Pre Select commentaries

Quarter ended 31 March 2025

Contents

Economic and market commentary

Asset class returns to 31 March 2025

	CYTD %	1 month %	3 months %	1 year %	3 years pa %	5 years pa %	10 years pa %
Australian shares	-2.9	-3.3	-2.9	2.6	5.3	13.2	7.1
Global shares (hedged)	-2.1	-4.5	-2.1	7.0	6.7	14.3	8.7
Global shares (unhedged)	-2.0	-4.2	-2.0	12.2	13.8	14.8	11.1
Emerging markets (unhedged)	2.3	0.4	2.3	13.2	8.0	7.6	5.8
Australian property securities	-6.6	-4.8	-6.6	-5.4	3.3	13.8	6.9
Global property securities (hedged)	0.7	-2.8	0.7	3.6	-4.3	5.6	2.0
Global listed infrastructure (hedged)	4.1	1.6	4.1	13.7	2.4	8.3	6.1
Australian bonds	1.3	0.2	1.3	3.2	1.7	-0.5	1.8
Global bonds (hedged)	1.1	-0.4	1.1	3.7	0.2	-0.5	1.7
Global high yield bonds (hedged)	1.1	-0.9	1.1	5.7	2.9	5.5	4.2
Australian inflation-linked bonds	0.9	0.0	0.9	2.5	3.4	2.8	2.4
Cash	1.1	0.3	1.1	4.5	3.6	2.1	2.0
AUD/USD	0.6	0.2	0.6	-4.5	-6.0	0.4	-2.0

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 (unhedged) posted a disappointing -2% return over the March quarter. The previous optimism over Artificial Intelligence (AI) and President Trump's agenda for lower taxes and less regulation peaked in February. March provided a sharp 'wake-up call' with the realisation that the US President is threatening a 'global trade war'.

Wall Street's benchmark S&P 500 Index briefly made historic highs during the quarter but these gains were fully reversed by tariff concerns and the potential for higher consumer inflation. Technology shares which had been a key tailwind behind Wall Street's ascent for the past two years suffered sharp falls. The NASADAQ 100 which is heavily weighted to technology declined by -10.3% over the past three months.

European shares surprised by making very strong returns of 7.2% (EuroSTOXX 50) with the benefit of the European Central Bank cutting interest rates and Germany announcing major stimulus measures to revive their economy.

Asian share markets delivered mixed performances. Chinese shares delivered a very strong return over the past three months with more supportive financial measures from the government. However, Japanese share markets have declined with the central bank still signalling the need to raise interest rates to limit inflation.

Global bonds (hedged) delivered a modest 1.1% quarterly return. While lower interest rate settings in Europe are positives, investors have taken a more cautious outlook on inflation prospects given that tariffs initially raise consumer prices. Australian bonds delivered a solid 1.3% return given that recent lower inflation results allowed the Reserve Bank of Australia (RBA) to cut interest rates in February 2025.

Australia

Australian shares initially made strong gains and historic highs until the middle of February but then hit reverse gear. Australian shares delivered a disappointing return of -2.9% over the past three months. The Information Technology sector was a key negative contributor with a -18.2% return. There were notable declines in property securities as a subdued Australian economy weighed on investor confidence. There were also sharp falls in the Health Care and Financial sectors.

Australia's economy is experiencing mild economic activity but is seeing lower inflation. The negative impact of high consumer prices and mortgage interest rates as well as rising rents continues to squeeze budgets. Yet there has been some more encouraging news on inflation and interest rates. Australia's annual inflation rate declined to 2.4% in February according to the Australian Bureau of Statistics monthly indicator. This moderation in price rises reflects the benefit of government electricity rebates and lower automotive fuel costs. Given modest Australian economic activity and milder inflation results, the RBA cut interest rates in February 2025.

Global prospects

Global share prices have made very strong gains in the past two years of 2023 and 2024. The enthusiasm for AI and technology have been the key factors supporting global rising share prices. There was also the benefit that with global inflation gradually falling, central banks could continue to make further cuts to interest rates. Typically, a lower interest rate environment should be more supportive of corporate profits and thereby share prices in the long run.

However, global share markets are now being challenged by considerable global political risks. The return of Donald Trump to the White House has generated alarm over the imposition of large tariffs for America's key trading partners as well as smaller players like Australia. Also concerning is the way President Trump is communicating these decisions. There has been an 'on again - off again' sequence of tariff announcements with President Trump as part of his negotiating tactics. Clearly President Trump's aggressive policy agenda - higher tariffs that impose more difficult trading conditions for the global economy, lower US immigration and population growth with "mass deportations," more restrictive US fiscal policy with cuts to government jobs and spending, as well as less regulation - is not a recipe for stability. The continuing Russian-Ukraine war and conflict in the Middle East also provides a troubling environment.

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

Contributors to performance

Pre Select Conservative Fund

The Fund returned 0.6% for the quarter (before fees) and 5.2% for the year (before fees).

Key contributors to performance for the quarter ended 31 March 2025 were:

- There were weak returns in **Australian shares** (-4.2%) and **global shares** (-1.1%).
- The exposure to **listed infrastructure** (+5.1%) generated a positive return.
- Exposure to short-maturity bonds and corporate bonds contributed positively to performance. The **short maturity strategy** returned +1.6% and **extended credit strategy returned** +1.2%.

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

Pre Select Balanced Fund

The Fund returned -0.2% for the quarter (before fees) and 5.2% for the year (before fees).

Key contributors to performance for the quarter ended 31 March 2025 were:

- There were weak returns in **Australian shares** (-4.2%) and **global shares** (-1.1%).
- The exposure to **listed infrastructure** (+5.1%) generated a positive return.
- Exposure to short-maturity bonds and corporate bonds contributed positively to performance. The **short maturity strategy** returned +1.6% and **extended credit strategy returned** +1.2%.

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

Pre Select Growth Fund

The Fund returned -1.1% for the quarter (before fees) and 5.0% for the year (before fees).

Key contributors to performance for the quarter ended 31 March 2025 were:

- There were weak returns in **Australian shares** (-4.2%) and **global shares** (-1.1%).
- The exposure to **listed infrastructure** (+5.1%) generated a positive return.
- Exposure to short-maturity bonds and corporate bonds contributed positively to performance. The **short maturity strategy** returned +1.6% and **extended credit strategy returned** +1.2%.

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

Pre Select High Growth Fund

The Fund returned -1.5% for the quarter (before fees) and 5.4% for the year (before fees).

Key contributors to performance for the quarter ended 31 March 2025 were:

- There were weak returns in **Australian shares** (-4.2%) and **global shares** (-1.1%).
- The exposure to **listed infrastructure** (+5.1%) generated a positive return.
- Exposure to short-maturity bonds and corporate bonds contributed positively to performance. The **short maturity strategy** returned +1.6% and **extended credit strategy returned** +1.2%.

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

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