Structuring the Growth Part of the Portfolio

IMAP

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Client Goals v Current Circumstances

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What are we trying to achieve for our clients?

Balancing

- Long term growth
- Capital conservation
- Need for income

What is the environment we are facing?

	Now	Was (until late 2020)
Monetary policy	Restrictive	Highly stimulative
Inflation	Past 40 year highs but still elevated	≤2%
Economic outlook	Uncertain with risk of recession	Optimistic
Interest rates	High, with further rises possible	Ultra- Low
Finance/credit	Scarce	Plentiful

What ‘won’ in the post-GFC regime ?

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	Average (2010-2023)	Average (1994-2023)	Difference
AUS shares	9.5%	10.0%	(0.5%)
International shares	12.7%	8.7%	4.0%
International shares (hedged)	11.8%	8.7%	3.1%
US shares	16.2%	11.6%	4.6%
AUS bonds	3.9%	5.6%	(1.7%)
International bonds (hedged)	4.2%	6.3%	(2.1%)
Cash	2.4%	4.3%	(2.1%)
AUS REIT	10.8%	9.0%	1.8%
International REITs	10.6%	9.7%	0.9%

Source: Vanguard

Result: ‘Classic’ 60/40 growth/defensive portfolio increasingly called into question

Today.....

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01	Risk free rate i.e. Australian and US 10 year bond yields 4.0%+
02	'Income is back'
03	'Classic' 60/40 growth/defensive allocation relevant again
04	Within growth, the tide has not lifted all ships e.g. 'AUS Small Cap' shares
05	Broadening of growth to cover more diverse opportunities e.g. distressed debt, senior private loans.

Considerations with the Growth Component

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Client specific

- Investment timeframe
- Risk profile
- Investment preferences

Product specific

- Access
- Liquidity
- Management

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