Positioning for outperformance

Key drivers for Australia's economy in 2024

Core Offerings

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

November 2023

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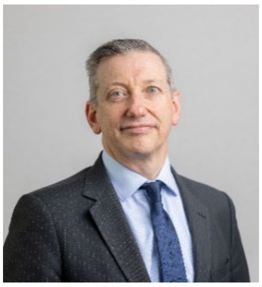
Key drivers for Australia's economy in 2024

AN UPDATE FROM LGT CRESTONE'S CHIEF INVESTMENT OFFICER



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The past month has been a challenging one for investors, both here and abroad. For those who call Australia home, our social fabric has been challenged by a bruising referendum campaign and the heightened geo-political tensions following Hamas' attack on Israel. Australia's economic outlook was also downgraded sharply by the International Monetary Fund (IMF), while the Reserve Bank of Australia (RBA) now appears likely to hike rates again on Melbourne Cup day in early November, following an upside surprise in Q3 inflation.

Add on consumer sentiment that is consistent with recessionary conditions, ongoing rental and housing stress, and a record proportion of Australians taking on multiple jobs to make ends meet, and it can be difficult to paint an optimistic picture for the local economy.

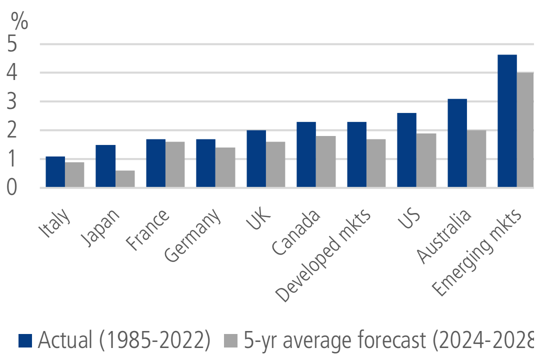
However, many of Australia's challenges are shared by other developed economies, and while we believe that macro-economic risks are skewed to the downside globally, we think that Australia does hold some important cards in its favour. In this month's *Core Offerings*, we detail key drivers for the Australian economy and why it is likely to outperform its G7 peers over the year ahead. In the relative world of financial markets, this has implications for Australian assets and is partly why we have tactically increased our overweight to (Australian) government bonds this month, while also remaining overweight Aussie equities.

Over the long term Australia has delivered strong economic growth

Taking a step back, it is important to recognise that Australia has been an economic outperformer over the long term, with real GDP growth since 1985 averaging 3.1% annually, outperforming the G7 and most other developed nations (chart below).

Australia has been a long-term economic outperformer, outpacing the G7 and most other developed nations.

Australia has been a long-term economic outperformer



2024 forecasts	GDP (% YoY)
Australia	1.5%
US	0.8%
Eurozone	0.2%
UK	-0.2%
Canada	0.3%
Japan (fiscal year)	0.7%
New Zealand	0.4%

Source: IMF *World economic outlook*, October 2023, LGT Crestone, CBA. * year-on-year percentage.

This outperformance is expected to continue (albeit in a less pronounced manner) going forward. In 2024, while growth is expected to slow further to a below-trend pace, CBA still forecasts the Australian economy will continue to outperform developed market peers in 2024. Looking further out, the IMF (even with its latest downgrade) expects Australian real GDP growth over the next five years to average 2.0% per annum, remaining at the top end of expectations for developed markets.

Like the US, strong population growth and net inward migration has been a key component of Australia's economic outperformance.

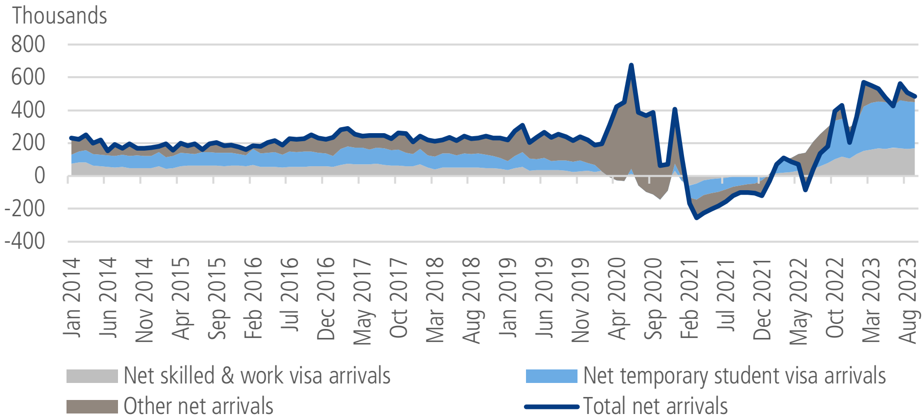
Apart from strong growth in labour productivity and a secular rise in participation rates (due to increasing female participation in the workforce), a key driver of Australia's historic economic outperformance has been population growth and immigration. According to United Nations (UN) statistics, Australia's population has grown by 1.4% per annum since 1985, with around half of that growth (0.7% per annum) driven by net overseas migration. This compares to a total average population growth rate of 0.4% per annum in other developed nations over the same period (less than Australia's net overseas migration growth alone).

The US has been a similar winner from population growth and immigration, averaging 1.0% population growth per annum since 1985, with just under half of that coming from net migration. Given this, it is no surprise that the US, despite starting from a much larger base, has also outperformed its developed market peers economically.

Strong population growth, alongside a solid fiscal position, resilient housing and labour demand, and Australia's leverage to the energy transition are likely to be key drivers for the domestic economy in 2024.

CBA has noted that the large financial year 2023 budget surplus is likely to assist the RBA in bringing inflation back to target and is "good news for Australia's AAA credit rating".

Australian net overseas migration (annual rolling sum)



Source: ABS, LGT Crestone.

Key drivers for the Australian economy in 2024

- Population growth: Looking forward, we expect net overseas migration will continue to be a key driver of Australian growth and a key potential source of economic dynamism relative to other developed markets. We also appreciate this will not come without its challenges. Australia's population grew 2.4% to June 2023, largely driven by a sharp uplift in inward net overseas migration as the Government re-opened the border.

  This has supported aggregate economic growth (boosting business revenues), underpinned housing demand, and provided a strong supply of both skilled and unskilled workers to the labour force that has helped ease labour shortages. While international students have driven the bulk of inward migration, there has also been a pleasing uplift in the proportion of skilled and work visa holders, which has risen to record high levels of around 170,000 on an annual basis.

  Apart from the immediate boost to aggregate demand, skilled migrants (and students who remain in Australia post-graduation) are generally younger and very productive, contributing strongly to the economy and budget bottom line over the course of their working lives. The latest *Intergenerational report* estimates the average primary skilled migrant contributes around $300,000 to the budget bottom line over their lifetime.

- Fiscal flexibility: The Australian Commonwealth Government budget balance is currently tracking well ahead of developed market peers, posting a $22.1 billion (0.9% of GDP) surplus for financial year 2023, boosted by strong tax receipts and elevated commodity prices.

  Looking forward, while the budget is expected to slip back into deficit territory, the IMF continues to forecast a budget balance and net debt position that compares very favourably to Australia's G7 peers. This healthy fiscal starting point reduces pressures on the economy and gives the Government significant flexibility to respond to potential downside scenarios and invest for the longer term.

Economic outlook forecasts

	Average government deficit as a % of potential GDP (2024-2028)	Government net debt as % of GDP (central) (2028)
Australia	-1.6%	34%
US	-7.4%	112%
UK	-3.1%	96%
Japan	-3.1%	153%
Italy	-3.0%	131%
Germany	-0.7%	42%
France	-3.7%	100%
Canada	-0.4%	14%

Source: IMF *World economic outlook*, October 2023, LGT Crestone.

If labour market demand remains resilient, this will provide another important pillar of support for consumer spending.

- **The labour market and consumer:** As with most western economies, the Australian labour market remains especially tight, with the unemployment rate near multi-decade lows of around 3.6%, despite the recent tightening of monetary policy. Demand for labour (particularly skilled labour) remains strong, though we note that there have been signs of increasing spare capacity in the labour market, and we are seeing cost-of-living pressures manifest in a record proportion of multiple jobholders.

  While some increase in unemployment toward 5% is likely over the coming year or so, this would be an historically modest response to the recent sharp increase in interest rates. A likely resilient jobs market—aided by structural forces such as ageing—will be a key support for both the economy and consumer. A further potential support lies in excess pandemic-era stimulus savings, though it is unclear how much Australian households have left in the tank or if this stock has almost been exhausted.

Australia is uniquely positioned to benefit from the global energy transition.

- **Energy transition**: As we pointed out in the November 2022 edition of *Core offerings*, Australia is uniquely positioned as a reliable supplier of the critical minerals required to power the global energy transition. In particular, the strength of Australia's institutions and rule of law reduce the political and sovereign risk facing investors, who can have greater confidence in the management of economic and environmental policy.

  While a somewhat longer-term growth driver, to the extent the Government can provide clear policy direction—and the private sector mobilises to capture the opportunities—this is likely to manifest itself through stronger business investment, higher government tax receipts (further bolstering the fiscal position), and employment growth in the mining and mining-related sectors.

Key risks to the 2024 outlook

The outlook for Australia is not all rosy, however, and we see several key risks facing the domestic economy:

However, Australia faces no shortage of challenges. These include infrastructure and housing, productivity, sticky inflation, and global economic risks.

- **Infrastructure and housing**: The strong population growth and migration intake this past year has not been universally positive, as it has put significant strain on existing infrastructure and housing supply, helping to drive rental vacancy rates to record lows nationally. This has, in turn, weighed on consumer and social sentiment. Dwelling investment is beginning to inflect upwards as builders respond to stronger demand and supply-chain pressures continue to ease. But pipeline pressures remain, and it will take time for additional supply to come online, while the inability of housing prices to moderate due to material and wage pressures likely remains a headwind for demand.
- **Productivity**: The latest national accounts confirmed a per-capita GDP recession (two quarters of negative per-capita GDP growth), while labour productivity has regressed to 2016 levels. Notwithstanding that productivity performance has been a key driver of above-peer growth in the past, Australia now faces a significant productivity challenge. Improving the efficiency of our infrastructure and re-invigorating flexibility within our jobs market and industrial relations sphere are arguably key deliverables.
- **Monetary policy challenges:** The RBA has recently flagged the prospect of higher oil prices feeding into inflation expectations as a key risk that could prompt further policy tightening. Having embarked on the steepest and fastest hiking cycle in its history, and with the full effects of previous hikes still flowing through the economy, new RBA Governor Bullock needs to balance the competing dual risks of inflation expectations becoming embedded and a hike (or two) too far that could 'break something'.

While the year ahead is likely to be tricky, the Australian economy appears well positioned to outperform developed market peers.

- **Global economic risks:** As a small, open economy, Australia's fortunes are very much driven by the global (and particularly Chinese) growth outlook. While we are seeing tentative signs of stabilisation in China's economy, global risks, including the ongoing geo-political uncertainty in the Middle East and Ukraine and potential economic weakness in the US and/or Eurozone, may weigh on the domestic outlook.

Australia faces no shortage of challenges, but has key competitive advantages and a respectable foundation to continue outperforming its developed market peers. To be clear, we are not expecting a significant re-acceleration in the domestic economy. We remain cognisant of the challenged global economic outlook, which is likely to weigh on domestic conditions in absolute terms. Navigating a path through these risks will be a challenging endeavour and key test for Australia's fiscal and monetary policymakers.

However, with key competitive advantages, a respectable starting position, and an ounce of good fortune, we think there's a strong chance that the Australian economy can continue to outperform its developed market peers on a relative basis over the year ahead. This may look like moderating inflation toward the top of the 2-3% inflation target, a near-term peak in cash rates below 4.5%, only a moderate rise in unemployment to 4.5-5.0% and sub-trend growth of 1.5-2.0%, ahead of a recovery through 2025.

Positioning for Australian macro outperformance

Domestic equities—At a discount to global markets

Over recent years, the Australian economy has transitioned from a high growth / high inflation dynamic (2021), to decelerating growth with higher inflation (2022), and economists are now forecasting a period of slower growth and modest but sticky inflation.

The domestic equity market is cheap compared to global peers, and should benefit from macro outperformance.

Such a middling environment has historically been supportive, noting that Australia is now at the bottom of a 2.5-year trading range (6,900–7,600) for the S&P/ASX 200 index. Historically, the sectors that outperform following the RBA's final hike have been the defensive and non-cyclical growth segments, such as consumer staples, healthcare, and insurance sectors.

With China growth expectations and investor positioning highly negative, tentative signs of stabilisation for China's economy over recent months may also be enough to see the major miners on a stronger footing for the year ahead. The energy complex remains attractive given geo-political uncertainties and the major banks have seen earnings expectations stabilise of late, with both CBA and NAB launching buybacks, given strong capital positions.

The bottom line is the S&P/ASX 200 trades at 14.5x, in line with its long-term average, but at a 10% discount to the MSCI World ex-Australia index. Australia's relative valuation to the rest of the world is now in the bottom decile of readings since 2008, providing an element of valuation protection not seen in other major markets. From a sector perspective, real estate, retailers, and financials are favourably leveraged to a growing population longer term, though these sectors will need to navigate a potentially tricky year ahead as consumers grapple with the impact of tight monetary policy.

We have increased our overweight to Australian government bonds, which are offering attractive yields, backed by a stable AAA rating and strong fiscal position.

Fixed income—Attractive yields, with domestic govvies to outperform global bonds

We favour Australian government bonds over developed market government bonds and have made a move within our tactical asset allocation framework to increase our overweight to government bonds through Australia. We note that much of the rise in domestic government bond yields over recent months can be attributed to global factors, in particular the sharp rise in US Treasury yields over the same period.

We believe the Commonwealth Government's fiscal position is much stronger compared to most developed market peers, and we see the combination of its stable AAA rating and solid budget starting point as supporting ongoing compression in the Australia-US Treasury yield differential going forward. This is especially the case when comparing to the significant budget deficits that the US is likely to experience on a structural basis.

Within other areas of fixed income, we continue to recommend a 50/50 split between fixed and floating rate notes with a focus on major bank subordinated Tier 2, which currently offers returns between 6.25% and 6.50%. The Australian Prudential Regulation Authority has been very constructive in ensuring the banking sector in Australia is well capitalised, with the major banks able to increase their total loss absorbing capital via eligible Tier 2 instruments. The combination of increased supply has kept Tier 2 spreads above long-term averages.

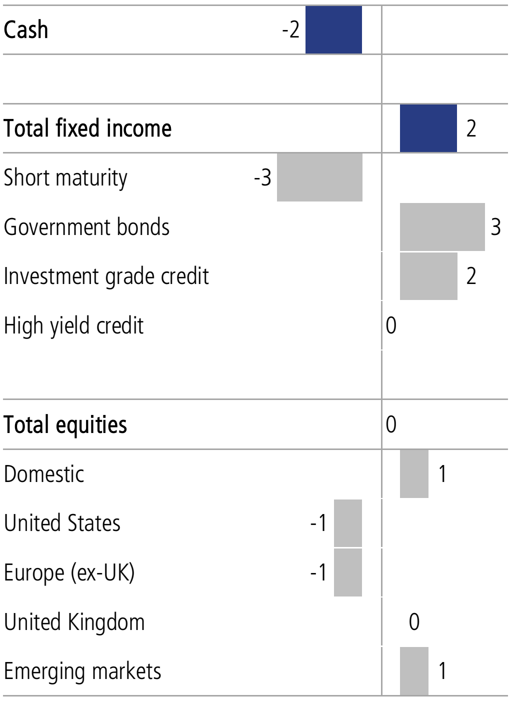
Australian infrastructure provides a linkage to domestic inflation, leverage to the Australian economy, and opportunities to benefit from the energy transition.

Alternatives—Focus on infrastructure and private debt

Within alternatives, we continue to favour a global approach (both internationally and domestically) to senior private debt opportunities, while remaining cautious on real estate debt. Infrastructure is our most favoured sub-asset class, and we particularly like Australian infrastructure assets for their linkage to domestic inflation, leverage to the Australian economy, and opportunities to benefit from the energy transition and supply-chain resiliency thematics. Greater volatility and dispersion of returns across asset classes, combined with a higher rate environment, should also improve prospects for hedge funds and their role in portfolios as a true diversifier.

What's driving our views

Tactical asset allocations (% weights)



Source: LGT Crestone Wealth Management. Units refer to the percentage point deviation from strategic asset allocations. Investment grade credit includes Australian listed hybrid securities.

Bond yields offering an attractive risk-reward profile

Global growth outside the US has continued to slow alongside core inflation, while a spike in geo-political uncertainty has raised concerns for the outlook of headline inflation and monetary policy.

While near-term uncertainty has risen, we continue to believe that we are at—or close to—peak interest rates and risks are skewed to further moderation in growth over a six to 12-month horizon. Taking advantage of the US-driven rise in global bond yields, we have increased our overweight to government bonds, where we favour Australia. We continue to monitor for opportunities as we navigate the uncertain investment environment.

Inflation volatility is likely to persist—Inflation is now falling meaningfully. However, the fading impacts of globalisation and structurally tight jobs markets suggest a more volatile inflation outlook.

'Sticky' interest rates—Falling inflation is likely to foster a near-term peak in central bank rates. But fewer deflationary forces than in the past are likely to limit the extent to which rates can fall.

Geo-political risks on the horizon as we enter 2024—Israel-Gaza, Russia-Ukraine, and elections in Taiwan and the US are near-term risks. Ongoing decoupling across technology, trade alignment, as well as military and energy security, are all key potential drivers of growth and volatility.

Diversification matters—In a world of heightened volatility and divergence, it is important to maintain portfolio diversification, avoiding over-exposure to individual markets, sectors, and other specific return drivers. Unlisted investments are likely to become more attractive.

Structural thematics

The energy transition—The world faces a trade-off between net-zero commitments, cost, and energy security. This is setting the scene for both old and new forms of energy to play a role.

Sustainable investing—As the world becomes more connected, it is also becoming more socially aware. The intersection of finance and sustainability will govern a significant reallocation of capital.

The search for income—The exit of 'zero-bound interest rates' has resulted in a resetting of income expectations across all asset classes, including equities, fixed income, and income-generating unlisted assets.

Multi-polar world—Brexit, trade wars, and conflicts in Eastern Europe and the Middle East are symptoms that we are entering a more multi-polar world order, with significant implications for economies and markets.

	What we like	What we don't like
Equities	▪ Energy companies now focused on shareholder returns with an 'OPEC put' in place. ▪ Later-cycle defensive exposures in the consumer staples, telco and healthcare sectors. ▪ Emerging markets due to output and earnings per share (EPS) growth differentials relative to developed markets.	▪ Companies with shorter-term debt maturities at risk of re-pricing into a higher rate environment. ▪ Market-cap weighted S&P 500, where valuations and concentration favour the equally weighted index. ▪ Stocks trading at historically tight dividend yields to the risk-free rate.
Fixed income	▪ Australian government bonds between 4 and 7 years ▪ Actively managed funds investing in higher quality credits. ▪ Fixed rate three- to five-year senior unsecured banks. ▪ Fixed rate Australian bank subordinated tier 2.	▪ Short maturity bonds with a preference for more duration in portfolios. ▪ High yield corporates vulnerable to higher cost of funds.
Alternatives	▪ Low-beta credit-oriented and macro hedge strategies. ▪ Senior private debt (strategies excluding real estate). ▪ Core and core-plus infrastructure assets with inflation linkages, and real assets exposed to the energy transition.	▪ Lower grade and/or buy-and-hold real estate assets. ▪ Construction and/or junior lending within real estate. ▪ Carbon-intensive assets and industries with no transition plan.

Economic and asset class outlook

Economic outlook

Global economy

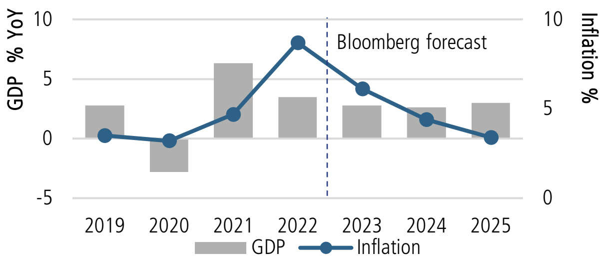
Geo-political and inflation volatility have escalated over the past month. While mirroring the themes we have been highlighting over the past year as likely to dominate the outlook, the attack on Israel by Hamas was largely absent from many strategists' list of potential near-term geo-political shocks. This was the largest attack on Israeli soil in decades, coming a day after the 50th anniversary of the 1973 Yom Kippur War. The human tragedy remains front of mind and the situation remains very fluid. The implications for commodity prices and the global outlook are likely to pivot on the extent the war remains contained to the Gaza Strip or draws Hezbollah forces or Iran into the conflict.

In contrast, while the path to lower inflation was never likely to be a straight line, the modest up-tick globally during the past month, together with an ongoing (and surprisingly) resilient US economy, have underpinned a further significant rise in long-term interest rates. While central banks in recent months have been signalling optimism that the peak in policy tightening has been reached, the renewed modest pick-up in monthly core prices has led to renewed messaging from policy makers that there remain some risks that further rate hikes may be needed.

Despite these developments, consensus continues to form around a 'softer' landing for the global economy in 2024. Strong jobs growth and consumer spending in the US suggest ongoing firm growth beyond Q3's very strong print. Data suggest households in Australia are weathering the mid-year mortgage rate reset, while Japan continues to surprise modestly more positively on activity. There are renewed signs of steadying in China's growth outlook, with additional policy support over the past month. In contrast, outright contraction has begun to emerge in Europe and the UK as H2 2023 progresses.

Forecasts for 2023 growth have edged higher, with the IMF lifting its forecast to 3.0%, before a modest slowing to 2.8% in 2024. IMF Managing Director Georgieva flagged a rising probability of a global soft landing, due to surprising strength in services demand and progress in the fight against inflation. The IMF cautioned the recovery is slow and uneven, and that forecasts remain well below the long-term average. In contrast, Société Générale (SG) expects a mild recession in 2024, led by the US economy.

Global GDP growth and inflation



Source: Bloomberg as of 31 October 2023.

Australia

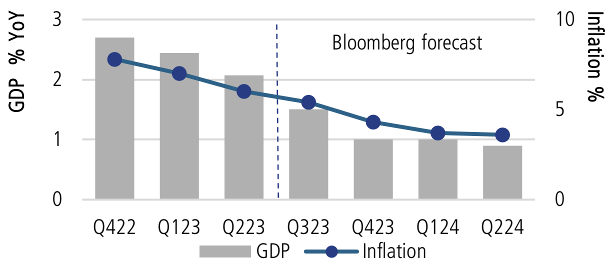
Australia's economy appears on track to continue expanding at a sub-trend pace over the rest of 2023. The relatively rapid rise in interest rates over the past year is underpinning a clear slowing in consumer and housing activity, with the likelihood of further slowing in demand ahead. However, a resilient jobs market—together with a rapid rise in immigration and signs of stabilisation in China's growth outlook—continue to suggest the low likelihood of recession, and the potential for out-performance against other key economies in 2024. However, a modest reacceleration in quarterly inflation has raised the spectre that further near-term rate hikes may be required.

Growth in Q2 rose 0.4% (repeating Q1's outcome), with the annual pace slowing further from 2.4% to 2.1%. Q3 data suggest a similar sub-trend pace has continued. In September, retail sales rebounded, lifting the annual rate back to around 2% (from 1.5%), consistent with weak consumer sentiment, which is near pandemic lows. House prices have gained 7% since February, but new lending and building approvals remain subdued. August business conditions also fell to 11, which is their lowest since January 2023, as sales, profitability and employment readings moderated. The labour market remains tight, albeit underemployment has begun to trend higher, and unemployment has risen modestly from lows of 3.5% to 3.8%.

Inflation rose 1.2% in Q3, above Q2's 0.8% pace, albeit slowing the annual pace to 5.4% from 6.0%. While higher fuel prices contributed, core measures (1.2% and 5.2% annually) were also above consensus and the RBA forecasts. The RBA held policy unchanged at 4.10% in October, but the minutes reveal a more hawkish tilt, noting that "the Board has a low tolerance for a slower return of inflation to target than currently expected". Business surveys show labour cost increases easing somewhat, as the impact of the minimum wage rise and purchase cost pressures fade. Given the Consumer Price Index (CPI) data, CBA and UBS expect a rate hike in November, but Barrenjoey forecasts the peak in rates.

After 3.7% in 2022, UBS expects Australia to avoid a recession, with growth of 1.9% (recently raised from 1.4%) in 2023 and 1.6% in 2024. CBA has also recently raised its growth outlook to 1.8% for 2023 and 1.5% for 2024 (from 1.7% previously).

Australian GDP growth and inflation



Source: Bloomberg as of 31 October 2023.

Economic outlook

United States

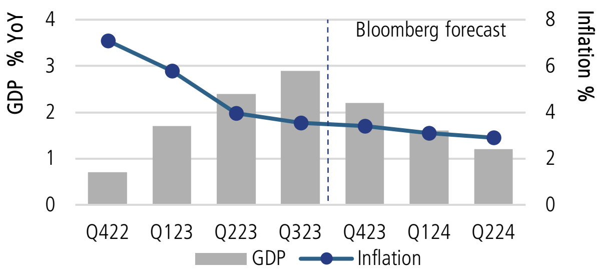
US data in early Q4 continues to support those looking for 'no landing'—i.e., ongoing strong US growth. However, history suggests the lagged impacts of tight monetary policy, as well as the recent rise in long-term yields, should enforce some slowing in growth ahead. The extent of any further weakness in 2024 will depend on whether there are additional increases in rates in response to the recent up-tick in services inflation and jobs growth. But the escalation of instability in the Middle East and risk of government shutdown caution against further near-term tightening. While inflation is easing, it appears unlikely to fall fast enough to support cuts before mid-2024, underscoring the outlook for a mild downturn.

Growth in Q3 accelerated to a very strong 1.2% (from 0.5%), up an annualised 4.9%. The composite Purchasing Managers Index (PMI) rose to 51.0 in October from 50.2, still around the 'break-even' mark and continuing to signal a more moderate pace of growth ahead. Retail sales, however, were strong in Q3, rising 0.7% in September after 0.6%, while jobs growth also surprised higher, with a gain of 336,000, its fastest in eight months. Unemployment stayed at 3.8% (from 3.5% a few months earlier, likely supported by higher immigration), while average hourly earnings are now slowing more clearly. Consumer sentiment has also weakened more recently.

In contrast to prior months, progress on inflation stalled in September, with the headline rate unchanged at 3.7%, as higher energy costs limited further moderation. Core inflation eased from 4.3% to 4.1%, its lowest since September 2021. But the reacceleration in core services caused some angst in light of recent stronger activity data. The US Federal Reserve (Fed) delivered a hawkish 'hold' in September, leaving rates unchanged at 5.50%, but signalling fewer cuts (0.5%, rather than 1.0%) for 2024. The minutes, and Chair Powell's speech, suggest the Fed intends to maintain restrictive monetary policy for longer and could tighten further if growth does not slow.

After 1.9% in 2022, UBS has again raised its 2023 and 2024 forecasts to 2.5% (was 2.4%) and 1.2% (was 1.0%). SG is forecasting a sharper slowdown to 0.7% in 2024.

US GDP growth and inflation



Source: Bloomberg as of 31 October 2023.

Europe

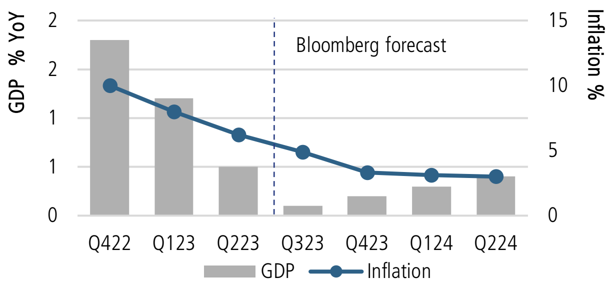
Headwinds for the European outlook have increased over the past month, particularly in the wake of the escalation in the Middle East and the likely elevated energy price environment. However, as UBS notes, from a macro perspective, there are likely two opposing forces for growth. "On the one hand, the European Central Bank's (ECB) restrictive monetary policy, the weak external environment, and somewhat tighter fiscal policy to exert ongoing headwinds over the coming quarters. On the other hand, relatively low unemployment and the recovery of real wage growth (from deeply negative) to support household consumption, which represents 55% of Eurozone GDP".

Europe's Q2 growth rose a (downwardly revised) 0.1% (after 0.1%), with the annual pace slowing to 0.5% from 1.1%. France surprised to the upside, Spain grew strongly, while Italy and Germany came in below expectations. For Q3, the data has been weak, and uncertainty about the pace of activity in H2 2023 has risen. The PMI has relapsed below the key 50-mark in recent months, dropping to 46.5 in October from 47.2 (a near-three-year low), led lower by weaker services. In August, retail sales declined by a sharp 1.2%, while consumer sentiment has also begun to deteriorate again, falling sharply negative in September. In contrast, the labour market remains tight, with unemployment retracing to a record low of 6.4% in August.

Inflation has been a key challenge for the region. But consistent with months of easing upstream price pressures, inflation has finally begun to correct lower. In September, headline inflation fell to 4.3% from 5.2% (its lowest since October 2021), while core inflation dropped to 4.5% from 5.3% (having been above 5% for the past year). After a dovish hike to 4.0% in September, where the ECB suggested policy had risen enough to underpin inflation returning to target over time, the ECB remained on hold in October. UBS expects the first rate cut to occur mid-2024, while SG believes the first cut is unlikely before 2025.

After 3.4% in 2022, UBS expects a sharp slowing in growth to 0.5% in 2023, ahead of a limited pick-up to 0.6% in 2024. SG expects better slightly stronger growth of 0.7% and 0.9%, while CBA sees Europe in recession in 2023 (at 0.2%).

European GDP growth and inflation



Source: Bloomberg as of 31 October 2023.

Economic outlook

United Kingdom

UK growth proved more resilient than expected during H1 2023, delivering weak positive growth. However, recent data reveal a deterioration during Q3. As Longview Economics notes, "the UK faces a number of macro challenges in coming months. In particular, monetary policy is 'too tight' and, as a result, company bankruptcies have risen sharply, house prices are falling and linked to that, the consumer is retrenching (with confidence and consumer credit all down significantly)." More positively, inflation has started to move lower and wages growth is showing tentative signs of easing, pointing to a near-term peak in policy tightening. Still, growth is expected to stay weak in H2 2023 ahead of an only tepid recovery in 2024.

Output grew 0.2% in Q2 after 0.1% for Q1, edging up the annual pace to a still tepid 0.4% (from 0.2%). However, after July's sharp 0.6% decline in monthly output, the rebound was a relatively modest 0.2%. As CBA notes, this suggests "the UK economy is likely to have contracted in Q3 2023 and fallen into recession". The PMI remained weak at 48.6 in October, down from 50.8 in July, while retail sales fell again in September by 0.9%. However, like elsewhere, the jobs market is tight, with unemployment edging up only slightly to 4.3% in July. While still high, average weekly earnings growth moderated in August to 8.1% form 8.5%. House price growth remained weak, unchanged at -4.7% in September.

Inflation has been problematic for the UK, albeit recent data has revealed some improvement. Inflation was unchanged at 6.7% in September, staying at an 18-month low. Core inflation edged lower to 6.1% (after 6.2%), a sharp drop from its 7% average during Q2. The Bank of England (BoE) unexpectedly held rates at 5.25% in September, likely reflecting the downside inflation surprise, the first 'on-hold' decision since late 2021. BoE Deputy Governor Broadbent said UK households have now run down most of their excess savings built up during the pandemic. Both CBA and UBS see the BoE as finished tightening.

After 4.1% in 2022, UBS sees growth of just 0.2% for 2023 (and a modest lift to 0.6% in 2024), while CBA expects 0.4% growth (and recession in 2024 at -0.2%). SG sees similar weak growth for 2023 but a modest pick-up to 0.7% in 2024.

Japan

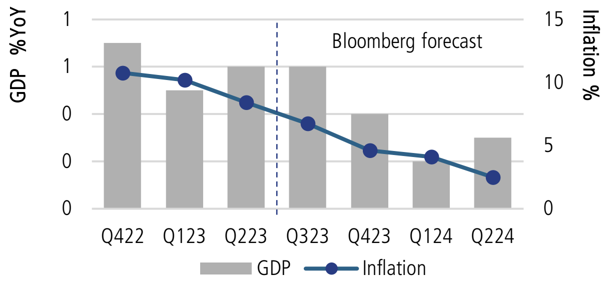
Japan's economy has expanded more strongly than expected in H1 2023, with recent business surveys suggesting momentum has continued into early H2. However, there are tentative signs of slowing in the domestic economy, which suggests some pay-back in growth over coming quarters. This is likely to leave Japan on a gradual expansion path through 2024. Inflation, while steady, appears likely to slow over coming months. Nonetheless, focus remains on whether a higher inflation path than the Bank of Japan (BoJ) has been targeting will see them signal modestly tighter policy in the months ahead.

Stronger-than-expected Q2 growth was revised slightly slower to 1.2% (from 1.5%), easing the annual pace to 1.6% in Q2 (from 2.0%). According to UBS, "the improvement in the BoJ's Tankan business condition index between June and September, [suggests] the growth momentum [will be] sustained through the summer". Data, however, does point to slower Q3 growth. Japan's PMI declined moderately to 49.9 in October from 52.1—now below the key 50 mark. Retail sales rose just 0.1% in August after July's sharp 2.2% jump. The jobs market is tight, although July and August's unemployment lifted to 2.7%, above the 2.5% level over the past three months. Wages growth has recently retraced, albeit BoJ Governor Ueda raised the strength in real wages as a concern.

After a peak of 4.3% in January, inflation has been remarkably stable at around 3.3% between February and August, easing to 3.0% in September. Wages growth has surprised weaker at 1.1% in August (from 2.3% in June). After a modest tightening and doubling of the yield curve target to 1.0% in July, the BoJ voted unanimously to maintain the current stance of policy, with the key policy rate unchanged at -0.1%. In the absence of wage growth, CBA expects the BoJ to maintain its ultra-easy monetary policy this year, while UBS looks for a hike in the current 10-year yield target from the current level of around 0% to 0.5%, with the cap to be raised from 1.0% to 1.5%.

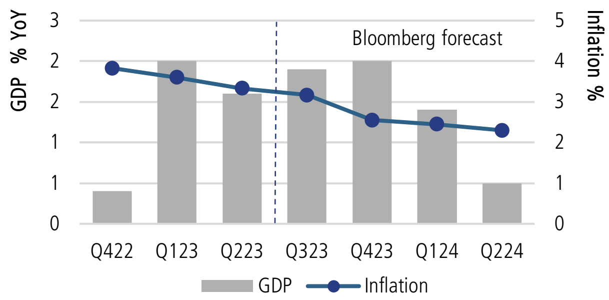
After growth of 1.0% in 2022, UBS expects a bounce to 1.9% in 2023, before slowing again to 0.7% in 2024. SG forecasts 1.8% in 2023 (was 1.3%), with a similar slowing to 0.7% (was 0.9%) in 2024.

UK GDP growth and inflation



Source: Bloomberg as of 31 October 2023.

Japanese GDP growth and inflation



Source: Bloomberg as of 31 October 2023.

Economic outlook

China

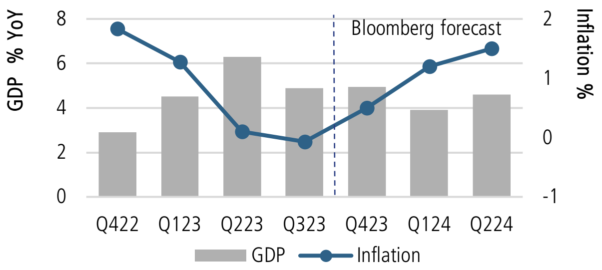
Recent data have confirmed that peak pessimism surrounding China's growth outlook has most likely been reached. Activity during Q3 reveals some stabilisation, while renewed policy support has led to optimism that activity is likely to stabilise and pick up modestly into 2024. The recent improvement has been focused on consumer and infrastructure investment, while property activities remain largely depressed.

China's annual output rose by 4.9% in Q3, below Q2's 6.3% pace but beating expectations. More importantly, sequential growth accelerated to over 5% in Q3 from around 1% in Q2. September data also revealed some further moderate improvement. Industrial production retained its recently faster pace of 4.5% (up from 3.7% in July), while retail sales lifted from 4.6% to 5.5%. Fixed asset investments lifted to 2.5% from 2.0%. In contrast, property activities have remained weak (after stabilising in August), with sales at -10.1%, and new starts at -14.6% in September. Positively, UBS expects a moderate acceleration in credit growth into end-2023, noting "new total social financing came in better than expected in September, [with] shadow credit [seeing] a stronger-than-expected increase, while government bonds stayed strong. Official credit growth stabilized at 9.0%y/y."

In late October, China announced an additional RMB 1 trillion in special central government bonds for Q4 2023 to support natural disaster prevention, post-disaster recovery, and related infrastructure investment. UBS notes that while "the timing of new issuance is too late to change Q4's growth trajectory meaningfully, it may be helpful in underpinning growth in early 2024". According to CBA, "consumer and business confidence is likely to get a much-needed boost after being battered by the downturn in the property sector."

China's growth dropped from 8.4% to 3.0% in 2022. After several months of downgrades, UBS has now lifted its 2023 growth outlook from 4.8% to 5.2%, and 2024 from 4.2% to 4.4%. SG expects a similar pace for 2023 before a more significant loss of momentum to 3.8% in 2024.

Chinese GDP growth and inflation



Source: Bloomberg as of 31 October 2023.

Emerging markets

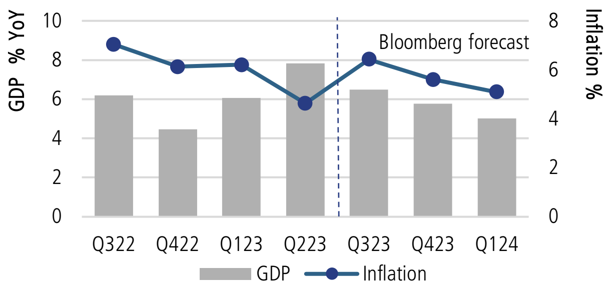
Emerging market growth is expected to stabilise in H2 2023 before a more robust recovery through 2024. This should reflect strong rebounds across Eastern Europe and North Asian economies, as the worst of the global trade slowdown passes over coming quarters. This will be balanced by slower growth across China, Brazil and India (where growth recoveries are more likely through 2025). Overall, a focus on headline inflation is building a platform for central banks to ease interest rates and support consumption over the coming year. Notwithstanding this, the escalation of tensions in the Middle East and associated US dollar strength (and rebound in some countries' inflation rates) have seen some central banks deliver additional rate hikes after an extended pause.

During 2022, central banks in emerging markets mostly realised far earlier than those in advanced economies that the surge in inflation was not 'transitory', but a dramatic change in the behaviour of the global economy. As SG notes, during 2022 "they acted accordingly, raising interest rates by massive margins, at least in LatAm and Central and Eastern Europe, and well beyond what was done in advanced economies. And as a logical consequence, we also expect them to lead the policy rate cycle on its way down." In Asia, central banks acted differently, adopting a more restrained approach, made easier by the fact that inflation came late to Asian economies.

For Asia, recent data reveals some reacceleration in inflation, due to higher food and fuel prices (in part contributing to an unexpected hike in Indonesia). Core inflation remains on a sustained downtrend. Growth in India rose strongly in Q2, rising 1.9% and lifting the annual pace to 7.8% from 6.1%. UBS India's leading indicator suggests sequential economic momentum has been holding up, rising 2.6% in Q3 (versus 3.8%). Both two-wheeler sales and car sales were up 4.6% and 5% month-on-month respectively in September. Tractor sales were down 27% month-on-month. The services sector remained robust, with services PMI expansion sustaining.

After 4.1% in 2022, UBS expects a similar pace for 2023 and 2024. SG holds a similar view, with growth of 4.0% in 2023 moving only slightly weaker to 3.8% for 2024.

India GDP growth and inflation



Source: Bloomberg as of 31 October 2023.

Asset class outlook

Short maturity and government bonds

Position: Underweight short maturity, overweight government bonds

Key points

- We recommend adding duration within high grade and investment grade asset classes. We have a bias towards fixed rate over floating rate bonds, while all-in yields remain at historically elevated levels.
- We maintain a preference for investment grade bonds as inflation cools and downside risks to economic growth remain.

Short maturity—Central banks continue to have a tightening bias, but we believe they are at the final stages of their rate-hiking cycles. Bond yields are rising, particularly at the longer end of the curve, pricing in for central banks to remain in restrictive territory for longer as areas of inflation remain sticky. A higher-than-expected CPI print domestically suggests that the RBA will move again in November. Progressive data prints, especially CPI and whether the expectation of below-trend economic growth eventuates, will determine if further tightening will be required.

Ultimately, however, inflation is slowing but remains elevated above central banks' target bands. The market is expecting a hawkish hold at 5.50% from the Fed, with one further hike signalled in November/December this year. Central banks, including the RBA, will be maintaining their options to hike if inflation surprises to the upside. However, the lagged impact of monetary tightening is continuing to flow through the economy and downside risks to economic growth remain. Our view is that global policy rates will be lower from H2 2024 onwards. We, therefore, recommend adding duration now.

Government bonds—We have seen strong upward pressure on long-end bond yields with the US 10-year Treasury touching 5% this month. The Fed has recognised this will help to tighten monetary conditions going forward and are less likely to raise rates further. Treasuries in the two to 10-year part of the curve steepened to -17 basis points (bps), a level not seen since September 2022. Central banks have kept rates higher for longer since the tightening cycle began 18 months ago and have moved to become very data driven to determine their next direction. The market has reacted negatively to stronger-than-expected macro data, as well as a partial unwind of some of the recent safe-haven buying that has driven a rally in bond yields over the last few weeks.

Nevertheless, we expect a softening of the labour market and a sharp pull-back in aggregate growth from Q4, which should also justify the Fed remaining on hold. The degree of further improvement in inflation will subsequently dictate the timing and scale of cuts in 2024 and beyond as we are seeing signs that inflationary pressures are cooling, and we expect economic growth to slow in coming quarters. We are overweight government bonds and recommend adding duration, as we have a high conviction that government bond yields will be lower in the year ahead.

Investment grade and high yield credit

Position: Overweight investment grade, neutral high yield credit

Key points

- We have a preference for investment grade bonds as inflation cools and downside risks to growth remain.
- Within credit, high yield is our least preferred sub-sector, where we are advocating a selective, higher-quality bias.

Investment grade credit—Investment grade credit spreads have stayed remarkably stable, despite the large amount of primary issuance over the last few weeks. While all-in yields remain at historically elevated levels, we believe investors should continue to deploy into investment grade credit. We believe corporate credit spreads are sitting at fair value, and fundamentals for US and Australian corporates remain robust. Staying in high-quality bonds should provide some protection to portfolios if the economy were to slow, as credit spread widening is usually offset by falling government bond yields. We, therefore, recommend staying in the high-quality investment and high-grade sectors.

Domestically, demand for subordinated tier 2 major bank paper has remained strong, driven by outright yields and quality issuers. As major banks are now ahead of their 2023 funding requirements, spreads have tightened to be close to their long-term average of around BBSW+190bps. Despite this, in line with its issuance in October last year, CBA priced a AUD 1.25 billion 10NC5 Tier 2 note at an attractive spread of BBSW+205bps. After receiving demand in excess of AUD 3 billion, the note offered a yield to call of 6.446%, 12bps inside the initial price guidance. QBE followed in close proximity with a AUD 330 million 15 non-call 5 Tier 2 note that moved 20bps during execution. It priced at BBSW +235bps and attracted more than AUD 1.6 billion of demand.

High yield credit—We are constructive on bonds as an asset class. However, we are advocating a selective, higher-quality bias with the more growth-sensitive segments, like high yield. Spreads have tightened in the riskier credit segments over the last three months as the market has repriced the risk of recession in light of resilient US economic data. On a technical basis, it is important to note that the lack of new supply and contraction in the size of the high yield market is driving some of the returns this year. The risk is that the high yield sector is more vulnerable to tightening financial conditions, which can translate into higher corporate defaults and a widening of spreads over the cycle, especially for leveraged companies. Leverage remains low, although it has been trending higher as debt growth has picked up and earnings growth has declined. Our preference is to move higher up the credit quality curve into investment grade credit on a risk-adjusted basis, despite the 9% returns on offer.

Asset class outlook

Domestic equities

Position: Overweight

Key points

- Domestic equities fell 3.7% in October, underperforming global equities. The S&P/ASX 200 index is now trading at or around one-year lows.
- There was widespread weakness across the S&P/ASX 200 index, with only the utilities sector posting gains.
- Long duration parts of the market, in particular healthcare (-7.1%) and information technology (-7.2%), suffered large falls as the yield on the Australian 10-year government bond traded near 5%.

UBS believes that, compared to what we saw in H1 2022 when yields rose from 1.5% to 4.2%, the recent rise in global bond yields is more (not less) supportive for equities. In H1 2022, the S&P/ASX 200 fell around 15% versus the 8% fall we have seen today. The economy and consumer have proved far more resilient to rate hikes than expected. This has translated into solid (albeit deteriorating) corporate profits.

With corporate profits still proving resilient, UBS believes the reason that equity risk premia have settled lower than in past cycles is because corporates are exhibiting higher quality, or less economic sensitivity, than in the past. This means is it possible that equities can remain more expensive relative to fixed income than has historically been the case (although this does not necessarily make them cheap).

Australia's equity risk premium is currently 4.9% versus a long-term average of 5.8%. The domestic equity market trades on a 12-month forward price/earnings (P/E) ratio of 15.0x and just above the long-term average of 14.6x, which appears reasonable in absolute terms, and its 12-month forward dividend yield is 4.5%, which is in line with the long-term average. MST Marquee argues that investors may need to also consider that corporate Australia is now returning more capital to shareholders via buybacks, adding to the total distributable yield.

The materials sector remains a key driver for the S&P/ASX 200 into year-end. Chinese authorities moved closer to an emergency setting to combat sluggish economic conditions towards the end of October. The Parliament approved an additional RMB 1 trillion in Treasury bonds and revised up the annual budget deficit target to 3.8% of GDP from 3.0% (the last time this occurred was the Asian financial crisis and GFC). For much of the year, BHP has been range-bound between $42 and $48, and RIO has traded between $100 and $120.

The healthcare sector is now screening more attractively. CSL is down 25% from its year-to-date highs, while ResMed is down approximately 35%. Both stocks are trading at P/E multiples that are more consistent with multiples seen when bond yields were last at similar levels (e.g., 2011 and 2013).

International equities

Position: Underweight Europe and the US, neutral UK and overweight emerging markets

Key points

- In October, global equity markets fell 2% in Australian dollar terms. The MSCI World ACWI index has given back 10 percentage points of its year-to-date performance and is now up approximately 11% in 2023 (AUD terms).
- Despite the muted aggregate performance, there was clear divergence at a sector level, with the defensive utilities (+3.8%) and telecommunications (+2.2%) sectors outperforming the more cyclical components of the market. Consumer discretionary fell -3.8% and industrials fell 2.7%.

Typically, geo-political events, such as recently witnessed in Israel, do not result in a meaningful market impact. However, it is worth noting that the most recent events come on the back of a seven-year process of deglobalisation (or at least slowing globalisation). This process began with Brexit in 2016 and was followed by the election of President Trump in the US, the US–China trade war, COVID, and the Russia-Ukraine war. Whether the issues in Israel and Gaza have an impact on markets need to be analysed through the evolutionary lens of other geo-political events, particularly what this means for the price of oil and the extent to which it involves a stronger inflationary pulse. At the time of writing, global oil prices were up USD 3 per barrel (p/bbl), although there had been no meaningful change in the structure of the forward curve.

US equities have risen 10% this year, although this has come with an extreme dispersion in returns. US growth stocks are up 26%, while value stocks are down 5%. This is evident in the recent investor excitement around artificial intelligence (AI). If we remove the top 20 'AI-boom' stocks (i.e., those stocks that represent the largest holdings by AI exchange-traded funds), the average stock is up less than 5% year-to-date. Factors supporting this performance include bullish views on themes like AI, reshoring of manufacturing jobs, non-residential private construction spending rising more than 20%, and interest income insulating the impact of higher interest rates on large firms (i.e., the rising cost of debt has had an almost negligible impact on the largest 10% of US stocks).

Nonetheless, in aggregate, equities are challenged by the yields on offer in fixed income. Higher bond yields make equities look more expensive on a relative value basis and through the impact on the discounting of future cash flows.

During the month, China revised up their annual budget deficit target to 3.8% from 3.0%. This is only the third time that the Chinese Government has taken such steps (the other two times being during the 1997-98 Asian Financial Crisis and 2008/09 Global Financial Crisis). This suggests that Beijing's economic policymaking is now in emergency mode.

Asset class outlook

Currencies

Key points

- The US dollar had a volatile month in October, with safe haven flows partially offset by markets reducing the likelihood of further Fed hikes.
- The Australian dollar sold off with risk assets over the month, despite an upside surprise in Q3 CPI that led to markets pricing in at least one more RBA hike.

The US dollar had a volatile month. Ongoing US economic outperformance, a sharp rise in US bond yields, and increased geo-political uncertainty were upside supports. However, a number of Fed speakers, including Chair Powell, noted that higher bond yields were tightening financial conditions and could, at the margin, reduce the need for further hikes. This initially drove some dollar weakness versus the euro and British pound (though this reversed into month-end).

The Australian dollar continues to exhibit its risk-off tendencies, weakening by just under 1% over the month as risk assets sold off. The RBA left policy on hold in October, though it signalled a stronger tightening bias, driven by concerns over housing market resilience and the prospect of higher oil prices triggered by the Israel-Gaza conflict feeding into higher inflation expectations. Adding to the RBA's concerns, Q3 inflation surprised to the upside, with trimmed mean inflation rising 1.2% in Q3, 0.3 percentage points above the RBA's forecasts. This has increased the likelihood of an RBA hike at its Melbourne Cup meeting. CBA sees the Australian dollar staying around current levels at USD 0.64 at year-end, ahead of a rise to USD 0.74 at the end of 2024.

Elsewhere, the euro weakened somewhat to USD 1.05, amid a weak read from European PMIs. CBA sees downside risks for the euro, driven by a combination of a sluggish near-term global economic growth outlook, high energy prices, and ongoing US economic outperformance.

Meanwhile, the Japanese yen weakened further over the month, as US-Japan yield differentials continued to widen. Yen weakness is reportedly prompting the BoJ to review its yield curve control program to relieve pressure on both Japanese government bond yields and the yen. We continue to see risks as skewed to the upside for the yen, with weakening global growth and a potential further normalisation in BoJ policy likely to provide support for the yen in the year ahead.

Commodities

Key points

- Global commodities were mixed over the month, as safe haven demand saw gold prices rise sharply alongside volatility in oil markets and weakness in industrial metals.
- Iron ore also weakened over the month, as property sector concerns offset a strong Chinese Q3 GDP print.

Geo-political uncertainty drove significant volatility in oil prices over the month. After initially falling 13% from its September highs on demand concerns, the Israel-Gaza conflict sparked a return of geo-political risk premia. This saw WTI crude prices pare their monthly decline to around 6%. With ongoing geo-political uncertainty and supply concerns (despite US efforts to ease sanctions on Venezuelan oil exports), oil prices are likely to stay elevated into next year. Gold prices were also supported by safe haven demand and rose 7% in October.

Concerns over global growth weighed on broader industrial metals, with copper (-2%) and aluminium (-3%) both weaker over the month. Iron ore (+4%) gained over the month and is trading at around USD 121 per tonne. Concerns over Chinese property sector weakness offsetting China's impressive Q3 GDP growth, where sequential growth between Q2 and Q3 rebounded solidly.

The evolution of the Chinese economy will continue to play a key role in the near-term outlook for commodities. We expect that authorities will continue to emphasise targeted and limited stimulus packages to support but not ignite China's growth pulse. This approach reflects China's multi-year efforts to rebalance its economy towards more sustainable consumer-led growth, while addressing deep structural issues in its property market and debt dynamics.

Looking beyond the cyclical horizon, 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, and we are particularly cognisant of the risk that a cyclical downturn could outweigh the secular tailwinds.

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. Empirical evidence suggests that a disciplined strategic asset allocation (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 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 throughout the cycle.

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	3	3	3	3
Fixed income	53	35	17	14
Short maturity	8	6	3	3
Government bonds	32	15	7	5
Investment grade credit	11	11	4	4
High yield credit	2	3	3	2
Equities	24	42	60	38
Domestic	12	19	28	11
United States	6	11	16	13
Europe (ex-UK)	3	4	5	4
United Kingdom	2	3	4	3
Emerging markets	1	5	7	7
Alternatives	20	20	20	45
Hedge funds	6	6	5	14
Private markets	7	7	9	17
Real assets	7	7	6	14

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 will continue to slow in most developed economies, and that we are at or close to the peak of interest rates this cycle. Expectations for rate cuts have now been pushed out to H2 2024, though risks of an earlier easing remain.

In Australia, unemployment remains near 50-year lows, though economic growth is being supported by strong population growth. The US economy is displaying remarkable resilience.

We retain the view that if there is a recession, it will be a relatively shallow/soft landing as we approach a new phase of the cycle. Our positioning at the asset class level is unchanged this month and continues to reflect our expectation that fixed income will perform well relative to equities under several scenarios in the short term.

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 underweight cash position remains at -2. With equities at neutral, our cash underweight is entirely funding the +2 overweight to fixed income.

Fixed income

At an asset class level, fixed income remains our highest conviction position at +2. At a sub-asset class level, we have taken advantage of the US-driven rise in bond yields to increase our overweight to government bonds, funded via short maturity. Within this, we favour Australian bonds over global bonds. We remain neutral high yield, and overweight investment grade credit. We are cautious about risk assets in the face of macro uncertainty and tighter credit conditions. If markets experience volatility, we believe fixed income (particularly government bonds and investment grade credit) will hold up well—particularly if the growth outlook deteriorates.

Alternatives

We favour infrastructure, private debt, and low-beta hedge fund exposures, while maintaining private equity exposures. We are taking a cautious approach to real estate globally.

Equities

We remain neutral equities and continue to prefer some non-US markets. US equities remain relatively expensive and increasingly concentrated, though we are cognisant of potential secular tailwinds behind the US market and its higher quality. We retain an overweight to domestic equities and emerging markets due to attractive relative valuations and potential tailwinds associated with stronger activity in China. We are underweight Europe amid stagflationary conditions as it enters winter.

Active portfolio weights and active tactical asset allocation tilts

	Active tilt	Yield (%)	Balanced (%)	Growth (%)	Endowment (%)
Cash	-2	1	1	1	1
Fixed income	2	55	37	19	16
Short maturity	V -3	5	3	0	0
Government bonds	Λ 3	35	18	10	8
Investment grade credit	2	13	13	6	6
High yield credit	0	2	3	3	2
Equities	0	24	42	60	38
Domestic	1	13	20	29	12
United States	-1	5	10	15	12
Europe (ex-UK)	-1	2	3	4	3
United Kingdom	0	2	3	4	3
Emerging markets	1	2	6	8	8
Alternatives	–	20	20	20	45

V Decreased weight this month Λ Increased weight this month

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

Our view on fixed income

Short maturity

We are underweight short maturity. We favour a more balanced position in duration-related bonds and credit securities, as aggressive monetary policies from central banks have sufficiently repriced bond yields. Our base case is that central banks will be required to ease monetary policy from mid-2024. This will contribute to the positive total returns from adding duration with fixed rate relative to floating rate over time.

Government bonds

We are overweight government bonds. With expectations that central banks are near the end of their rate-hiking cycles, we are tactically overweight government bonds. Although it is difficult to forecast the absolute peak in yields, government bonds have largely absorbed rising rates and we expect yields to be lower in 2024 as inflation cools and downside risks to growth remain elevated, given restrictive policy.

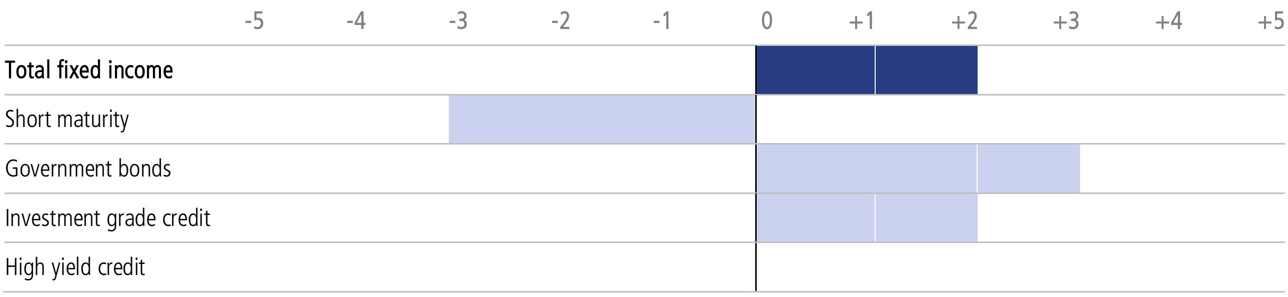
Investment grade credit

We are overweight investment grade credit. While all-in yield levels remain at historically elevated levels, we believe investors should continue deploying into investment grade credit. Staying in high-quality bonds will protect portfolios in a growth slowdown as credit spread widening is usually offset by falling government bond yields.

High yield credit

We are neutral high yield credit. With central banks unlikely to ease near term and unemployment yet to rise meaningfully, high yield credit spreads are vulnerable to some widening over the coming months. But with base rates increasing, and despite tightening spreads, issuers are paying higher funding costs and a higher liquidity premium. High yield remains at risk of a potential acceleration in defaults, with some sectors more vulnerable than others.

Active fixed income weights (%)—We are overweight fixed income



Fixed income market summary

Fixed income indices	Current	One month ago
Australian iTraxx	97.55	87.55
Australian 3-year yield	4.41%	4.08%
Australian 10-year yield	4.96%	4.49%
Australian 3/10-year spread	54.5 bp	39.9 bp
Australian/US 10-year spread	6.4 bp	-0.1 bp
US 10-year Bond	4.89%	4.57%
German 10-year Bund	2.82%	2.84%
UK 10-year Gilt	4.56%	4.44%
Markit CDX North America Investment-Grade Index	81.2 bp	73.9 bp
Markit iTraxx Europe Main Index	88.5	79.7
Markit iTraxx Europe Crossover Index	464.9	427.9
SPX Volatility Index (VIX)	19.8	17.5

Source: LGT Crestone Wealth Management, Bloomberg as of 31st October 2023. 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 equities

We are overweight domestic equities. The S&P/ASX 200 index has traded back to the bottom of its trading range in 2023. This has the market close to one standard deviation below its 10-year average, with a potential tailwind from commodity price upgrades feeding into the materials sector.

US equities

We are underweight US equities. Recent moves in US bond yields have pushed financing costs to post-GFC highs. Mortgage rates of 8% have not been seen in a generation and are likely to be a headwind for activity moving forward. Although aggregate valuations are back at their 10-year average levels, they are well above levels seen prior to COVID.

European (ex-UK) equities

We are underweight European (ex-UK) equities. European equities are trading at their year-to-date lows. Eurozone manufacturing PMIs remain in contractionary territory. UBS analysis suggests the fair forward P/E for the STOXX 600 index is now around 11-11.5x. The market still trades above 12x, making it 5-10% expensive. Lower yields and/or volatility are needed, otherwise equities remain in a 'sell-the-rally' environment.

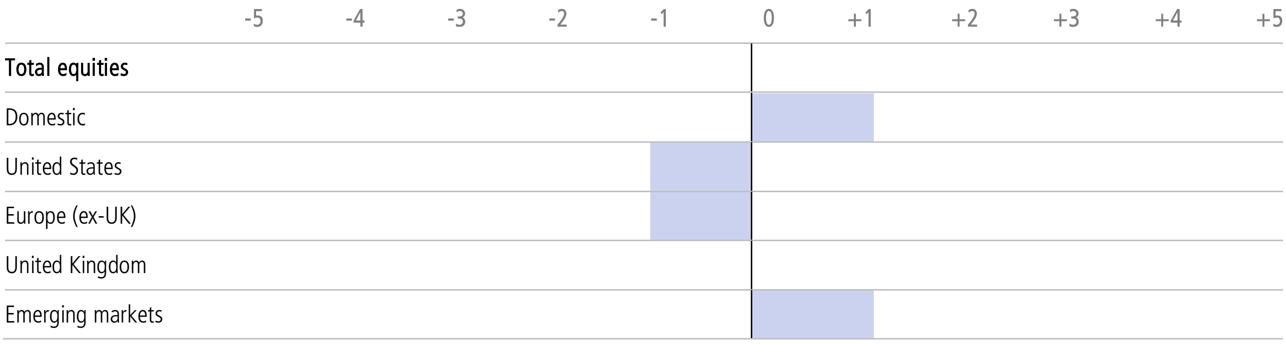
United Kingdom equities

We are neutral UK equities. Compared with several months ago, the rates dynamic has changed markedly in the UK, where expectations for peak rates have fallen from 5.85% to their current 5.25%. This has allowed UK equities to outperform global equities over the past several months.

Emerging market equities

We are overweight emerging market equities. Announcements towards the end of October have moved China closer to 'panic' or levels consistent with emergency settings seen in the past. This could pave the way for a better sentiment backdrop for China and the broader emerging market complex over the next six months.

Active equity weights (%)—We are neutral equities



Equity market summary

Region	Index	Latest price	Consensus 1 yr		Next year P/E [1]	Next year D/Y [2]
			Target	Upside		
Australia	S&P ASX 200	6,772.9	7,651.3	13.0%	15.1	4.6%
New Zealand	S&P NZ 50	10,741.6	12,361.9	15.1%	22.7	3.6%
United States	S&P 500	4,166.8	5,062.5	21.5%	17.2	1.7%
Europe	Euro Stoxx	422.1	532.9	26.3%	11.0	3.8%
United Kingdom	FTSE 100	7,327.4	9,015.8	23.0%	10.1	4.3%
China	CSI 300	3,021.6	3,758.2	24.4%	9.6	3.3%
Japan	Nikkei 225	30,697.0	36,174.4	17.8%	17.3	2.0%
India	Sensex	64,112.7	75,231.8	17.3%	21.5	2.9%

Source: Bloomberg. Data as of 31st October 2023; 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

The new regime in financial markets should improve conditions for hedge fund strategies. A decade of quantitative easing has suppressed volatility and dispersion across underlying securities. The rapid increase in interest rates last year and the increasingly uncertain economic outlook should improve the opportunity set for hedge fund managers. In fact, historical data suggests that hedge funds perform better in environments where risk-free rates are in excess of 2%, rather than below. However, investors should note that hedge fund manager dispersion continues to rise, so manager selection remains key. Across the hedge fund universe, we prefer credit and macro-orientated strategies and maintain a preference for lower beta strategies. This is to ensure our hedge fund portfolios play a more genuinely diversifying role—particularly to equities.

Private markets

The normalisation of valuations should present an attractive deployment opportunity for private equity and venture in financial year 2024. With entry valuations having readjusted meaningfully and secondary (fund) market activity beginning to pick up, we recommend maintaining exposures to private equity and venture capital. Where investors have underweight positions, we recommend adding exposures with a preference for new primary and secondary fund commitment structures. Investors should maintain discipline in partnering with firms that can source high quality opportunities and be a value-added partner—whether a portfolio company or a fund manager (that is, if an allocator).

Private debt looks highly attractive. If investors do not compromise on credit quality and cater for increased debt servicing costs, private debt should be highly attractive due to higher rates, wider spreads, and greater credit protections relative to public market equivalents. Lenders can now attract senior deals with strong covenants at unlevered double-digit yields. We prefer direct, sponsor-backed transactions versus broadly syndicated strategies, as loan terms can be negotiated directly, offering greater protection to the end investor. Investors can also further diversify through private, asset-backed securities, albeit we remain cautious on real estate lending strategies, particularly those that are often heavily focussed on construction and land.

Real assets

Real estate is our least preferred alternative asset class, given ongoing weakness in certain sectors. Allocations should prioritise core-plus, high-quality assets. We see a meaningful dichotomy across different assets, sectors, geography and investment approaches, and a particular bifurcation between prime office and lower grade assets worldwide. To that effect, we prefer high-grade commercial assets where there is some ability to add value through up-leasing, repositioning, or marking rents to market, for example. These initiatives can help to partially offset ongoing valuation declines arising from interest rate increases. We also like high-quality, overseas, multi-family accommodation and other alternative sectors, such as self-storage, student accommodation and manufactured housing. These are likely to play a growing role in globally diversified portfolios.

Infrastructure is our most favoured sub-asset class. Infrastructure can provide more defensively positioned core assets on long-term, typically inflation-linked contracts. This can provide both a defensive ballast and inflation protection, both of which are in high demand currently. With most COVID-19 related travel restrictions likely behind us, volume-based transport-related assets, such as airports, and contracted assets should play a key role in diversified portfolios. Further, we see attractive investment opportunities focussed on energy transition.

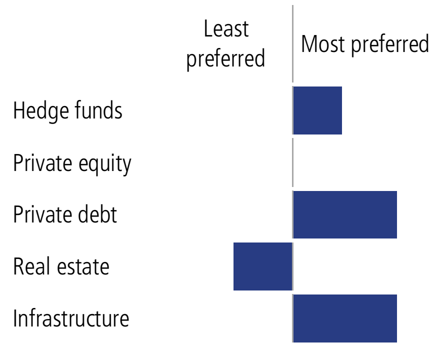
Our most preferred and least preferred exposures—We favour infrastructure, private debt, and low-beta hedge fund exposures while maintaining private equity exposures. We are taking a cautious approach to real estate globally.

What we like

- Lower-beta credit-oriented and macro hedge strategies.
- Senior private debt (strategies excluding real estate).
- Core and core-plus infrastructure assets with inflation linkages.
- Private market and real assets exposed to the global energy transition.

What we don't like

- Passive private market and/or real asset strategies.
- Lower grade and/or buy-and-hold real estate assets (particularly office).
- 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 upside	P/E 1yr fwd (x)	Dividend yield	ROIC	ROE	1yr EPS growth	MSCI ESG rating
REA	REA Group Ltd	Com. Services	$144.58	$157.67	41.3	1.4%	35%	29%	18.4%	AA
ALL	Aristocrat Leisure Ltd	Cons. Disc.	$38.98	$46.07	19.7	1.6%	22%	21%	8.0%	AA
TLC	Lottery Corp Ltd	Cons. Disc.	$4.51	$5.42	26.4	3.7%	22%	140%	9.9%	AA
MTS	Metcash Ltd	Cons. Staples	$3.69	$4.22	12.3	5.7%	19%	26%	1.3%	AAA
ALD	Ampol Ltd	Energy	$31.80	$37.45	10.1	7.2%	17%	20%	-10.1%	AA
MQG	Macquarie Group Ltd	Financials	$160.95	$190.28	15.2	4.0%	na	12%	11.6%	AA
IAG	Insurance Aust. Group	Financials	$5.63	$5.95	16.2	4.7%	na	13%	14.4%	AA
RMD	ResMed Inc	Health Care	$21.65	$31.83	19.2	0.9%	23%	23%	12.4%	A
CSL	CSL Ltd	Health Care	$232.02	$323.55	23.9	1.1%	13%	17%	14.6%	AA
MND	Monadelphous Group	Industrials	$14.02	$14.62	20.6	4.2%	18%	14%	18.5%	AAA
BXB	Brambles Ltd	Industrials	$13.14	$15.42	15.9	2.3%	19%	24%	10.8%	AAA
ALU	Altium Ltd	Info. Tech	$39.60	$43.92	40.2	1.3%	38%	26%	21.4%	AA
XRO	Xero Ltd	Info. Tech	$107.10	$129.02	111.5	0.0%	10%	13%	58.4%	AA
IGO	IGO Ltd	Materials	$9.38	$12.23	7.5	3.8%	12%	23%	-16.8%	AA
JHX	James Hardie Industries	Materials	$39.30	$50.23	17.1	0.0%	48%	35%	8.2%	AA
GMG	Goodman Group	Real Estate	$20.93	$24.43	19.9	1.4%	10%	11%	8.0%	AA
APA	APA Group	Utilities	$8.29	$9.57	32.0	6.8%	7%	15%	8.5%	A

Source: Bloomberg Analyst consensus and MSCI Research. Data as of 31st October 2023. ESG is environmental, social, and corporate governance.

Trade opportunities

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

Insurance Australia Group (IAG)—Buy. IAG has fallen 10% from its year-to-date highs, despite higher bond yields helping its investment portfolio. With the premium rate environment strong, IAG remains well placed to grow earnings.

CSL Limited (CSL)—Buy. CSL has fallen by 25% from its year-to-date highs, as concerns over the impact of obesity drugs weighs on confidence. This is despite earnings estimates being largely resilient. This has seen CSL's financial year 2024 P/E multiple fall to its lowest levels since 2016.

The Lottery Corp (TLC)—Buy. On the back of higher yields, TLC's share price has retraced 12% from its highs. Gearing levels, for a defensive cashflow business such as TLC, are forecast to fall well below target levels into next year, which will open the possibility for additional capital management opportunities.

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 upside	P/E 1yr fwd (x)	P/B 1yr fwd (x)	Franking	Grossed up yield	1yr DPS growth	MSCI ESG rating
IAG	Insurance Australia Group	Financials	$5.63	5.8%	14.1	2.06	30%	4.7%	14.2%	AA
MQG	Macquarie Group Ltd	Financials	$160.95	18.2%	13.6	1.79	40%	4.0%	7.7%	AA
WBC	Westpac Banking Corp	Financials	$20.57	3.4%	11.1	0.99	100%	6.9%	0.4%	A
QBE	QBE Insurance Group Ltd	Financials	$15.40	15.6%	8.6	1.62	10%	2.9%	33.2%	AAA
COL	Coles Group Ltd	Cons. Staples	$15.33	4.3%	19.0	6.09	100%	4.1%	6.9%	AA
MTS	Metcash Ltd	Cons. Staples	$3.69	14.6%	12.2	3.31	100%	5.7%	2.4%	AAA
SGR	Star Entertainment Group	Cons. Disc.	$0.54	81.4%	24.4	0.53	100%	0.0%	n/a	BBB
TAH	Tabcorp Holdings Ltd	Cons. Disc.	$0.78	37.3%	16.3	0.67	100%	2.1%	87.5%	AA
TLS	Telstra Group Ltd	Com. Services	$3.80	21.3%	19.0	2.85	100%	4.7%	5.0%	AA
NEC	Nine Entertainment Co	Com. Services	$1.88	25.9%	11.9	1.81	0%	5.5%	11.7%	AA
RMD	ResMed Inc	Health Care	$21.65	47.0%	17.0	4.76	100%	0.9%	9.2%	A
PME	Pro Medicus Ltd	Health Care	$75.50	-1.2%	77.8	56.82	100%	0.5%	26.4%	BBB
REP	RAM Essential Services	Real Estate	$0.63	37.1%	12.8	1.3	0%	9.0%	-5.4%	--
SGP	Stockland	Real Estate	$3.55	20.3%	10.9	0.8	0%	7.1%	3.6%	AA
IRE	IRESS Ltd	Info. Tech.	$4.96	60.0%	18.2	3.46	0%	3.9%	32.3%	AA
DBI	Dalrymple Bay Infra.	Industrials	$2.72	7.1%	15.7	1.17	39%	7.6%	5.8%	--
ALX	Atlas Arteria Ltd	Industrials	$5.32	14.2%	13.3	1.18	0%	7.5%	1.3%	AA
APA	APA Group	Utilities	$8.29	15.5%	29.5	5.12	0%	6.8%	3.0%	AAA
ALD	Ampol Ltd	Energy	$31.80	17.8%	11.2	2.27	100%	7.2%	-14.2%	AA
AMC	Beach Energy Ltd	Energy	$1.54	17.2%	5.1	na	100%	3.4%	109.4%	AAA
BHP	BHP Group Ltd	Materials	$44.55	6.3%	11.0	3.2	100%	3.1%	0.4%	A
AMC	Amcor PLC	Materials	$13.82	9.4%	11.9	na	0%	3.5%	2.1%	AA

Source: Bloomberg Analyst consensus and MSCI Research. Data as of 31st October 2023. ESG is environmental, social, and corporate governance.

Trade opportunities

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

BHP Group (BHP)—Buy. BHP has been largely rangebound year-to-date. However, recent measures by China to increase its budget deficit, as well as resilient iron ore prices, suggest earnings expectations will need to be upgraded.

Stockland Group (SGP)—Buy. Stockland shares have fallen 20% from their year-to-date highs, which now puts the stock on a 7% dividend yield and an 11.8% P/E (one standard deviation below long-term averages). The company recently reiterated financial year 2024 guidance and has a high-quality residential business, and its land bank is well in-the-money.

Atlas Arteria (ALX)—Buy. ALX is trading at 52-week lows and its 7.6% dividend yield ranks in the 100th percentile of observations seen over the past decade (i.e., more than the stock was yielding during COVID).

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 upside (%)	P/E 1yr fwd (x)	Yield (%)	Market cap (USD bn)	MSCI ESG rating
LSEG LN	London Stock Exchange	Financials	GBP	GBP	17.8	22.4	1.5	54,206	AA
LLOY LN	Lloyds Banking Group	Financials	GBP	GBP	44.9	5.6	7.5	30,908	AA
WFC US	Wells Fargo & Co	Financials	USD	USD	26.9	8.0	3.7	143,442	BB
2318 HK	Ping An Insurance Group	Financials	HKD	HKD	71.3	4.7	6.4	105,394	A
939 HK	China Construction Bank	Financials	HKD	HKD	35.4	3.0	9.2	144,875	A
2330 TT	Taiwan Semi. Manuf. Co	Info. Tech.	TWD	TWD	26.1	14.1	2.4	424,605	AAA
MA US	Mastercard Inc	Financials	USD	USD	19.7	26.0	0.7	349,247	AA
ASML NA	ASML Holding NV	Info. Tech.	EUR	EUR	25.6	28.3	1.3	235,951	AAA
GOOGL US	Alphabet Inc	Com. Services	USD	USD	23.0	17.7	0.0	1,565,690	BBB
UMG NA	Universal Music Group	Com. Services	EUR	EUR	16.1	24.6	2.3	45,023	AA
DIS US	Walt Disney Co/The	Com. Services	USD	USD	32.9	16.8	0.7	147,627	A
9988 HK	Alibaba Group Holding	Consumer Disc.	HKD	HKD	67.5	8.4	0.0	210,010	BBB
NKE US	NIKE Inc	Consumer Disc.	USD	USD	16.6	23.4	1.5	154,930	BBB
SBUX US	Starbucks Corp	Consumer Disc.	USD	USD	15.6	23.0	2.5	106,694	A
ABNB US	Airbnb Inc	Consumer Disc.	USD	USD	22.7	25.4	0.0	75,700	BB
RACE IM	Ferrari NV	Consumer Disc.	EUR	EUR	11.5	37.6	0.9	54,287	BB
BA US	Boeing Co/The	Industrials	USD	USD	31.2	42.3	0.4	110,318	BBB
DSV DC	DSV A/S	Industrials	DKK	DKK	36.6	17.2	0.7	31,591	AA
MSFT US	Microsoft Corp	Info. Tech.	USD	USD	19.4	26.2	0.9	2,506,976	AAA
ILMN US	Illumina Inc	Health Care	USD	USD	71.7	47.8	0.0	17,076	A
NOVOB DC	Novo Nordisk A/S	Health Care	DKK	DKK	3.4	30.9	1.8	434,158	AAA
ISRG US	Intuitive Surgical Inc	Health Care	USD	USD	23.2	40.8	0.0	91,007	A
EL US	Estee Lauder Cos	Cons. Staples	USD	USD	37.6	23.3	2.3	45,793	A
COST US	Costco Wholesale Corp	Cons. Staples	USD	USD	7.7	32.6	0.8	245,668	A
288 HK	WH Group Ltd	Cons. Staples	HKD	HKD	27.4	6.1	0.8	7,658	BBB
SHW US	Sherwin-Williams Co/The	Materials	USD	USD	21.3	21.2	1.2	60,260	A
SHEL LN	Shell PLC	Energy	GBP	GBP	10.4	7.0	0.1	215,617	AA
EQIX US	Equinix Inc	Real Estate	USD	USD	15.5	66.3	2.3	67,158	AA
ORSTED DC	Orsted AS	Utilities	DKK	DKK	63.2	15.8	4.6	19,933	AAA
		Average Yield:					2.0%		

Source: Bloomberg Analyst consensus and MSCI Research. Data as of 31st October 2023. ESG is environmental, social, and corporate governance.

Recommendations: Thematic investing—Healthcare and genomics

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
- Metaverse
- Security and safety
- Supply chain disruption
- Sustainable investing

Healthcare and genomics—Select exposures

Healthcare and genomics sit at the intersection of several other major long-term investment trends – ageing, population growth, finance, and technology. The ageing of societies is one of the easiest predictions to make about the future.

Code	Company	Sector	Base CCY	Market price	Consensus upside (%)	P/E 1yr fwd (x)	Yield (%)	Market cap (USD bn)	MSCI ESG rating
NKE US	NIKE Inc	Consumer Disc.	USD	101.80	16.6	23.4	1.5	154,930	BBB
JNJ US	Johnson & Johnson	Health Care	USD	147.03	19.3	13.6	3.3	353,942	A
UNH US	UnitedHealth Group Inc	Health Care	USD	529.99	10.9	19.1	1.5	490,932	AA
NOVOB DC	Novo Nordisk A/S	Health Care	DKK	677.70	3.4	30.9	1.8	434,010	AAA
DHR US	Danaher Corp	Health Care	USD	185.10	25.6	23.5	0.6	136,775	AA
ISRG US	Intuitive Surgical Inc	Health Care	USD	258.49	23.2	40.8	0.0	91,007	A
ILMN US	Illumina Inc	Health Care	USD	107.87	71.7	47.8	0.0	17,076	A
CSL AU	CSL Ltd	Health Care	AUD	232.25	39.3	20.9	1.3	71,309	AA
RMD AU	ResMed Inc	Health Care	AUD	21.68	46.8	17.1	1.0	20,269	A
COH AU	Cochlear Ltd	Health Care	AUD	242.58	0.4	38.2	1.8	10,104	AAA
PME AU	Pro Medicus Ltd	Health Care	AUD	75.54	-1.2	77.8	0.6	5,015	--
A US	Agilent Technologies Inc	Health Care	USD	101.17	33.5	17.8	1.0	29,601	AA
FRE GY	Fresenius SE & Co	Health Care	EUR	24.28	56.4	7.6	4.2	14,496	A
MRK US	Merck & Co Inc	Health Care	USD	102.68	20.8	12.3	3.0	260,553	A
EXAS US	Exact Sciences Corp	Health Care	USD	59.06	76.9	na	0.0	10,670	A
CRSP US	CRISPR Therapeutics	Health Care	USD	38.93	127.4	na	0.0	3,091	--
PFE US	Pfizer Inc	Health Care	USD	30.55	34.7	9.5	5.4	172,484	A
ROG SW	Roche Holding AG	Health Care	CHF	241.30	28.1	11.9	4.1	218,155	A
NOVN SW	Novartis AG	Health Care	CHF	84.63	11.2	13.6	4.4	213,613	AA
AZN LN	AstraZeneca PLC	Health Care	GBP	10218.00	27.9	15.0	0.0	192,387	AA

Source: Bloomberg Analyst consensus and MSCI Research. Data as of 31st October 2023. ESG is environmental, social, and corporate governance.

Important information

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