How inflation could impact global equities

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BlackRock®

2022
Global outlook

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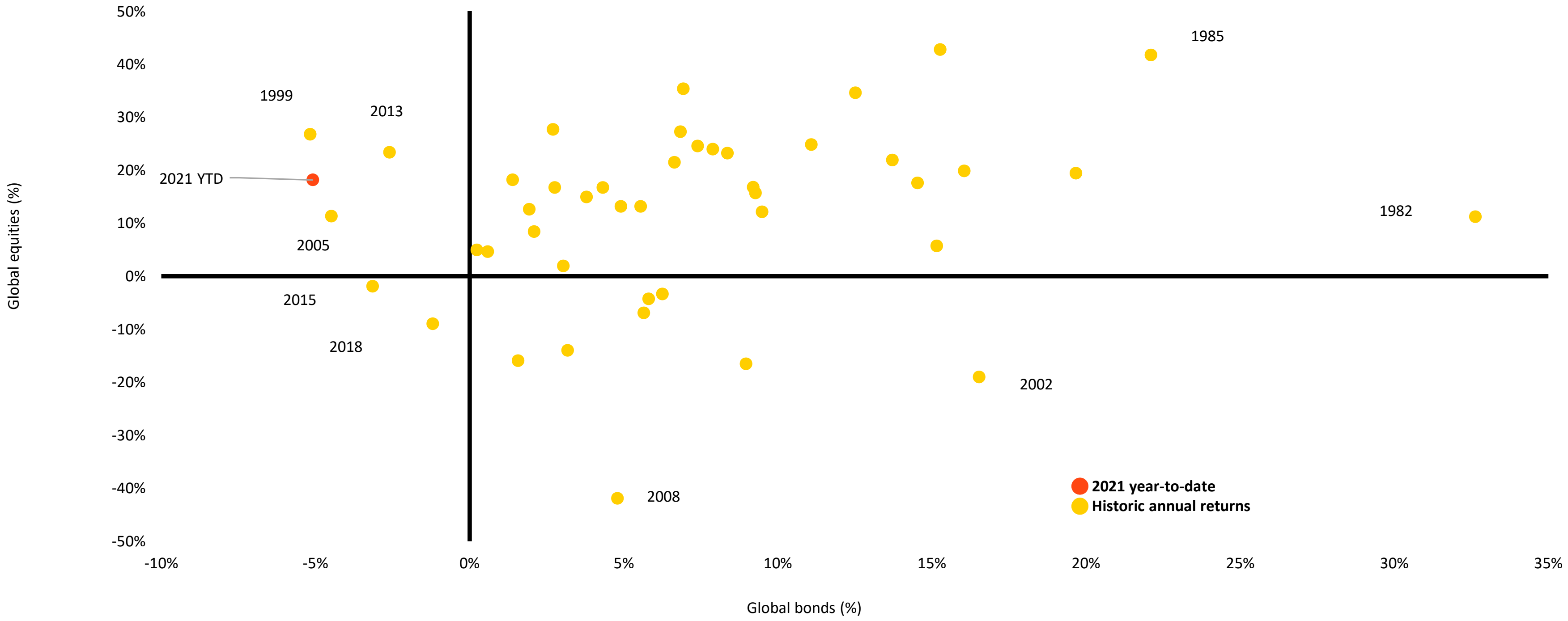
Thriving in a new market regime

A potential new market regime

We see 2022 heralding a new regime by delivering global stock gains and bond losses for a second year – what would be a first since data started in 1977.

Global equities vs global bonds, annual returns, 1977-2021



Past performance is not a reliable indicator of current or future results. Indexes are unmanaged and not subject to fees. It is not possible to invest directly in an index.

Sources: BlackRock Investment Institute with data from Refinitiv Datastream and Bloomberg, December 2021. Notes: The chart shows annual returns for global equities and bonds in U.S. dollar terms from 1977-2021. Index proxies are the MSCI All-Country World index for equities (MSCI World before 1988) and Bloomberg Global Aggregate index for bonds (U.S. Aggregate before 1991).

2022 investment themes

Living with inflation

We expect inflation to be persistent and settle above pre-Covid levels. Central banks should kick off policy rate hikes but remain more tolerant of price pressures, keeping real interest rates historically low and supportive of risk assets.

Implication: We prefer equities over fixed income and remain overweight inflation-linked bonds.

Cutting through confusion

A unique mix of events – the restart, new virus strains, supply-driven inflation and new central bank frameworks – could cause markets and policymakers to misread inflation. We keep the big picture in mind but acknowledge risks – to the upside and downside - around our core view.

Implication: We trim some risk amid an usually wide range of economic outcomes.

Navigating net zero

Climate change is part of the inflation story. We believe a smooth transition is the least inflationary outcome, yet even this still amounts to a supply shock playing out over decades.

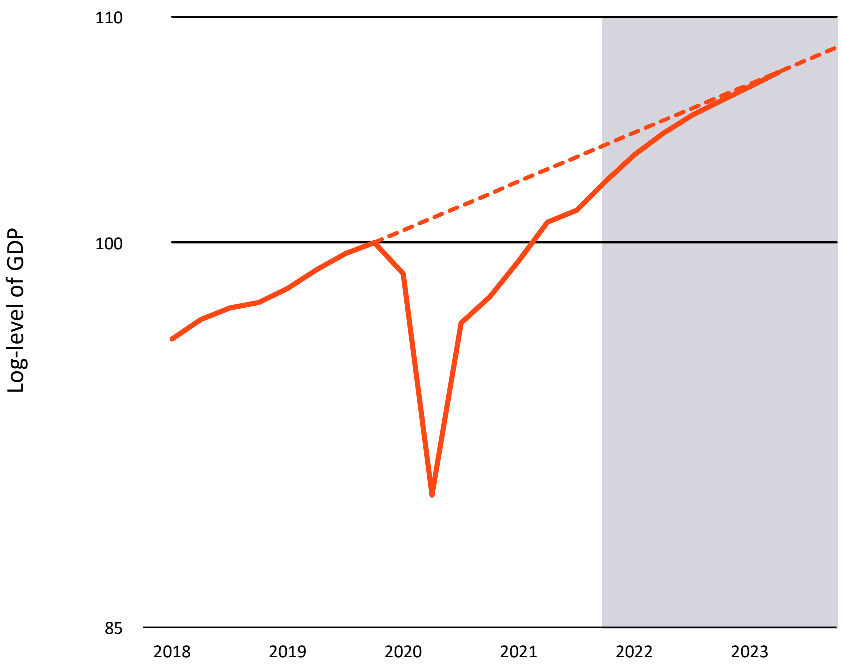
Implication: We favor developed market (DM) equities over emerging markets (EM).

The opinions expressed are as of December 2021 and are subject to change at any time due to changes in market or economic conditions. Strategic implications refer to long-term views, tactical implications refer to asset views on a 6-12 month horizon.

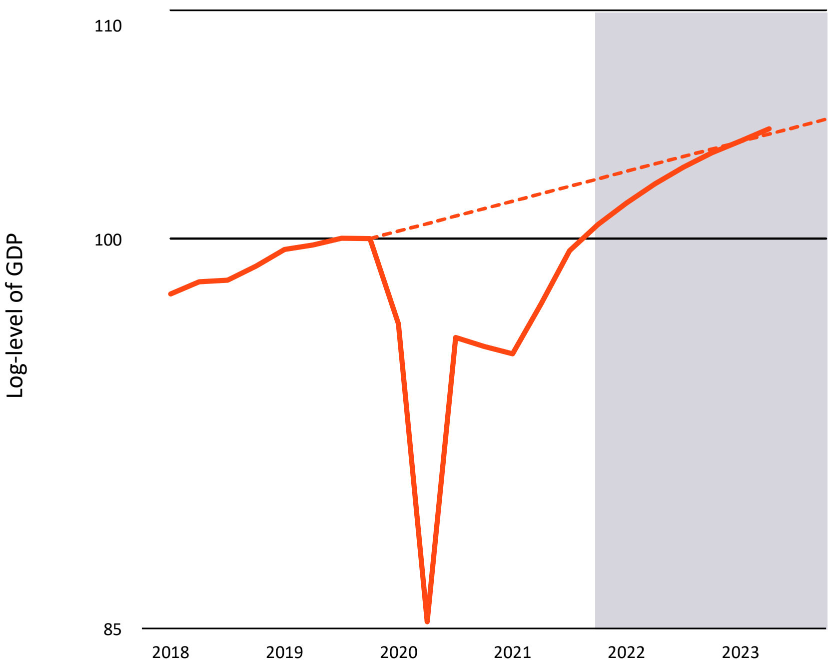
Restart may be delayed – but not derailed

We expect new virus strains to delay, but not derail, the restart thanks to effective vaccine campaigns. Outside of a short-term macro impact, the big picture is unchanged: less growth now is more later.

U.S. GDP and projection, 2018-2023



Euro area GDP and projection, 2018-2023

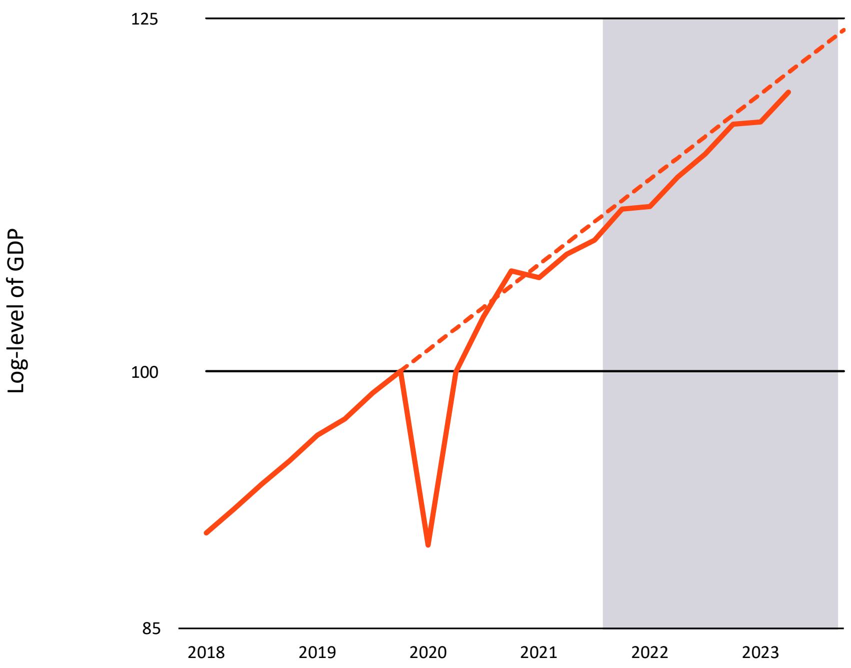


Forward looking estimates may not come to pass. Sources: BlackRock Investment Institute, U.S. Bureau of Economic Analysis, Eurostat, Reuters News with data from Haver Analytics, December 2021. Notes: charts show actual GDP and consensus projections (as of 18 November 2021) for the U.S. and Euro area in orange. The gray shaded area denotes the consensus forecast period. The dashed lines show projections of trend growth starting in Q4 2019 to illustrate what GDP might have been had it grown at pre-Covid trend from 2020 onwards. The trend growth assumptions reflect the likely growth of potential output in the run-up to the Covid-19 shock. The scale is expressed as the log-level of GDP.

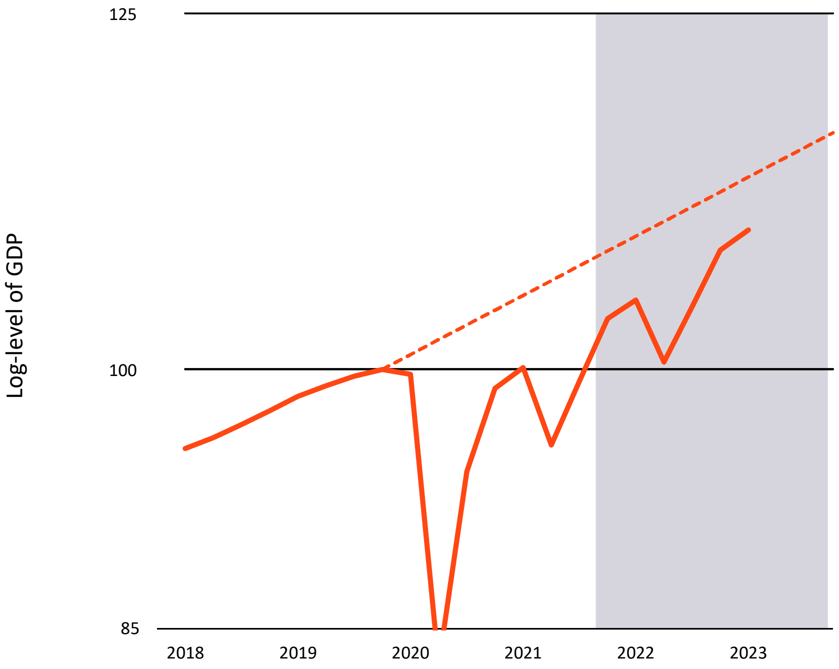
GDP close to trend in China – but far behind in other EMs

Chinese economic activity snapped back sooner than the rest of the world post-pandemic. The rest of emerging markets still have a material shortfall before getting back to pre-Covid trends.

China GDP and projection



EM ex-China GDP and projection

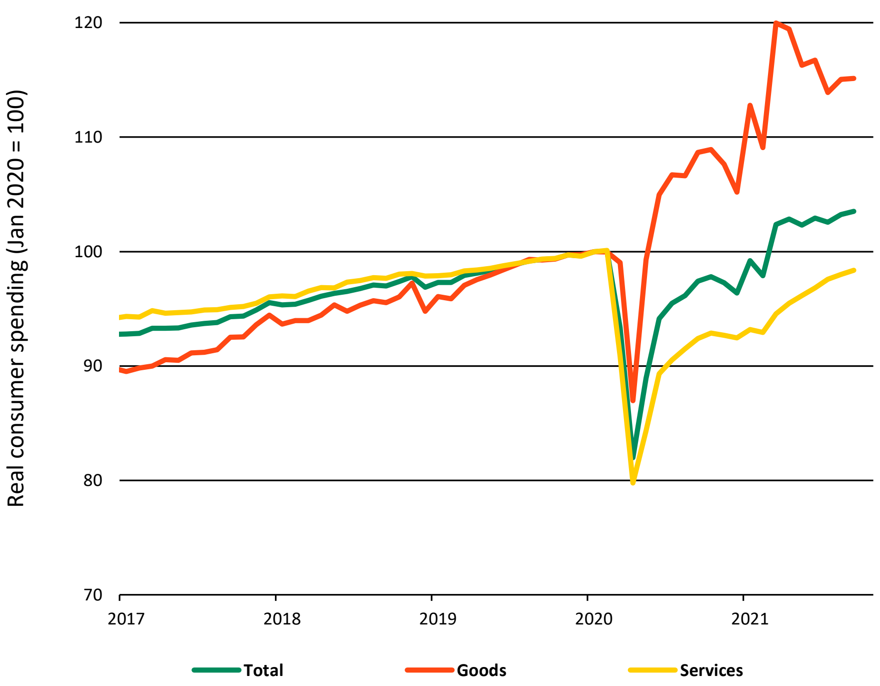


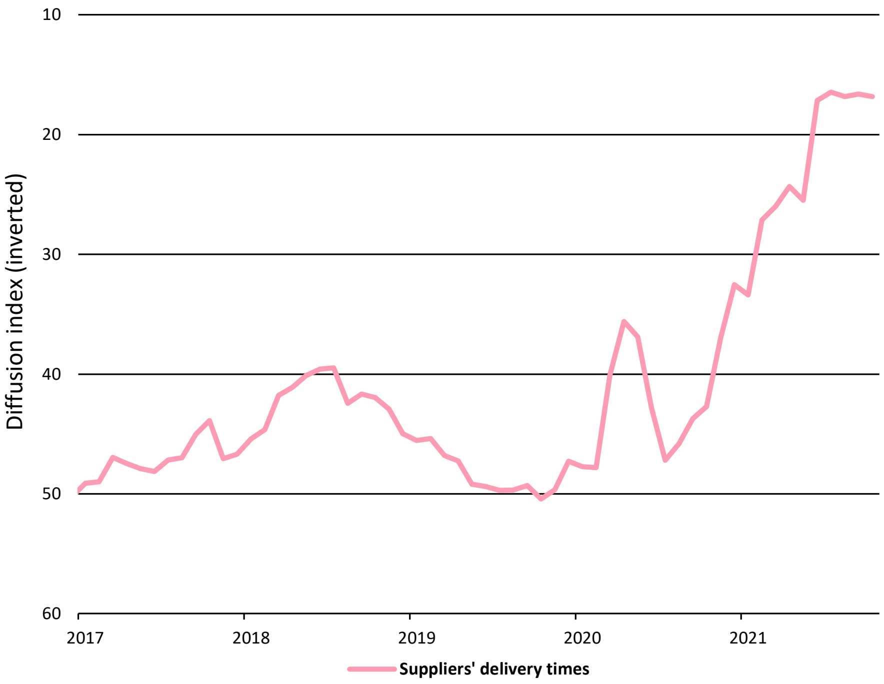
Forward looking estimates may not come to pass. Sources: BlackRock Investment Institute, China National Bureau of Statistics, India Central Statistics Office, Brazil IBGE, Indonesia BPS, Mexico INEGI, South African Reserve Bank, Russia FSSS, Reuters News with data from Haver Analytics, December 2021. Notes: charts show actual GDP and consensus projections (as of 18 November 2021) for China and an aggregate measure of selected emerging market (EM) economies in orange. The EM group comprises India, Indonesia, Russia, Brazil, Mexico, and South Africa, and countries are weighted together using shares of GDP. The gray shaded area denotes the consensus forecast period. The dashed lines show projections of trend growth starting in Q4 2019 to illustrate what GDP might have been had it grown at pre-Covid trend from 2020 onwards. The trend growth assumptions reflect the likely growth of potential output in the run-up to the Covid-19 shock. The scale is expressed as the log-level of GDP.

Changing mix of consumer spending driving bottlenecks

The pandemic spurred a jump in goods spending while services sectors have been slower to bounce back. We see a better supply-demand balance ahead.

U.S. spending breakdown and supply chain disruptions, 2017-2021



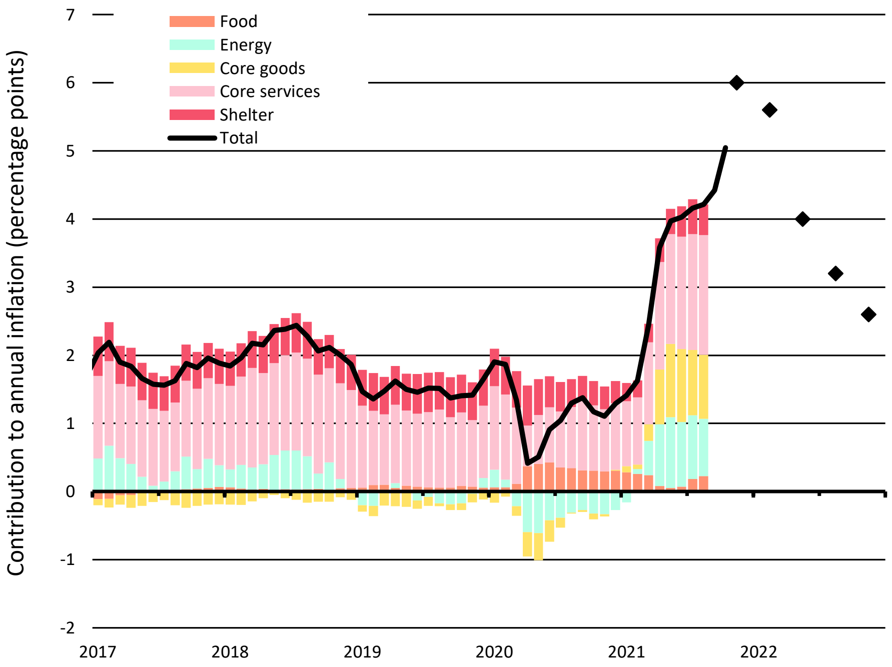


Sources: BlackRock Investment Institute and U.S. Bureau of Economic Analysis and IHS Markit, with data from Haver Analytics, December 2021. The chart on the left shows U.S. consumer spending broken down by goods and services relative to the total, rebased at January 2020. The chart on the right shows the U.S. Purchasing Managers' Institute manufacturing index of supplier deliver times, with a lower number showing firms reporting a larger deterioration in delivery times.

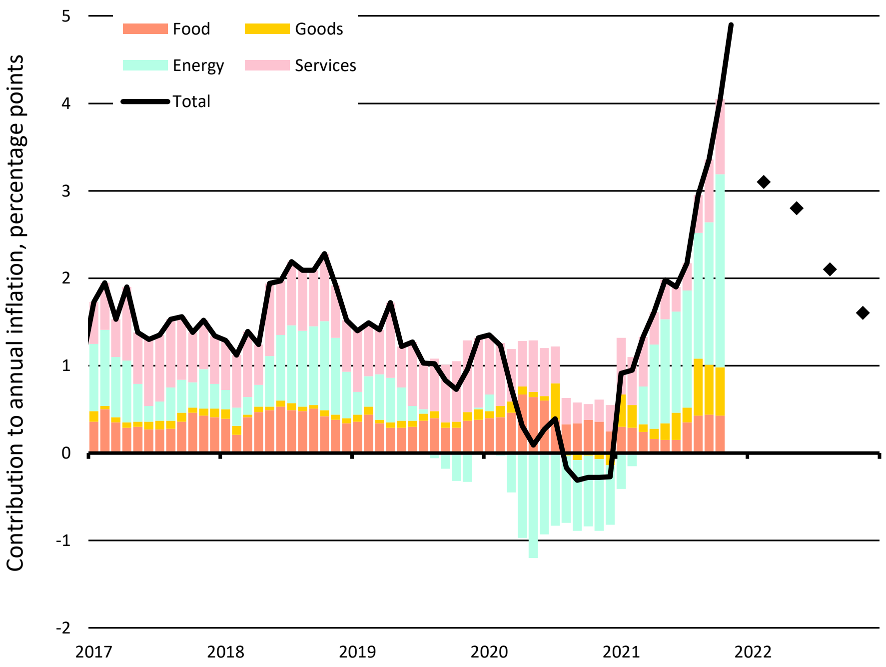
Inflationary pressures have broadened out

Restart pressures and higher energy prices are contributing to an ongoing surge in spot inflation across sectors.

U.S. PCE inflation breakdown, 2017-2021



Euro area HICP breakdown, 2017-2021

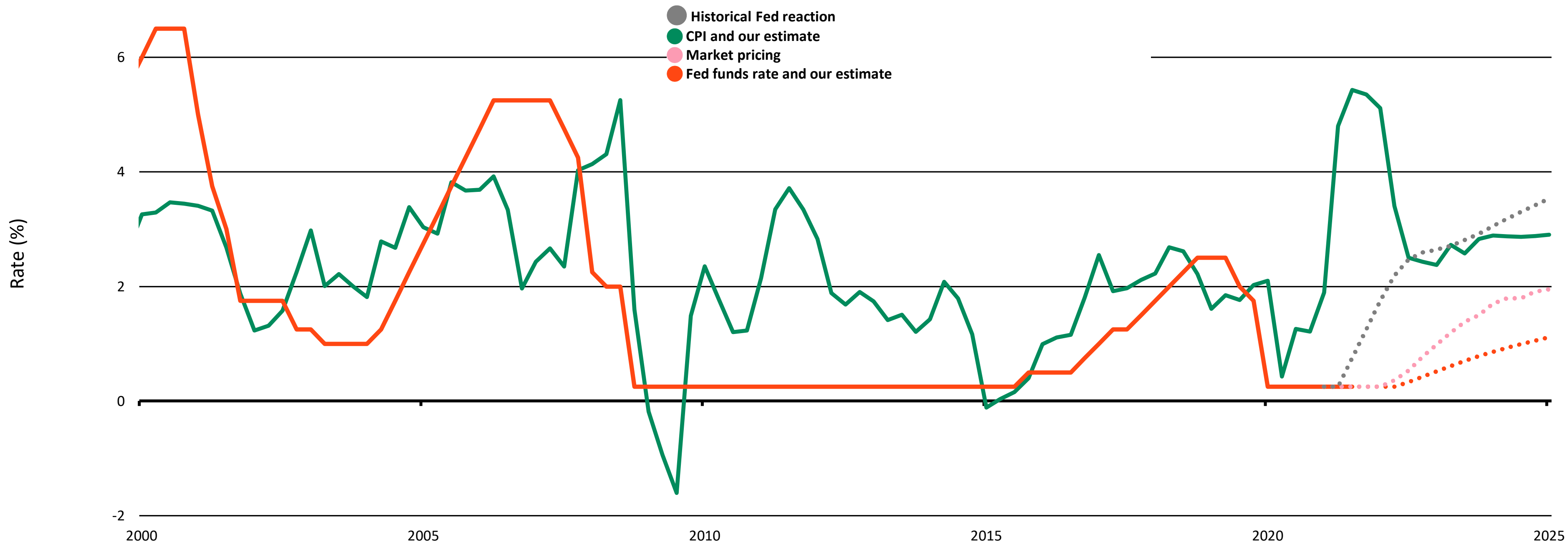


Forward looking estimates may not come to pass. Sources: BlackRock Investment Institute, U.S. Bureau of Economic Analysis, Eurostat, Reuters News with data from Haver Analytics, December 2021. Notes: the charts show the breakdown of U.S. headline PCE inflation and Euro area headline HICP inflation into the percentage point contribution of different components. The markers show consensus projections of headline inflation rates – or the total shown in the charts above. There are no consensus projections for individual component contributions. "Goods" in the euro area refer to industrial non-energy products. There is no Shelter sub-component in the euro area.

Our *new nominal* theme keeps playing out

We expect central banks will be withdrawing some monetary support as the restart does not need stimulus. We see central banks starting to raise rates but remaining more tolerant of inflation.

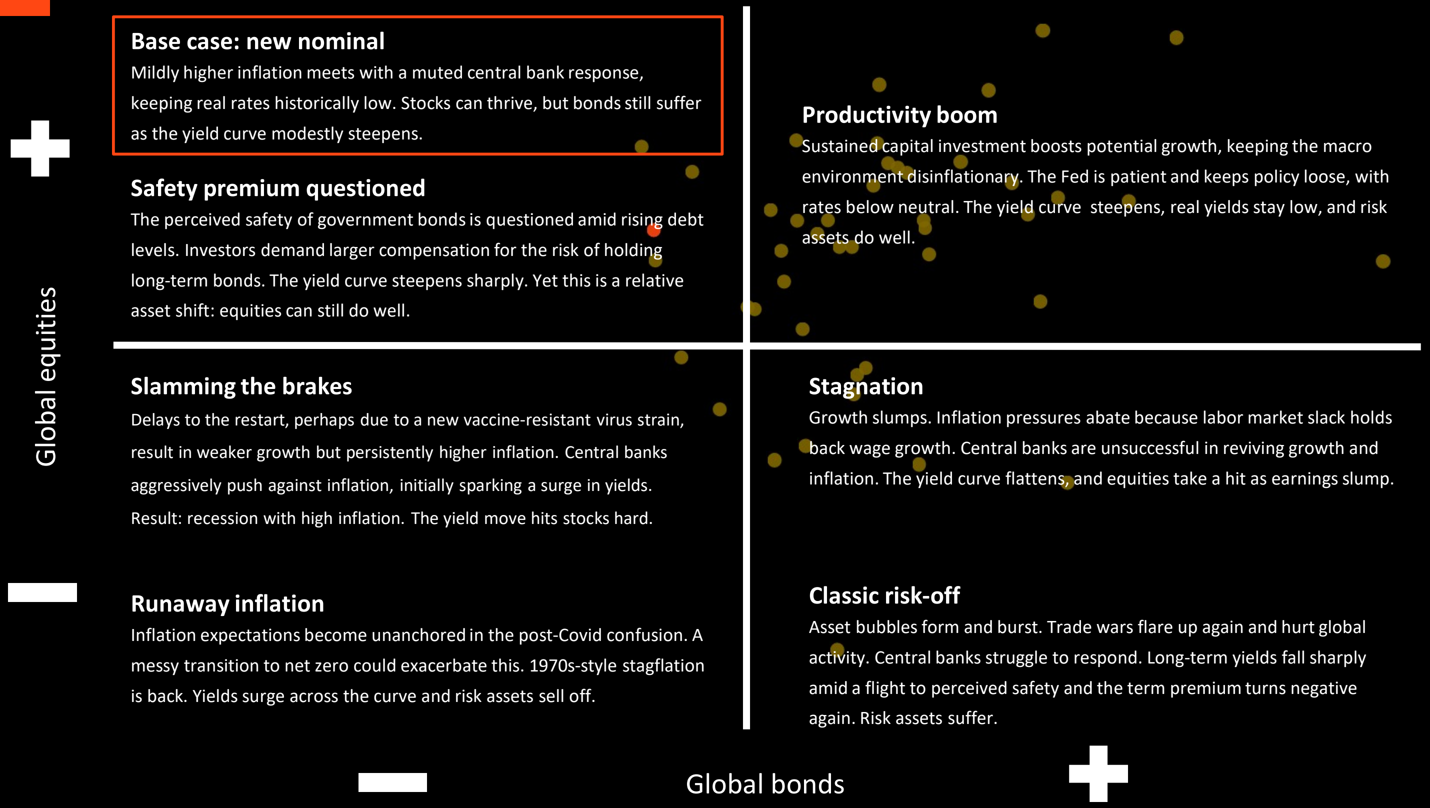
U.S. CPI inflation, fed funds rate and expectations, 2000-2025



Forward-looking estimates may not come to pass. Source: BlackRock Investment Institute, Federal Reserve Board, U.S. Bureau of Labor Statistics, Bloomberg, with data from Haver Analytics, December 2021. Notes: The chart shows the U.S. nominal federal funds rate (orange line), year on year headline CPI inflation (green) and some projected paths of the nominal federal funds rate. The U.S. CPI shown from 2022-2025 are our estimates embedded in our Capital Market Assumptions. The dotted red line shows our own projection. The gray line shows the path that would have been implied by a simple monetary policy rule linking the choice of policy rate to the rate of inflation and the level of the output gap. The pink line shows the current market-implied path.

The new regime – and alternatives

Macro landscape



Base case: new nominal
Mildly higher inflation meets with a muted central bank response, keeping real rates historically low. Stocks can thrive, but bonds still suffer as the yield curve modestly steepens.

Safety premium questioned
The perceived safety of government bonds is questioned amid rising debt levels. Investors demand larger compensation for the risk of holding long-term bonds. The yield curve steepens sharply. Yet this is a relative asset shift: equities can still do well.

Productivity boom
Sustained capital investment boosts potential growth, keeping the macro environment disinflationary. The Fed is patient and keeps policy loose, with rates below neutral. The yield curve steepens, real yields stay low, and risk assets do well.

Slamming the brakes
Delays to the restart, perhaps due to a new vaccine-resistant virus strain, result in weaker growth but persistently higher inflation. Central banks aggressively push against inflation, initially sparking a surge in yields. Result: recession with high inflation. The yield move hits stocks hard.

Runaway inflation
Inflation expectations become unanchored in the post-Covid confusion. A messy transition to net zero could exacerbate this. 1970s-style stagflation is back. Yields surge across the curve and risk assets sell off.

Stagnation
Growth slumps. Inflation pressures abate because labor market slack holds back wage growth. Central banks are unsuccessful in reviving growth and inflation. The yield curve flattens, and equities take a hit as earnings slump.

Classic risk-off
Asset bubbles form and burst. Trade wars flare up again and hurt global activity. Central banks struggle to respond. Long-term yields fall sharply amid a flight to perceived safety and the term premium turns negative again. Risk assets suffer.

Sources: BlackRock Investment Institute, December 2021. Notes: The schematic shows hypothetical macro and policy outcomes. These are our views on the implications for equities and government bonds as of December 2021. For illustrative purposes only. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This information should not be relied upon by the reader as research or investment advice regarding any funds, strategy or security in particular.

We see the green transition as a decades-long supply shock

The energy crunch in late 2021 has provided a glimpse of a disorderly transition. A smooth transition is even more important to the path of inflation than monetary policy, in our view.

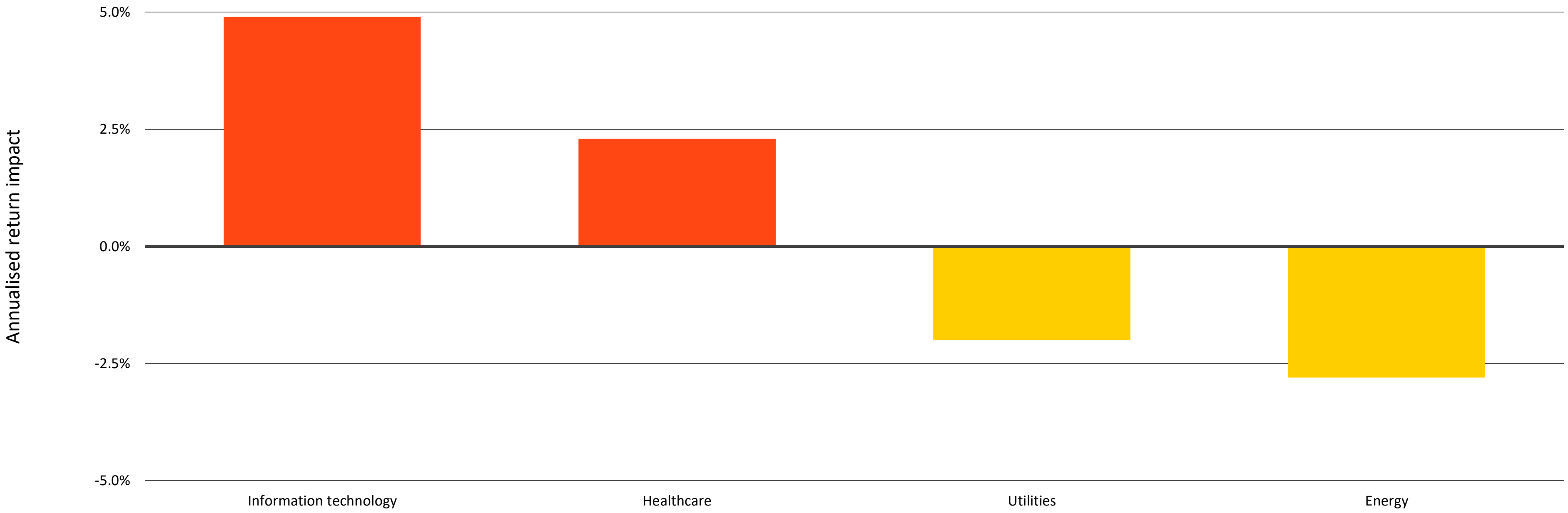
Futures prices of oil, coal and natural gas, 2017-2024

Past performance is not a reliable indicator of current or future results. Sources: BlackRock Investment Institute, with data from Refinitiv, December 2021. Notes: The chart shows natural gas, coal and crude oil prices rebased to 100 at the start of 2017. We use the European Energy Derivatives Exchange natural gas futures, ICE Rotterdam coal futures and Brent crude oil futures to represent natural gas, coal and oil respectively. The dots show futures prices for contracts that expire in December 2022, December 2023 and December 2024.

The transition will have a big relative impact across sectors

We believe avoiding climate-related damages will help drive growth and improve returns for risk assets broadly. We see climate-resilient sectors such as tech and healthcare as potential beneficiaries

Return assumption differentials in green transition vs. no-climate-action



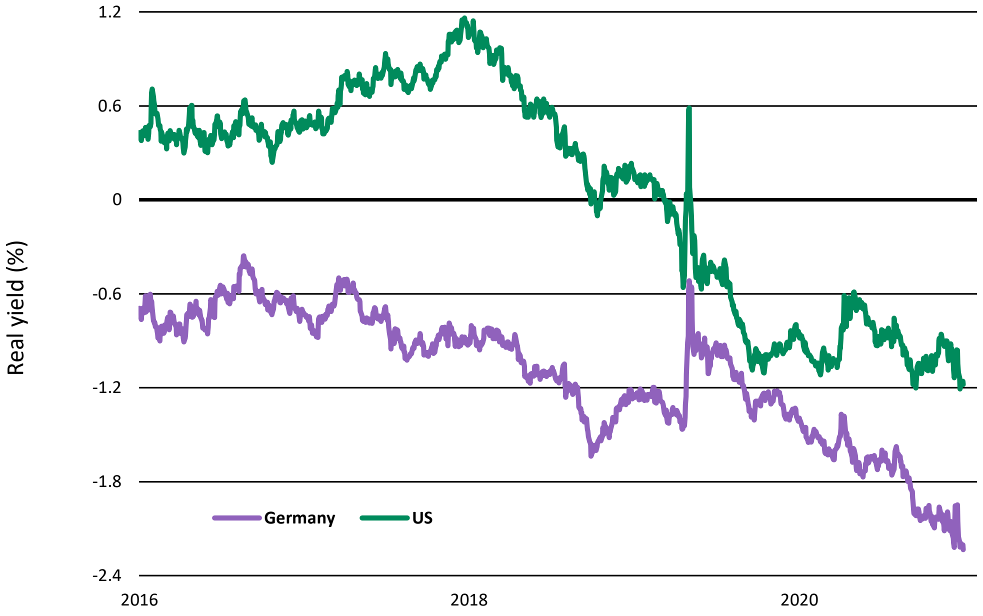
For illustrative purposes only. This information is not intended as a recommendation to invest in any particular asset class or strategy or as a promise - or even estimate - of future performance. Sources: BlackRock Investment Institute, with data from Refinitiv Datastream and Bloomberg, February 2021. Notes: The chart shows the difference in U.S. dollar expected returns over the next five years from February 2021 for four sectors of the MSCI USA Index in our base case of a "green" transition (policies and actions taken to mitigate climate change and damages, and to limit temperature rises to no more than 2 degrees Celsius by 2100) vs. a no-climate-action scenario. The estimated sectoral impact is based on expected differences in economic growth, corporates earnings and asset valuations across the two scenarios. Professional investors can access full details in our Portfolio perspectives and CMAs website.

TACTICAL VIEW

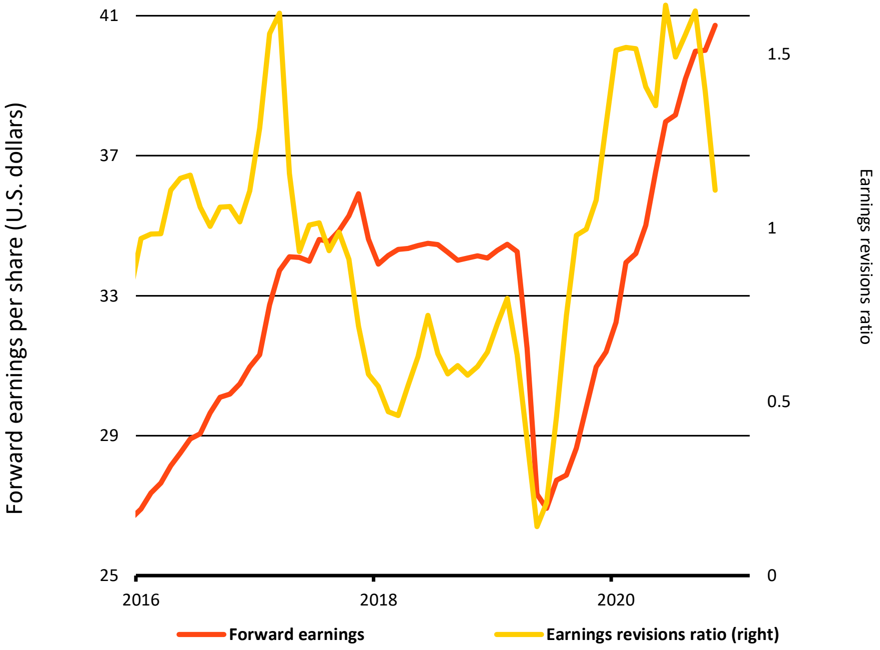
We still like equities yet dial down risk-taking

Low real yields alongside strong earnings are supportive of equity valuations. Yet earnings momentum has peaked, warranting some reduction in risk and seeking out some duration exposure.

U.S. and German 10-year real yields, 2016-2021



Equity earnings and revisions, 2016-2021



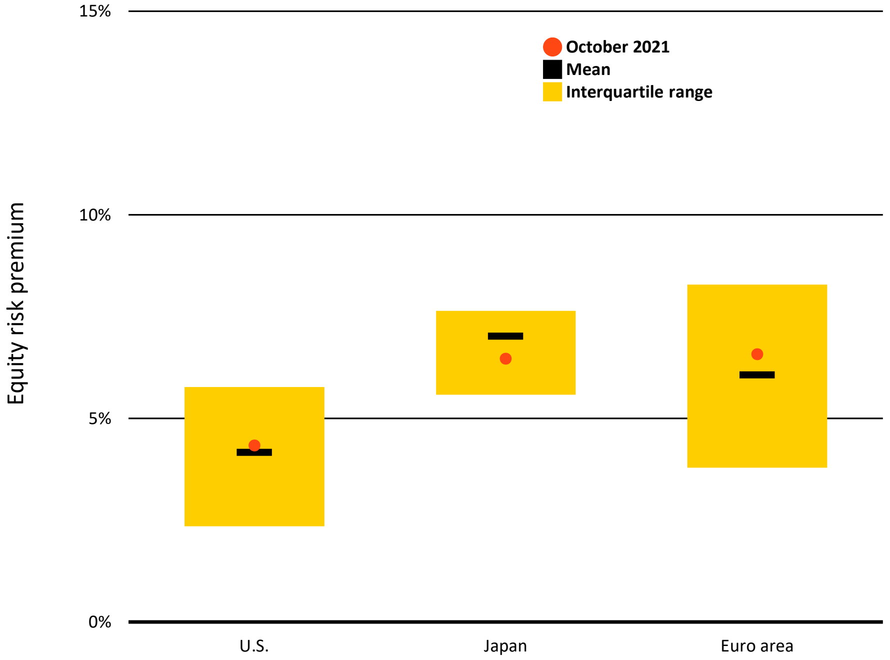
Past performance is not a reliable indicator of current or future results. Indexes are unmanaged and not subject to fees. It is not possible to invest directly in an index. Sources: BlackRock Investment Institute, with data from Refinitiv Datastream and Bloomberg, December 2021. Notes: The chart on the left shows the real yield in Germany and the U.S. calculated as the yield spread between the respective 10-year nominal government and the 10-year inflation-protected government bonds in each market. The real yield strips out the expected impact of inflation over the next decade. The chart on the right shows the weighted average forward earnings per share for the MSCI ACWI Index in US dollars per share (orange line) and the ratio of analyst upgrades vs. downgrades, or the earnings revision ratio (yellow line). A ratio above 1 (dotted line) indicates more upgrades vs downgrades.

TACTICAL VIEW

Diversifying DM equity overweight across regions

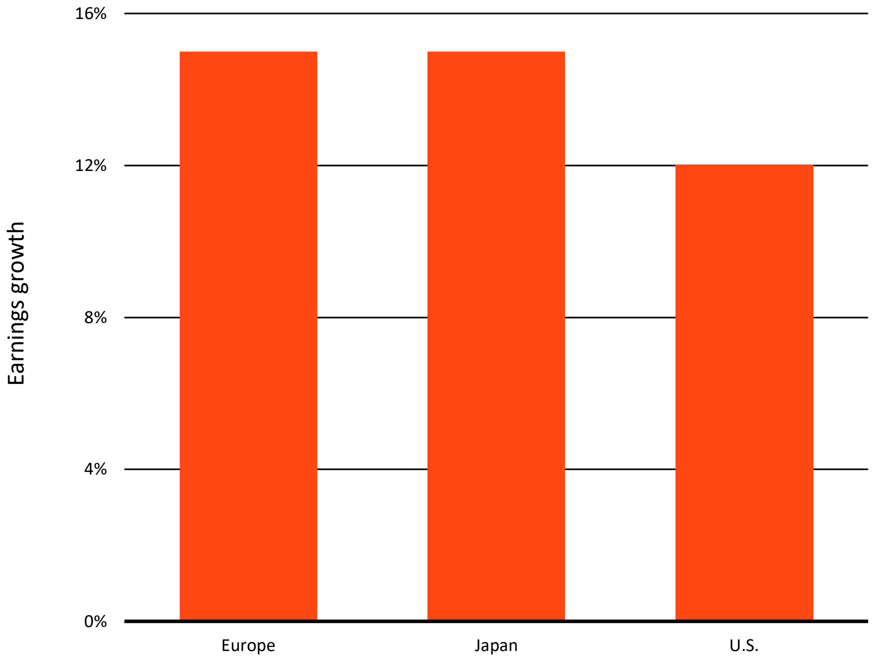
Valuations and forward earnings growth are broadly aligned with history in major DM markets. This tempers our conviction on regional bets even as we stay overweight DM equities.

Equity market valuations, December 2021



Sources: BlackRock Investment Institute, with data from Refinitiv Datastream, December 2021. Note: The chart shows the equity risk premium and historical ranges since 1995 for major DM equity regions based on MSCI indices. We calculate the equity risk premium based on our expectations for nominal interest rates and the implied cost of capital for respective equity markets.

Forward earnings growth, October 2021

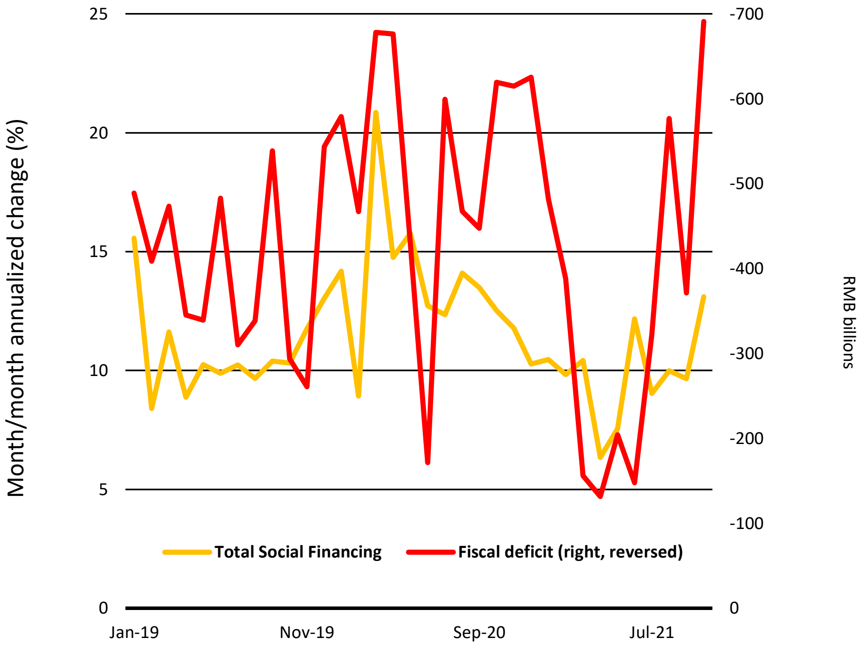


Sources: BlackRock Investment Institute, with data from Refinitiv Datastream, December 2021. Note: The chart show shows forward 12-month earnings growth estimates for the MSCI Europe, MSCI Japan and MSCI USA as of 31 October 2021. Indexes are unmanaged and not subject to fees. It is not possible to invest directly in an index.

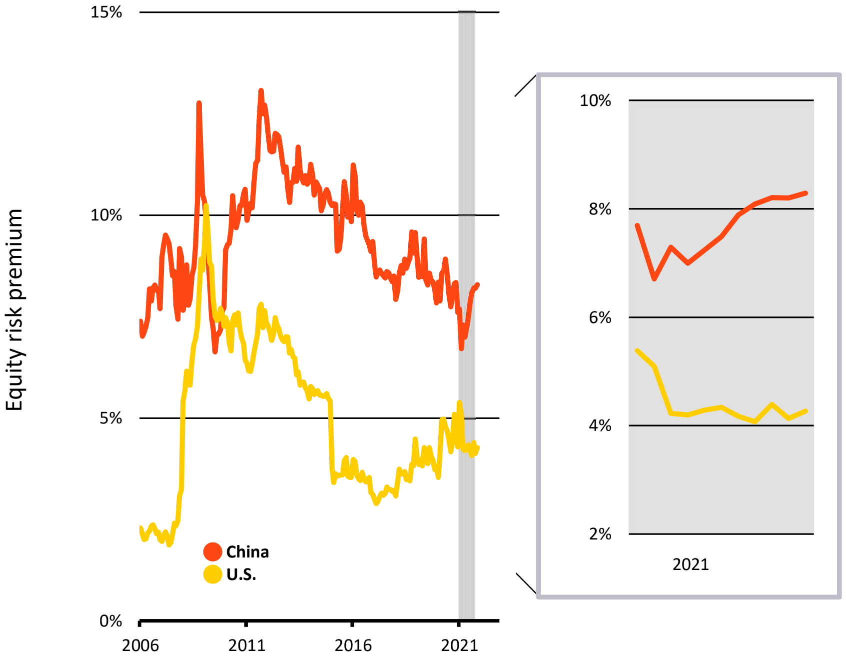
Policy easing could brighten backdrop for China equities

We see gradual policy loosening – both monetary and fiscal – following the tight stance policymakers maintained earlier this year. Valuations suggest markets are already pricing in significant risks.

China broad credit and fiscal deficit, 2019-2021



China vs U.S. equity risk premium, 2006-2021



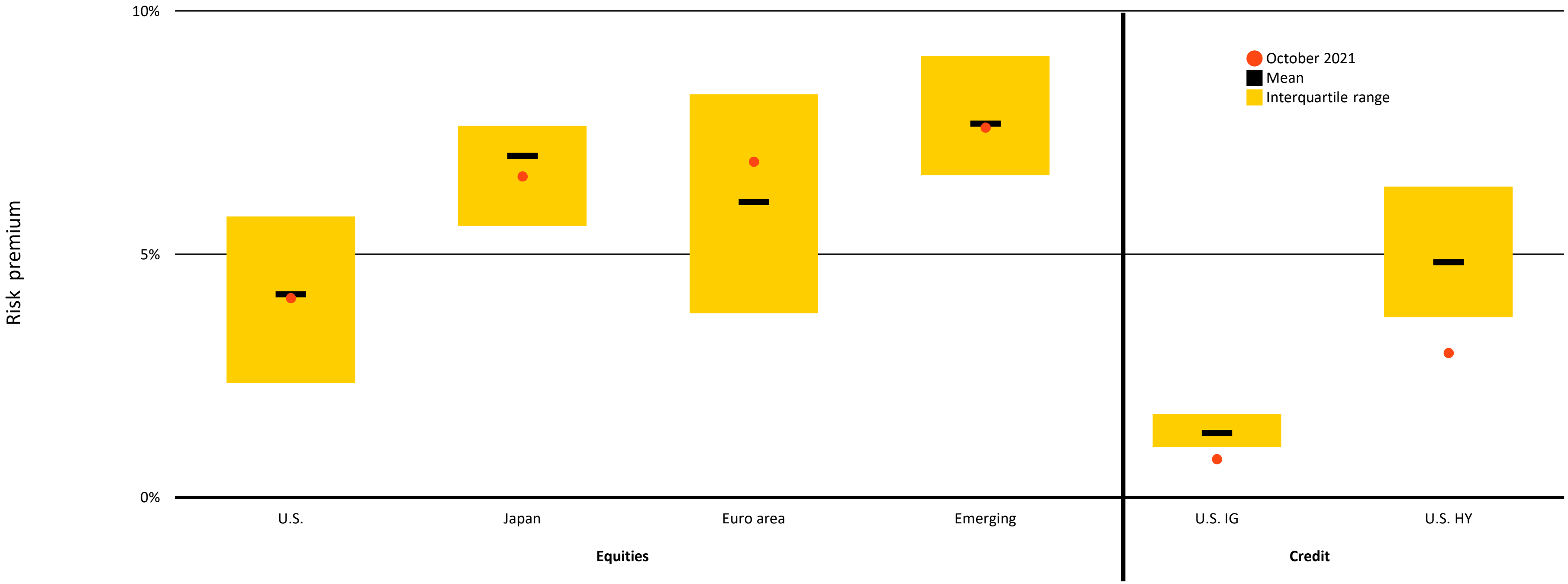
Past performance is no guarantee of future results. Indexes are unmanaged and do not account for fees. It is not possible to invest directly in an index. Sources: BlackRock Investment Institute, with data from Refinitiv, December 2021. Notes: the yellow line on the left chart shows the month-on-month change in seasonally adjusted Total Social Financing – China’s broadest measure of aggregate credit and liquidity in the economy – and the monthly fiscal deficit (orange line). The right chart shows our estimate of the equity risk premium for MSCI China and MSCI USA as of 30 November 2021 . We calculate the equity risk premium based on our expectations for nominal interest rates and the implied cost of capital for respective equity markets.

STRATEGIC VIEW

We still prefer equities over credit in strategic allocations

Low real rates – a direct consequence of the new nominal – and slowing but still above trend growth support our strategic equity preference

Equity risk premiums and credit spreads current vs. historical, December 2021



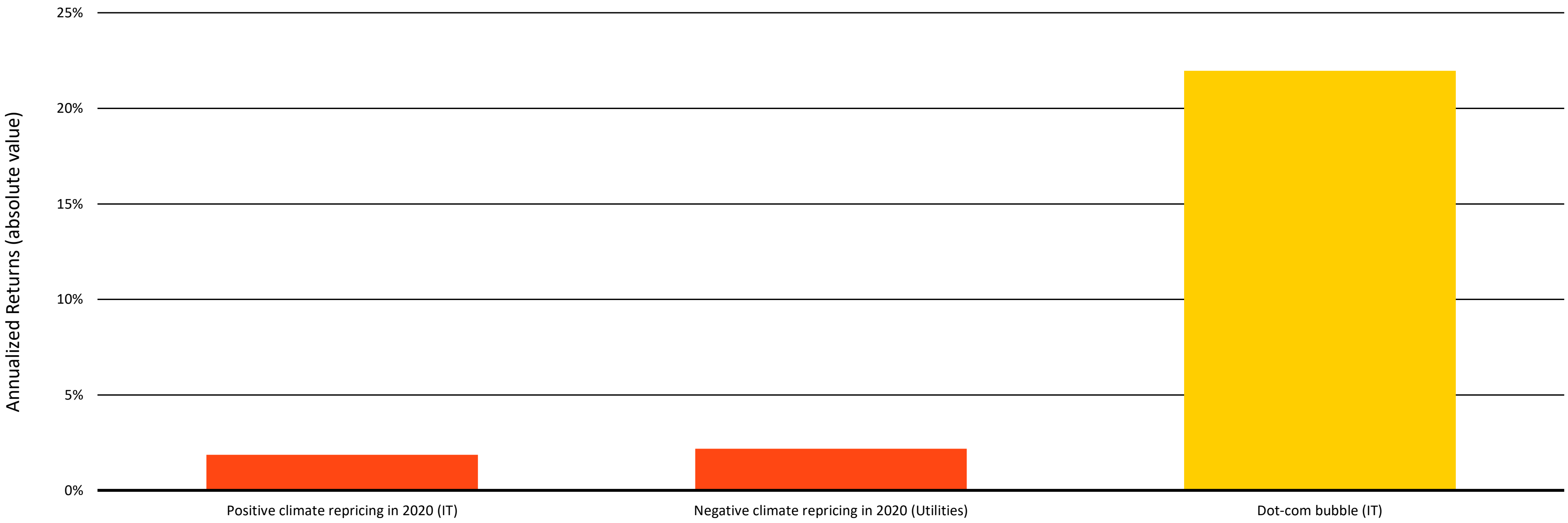
Past performance is not a reliable indicator of current or future results. Indexes are unmanaged and not subject to fees. It is not possible to invest in an index. Source: BlackRock Investment Institute and Refinitiv Datastream, data as of end-October 2021. The chart shows the equity risk premium and historical ranges since 1995 for major equity regions based on MSCI indices and the credit spreads for the U.S. Investment Grade and High Yield markets based on Bloomberg indices. We calculate the equity risk premium based on our expectations for nominal interest rates and the implied cost of capital for respective equity markets. Credit spreads are calculated by taking the difference between the credit market yields and the corresponding government bond yields.

STRATEGIC VIEW

Climate repricing has a long way to go

Climate-driven repricing is already clearly material, yet we believe there is much more to go. We push back against the notion that there is a sustainability "bubble" in asset prices.

Relative repricing impact of change in discount rates, 2020 vs dot-com bubble



Past performance is no guarantee of current or future results. Sources: BlackRock Investment Institute, with data from the Center for Research on Security Prices, December 2021. Notes: To estimate climate-driven repricing, we attribute historic returns to two drivers; cashflow news and discount rate (DR) news. We then identify the DR news associated with climate change using carbon emission intensity (CEI) as a proxy. We isolate the DR component of returns by 1) estimating revisions in future expected returns, based on forecast surprises from a vector-autoregression embedding standard factors such as value, momentum and quality 2) applying the approximate return decomposition of Campbell (1991). Sector returns are MSCI US Sector index- weighted averages of stock-level returns. Attribution to climate scores is given by cross-sectional predictive regressions of DR news on CEI, given by the log of level 1 carbon emissions scaled by firm value. The first two bars represent fitted values for the lowest and highest CEI sectors, respectively. The "Dot-Com Bubble" is the period Jan 1998-June 2001.

Directional views

Strategic (long-term) and tactical (6-12 month) views on broad asset classes, March 2022

Asset	Strategic view	Tactical view	
Equities	⬜⬜⬜⬜🟨	⬜⬜⬜🟨⬜	We added to our strategic equities overweight in February. The early 2022 selloff created an opportunity for long-term investors as we see the combination of low real rates, strong growth and reasonable valuations as favorable for the asset class. Incorporating climate change in our expected returns brightens the appeal of developed market equities given the large weights of sectors such as tech and healthcare in benchmark indices. Tactically, we are overweight equities amid solid economic fundamentals and historically low real rates.
Credit	⬜🟥⬜⬜⬜	⬜🟥⬜⬜⬜	We are underweight credit on a strategic and tactical basis against a backdrop of rising long-end rates and high valuations. We prefer to take risk in equities instead. Tactically, we remain overweight local-currency EM debt.
Govt bonds	⬜🟥⬜⬜⬜	⬜🟥⬜⬜⬜	We are strategically underweight nominal government bonds given their diminished ability to act as portfolio diversifiers with yields near lower bounds. We see the long-term outlook for the asset class challenged by rising term premium and our expectation of higher medium-term inflation than markets are pricing. We prefer inflation-linked bonds. Tactically, we recently reduced our underweight to U.S. Treasuries – we see the direction of travel for yields as higher but think the move is overdone for now. We prefer inflation-linked bonds for interest rate exposure and as a portfolio diversifier.
Private markets	⬜⬜⬛⬜⬜		We believe non-traditional return streams, including private credit, have the potential to add value and diversification. Our neutral view is based on a starting allocation that is much larger than what most qualified investors hold. Many institutional investors remain underinvested in private markets as they overestimate liquidity risks, in our view. Private markets are a complex asset class and not suitable for all investors.

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Tactical granular views: equities

Six to 12-month tactical views on selected assets vs. broad global asset classes by level of conviction

Region	View	Commentary
Developed markets	+2	We increased our overweight on developed market equities last month after this year's pullback. The market's view of rate hikes is overly hawkish, in our view. Solid growth and low real yields support more attractive valuations.
United States	+2	We raised our overweight in U.S. equities last month due to still strong earnings momentum. We do not see policy normalization posing significant headwinds.
Europe	+2	We increased our overweight in European equities last month given attractive valuations. We believe the market's view of euro area rate hikes is particularly excessive.
UK	Neutral	We are neutral UK equities. We see the market as fairly valued and prefer European equities.
Japan	+1	We have a small overweight in Japanese equities. We see a global cyclical rebound boosting earnings growth following underperformance in 2021.
China	+1	We stay moderately positive on Chinese equities as we see a shift to a slightly easier policy. We expect the regulatory clampdown to last but not intensify.
Emerging markets	Neutral	We are neutral EM equities and prefer DM equities, given more challenged restart dynamics and tighter policies in EM.
Asia ex-Japan	Neutral	We are neutral Asia ex-Japan equities. We prefer more targeted exposure to China relative to the broad region.

Underweight **Neutral** **Overweight**

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Tactical granular views: fixed income

Six to 12-month tactical views on selected assets vs. broad global asset classes by level of conviction

Asset	View	Commentary
U.S. Treasuries	-1	We recently reduced our underweight to U.S. Treasuries given the yield surge so far this year. Over a longer horizon, we see higher yields as investors demand a higher premium for holding governments bonds.
Treasury Inflation-Protected Securities	+1	We stay overweight U.S. TIPS as we expect inflation to be persistent and settle at a higher level than pre-Covid. We prefer TIPS for interest rate exposure and diversifiers.
European government bonds	-1	We are underweight on government bonds. We see yields heading higher even as market pricing has adjusted sharply to price in an end of negative rates and beyond.
UK Gilts	Neutral	We are neutral UK Gilts. We see UK policy rates rising before DM peers, yet believe market expectations of the subsequent pace are overdone amid constrained supply
China government bonds	+1	We are overweight Chinese government bonds. Potentially easier monetary policy alongside the relative stability of interest rates and potential income brighten their appeal.
Global investment grade	-1	We stay underweight investment grade credit. We see little room for further yield spread compression and remain concerned about interest rate risk.
Global high yield	Neutral	We are neutral high yield. We do not see compression in high yield spreads yet still find the carry attractive. We prefer to take risk in equities.
Emerging market – hard currency	Neutral	We are neutral hard-currency EM debt. We expect it to gain support from the vaccine-led global restart and more predictable U.S. trade policies.
Emerging market – local currency	+1	We are modestly overweight local-currency EM debt on attractive valuations and potential income. Higher yields already reflect EM monetary policy tightening, in our view.
Asia fixed income	+1	We stay overweight Asia fixed income. We find valuations in China compelling relative to risks. Outside China, we like Asian sovereigns and credit for income and carry.

Underweight **Neutral** **Overweight**

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Ironbark

IMAP: How inflation could impact global equities

Alex Donald, Head of Funds Management

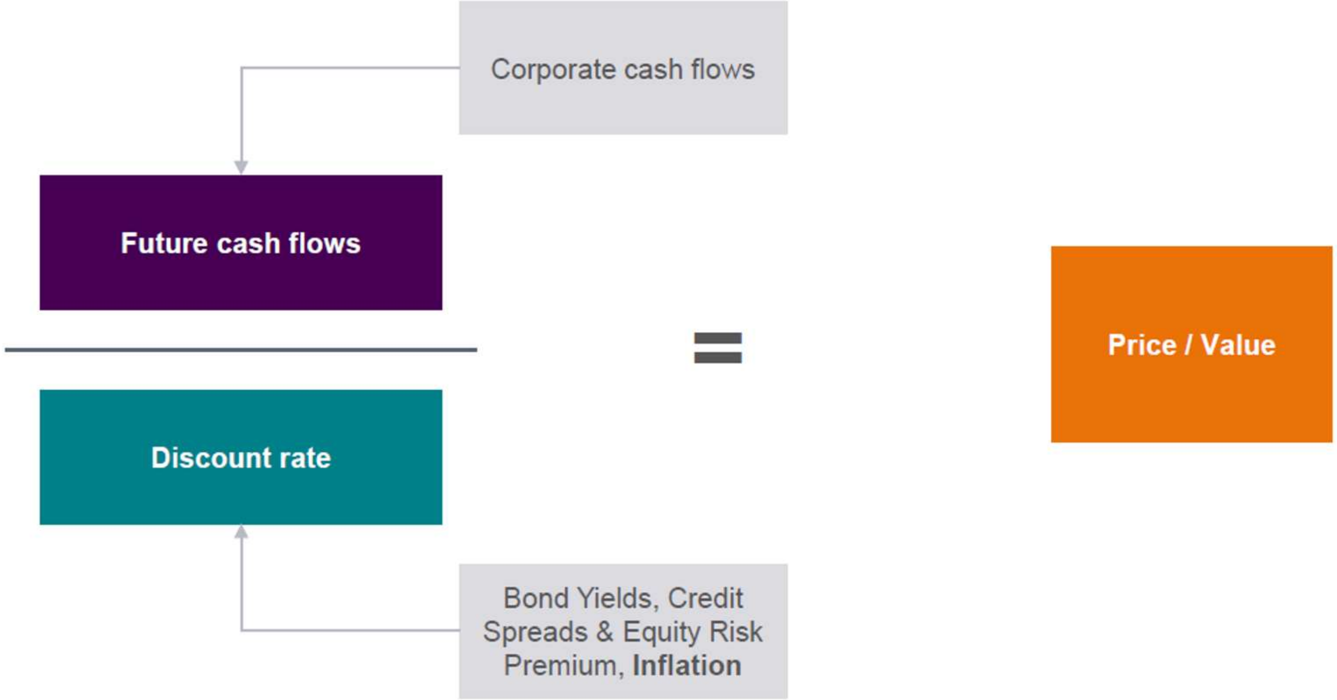
ironbarkam.com

Ironbark Asset Management (Fund Services) Limited
Level 14, 1 Margaret Street, Sydney NSW 2000, Australia

ABN 63 116 232 154   AFSL 298626

March 2022

Global Equities Pricing Puzzle



Corporate cash flows

Future cash flows

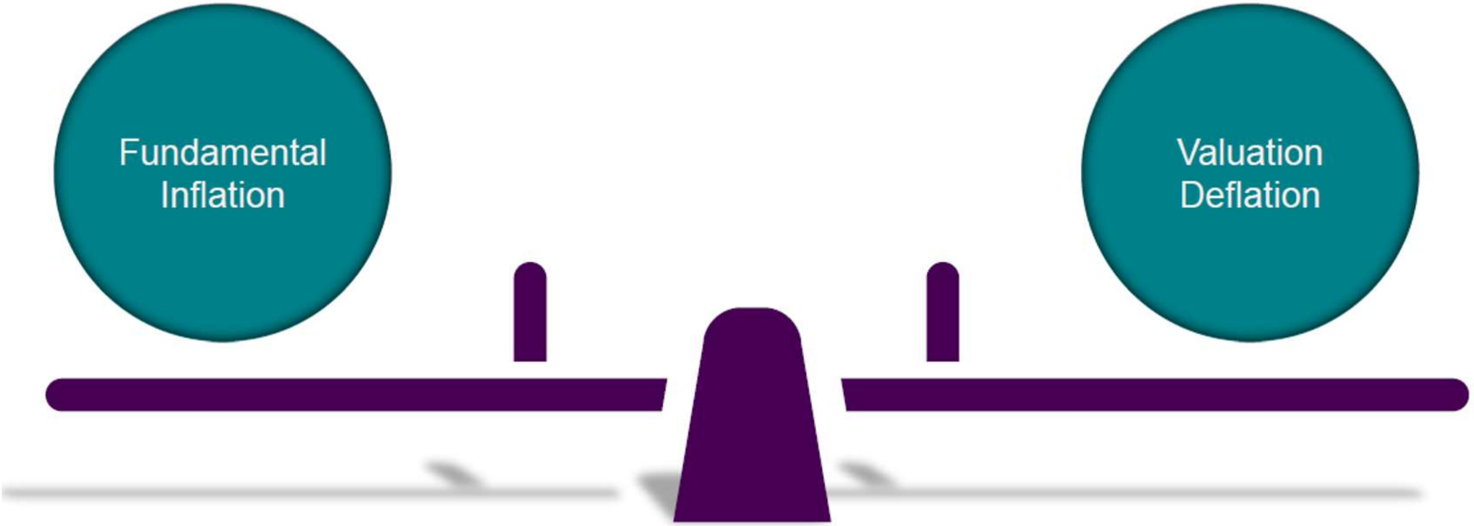
Discount rate

Bond Yields, Credit Spreads & Equity Risk Premium, **Inflation**

Price / Value

Source: RLAM, for illustrative purposes only.

A Complex Trade-off



Source: RLAM, for illustrative purposes only.

Impacts of Inflation

- Inflation protection – no simple answers… it's genuinely complex
- There are no obvious 'beneficiaries' as to sectors/style that might 'win'

	POSITIVE IMPACT	NEGATIVE IMPACT
GROWTH STOCKS	• Can accelerate disruptive success • Can have pricing power • Asset light advantage	• Very discount rate / valuation sensitive (watch out for the derating)
VALUE STOCKS	• Scarcity can benefit massively *e.g. miners* • Banks can be big winners • Low starting valuations less de-rating sensitive • Fixed price debt can be 'inflated away'	• No pricing power & low margins risk to profits • Inflation can be brutal • Asset replacement cost can be disastrous in asset heavy businesses

Ironbark

Portfolio Considerations

- High level of market uncertainty

- A stock specific approach… brick-by-brick… to mitigate the need to make a ‘call’ on what happens next with inflation and/or style environment

- Focus on:
  - Strong cash flows
  - Pricing power and profitability
  - Capital replacement costs
  - Strong balance sheets

- Benefit of managed accounts

Important Information

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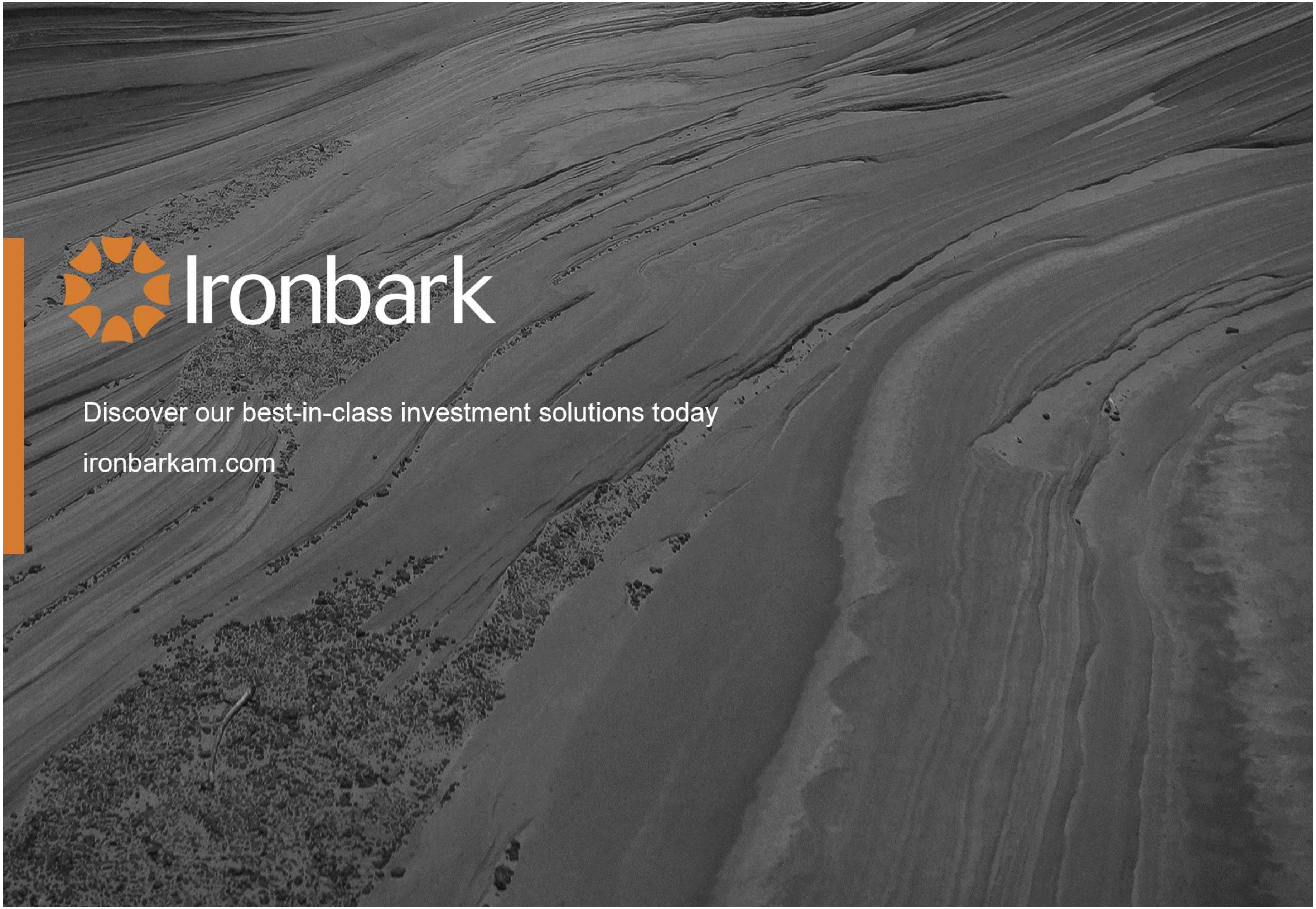

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Dealing with ESG requirements in asset allocation

Michael Karagianis, JANA Investment Advisers

Daniel Choo, Russell Investment Management

John Woods, Australian Ethical

Construct

Dealing with ESG requirements in asset allocation

Daniel Choo

Multi-asset Portfolio Manager,
Russell Investments

Glocal perspectives: Sustainability solutions

(for Australian Managed Portfolios)

Client values (e.g. climate) and demand (e.g. direct shares)

Fund manager insights and trends (e.g. survey of fund managers)

Regulation and reporting requirements (e.g. Article 8/9 status for funds in Europe)

Asset allocation preferences based on internal ESG framework

Constraints such as availability in Australia (retail platforms)

Russell Investments

ESG

Solution Design Workbook

This workbook provides guidance and best practices for Investment, GTM and Solutions teams to collaboratively build sustainability solutions for clients.

January 2022

	Impax Sustainable Leaders Fund	**First Sentier Global Listed Infrastructure Fund**
Intent	‘Environmental’ focused global equity fund	Global listed infrastructure fund
Process	‘Excellent’	‘Excellent’ (in the context of fund’s intent)
Outcome	Higher carbon footprint vs benchmark Lower ESG risk score vs benchmark	Slightly higher carbon footprint vs benchmark Higher ESG risk score vs benchmark
Recommendation	Include	?

Source: Sustainalytics as at 31 December 2021.

	Impax Sustainable Leaders Fund	Responsible First Sentier ~~Global~~ Listed Infrastructure Fund
Intent	‘Environmental’ focused global equity fund	Global listed infrastructure fund contributing to sustainable development
Process	‘Excellent’	‘Excellent’ (in the context of fund’s intent)
Outcome	Higher carbon footprint vs benchmark Lower ESG risk score vs benchmark	Lower carbon footprint vs benchmark Slightly higher ESG risk score vs benchmark
Recommendation	Include	Include

Source: Sustainalytics as at 31 December 2021.

Russell Investments

Direct shares by ASX code:

CBA 🟫	NAB ⬜🟧🟫	CSL 🟦🟨🟫	WBC 🟧🟫	ANZ 🟧	WES 🟫	TLS ⬜🟦⬛
MQG ⬜	TCL 🟨	BXB 🟦🟫	NCM 🟧	JHX ⬜🟦🟨	FMG 🟧🟦	CPU ⬜⬛
SHL ⬜	DXS ⬜🟧	BSL 🟧	OZL ⬜🟨	WOW 🟦🟫	GMG ⬜🟫	IGO ⬜🟦
LYC ⬜🟦🟨	GPT ⬜🟫	IPL ⬜	NST 🟦🟨	EVN 🟧🟦	WTC ⬜🟨	COL 🟦
SGP 🟧	MIN 🟦					

⬜ Momentum
🟧 Value
🟦 Quality
🟨 Growth
🟫 Low volatility

Selection of active managers (via managed funds)

COHEN & STEERS

DWS

First Sentier Investors

IMPAX Asset Management

PENDAL

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Australian Ethical

Dealing with ESG Requirements in Asset Allocation

John Woods, Head of Asset Allocation

Tuesday 22nd of March

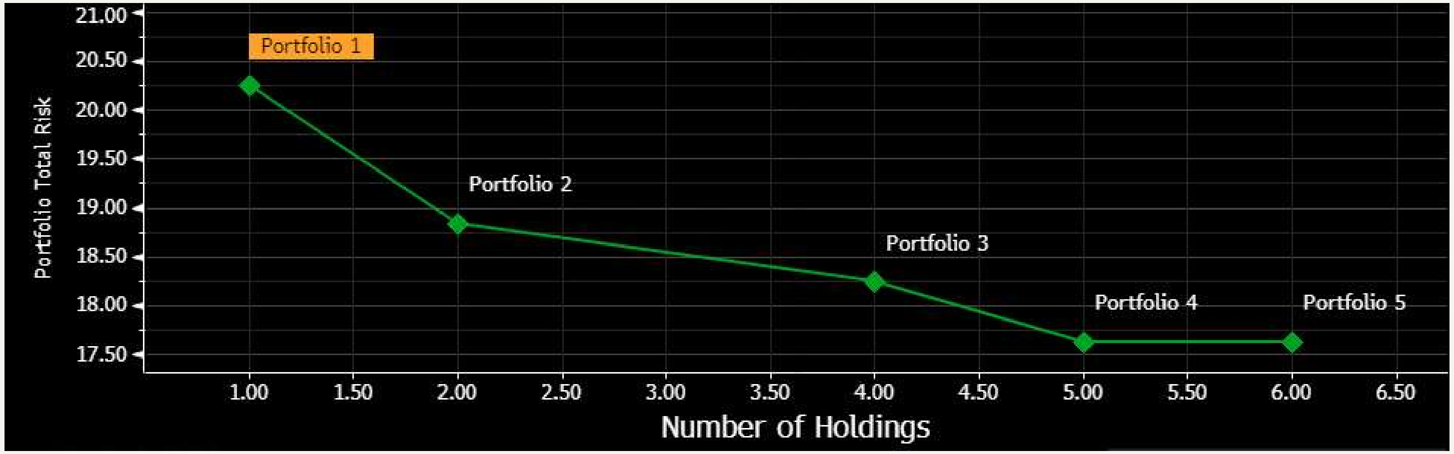
What’s so hard about ethical investing?

It’s a lot easier if you’re prepared to be different

Is there enough diversification in ethical portfolios?

If you want to manage risk, be more deliberate

Benefit of increasing number of investable bank stocks to portfolio risk



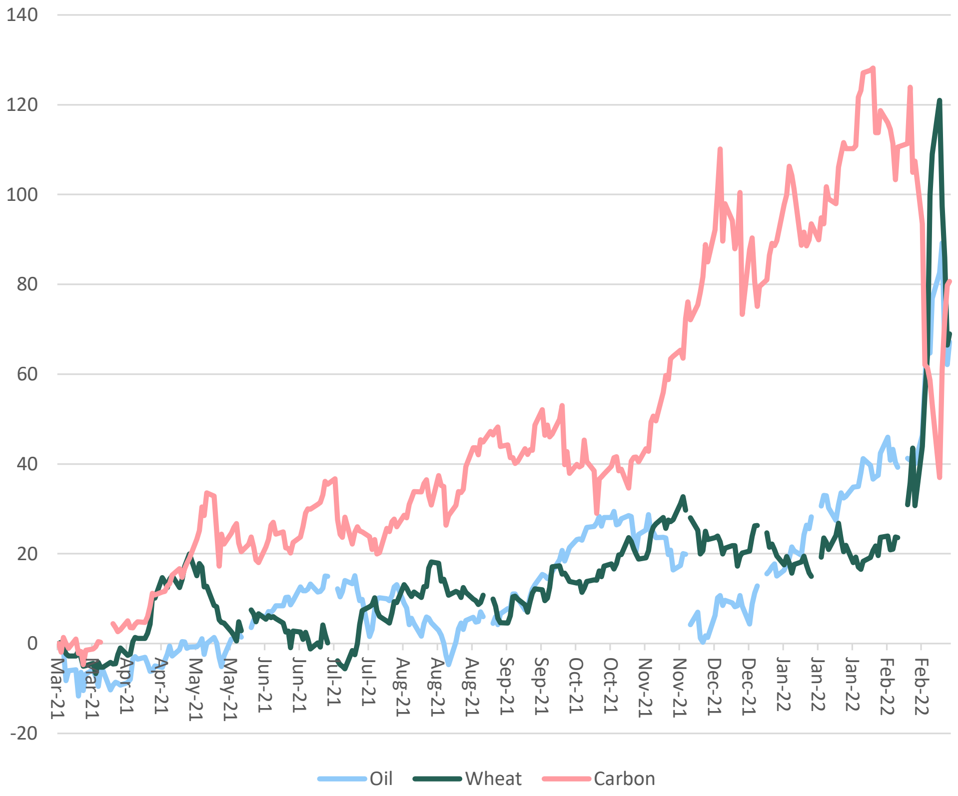
Diversification is not just more "things"- it's more diversifying "things"

- The ASX200 has ~200 companies and an ex-ante total risk of 13% per annum.
- But the minimum risk ASX200 portfolio "only" has 125 stocks- an optimizer would have a zero weight in CBA and 30% less risk
- There are 2000+ companies listed on the ASX- using that universe instead of the index you only "need" 80 stocks to achieve 35% less risk than the ASX200

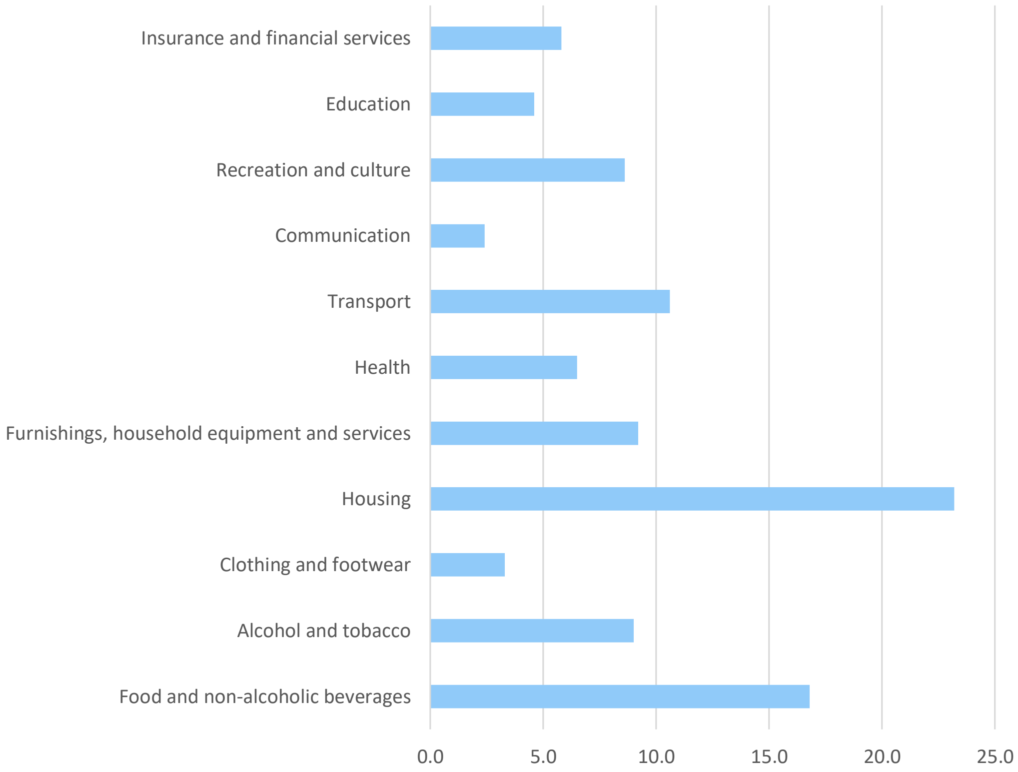
Without oil can I hedge inflation?

While Oil is pervasive, its not the only source of inflation

Commodity Price Appreciation – 12 Months



Australian CPI Basket



Thank you

John Woods

Head of Asset Allocation

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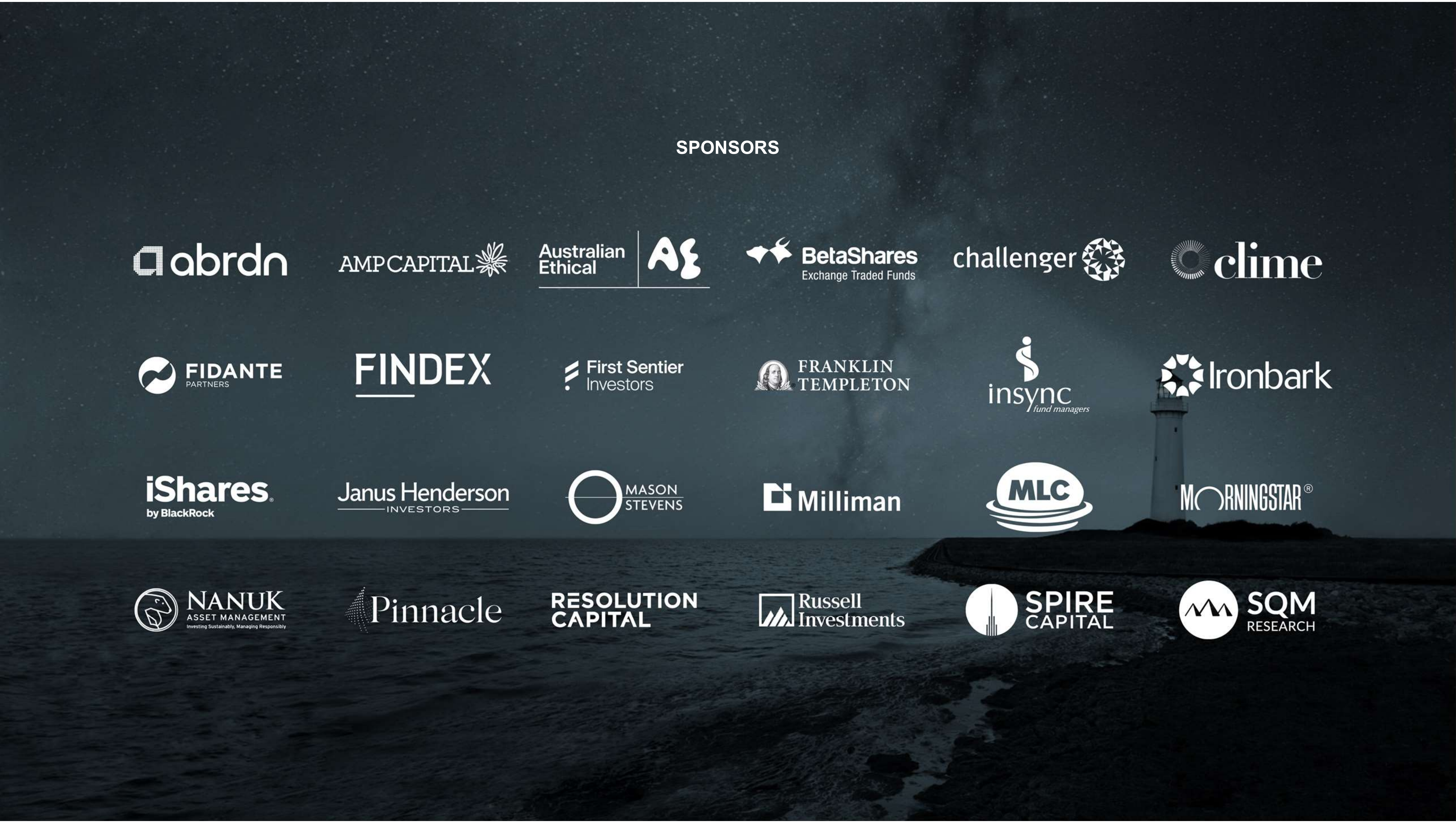
jwoods@australianethical.com.au

Questions



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