% from 2.5% in September, while the Fed's preferred 'underlying' measure, the core PCE, has fallen to close to its 2% target, and was at 2.7% in September. At its September meeting, the Fed cut the policy rate by 0.5% to 4.75-5.00%, the first change since a hike in July of last year. According to UBS, the Fed's meeting minutes suggest some disagreement on the 0.5% cut, with contrasting views from participants on reasons that 'some' participants would have preferred a 0.25% cut. Still, almost all participants had gained confidence that inflation was moving sustainably toward the 2% objective.

After 2.9% in 2023, UBS has again lifted forecasts for 2024 to 2.7% (from 2.5% and 2.3% several months ago). Growth in 2025 is seen slowing to 1.9% (was 1.5%). SG and CBA expects a similar modest slowing ahead.

US GDP growth and inflation



Source: Bloomberg as of 31 October 2024.

Europe

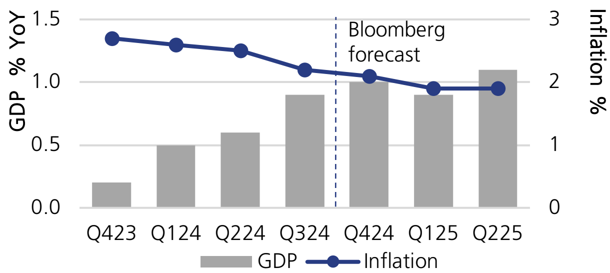
Growth data for Q2 revealed Europe's economy emerged from its mild recession in H2 2023. However, recent data suggest the economy's recovery has lost significant momentum in early Q3 (despite resilient growth), with headwinds from still tight monetary policy, a soft external environment (including China), and fiscal tightening in Germany. Indeed, concern about the failing growth outlook in France has led new Prime Minister Barnier to both opine the poor state of public finances, but also delay alignment with key fiscal rules until 2029, proposing a staggered more gradual achievement. This combination of weakening growth and falling inflation should foster further support for growth via monetary easing over coming months.

Growth surprised positively in Q3, up 0.4%, a little above Q2's tepid 0.2% pace, and lifting the annual pace to 0.9% from 0.6%. The biggest upside surprises came from Spain (at 0.8%) and Germany (at 0.2%, against expectations for a mild contraction). Recent attention has focused on a north-south divide. As Longview Economics notes, "Germany (and some others in the North) remain under pressure, with economic leadership increasingly switching to southern economies (e.g., Italy and Spain). These are, on the whole, in a much better structural position." The PMI edged higher to 49.7 from 49.6, still near a seven-month low. In contrast, the jobs market was firm, with unemployment unchanged at 6.4% in August.

Inflation continued to trend lower, albeit moving higher to 2.0% (from 1.7%) in September, still near the European Central Bank's (ECB) 2% target. The core measure was unchanged at 2.7%. Q2 wages growth has also slowed from 4.7% to 3.6%. The ECB cut rates for the second month in October, taking the policy rate to 3.25%. According to CBA, "the post meeting statement noted downside surprises to the Eurozone economic activity data", while Société Générale (SG) notes that "there was no particular attempt by President Lagarde to push back on the market's expectations for continued cuts over the coming months."

After relatively weak growth of 0.5% in 2023, UBS, CBA and SG expect an increasingly modest recovery in H2 2024, with all seeing growth of 0.7% in 2024. Forecasts for 2025 focus on a further acceleration of growth, ranging from of 0.9% to 1.1%.

European GDP growth and inflation



Source: Bloomberg as of 31 October 2024.

Economic outlook

United Kingdom

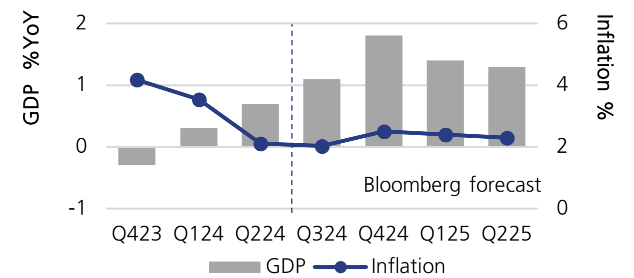
After rebounding strongly from H2 2023's recession, the UK economy appears to have lost some momentum as H2 2024 gets underway. Nonetheless, while financial conditions remain relatively tight, underlying inflation continues to trend lower and wages growth is moderating, opening the way for additional monetary easing over coming months. As BCA Research highlights, "despite elevated mortgage rates, UK home prices remain resilient. This housing strength squares well with recent UK data: retail sales [has] surprised positively, and the labor market remains resilient."

Growth surprised positively in Q2, rising 0.6% (after 0.7%), a strong rebound from contractions of 0.3% and 0.1% in H2 2023. Annual growth lifted from 0.3% to 0.9%. Data in Q3 has been mixed, although August's monthly output lifted 0.2% after two months of stagnation. Retail sales rose a further 0.3% in September on the back of a 1.0% jump in August". The composite PMI in October eased to 51.7 from 52.6, now trending lower over recent months (though still signalling growth. October's jobs report was also mixed, with unemployment easing to 4.0%, but earnings continuing to slow. UBS expects Q3 growth of 0.2% after 0.6% in Q2.

After some recently higher prints, inflation for September fell to 1.7% from 2.2%. This was below consensus of 1.9% and below the Bank of England's (BoE) target of 2%. The last time UK inflation was below 2% was in April 2021. Core inflation fell to 3.2%, also undershooting market expectations of a smaller decline to 3.4% from 3.6%. Pleasingly, services, notably housing, utilities and other services contributed significantly to the lower result. The BoE kept its policy rate unchanged at 5.00% in September, as widely expected, following the cut from 5.25% in July, its first reduction since early 2020. CBA expects two more rate cuts before year-end (November and December) in line with market pricing. UBS expects only one cut before year end—in November.

After growth of just 0.1% for 2023, UBS recently revised higher its recovery in 2024 to 1.1% from 0.7% (and 0.2% earlier), with stronger 1.5% growth expected in 2025. SG has also revised higher to 1.2% for 2024 (was 1.0%). CBA has lifted its growth outlook for 2024 from 0.2% to 1.0% (was 0.6%), with similar stronger growth of 1.4% in 2025.

UK GDP growth and inflation



Source: Bloomberg as of 31 October 2024.

Japan

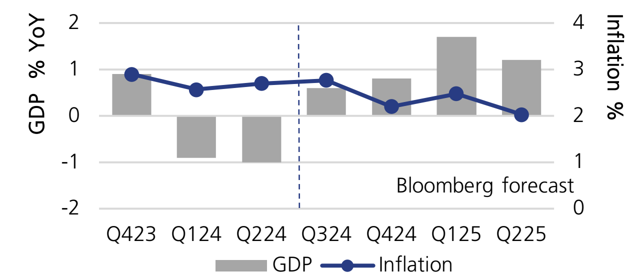
A strong rebound in Q2 growth has renewed optimism that Japan is on a path to successfully transition from secular stagnation to nominal recovery. According to KKR, "an economic reawakening supported by real income growth and improved productivity is accelerating off a low base". Focus remains on the domestic consumer, and the potential for wages growth to support stronger spending. Japan's ruling Liberal Democratic Party (LDP) elected a new leader, Shigeru Ishiba, in late September. At a general election in late October, the LDP lost its majority and will likely need to govern with a minority, potentially leading to more fiscal stimulus.

Japan's growth rebounded by a stronger-than-expected 0.7% (2.9% annualised) in Q2, following -0.6% (-2.3%) in Q1. The annual pace stayed negative at -0.8%. However, positively, consumption rose over 1% in the quarter after four quarters of negative growth. Early Q3 data has been mixed, but consistent with ongoing growth, albeit the consumer has disappointed. Still, according to BCA Research, "the labor market remains tight, supporting wage gains and strong consumption". Business conditions, as reflected in the latest Tankan survey, point to moderately strong business conditions, and according to UBS, forecasts that wage increases by Japanese firms will continue next year and beyond suggest the 30 years of deflation will turn to sustained inflation. The October PMI fell further, from 52.0 to 49.4, now below the break-even 50 mark, driven particularly by weaker services activity.

Inflation fell to 2.5% in September (from 3.0%), its lowest since April. Following its somewhat unexpected policy hike to 0.25% from 0.15% in July, Bank of Japan (BoJ) commentary has been relatively hawkish. Governor Ueda recently stated that, "if the data shows conditions are on track, and if such data accumulates, we would of course take the next step (this year)." The BoJ left its policy unchanged at its late October meeting, with UBS and others expecting a 0.25% hike at the December meeting due to expected better growth trends

After strong growth of 1.7% in 2023, UBS expects growth to decline 0.2% in 2024, before steadying at around 1.1% in 2025. SG forecasts a similar pace of -0.1% for 2024, but a strong rebound to 1.3% for 2025. It expects growth uplifts to be underpinned by a stronger consumer and more capex.

Japanese GDP growth and inflation



Source: Bloomberg as of 31 October 2024.

Economic outlook

China

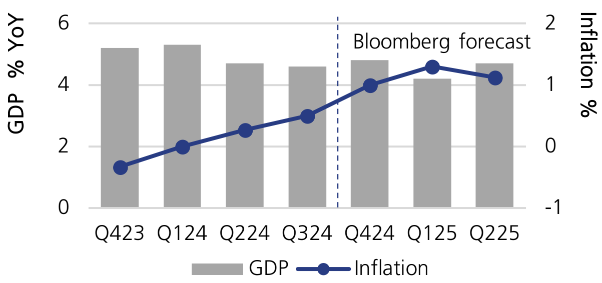
The continued deterioration in China's activity data through Q3 has culminated in authorities announcing their most significant stimulus to date this cycle across both monetary and fiscal policy. Together with some modest improvement in late Q3 data, prospects for China's growth into 2025 have improved. Still, with the extent of fiscal easing still somewhat opaque, and headwinds associated with a softer European economy and risks associated with the imminent US presidential election (and threat of a trade war), China's outlook appears to be one of greater stabilisation, rather than renewed acceleration. As BCA Research notes, "these policies will not promote a meaningful business cycle recovery".

China's output eased to 4.6% in Q3 (from 4.7% in Q2), slightly better than the 4.4% consensus expectation. UBS estimates growth in the quarter rebounded to 3.6% (from below 3%). Toward the end of the quarter, September month data showed that both fixed asset investment and retail sales grew more than expected, helped in part by the acceleration of infrastructure investment and auto sales. Property sales and starts continued to decline in Q3, though September sales showed signs of stabilisation. In contrast, exports have been weakening. Inflation softened, easing to 0.4% from 0.6% in September, and producer prices signalled deeper deflation, falling almost 3% over the year in September.

The anaemic economy has seen authorities recently announce a fresh set of more substantive measures, including a raft of monetary support and, importantly, a significant shift in fiscal tone, including easing within the property sector. According to UBS, fiscal support is focused on reducing government arrears (delivering cash to corporates and eventually, the household sector), and easing constraints on local government spending. Lowering of the mortgage back-book is expected to reduce household interest burdens, and both household and corporate confidence may be helped by expectations of more policies and property market stabilisation.

After 5.2% in 2023, UBS has now lifted its China growth outlook on the back of stimulus measures to 4.8% in 2024 (was 4.6%), ahead of further slowing to 4.5% in 2025 (was 4.0%). SG has trimmed growth for 2024 from 5.0% to 4.8%, and expects a slowing to 4.5% in 2025.

Chinese GDP growth and inflation



Source: Bloomberg as of 31 October 2024.

Emerging markets

Momentum in emerging market growth has slowed into mid-2024. UBS estimates that annualised Q2 growth slipped below 4%, including and excluding China, led particularly by weakness in emerging Europe, and to a lesser extent Asia. While the annual pace of growth may drift lower into early 2025, the quarterly pace of activity is expected to moderately rebound in H2 2024, led by stronger Asian activity across selected countries in North and South Asia, including Korea, Thailand, Philippines, Singapore, and India.

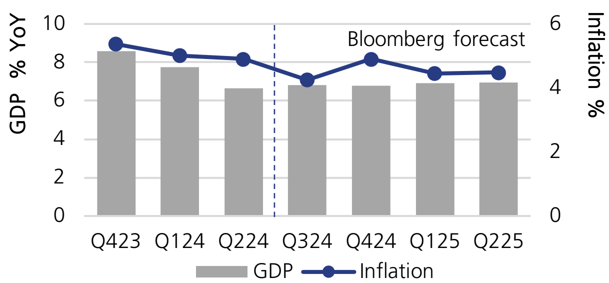
Recent data, nonetheless, flag an emerging headwind for East Asia in particular. As BCA Research highlights, "the recent slump in globally- and tech-sensitive East Asian trade shows no respite, with advanced October Korean exports and September Taiwanese export orders' data disappointing. Korean exports for the first 20 days of October dropped 2.9% year-over-year". This echoes September data for Japanese, Singaporean and Malaysian exports, with leading indicators of global trade, such as manufacturing PMIs' new export orders components and global capex proxies, continuing to worsen.

The outcome of the upcoming US presidential election is likely to impact views on the outlook for emerging markets. As noted by UBS, key areas where policy change could matter include changes to US tax rates (as a competitor market), potential tariff hikes (hurting trade), impact on climate policies (where some countries are benefiting), potential renewed defense expenditure (with India, Japan and Korea exposed to higher spending), and any impacts on the US dollar.

In India, there has been a modest loss of momentum during Q3. UBS's composite leading indicator "contracted 0.6% in September versus 0.3% and 1.1% in the previous two months." High-frequency indicators, such as car sales and two-wheel sales fell in September. India's central bank has kept policy unchanged at 6.5%, albeit the tone has moved more neutral (from hawkish), according to SG, increasing the likelihood of a 0.25% December rate cut.

Inflation pressures in most emerging markets remain under control, which would allow their central banks to ease cautiously unless their currencies depreciate anew. For all emerging markets, after 4.7% in 2023, UBS expects similar growth of 4.3% in 2024 and 4.2% in 2025.

India GDP growth and inflation



Source: Bloomberg as of 31 October 2024.

Asset class outlook

Absolute return and government bonds

Position: Neutral absolute return; underweight global government bonds; overweight Australian government bonds

Key points

- We recommend maintaining a diversified portfolio of fixed and floating rate bonds.
- High grade bond yields have risen, given strong data. We prefer domestic government bonds versus US Treasuries.

Prior to the Fed meeting in September (when the target rate was cut by 50 basis points (bps)), the 10-year US Treasury yield had fallen to 3.63%. Since then, it has risen to around 4.29%, reflecting the market's adjustment to a slower pace of rate cuts. Current expectations are for just one or two cuts by year-end and a gradual pace of one cut per quarter in 2025. Although inflation slowed to 2.40% in September, the US economy has remained strong, with a robust labour market and retail sector prompting the Fed to take a cautious approach to easing. The anticipated terminal rate is around 3.0-3.5%, improving chances of a soft landing, but also keeping short-term volatility high, especially approaching the US election. If Trump is re-elected, further debt issuance, tax cuts, and trade tariffs could drive inflation and rates higher, leading to a steepening of the US yield curve.

Currently, the curve is relatively flat, with the spread between two and 10 years just 15bps. This favours short-term Treasuries, where returns should be driven by yield, versus longer-dated securities, where returns would be driven by capital gains. The Fed's 'dot plot' forecasts two more 25bps cuts this year, with a further 100bps in 2025, implying continued outperformance of shorter-term bonds. In terms of investment, the two to four-year part of the Treasury curve looks appealing, as yields are likely to trend lower over the next six to 12 months, amid a moderate central bank easing cycle. Globally, central banks like the Reserve Bank of New Zealand and ECB are easing in response to weaker domestic growth. All central banks are data-dependent, particularly on inflation and labour metrics, aiming for a balanced economic slowdown. High rates have moderated inflation, while stronger labour data suggests a relatively soft landing globally.

Commonwealth Government bond yields and price action are influenced by US rates, particularly at the longer end of the curve. However, as the RBA was less aggressive in raising rates and is likely to remain on hold for longer, the Australian yield curve has performed in line with the recent US Treasury sell-off. At 4.55%, the 10-year yield is now 25bps above its US equivalent, a level not seen this year. Consensus is that the RBA is unlikely to cut while service inflation remains sticky, the labour market is strong, and additional fiscal expenditure is expected in an upcoming election year. We don't expect the RBA to move until at least Q1 2025 (potentially as late as June 2025), keeping rates higher for longer. As bond yields are above the cash rate, we prefer domestic bonds over US Treasuries, as we anticipate better performance once the RBA moves the cash rate to a more neutral level.

Investment grade credit and high yield credit

Position: Overweight investment grade credit; neutral high yield credit

Key points

- We prefer investment grade bonds as inflation cools and downside risks to global growth moderate.
- High yield credit spreads are vulnerable to widening, but the quality has improved and demand for outright yields has risen, which is driving spreads lower.

Investment grade credit: In October, investment grade credit spreads were stable after a spike in early August due to weaker US employment data. Concerns about growth and a hard landing have subsided since then on the back of stronger data. Investment grade credit has reacted well, with the Investment Grade Bond Index trading at historically tight levels of +82bps over US Treasuries. Unfortunately, with rates rising, total returns have been slightly negative for the month. But issuance in both the US and Europe was healthy in October due to outright yields returning investor demand. As global central banks pick up the pace of easing later in the year, spreads are likely to fall further—in line with a more risk-on, soft landing environment. Staying in high quality bonds should protect portfolios if there is a sharp growth slowdown. Credit spreads may be at risk of widening, particularly in the high yield sector, but this is usually offset by falling interest rates.

In Australia, the Australian Prudential Regulation Authority (APRA) announced that it plans to phase out additional tier 1 (AT1) instruments, which are often complex and difficult to activate in times of crises. They will be replaced with a mix of more straightforward and reliable capital, such as tier 2 bonds and common equity tier 1. The transition is scheduled to begin in January 2027, with existing AT1 instruments expected to be fully replaced by 2032. APRA's proposal aims to simplify the resolution process during bank distress, ensuring more reliable capital absorption mechanisms, while maintaining financial system stability. Term deposits returns have started to fall to around 4.50-5.00%, which should encourage demand for fixed-rate bonds.

High yield credit: October saw high-yield credit spreads tighten by around 50bps, supported by strong employment data and expectations of a soft landing. Despite volatility, high-yield bonds remain attractive, with yields averaging 7.75% in the US and 6.0% in Europe, as investor demand and refinancing activity increase. Many issuers have improved financial stability through deleveraging and extended maturities, though sectors like communications remain vulnerable due to high leverage and low interest coverage. The outlook for high yield is cautiously optimistic, especially in the BB-rated space, which has attracted investor interest. However, risks of spread widening persist, particularly for lower-rated issuers facing higher default risk. Investors are advised to focus on quality bonds and diversified portfolios as central banks continue easing policy in late 2024 and beyond.

Asset class outlook

Domestic equities

Position: Overweight

Key points

- The S&P/ASX 200 Index fell 1.3% in October. This is only the second time in 12 months that the index has posted a monthly loss.
- At a sector level, there were no discernible trends. Materials and IT both underperformed, while financials and healthcare outperformed.
- October was highlighted by two major governance issues (WiseTech and Mineral Resources). Both stocks fell significantly, by 16% and 26% respectively.

Historically, rate-cutting cycles in the US have been positive for domestic equities—and during those times when the US economy has avoided a 'hard-landing' recession, the S&P/ASX 200 has gained more than 10% in the 12 months following the first rate cut. UBS and MST Marquee strategists believe the earnings downgrade cycle for Australia has now finished. UBS expects the S&P/ASX 200 Index to reach 8,500 by mid-next year, an upgrade from its last target of 8,000. It acknowledges that valuations have never been richer, but justifies this as a structural re-rating based on higher quality index composition.

Conservative guidance was a theme for the August results, much like in 2023. As we approach annual general meeting season, it's worth remembering that 80% of companies last year kept to their guidance at that time. Among those that changed their guidance, there were more revising upwards than downwards, reflecting an improving cycle. This year, the backdrop for the cycle is more muted, with rates having been on hold for almost 12 months, so the prospect of positive surprises is more muted. That said, there could be positive surprises related to recent tax cuts, but negative surprises could stem from a stronger Australian dollar and headwinds related to this. More recently, the currency has traded weaker, and is now below its average of the past two years.

Although the breadth of negative earnings revisions in September (-10%) was an improvement on August (-22%), aggregate earnings have continued to fall, with consensus 2025 earnings per share (EPS) down 2.3% since results season (after falling 6.5% in August). All but three sectors (staples, technology, and utilities) have been downgraded since August. Healthcare has seen the largest 2025 EPS downgrades, followed by mining—but the latter should see some upgrades following the new round of China stimulus. EPS growth forecasts for banks have largely been unchanged since the end of August.

Overall, strategists have become more positive on China's equity market in view of recent announcements. And with seasonality for miners typically strong as we approach November and December, there is optimism that domestic equities can finish strongly into year-end.

International equities

Position: Overweight Japan and the US, neutral Europe the UK and emerging markets

Key points

- The MSCI World ex-Australia Index notched its best monthly gain since February, rising 4.1% in October. However, much of this return can be attributed to the weakness in the Australian Dollar, which insulated USD-based international equity returns.
- Chinese equity markets gave back some of September's strong gains, falling 3.8% as investors await concrete plans arising from the National Party Congress in early November.

Rising equity markets and tightening credit spreads reflect the soft landing expectations supported by economic data and policy easing. However, a series of important events (Japan's election, China's National Party Congress, the UK budget, and the US election) could disturb this calm. The final quarter of the year has been positive so far. Even if China stimulus and future ECB easing remain somewhat uncertain, this has been offset by incoming US data, which continues to point to a resilient US economy.

There are signs the global money supply has increased. Its correlation with stock prices remains high, and its year-on-year change has recently accelerated. The start of the US rate-cutting cycle and the Chinese Government's economic stimulus measures could boost the global money supply. Such a development would be supportive for global equity markets.

The magnitude of further upside for the S&P 500 Index has been complicated by the upcoming presidential elections, Q3 earnings, and valuations that are now close to recent peaks. NVIDIA and other components of the Magnificent 7 have contributed a disproportionate share of the year-to-date index returns, yet their impact has waned in recent months. Generative AI investment spending has served to usurp more later-cycle concerns, and delivery on this front will be closely watched. Although growth rates from the Magnificent 7 remain solid, the 'delta' to the rest of the market is set to be its smallest in 12 months. If the market continues to back-pedal on rate cut expectations (the two-year yield has risen around 40bps in October), those areas of the market, such as mega-caps, technology, and quality growth, which have been dormant for several months, may regain interest. This would be at the expense of defensives, cyclicals and small/mid-caps.

In Europe, earnings have barely grown this year and there is a risk they could remain flat in 2025. This relative underperformance is likely to translate into a continued earnings lag for European corporates. EPS growth projections for this year in the Eurozone continue to be downgraded, and could end up being flat. At the start of the year, EPS growth expectations were 5%.

Asset class outlook

Currencies

Key points

- In October, the US dollar rose on the back of higher yields and US election uncertainty.
- The Australian dollar weakened to below USD 0.66 due to US dollar strength and a disappointing reaction following China's September stimulus announcements.

Currency markets ended the month in broadly risk-off mode, with the US dollar strengthening amid ongoing US economic resilience (as well as fewer rate cuts). There was further support as Donald Trump gained significant momentum in polling and betting odds in the run-in to the 5 November election. Market pricing is now more in line with Fed dots, so the next near-term move in the US dollar is likely to be driven by the outcome of the US election, with elevated currency market volatility likely as markets digest the result (including the risks of a delayed/contested outcome). Structural factors, including a deteriorating US budget deficit and increasing geo-political multi-polarity, point to downside pressures longer term, and may be coming to the fore as markets come to grips with a potential Trump 2.0 outcome.

The Australian dollar fell more than two US cents over the course of October. Waning euphoria over China's stimulus policy tilt weighed on the currency, alongside broader US dollar strength. We expect the US elections and uncertainty around the near-term global economic outlook to spur increased volatility in currency markets as we end the year. Ongoing domestic fiscal stimulus from federal and state governments should prevent the RBA from cutting and provide support for the currency. Our external partners continue to forecast the Australian dollar to end the year in the range of USD 0.68 to USD 0.70.

The euro also fell against the US dollar. Economic concerns (particularly in Germany) versus relative resilience in the US saw the markets price more rate cuts by the ECB and less rate cuts by the Fed. We expect the Eurozone to face macro risks on a structural basis, with near-term weakness a particular risk if a Trump 2.0 administration raises trade tariffs.

The Japanese yen fell sharply in October, and is now trading back above the key USD 150 mark, at about USD 153. Volatility was driven following the news that Prime Minister Ishiba lost his parliamentary majority in snap October elections. Going forward, the yen will not be immune to US election volatility. That said, Japan's internal inflation and macro dynamics remain tilted towards policy normalisation and a 'nominal renaissance' in growth is expected to continue over the next 12-18 months.

Commodities

Key points

- Global commodity prices were broadly unchanged in October on disappointing Chinese stimulus. Gold breached new all-time highs of around USD 2,750 per ounce.
- Iron ore prices are broadly unchanged at around USD 100 per tonne (p/t).

Global commodity markets were volatile during October, with elevated geo-political concerns, as well as speculation (and disappointment) around China's stimulus program, driving significant intra-month volatility. That said, Bloomberg's broad commodity price index is trading roughly unchanged over the month.

Brent crude oil prices spiked in the initial aftermath of Iran's ballistic missile strike on Israel, but have since given up most of those gains, as markets priced in a more restrained Israeli response (which ultimately eventuated). Brent crude traded at USD 73 per barrel (p/b) at the end of October after closing around USD 72 p/b at the end of September.

Fed rate cuts, concerns around the US election, and geo-political fears have helped propel gold to fresh record highs of a little under USD 2,750 per ounce. Industrial metal prices weakened as traders grew frustrated with a lack of follow-through from Chinese policymakers after their stimulus announcements in September. Copper was down approximately 4% in October, while iron ore also registered some disappointment, though it is still trading around the USD 100 p/t mark.

The evolution of China's economy will continue to play a key role in the near-term outlook for commodities. Markets have grown impatient for further details on the latest stimulus package, and the underlying economy still faces significant debt and demand-side challenges.

Longer-term themes, including climate change and geo-politics, are likely to support the commodity complex on a secular basis. It is difficult to determine how these competing cyclical and secular forces might evolve over the year ahead. We are particularly cognisant of the risk that a cyclical downturn could outweigh secular tailwinds in the near term.

Asset allocation views

Strategic asset allocation views

Why do we believe in strategic asset allocation?

We believe that the central component of successful long-term performance is a well-constructed strategic asset allocation (SAA). Empirical evidence suggests that a disciplined SAA is responsible for around 80% of overall investment performance over the long term[1]. Diversification plays a critical role within SAA. By diversifying your portfolio among assets that have dissimilar risk and return behaviour, lower overall portfolio risk can be achieved, and your portfolio can be better insulated during major market downswings.

Why do we advocate SAAs to our clients?

We believe that SAAs encourage a disciplined approach to investment decision-making and help to remove emotion from these decisions. A thoughtfully designed SAA provides a long-term policy anchor for clients. Over the long term, we believe clients are best served by identifying the risk they can bear, then adjusting their return expectations accordingly. Return expectations may be anchored unrealistically. However, risk tolerance tends to remain more consistent through different cycles.

Why strategic asset allocation?

Strategic asset allocation is an important part of portfolio construction as it structures your portfolio at the asset class level to match your specific objectives and risk tolerance.

Furthermore, history has shown that a disciplined strategic asset allocation is responsible for around 80% of overall investment performance over the long term.

Strategic asset allocations in models

	Yield (%)	Balanced (%)	Growth (%)	Endowment (%)
Cash	4	4	4	4
Fixed income	52	34	16	13
Absolute return	11	6	2	2
Government bonds	27	14	7	5
Investment grade credit	11	12	5	4
High yield credit	3	2	2	2
Equities	23	41	59	38
Domestic	10	17	25	11
United States	8	14	20	16
Europe (ex-UK)	2	3	5	4
Japan	1	2	3	2
United Kingdom	1	2	2	2
Emerging markets	1	3	4	3
Alternatives	21	21	21	45
Private markets	8	10	11	20
Real assets	7.5	7	6.5	14
Hedge funds and diversifiers	5.5	4	3.5	11
Target foreign currency exposure	15	25	35	30
Indicative range for foreign currency	10–20	20–30	30–40	25–35

Source: LGT Crestone Wealth Management. Investment grade credit includes Australian listed hybrid securities.

[1] Ibbotson, Roger G., and Paul D. Kaplan. 2000. '*Does Asset Allocation Policy Explain 40, 90, or 100 Percent of Performance?*' Financial Analysts Journal, vol. 56, no. 1 (January/February).

Active portfolio weights and tactical asset allocation views

Our current tactical asset allocation views

We expect growth and inflation to continue to slow through the end of this year. Despite disperse growth cycles, inflation is easing with most central banks now engaged in a rate-cutting cycle.

We do not see a global recession on the horizon, with still-resilient consumers, positive secular investment pressures, and central banks that are pivoting from fighting inflation to supporting employment. Australia continues to be challenged by stubborn inflation and stagnant growth. We believe this backdrop supports a more constructive outlook—particularly once markets are clear on the outcome of the US election. We are maintaining a nimble stance in the face of evolving macro and geo-political risks.

Why tactical asset allocation?

Tactical asset allocations have a six- to 12-month investment horizon and are reviewed monthly. They can be considered an interim strategy where the aim is to provide a smoother investment journey without altering the end goal.

Cash

Our cash position is -3, reflecting our view that a global easing cycle favours fixed income and equities over cash.

Fixed income

At a broad asset class level, we are neutral fixed income. At a sub-asset class level, we favour investment grade credit to take advantage of attractive yields and supportive economic conditions. We are overweight Australian government bonds, as we believe markets are under-pricing the potential for RBA cuts over the coming year, even if it chooses to hold rates steady near term. We see risks of higher term premia overseas, regardless of who wins the US election, so we remain underweight global government bonds.

Alternatives

We favour infrastructure, private debt, hedge funds and diversifying strategies. We are becoming more constructive on real estate globally and anticipate that the next three to six months should present an attractive long-term entry point for those looking past short-term volatility.

Equities

We remain constructively positioned in equities, reflecting our central case for a soft-ish landing and supportive central banks. We are overweight domestic, US, and Japan equities and are neutral in other regions. In addition to a supportive macro backdrop, we believe these three jurisdictions are best positioned to weather any potential trade tensions in 2025.

Active portfolio weights and active tactical asset allocation tilts

	Active tilt	Yield (%)	Balanced (%)	Growth (%)	Endowment (%)
Cash	-3	1	1	1	1
Fixed income	0	52	34	16	13
Absolute return	0	11	6	2	2
Australian government bonds	1	14.5	8	4.5	3.5
Global government bonds	-2	11.5	5	1.5	0.5
Investment grade credit	1	12	13	6	5
High yield credit	0	3	2	2	2
Equities	3	26	44	62	41
Domestic	1	11	18	26	12
United States	1	9	15	21	17
Europe (ex-UK)	0	2	3	5	4
Japan	1	2	3	4	3
United Kingdom	0	1	2	2	2
Emerging markets	0	1	3	4	3
Alternatives	–	21	21	21	45
FX exposure	1	16	26	36	31

Decreased weight this month   Increased weight this month

Source: LGT Crestone Wealth Management. Investment grade credit includes Australian listed hybrid securities.

Our view on fixed income

Australian government bonds

We are overweight Australian government bonds. Domestic bond yields have been underperforming the US as sticky inflation and labour data delay the RBA from easing. We view any weakness in domestic government bonds as a buying opportunity, as it is likely the RBA will need to cut rates by more than is currently expected by markets.

Global government bonds

We are underweight global government bonds. Bond yields are largely priced for further cuts from the ECB, BoE and Bank of Canada. However, we see value at the front end of the US curve as it steadily steepens, reflecting the initial rate cuts from the Fed. The longer end of the curve has priced in future rate cuts, so we see limited upside for capital growth.

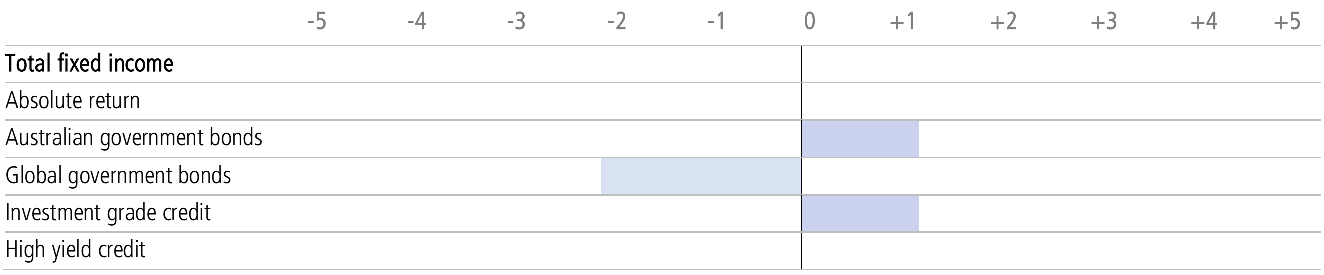
Investment grade credit

We are overweight investment grade credit. While all-in yields are at historically elevated levels, we believe investors should continue to deploy into investment grade credit, both in fixed and floating rate formats. Credit fundamentals remain solid, and we expect limited credit quality deterioration.

High yield credit

We are neutral high yield credit. Spreads are near historically low levels, brought down by demand from yield-hungry investors and the improvement in the average credit rating, which is currently BB. However, the sector is susceptible to adverse economic outcomes and there is a potential for a rise in default rates from its current low base.

Active fixed income weights (%)—We have trimmed our overweight position in fixed income



Fixed income market summary

Fixed income indices	Current	One month ago
Australian iTraxx	66.37	63.32
Australian 3-year yield	4.02%	3.54%
Australian 10-year yield	4.50%	3.97%
Australian 3/10-year spread	47.4 bp	42.5 bp
Australian/US 10-year spread	0.2 bp	0.2 bp
US 10-year Bond	4.27%	3.78%
German 10-year Bund	2.39%	2.12%
UK 10-year Gilt	4.45%	4.00%
Markit CDX North America Investment-Grade Index	53.7 bp	52.7 bp
Markit iTraxx Europe Main Index	58.59	58.82
Markit iTraxx Europe Crossover Index	314.09	310.85
SPX Volatility Index (VIX)	22.87	16.73

Source: LGT Crestone Wealth Management, Bloomberg as of 31 October 2024. Active fixed income weights sourced from LGT Crestone Wealth Management. Units refer to the percentage point deviation from strategic asset allocation.

Our view on equities

Domestic

We are overweight domestic equities, which rose to an all-time high in September. Recently announced China stimulus, which has a strong emphasis on the housing market, should provide support for commodity prices towards the end of the year (which also typically exhibits seasonal strength). Consumer sentiment is also now improving, helped by expectations for lower interest rates from early 2025.

US

We are overweight US equities, although US election risk may induce some near-term volatility. Higher rates are typically an impediment for equity market performance, but have been less so this time, as economic data is resilient and the rate-cutting cycle at the short end remains in train.

Europe (ex-UK)

We are neutral European (ex-UK) equities. Despite valuations which appear reasonable, there are emerging headwinds for this market. Growth is being downgraded and earnings are barely growing. Stimulus in China is an upside risk, as are widening valuation and performance measures.

United Kingdom

We are neutral UK equities. UK equity indices have the highest shareholder yield in developed markets, despite the weakest expected free-cash-flow growth over the next two years. UK valuations are very attractive, with price/earnings ratios at 11.5x, and a fully covered dividend yield at 4.0%,.

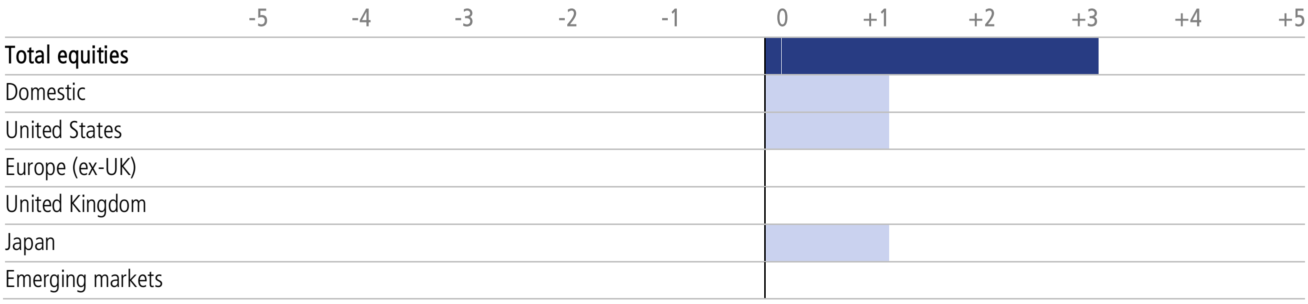
Japan

We are overweight Japan equities. Strategists believe that the set-up for Japanese equities for the remainder of the year is positive, with H1 2024 earnings expected to support Japanese stocks. Historically, Japanese equities have performed poorly in the months leading up to US rate cuts, primarily on concerns about global economic growth. However, once the first rate cut occurs, they have turned positive and performed strongly.

Emerging market equities

We are neutral emerging market equities. China's response to deteriorating growth seems likely to come from both the fiscal and monetary side. Given the force and breadth of the policy response in recent weeks, the economy has likely bottomed out. The Government will now concentrate on implementation, focussing on ensuring local officials deliver fiscal spending that has been budgeted for the year.

Active equity weights (%)—We have increased our overweight to equities



Equity market summary

Region	Index	Latest price	Consensus 1 yr Target	Consensus 1 yr Upside	Next year P/E [1]	Next year D/Y [2]
Australia	S&P ASX 200	8,160.0	8,216.3	0.7%	19.7	3.6%
New Zealand	S&P NZ 50	12,638.9	13,469.1	6.6%	32.5	3.0%
United States	S&P 500	5,726.1	6,364.2	11.1%	21.0	1.3%
Europe	Euro Stoxx	499.2	581.2	16.4%	12.7	3.5%
United Kingdom	FTSE 100	8,110.1	9,439.8	16.4%	11.5	3.9%
China	CSI 300	3,279.8	3,608.3	10.0%	11.8	3.1%
Japan	Nikkei 225	39,081.3	44,584.1	14.1%	19.2	1.8%
India	Sensex	79,389.1	90,414.3	13.9%	22.8	1.4%

Source: Bloomberg. Data as of 31 October 2024; 1 P/E = Price to earnings ratio; 2 D/Y = Dividend yield. Active equity weights sourced from LGT Crestone Wealth Management. Units refer to the percentage point deviation from strategic asset allocation.

Our view on alternatives

Hedge funds and diversifiers

Higher rates and greater asset price dispersion are supporting the case for hedge funds. Macro and structural market forces should further increase the divide between winners and losers in coming years, creating a more expansive set of long and short opportunities for unconstrained investment vehicles, like hedge funds. Against this backdrop, hedge funds are well positioned to capitalise on a greater magnitude of market dispersion, given their natural role as both liquidity providers and opportunistic investors. Low-beta, multi-strategy exposures are preferred within core hedge funds, while we have also introduced alternative diversifying strategies into portfolios through royalties, insurance and litigation, due to higher equity/bond correlations.

Private markets

Private equity remains core, with venture secondaries particularly attractive. Deal and exit activity remains muted, albeit green shoots are emerging. This should support valuations, given underlying company fundamentals appear strong. In light of this, we recommend maintaining exposures to private equity and venture capital and building positions where underweight. We prefer new primary commitment structures, or those that can invest in secondary opportunities, with venture secondaries presenting attractive opportunities, given ongoing persistent dislocations and heightened discounts relative to buy-out equivalents. However, investors should maintain discipline and partner with fund managers that have sufficient data and qualitative insights to source and assess high quality opportunities.

Private debt is preferred, albeit competition is increasing. Higher base rates and increased spreads on private debt offshore mean that risk-adjusted returns continue to be attractive relative to other asset classes. However, public markets have re-opened, which has increased competition, and spreads are beginning to tighten, whilst the anticipated trajectory of interest rates has already reduced, and is likely to further reduce, absolute returns longer term. Direct, sponsor-backed transactions versus broadly syndicated strategies are preferred, as loan terms can be negotiated directly, but we are also looking at private, asset-backed finance. As well as being a good diversifier, this has the potential to be a much larger, yet less competed market. We are cautious on construction and land-focussed real estate lending.

Real assets

We are more constructive on global real estate. US institutional-grade property indices are now suggesting a shift in sentiment. While they may move further, particularly in lower quality assets, we anticipate the next three to six months will present an attractive long-term entry point, particularly as rising replacement costs should limit future supply. Moderating interest rates should also support valuations. Investors should focus on high quality assets without making assumptions about future interest rate moves or value-add initiatives. Trying to pick the bottom of the market will remain challenging. However, on a long-term view, core-plus property equity looks more attractive, and we prefer global over local markets.

Infrastructure is the most preferred sub-asset class within alternatives. Infrastructure continues to perform strongly, given its more defensively positioned assets with often long-term, inflation-linked contracts. It also plays to long-term, multi-decade structural growth themes, most notably decarbonisation and digitisation, where we are happy to take on a little more risk through value-add exposures. An attractively priced secondary market is creating opportunities and supporting new investment vehicles, which are more suitable to private clients. Versus institutional clients, private clients remain underinvested in unlisted infrastructure. An increased exposure to this segment should improve long-term portfolio outcomes on both return-enhancing and risk-reduction measures.

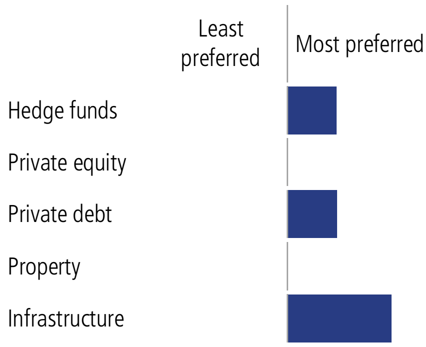
We favour infrastructure, private debt, hedge fund and diversifying strategies, and are maintaining private equity exposures. We are becoming more constructive on real estate globally.

What we like

- Multi-strategy hedge funds and other diversifying strategies.
- Global venture capital secondaries.
- Senior private debt, including corporate, asset-based finance.
- Global infrastructure across the risk spectrum, particularly playing to long-term structural themes.

What we don't like

- Long-bias equity hedge fund strategies.
- Construction and/or junior lending within real estate.
- Carbon-intensive assets and industries with no transition plan.



Direct equity

Recommendations:
Domestic equities—Best sector ideas

Objective of this list

The objective is to identify the best business models or best in breed by GIC's Industry Group for longer-term investors. While we also overlay valuation, companies are included based on anticipated three to five-year performance. When analysing companies to add to the list, some metrics we consider are:

- **Profitability measures**—Return on net operating assets, return on invested capital, free cashflow and return on equity.
- **Liquidity and leverage**—Net debt to equity, Altman Z-score, net debt to earnings before interest, tax, depreciation, and amortisation (EBITDA).
- **Efficiency**—Capital expenditure to sales.
- **Valuation**—Price/earnings ratio, price/book ratio, enterprise value to sales and EBITDA, private equity screens.

Code	Company	Sector	Market price	Consensus price target	P/E 1yr fwd (x)	Dividend yield	ROIC	ROE	1yr EPS growth	MSCI ESG rating
REA	REA Group Ltd	Com. Services	$226.92	$215.38	54	1.0%	42%	33%	19%	AA
ALL	Aristocrat Leisure Ltd	Cons. Disc.	$61.52	$59.92	26	1.3%	25%	23%	10%	AA
TLC	Lottery Corp Ltd/The	Cons. Disc.	$4.99	$5.39	29	3.3%	22%	113%	8%	AA
MTS	Metcash Ltd	Cons. Staples	$3.06	$3.78	12	5.9%	18%	17%	7%	AAA
ALD	Ampol Ltd	Energy	$27.90	$33.06	19	3.3%	11%	11%	48%	AA
BPT	Beach Energy Ltd	Energy	$1.25	$1.52	7	5.0%	15%	11%	27%	AAA
MQG	Macquarie Group Ltd	Financials	$231.51	$220.78	21	3.1%	4%	12%	14%	AA
SUN	Suncorp Group Ltd	Financials	$17.92	$18.38	18	4.6%	6%	11%	12%	AAA
RMD	ResMed Inc	Health Care	$36.92	$39.81	26	0.6%	28%	25%	4%	A
CSL	CSL Ltd	Health Care	$286.95	$325.74	28	1.0%	14%	18%	17%	AA
MND	Monadelphous Group	Industrials	$12.62	$13.99	18	5.1%	18%	15%	8%	AAA
BXB	Brambles Ltd	Industrials	$18.36	$18.98	20	2.1%	22%	28%	12%	AAA
XRO	Xero Ltd	Info. Tech.	$149.50	$167.75	95	0.0%	13%	17%	43%	AA
IGO	IGO Ltd	Materials	$5.25	$6.05	92	1.7%	-1%	1%	277%	AAA
JHX	James Hardie Industries	Materials	$48.86	$53.52	22	0.0%	39%	30%	19%	AA
GMG	Goodman Group	Real Estate	$36.64	$37.25	30	0.8%	12%	12%	14%	AA
APA	APA Group	Utilities	$6.97	$8.39	42	8.2%	6%	8%	29%	AAA

Source: Bloomberg Analyst consensus and MSCI Research. This list does not constitute research and is the output of material prepared by our research providers. To obtain a copy of the underlying research, please contact your investment adviser. Data as of 31 October 2024. ESG is environmental, social, and corporate governance.

Trade opportunities

Please note the following opportunities may not fully satisfy metrics for the above table.

REA Group (REA AU) – Buy. The stock has rebounded since REA lodged a GBP 6 billion bid for Rightmove, the dominant real estate advertiser in the UK. REA will grow its yield in Australia above house price growth by increasing its take rate on the sale price. Revenue is forecast to grow by double digits, and the opportunity in India is large, while the scale of losses are decreasing.

Brambles Ltd (BXB AU) – Buy. BXB is compensating investors with a 4.5% free cash flow yield and providing guidance for double-digit EPS growth. Return on invested capital for financial year 2025 is forecast to stay above 20%, and inventory optimisation and reduced loss are pointing to sustainably higher free cash flow generation.

James Hardie Group (JHX AU) – Buy. The housing downturn in Australia and the US has been prolonged as rate cut expectations are tempered. This impacts near-term earnings, but James Hardie has continued to reiterate its financial year 2025 guidance. A step-up in costs and investments is indicative of a positive long-term outlook. When US housing turns, James Hardie is positioned to capitalise on this. Consensus still embeds 15-20% EPS growth over financial years 2026 and 2027.

Recommendations: Domestic equities—Sustainable income

Objective of this list

This objective is to generate 'sustainable income' over time. Historically, companies that grow their dividends consistently can offer superior long-term performance. While we also overlay valuation, companies are included based on anticipated three to five-year performance. When analysing companies to add to this list, some metrics we consider are:

- **Profitability measures—**Return on assets, cashflow, return on invested capital and return on equity.
- **Liquidity and leverage**—Net debt to equity.
- **Efficiency**—Change in revenue, EBITDA, and margins.
- **Management signalling**—Dividend growth and pay-out ratios.

Code	Company	Sector	Market price	Consensus price target	P/E 1yr fwd (x)	P/B 1yr fwd (x)	Franking	Div. yield	1yr DPS growth	MSCI ESG rating
SUN	Suncorp Group Ltd	Financials	$17.92	$18.38	16.1	1.6	100%	4.6%	-1.8%	AAA
MQG	Macquarie Group Ltd	Financials	$231.51	$220.78	18.8	2.5	40%	3.1%	9.3%	AA
WBC	Westpac Banking Corp	Financials	$32.12	$26.69	16.3	1.6	100%	5.4%	-9.3%	A
QBE	QBE Insurance Group Ltd	Financials	$17.21	$18.67	10.0	1.7	20%	3.8%	10.7%	AAA
COL	Coles Group Ltd	Cons. Staples	$17.59	$18.59	18.2	6.5	100%	4.0%	14.1%	AA
MTS	Metcash Ltd	Cons. Staples	$3.06	$3.78	11.2	2.2	100%	5.9%	7.2%	AAA
TLC	Lottery Corp Ltd/The	Cons. Disc	$4.99	$5.39	26.7	30.6	100%	3.3%	9.0%	AA
TAH	Tabcorp Holdings Ltd	Cons. Disc	$0.47	$0.58	16.8	0.9	0%	3.0%	21.4%	AA
TLS	Telstra Group Ltd	Com. Services	$3.82	$4.27	17.9	3.0	100%	4.9%	5.9%	AA
CAR	CAR Group Ltd	Com. Services	$37.78	$37.63	33.8	4.9	0%	2.1%	14.2%	A
RMD	ResMed Inc	Health Care	$36.92	$39.81	24.9	6.9	100%	0.6%	10.1%	A
PME	Pro Medicus Ltd	Health Care	$194.83	$142.85	147.4	108.4	100%	0.3%	29.9%	BBB
REP	RAM Essential Services	Real Estate	$0.66	$0.75	12.7	1.5	0%	7.7%	2.0%	-
MGR	Mirvac Group	Real Estate	$2.14	$2.33	16.5	0.9	0%	4.2%	10.0%	AA
IRE	IRESS Ltd	IT	$9.95	$10.47	25.0	6.3	0%	1.1%	136.3%	AA
DBI	Dalrymple Bay Infra	Industrials	$3.35	$3.41	18.1	1.5	67%	6.6%	-13.2%	-
ALX	Atlas Arteria Ltd	Industrials	$4.88	$5.43	14.6	1.2	0%	8.3%	1.0%	AA
APA	APA Group	Utilities	$6.97	$8.39	32.6	2.8	0%	8.2%	1.8%	AAA
ALD	Ampol Ltd	Energy	$27.90	$33.06	12.7	2.0	100%	3.3%	78.2%	AA
BPT	Beach Energy Ltd	Energy	$1.25	$1.52	5.6	0.9	100%	5.0%	66.1%	AAA
BHP	BHP Group Ltd	Materials	$42.64	$44.78	11.8	3.2	100%	3.0%	-0.8%	A
AMC	Amcor PLC	Materials	$16.73	$16.22	13.9	4.1	0%	3.1%	1.4%	A

Source: Bloomberg Analyst consensus and MSCI Research. This list does not constitute research and is the output of material prepared by our research providers. To obtain a copy of the underlying research, please contact your investment adviser. Data as of 31 October 2024. ESG is environmental, social, and corporate governance.

Trade opportunities

Please note the following opportunities may not fully satisfy metrics for the above table.

CAR Group (CAR AU) – Buy. CAR has grown its dividend every year since listing in 2009, growing at a 13.5% compound annual growth rate. It has leveraged its first mover advantage into a significant network effect in the Australian market. There is considerable scope for growth among its international segments, where it is yet to maximise yield from its clear advantage.

APA Group (APA AU) – Buy. Recent share price weakness has pushed the net dividend yield to 7.9%. Dividends have grown consecutively for 22 years, and now that regulatory risk around its Southwest Queensland Pipeline has abated, there appears to be no near-term risk to earnings. There is a meaningful organic growth pipeline in the Pilbara.

Atlas Arteria (ALX)—Buy. The company is forecast to distribute 7.6% in dividends in the coming 12 months. A new concession tax, which is being imposed on traffic networks, is fully priced, yet there is a chance it will be overruled by the French constitutional court. Even if the tax is upheld, Atlas may seek compensation, which is all upside to its current price.

Recommendations: International equities—Best sector ideas

Objective of this list

The objective is to provide a list of large-cap international companies across sectors with sustainable business models that generate compounding returns on investment and capital over the longer term. While we also overlay valuation, companies are included based on anticipated three to five-year performance. When analysing companies to add to the list, some metrics we consider are:

- **Profitability measures**—Return on net operating assets, return on invested capital, free cashflow and return on equity.
- **Liquidity and leverage**—Net debt to equity, Altman Z-score, net debt to EBITDA.
- **Efficiency**—Capital expenditure to sales.
- **Valuation**—Price/earnings ratio, price/book ratio, enterprise value to sales and EBITDA, private equity screens.

Code	Company	Sector	Base CCY	Market price	Consensus price target	P/E 1yr fwd (x)	Yield (%)	Market cap (USD bn)	MSCI ESG rating
GOOGL US	Alphabet Inc	Com. Services	USD	171.61	209.10	18.9	0.4	2,110,320	BBB
UMG NA	Universal Music Group	Com. Services	EUR	23.08	26.61	22.6	2.5	45,893	AA
DIS US	Walt Disney Co/The	Com. Services	USD	96.38	109.73	18.7	1.1	174,794	A
9988 HK	Alibaba Group Holding	Consumer Disc.	HKD	94.55	117.00	10.0	0.9	232,944	BBB
NKE US	NIKE Inc	Consumer Disc.	USD	76.80	92.24	23.4	2.1	114,309	BB
SBUX US	Starbucks Corp	Consumer Disc.	USD	97.79	100.16	24.4	2.7	110,810	A
ABNB US	Airbnb Inc	Consumer Disc.	USD	134.69	128.04	27.4	0.0	86,420	BB
RMS FP	Hermes International	Consumer Disc.	EUR	2074.00	2231.56	43.7	0.9	238,000	BB
EL US	Estee Lauder Cos Inc/The	Consumer Staples	USD	68.14	102.94	18.2	4.3	24,461	A
COST US	Costco Wholesale Corp	Consumer Staples	USD	874.31	932.15	44.4	0.6	387,384	A
288 HK	WH Group Ltd	Consumer Staples	HKD	6.06	7.74	7.4	0.8	10,000	–
SHEL LN	Shell PLC	Energy	GBP	2578.50	3075.17	8.7	0.1	205,729	AA
LSEG LN	London Stock Exchange	Financials	GBP	10515.00	11395.73	26.8	1.3	71,969	AA
LLOY LN	Lloyds Banking Group	Financials	GBP	53.40	65.65	7.4	6.0	42,086	AA
WFC US	Wells Fargo & Co	Financials	USD	65.28	67.63	11.8	2.6	222,181	BB
2318 HK	Ping An Insurance Group	Financials	HKD	48.15	60.50	5.6	5.4	130,676	A
939 HK	China Construction Bank	Financials	HKD	6.03	7.24	4.2	6.7	197,149	AA
MA US	Mastercard Inc	Financials	USD	501.81	539.80	30.3	0.6	460,629	AA
JNJ US	Johnson & Johnson	Health Care	USD	160.21	177.19	15.2	3.1	385,725	A
NOVOB DC	Novo Nordisk A/S	Health Care	DKK	763.10	959.94	26.5	1.9	496,501	AAA
ISRG US	Intuitive Surgical Inc	Health Care	USD	505.83	533.11	64.8	0.0	180,166	A
EXPN LN	Experian PLC	Industrials	GBP	3777.00	4355.80	27.4	0.0	44,753	A
DSV DC	DSV A/S	Industrials	DKK	1490.50	1687.35	24.6	0.5	52,223	AA
2330 TT	Taiwan Semiconductor	Information Tech.	TWD	1030.00	1560.21	17.8	1.6	834,162	AAA
ASML NA	ASML Holding NV	Information Tech.	EUR	621.20	853.33	26.0	1.2	269,817	AAA
MSFT US	Microsoft Corp	Information Tech.	USD	409.32	501.03	27.0	0.8	3,043,245	AA
ACN US	Accenture PLC	Information Tech.	USD	346.93	378.73	24.7	1.8	217,554	AA
SHW US	Sherwin-Williams Co/The	Materials	USD	359.58	393.65	28.1	0.9	90,561	A
EQIX US	Equinix Inc	Real Estate	USD	911.06	960.74	68.4	2.0	87,906	AA
ORSTED DC	Orsted AS	Utilities	DKK	400.70	462.55	14.3	0.0	24,546	AAA
		Average Yield:					1.8%		

Source: Bloomberg Analyst consensus and MSCI Research. This list does not constitute research and is the output of material prepared by our research providers. To obtain a copy of the underlying research, please contact your investment adviser. Data as of 31 October 2024. ESG is environmental, social, and corporate governance.

Recommendations: Thematic investing—Supply chain disruption

Objective of this list

Thematic investing is an approach which focuses on predicting long-term trends rather than specific companies or sectors. As it is also often associated with secular forces, this means it can provide investors with exposure to themes that are expected to grow at rates above economic growth over the longer term. Thematic investing is best suited to longer-term investors and those looking for opportunities beyond the comparatively smaller investment universe that exists in Australia. Some key themes that investors are exploring include:

- Climate change.
- Cryptocurrency and blockchain.
- Demographics.
- Electric vehicles.
- Healthcare and genomics.
- Energy transition.
- Artificial Intelligence.
- Security and safety.
- Supply chain disruption.
- Sustainable investing.

Supply chain disruption—Select exposures.

A recent convergence of factors has put global supply chains in focus. Volatility around the US election, the threat of global tariffs, labour strikes, and ongoing military conflicts around the world have emphasised the importance of our logistics networks.

Code	Company	Sector	Base CCY	Market price	Consensus price target	P/E 1yr fwd (x)	Yield (%)	Market cap (USD bn)	MSCI ESG rating
AMZN US	Amazon.com Inc	Cons. Disc.	USD	192.73	220.37	28.9	0.0	2,022,811	BBB
BABA US	Alibaba Group	Cons. Disc.	USD	97.96	120.88	10.1	7.2	234,536	BBB
EBAY US	eBay Inc	Cons. Disc.	USD	56.87	62.23	10.9	2.0	27,806	A
WMT US	Walmart Inc	Cons. Staples	USD	82.19	85.42	30.2	1.1	661,146	BBB
SHEL LN	Shell PLC	Energy	GBP	2578.50	3075.17	8.7	0.1	205,729	A
BPT AU	Beach Energy Ltd	Energy	AUD	1.25	1.52	5.6	8.2	1,884	AAA
LLOY LN	Lloyds Banking Group	Financials	GBP	53.40	65.65	7.4	0.1	42,086	AA
DSV DC	DSV A/S	Industrials	DKK	1490.50	1687.35	24.6	0.5	52,223	AA
KNIN SW	Kuehne + Nagel	Industrials	CHF	215.60	240.22	20.3	3.5	30,146	AAA
DHL GY	Deutsche Post AG	Industrials	EUR	36.93	43.68	10.9	5.2	48,207	A
DE US	Deere & Co	Industrials	USD	405.51	413.23	18.2	1.6	110,947	AA
BXB AU	Brambles Ltd	Industrials	AUD	18.36	18.98	na	na	16,861	AAA
WTC AU	WiseTech Global Ltd	IT	AUD	118.28	123.83	72.5	0.3	26,027	AAA
ACN US	Accenture PLC	IT	USD	346.93	378.73	24.7	1.8	217,554	AA
INTC US	Intel Corp	IT	USD	22.30	24.70	20.8	1.1	95,355	AAA
SAP GY	SAP SE	IT	EUR	214.80	230.42	34.6	1.1	287,025	AAA
GMG AU	Goodman Group	Real Estate	AUD	36.64	37.25	26.9	0.8	46,091	AA
PLD US	Prologis Inc	Real Estate	USD	113.70	134.17	32.2	3.6	105,295	A

Source: Bloomberg Analyst consensus and MSCI Research. Data as of 31 October 2024. ESG is environmental, social, and corporate governance.

Important information

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