



welcome to brighter

Defensive Portfolio 2023

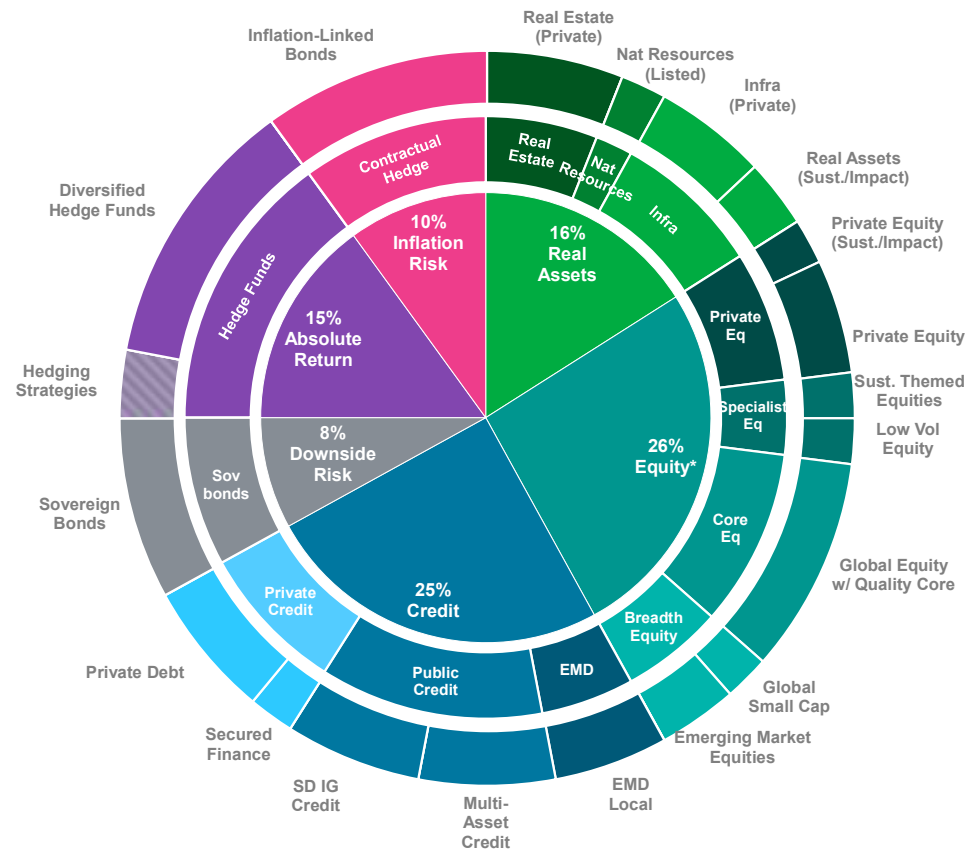
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A business of Marsh McLennan



Global reference portfolios

Balanced unconstrained



Asset allocations shown are for illustration purposes.
Actual asset allocations will vary from those shown.

Portfolios should integrate ESG awareness including being positioned for transition and exhibiting broad-based sustainability characteristics.

*For more details on the philosophy behind the equity allocation, please see [Mercer's Equity Guiding Principles](#).

DAA Dashboard

Growth Fixed Income

Current DAA view  Position last time (if changed)

Unattractive (Extreme) Unattractive Neutral Attractive Attractive (Extreme)



Global High Yield Bonds



Emerging Markets Debt (L)



- Total yields are attractive



- Recent resilience in economic conditions may push back the timing of a slowdown towards the expected dates of refinancing
- Yields remain at appealing levels compared to history
- Economic outlook appears to be more favourable for emerging economies than developed
- Slowing growth in developed market economies may pose a headwind

DAA Dashboard

Defensive Fixed Income

Current DAA view



Position last time
(if changed)

Unattractive (Extreme) Unattractive Neutral Attractive Attractive (Extreme)



**Australian
Government Bonds**



**Australian Inflation
Linked Bonds**



**Global Sovereign
Bonds**



**Investment Grade
Credit**



- Valuations have improved
- RBA may not hike as aggressively as it has done to date

- Likely to benefit if services inflation remains elevated

- Central banks may be soon pause their rate hikes

- Total yield remains attractive
- Credit quality of the benchmark remains strong



- Carry remains below cash
- Accelerating services inflation may pose a headwind

- Resilient economic conditions may lead to further rises in real bond yields

- Tight labour markets and pressures on inflation are likely to pose headwinds
- Resilient economic conditions would favour other assets classes in this space

- Slowing economic conditions may pose a headwind to spreads

Please note that "Investment Grade Credit" includes Australian credit and global investment grade credit, with the latter including global corporate and securitised credit

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