



Pre Select commentaries

Quarter ended 30 September 2024

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Economic and market commentary

Asset class returns to 30 September 2024

	CYTD %	1 month %	3 months %	1 year %	3 years pa %	5 years pa %	10 years pa %
Australian shares	12.3	3.1	7.8	21.7	8.1	8.3	8.9
Global shares (hedged)	18.2	1.8	4.7	28.5	7.5	10.8	9.8
Global shares (unhedged)	16.7	0.1	2.6	22.6	9.6	11.6	12.0
Emerging markets (unhedged)	14.9	4.3	4.7	17.3	1.8	5.2	6.5
Australian property securities	25.3	6.5	14.3	45.9	8.8	7.2	10.5
Global property securities (hedged)	11.1	2.5	13.5	25.2	0.1	0.3	4.6
Global listed infrastructure (hedged)	16.0	2.1	11.8	25.8	5.8	4.0	6.9
Australian bonds	3.2	0.3	3.0	7.1	-1.2	-0.4	2.4
Global bonds (hedged)	3.5	1.1	4.0	9.1	-1.5	-0.4	2.3
Global high yield bonds (hedged)	5.8	1.0	4.0	12.7	1.1	3.0	4.5
Australian inflation-linked bonds	2.6	0.5	2.6	6.3	2.3	2.4	2.9
Cash	3.3	0.4	1.1	4.4	2.8	1.8	1.9
AUD/USD	1.7	2.2	3.9	7.5	-1.3	0.6	-2.3

Past performance is not a reliable indicator of future performance.

Sources: Australian shares – S&P/ASX 300 Total Return Index; Global shares (hedged) – MSCI All Countries World (A\$ hedged, Net); Global shares (unhedged) – MSCI All Countries World in A\$ (Net); Emerging markets – MSCI Emerging Markets in A\$ (Net); Australian property securities – S&P/ASX 300 A-REIT Accumulation Index; Global property securities – FTSE EPRA/NAREIT Developed (A\$ hedged, Net); Global listed infrastructure – FTSE Global Core Infrastructure 50/50 (Hedged \$A); Australian bonds – Bloomberg AusBond Composite 0+ Yr Index; Global bonds (A\$ hedged) – Barclays Global Aggregate (A\$ hedged, Gross); Global high yield bonds (A\$ hedged) – Barclays US High Yield Ba/B Cash Pay x Financials (\$A Hedged); Australian inflation-linked bonds – Bloomberg AusBond Inflation Government 0+ Yr Index; Cash – Bloomberg AusBond Bank Bill Index; AUD/USD – WM/Reuters Daily (4 pm GMT)..

Global

Global shares achieved strong gains over the quarter despite concerns over the conflicts in the Middle East and Ukraine. Optimism on 'Artificial Intelligence' (AI) prospects, milder inflation outcomes, and both the American and European central banks cutting interest rates were the key drivers for higher global share prices.

Global shares (hedged) recorded a strong 4.7% return for the quarter. However, a stronger Australian dollar particularly against the US dollar restrained the global shares (unhedged) return to only 2.6% for the quarter.

Wall Street's benchmark S&P 500 Index made historic highs and delivered a very strong 5.8% quarterly return in local currency terms with the exuberant optimism on AI and technology shares.

European shares delivered a solid return. Investors gained solace in milder inflation and the European Central Bank (ECB) cutting interest rates. However, political risks with the Russia-Ukraine War cast a shadow over European share prices.

Asian share markets delivered mixed performances. Chinese shares made an extraordinary recovery in September which allowed China's MSCI index to deliver an astonishing 22.2% quarterly return in local currency terms. Finally, Chinese central banks responded to slow economic activity and weak property markets by assertively cutting interest rates. However, Japanese share markets delivered a -6% return for the quarter in local currency terms given concerns over higher interest rate settings by the Japanese central bank.

Global bonds (hedged) posted a strong 4% quarterly return. Bond investors were comforted by lower inflation readings in the United States and in Europe. Australian bonds posted a solid 3% return for the quarter largely on the back of lower global inflation as well as subdued Australian economic activity results.

Australia

Australian shares delivered a strong quarterly return of 7.8%. The Information Technology sector made a very strong quarterly return of 15.3% on AI optimism. Real Estate Investment Trusts (REITS) were next best with a 14.5% quarterly return given that lower global interest rates raised hopes for eventual interest rate cuts in Australia. Financial sector shares, that include the banks, also made a very strong 8.3% quarterly gain on lower interest rate hopes. Even Resource sector shares were boosted by China's stimulus announcements in September which generated a 7.1% gain. However, there were some disappointments with the Energy sector delivering returns of -6.4% given falling global oil prices.

Australia's economy continued to display subdued economic activity with sluggish consumer spending and weak housing construction. The negative impact of high consumer prices, mortgage interest rates and rents continued to squeeze household budgets. However, lower inflation results for August has generated optimism that the Reserve Bank of Australia will become more open to lowering interest rates in early 2025.

Global prospects

Global share prices have made strong gains this year despite some considerable headwinds. The enthusiasm for AI and technology are the key positive contributors to share prices. There is also confidence that inflation is gradually falling across the world which allows central banks to cut interest rates. A lower interest rate environment would be more supportive of corporate profits and thereby share prices.

However, these exuberant expectations may be challenged by considerable global political risks over coming months with the continuing Russian-Ukraine war as well as escalating conflict in the Middle East between Israel, Hamas, Hezbollah and Iran. The US Congressional and Presidential elections in November are also likely to prove influential for global economic stability and investor sentiment.

Given these complex and significant risks, investors should maintain a disciplined and diversified strategy.

Contributors to performance

Pre Select Conservative Fund

The Fund returned 3.5% for the quarter (before fees) and 12.0% for the year.

Key contributors to performance for the quarter ended 30 September 2024 were:

- There were exceptionally strong returns in **Australian shares** (+7.2%), **global listed property** (+13%) and **global listed infrastructure** (+11.8%).
- The exposure within alternatives to **insurance-related investments** (+4.8%) and **opportunistic capital solutions** (+3.4%) generated positive returns.
- Exposure to inflation-linked bonds and corporate bonds contributed positively to performance. The **inflation-linked bond strategy** returned +3.4% and **global high yield strategy** returned +2.9%.

Note: Returns for the asset classes above are before fees and tax.

Pre Select Balanced Fund

The Fund returned 4.1% for the quarter (before fees) and 14.9% for the year.

Key contributors to performance for the quarter ended 30 September 2024 were:

- There were exceptionally strong returns in **Australian shares** (+7.2%), **global listed property** (+13%) and **global listed infrastructure** (+11.8%).
- The exposure within alternatives to **insurance-related investments** (+4.8%) and **opportunistic capital solutions** (+3.4%) generated positive returns.
- Exposure to inflation-linked bonds and corporate bonds contributed positively to performance. The **inflation-linked bond strategy** returned +3.4% and **global high yield strategy** returned +2.9%.

Note: Returns for the asset classes above are before fees and tax.

Pre Select Growth Fund

The Fund returned 4.6% for the quarter (before fees) and 17.9% for the year.

Key contributors to performance for the quarter ended 30 September 2024 were:

- There were exceptionally strong returns in **Australian shares** (+7.2%), **global listed property** (+13%) and **global listed infrastructure** (+11.8%).
- The exposure within alternatives to **insurance-related investments** (+4.8%) and **opportunistic capital solutions** (+3.4%) generated positive returns.
- Exposure to inflation-linked bonds and corporate bonds contributed positively to performance. The **inflation-linked bond strategy** returned +3.4% and **global high yield strategy** returned +2.9%.

Note: Returns for the asset classes above are before fees and tax.

Pre Select High Growth Fund

The Fund returned 4.9% for the quarter (before fees) and 20.1% for the year.

Key contributors to performance for the quarter ended 30 September 2024 were:

- There were exceptionally strong returns in **Australian shares** (+7.2%), **global listed property** (+13%) and **global listed infrastructure** (+11.8%).
- The exposure within alternatives to **insurance-related investments** (+4.8%) and **opportunistic capital solutions** (+3.4%) generated positive returns.
- Exposure to inflation-linked bonds and corporate bonds contributed positively to performance. The **inflation-linked bond strategy** returned +3.4% and **global high yield strategy** returned +2.9%.

Note: Returns for the asset classes above are before fees and tax.



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