



Mason Stevens OCIO

Strategic Asset Allocation

2025

This document is for dealer groups and wholesale or sophisticated clients only.

Strategic Asset Allocation

Strategic Asset Allocation - Overview

What is Strategic Asset Allocation?

Strategic Asset Allocation (SAA) defines the overall framework of a portfolio. It establishes how a portfolio will be positioned over the medium to long term with respect to the mix of Growth and Defensive assets, and the mix of individual asset classes within those Growth and Defensive classifications. Growth assets typically include equities, property, infrastructure, and may include alternative assets such as commodities, hedge funds and private equity. Defensive assets primarily include government bonds, investment grade credit, cash, and may include less risky forms of alternative assets such as private credit. Having established the pool of available investments, the SAA process then focuses on constructing portfolios that align with diverse client needs, goals, risk tolerances, and investment horizons.

Why is SAA Important?

SAA plays the most significant role in determining long-term investment returns. While the exact percentage can vary, many studies suggest that a portfolio's SAA is responsible for around 90% of the variability in portfolio returns over time. This underscores the critical importance of a robust SAA framework as it can significantly impact client investment outcomes.

The SAA also plays an important role as a basis for risk management, performance measurement, assessing alpha derived from any active asset allocation decisions, and as an anchor for rebalancing decisions and subsequent SAA changes.

At its core, SAA is about diversification. A well-structured SAA aims to reduce portfolio volatility and navigate periods of underperformance in certain asset classes by strategically combining non-correlated asset classes.

Proposed Asset Classes and Benchmarks

Asset Classes can be divided into three broad categories: (1) Equities, (2) Fixed income and (3) Alternatives.

Equities are ownership interests in businesses and provide exposure to the associated earnings growth and dividend income. In a multi-asset portfolio, equities provide the key plank for portfolio returns over time and the addition of other asset classes is primarily designed to diversify equities risk.

Fixed income investments generate a return based on periodic payments with the return of the principle at maturity. They are generally considered to be low risk investments and have historically exhibited a weak positive or negative correlation with equities, boosting their diversification appeal.

Strategic Asset Allocation

Alternatives are a broad asset class spanning listed and unlisted asset classes and alternative ways of utilising traditional assets to generate differentiated returns relative to both equities and bonds.

In the table overleaf (Table 1) we note the respective asset class benchmarks we use when assessing risk, return, and constructing portfolios.

Table 1: Key asset class benchmarks

Asset Class	Benchmark
Australian Equities	S&P/ASX 200
Global Equities	MSCI World Developed Markets Ex Australia
Australian Fixed Income	Bloomberg AusBond Composite 0+Yr Index
Global Fixed Income	Bloomberg Global Aggregate Index
Global Property	FTSE EPRA Nareit Developed ex Aus Rental 100% Hedged to AUD
Global Infrastructure	FTSE Developed Core Infrastructure 50/50 100% Hedged to AUD
Growth Alternatives	Custom Index*: 1/3 Private Equity, 2/3 Higher Volatility Hedge Funds
Defensive Alternatives	Custom Index*: 1/3 Private Equity, 2/3 Lower Volatility Hedge Funds
Cash	Bloomberg Ausbond Bank Bill Index

Source: Mason Stevens OCIO, Bloomberg

*Indicates custom index designed by Mason Stevens OCIO specifically for Mason Stevens OCIO portfolios



Strategic Asset Allocation – Annual Review

Overview

Each year we conduct a review of the current SAA mix. In essence, this review involves gathering updated Capital Market Assumptions (CMA's), namely: forecasts of expected risk (volatility), return, and correlations for various individual asset classes and running a mean variance optimisation model to arrive at a set of recommended SAA weights.

We conduct this review in the first quarter of each calendar year in line with when most organisations update their market forecasts. The results of this analysis are then reviewed, and a final set of recommended SAA weights are presented to the Investment Committee for consideration and approval.

Asset Class Forecasts

We use a Wisdom of Crowds approach to derive our forecasted equity returns and volatility inputs. By adopting this method, we aim to minimise the forecasting error inherent in any single forecasting technique. Additionally, our access to a diverse range of expert opinions on macroeconomic and individual market conditions enables us to implement this approach effectively. We aggregate the expected return and volatility inputs into a simple average, while retaining the discretion to adjust these values based on any high conviction house views held by the Mason Stevens OCIO. It is important to note that this discretion is used on rare occasion and with careful consideration.

Correlations

For the 2025 SAA review, we created our own correlation matrix, which is a departure from prior years when we sourced one from Lonsec. This decision to internalise the correlation matrix was driven by our need to more accurately model our Growth and Defensive Alternative assets. The nature of alternative assets can vary significantly across asset managers, and their correlation assumptions can substantially impact portfolio construction. Furthermore, Alternatives constitute a reasonable portion of our Flagship portfolios, both in absolute terms and relative to peers, highlighting the importance of transparency and accuracy.

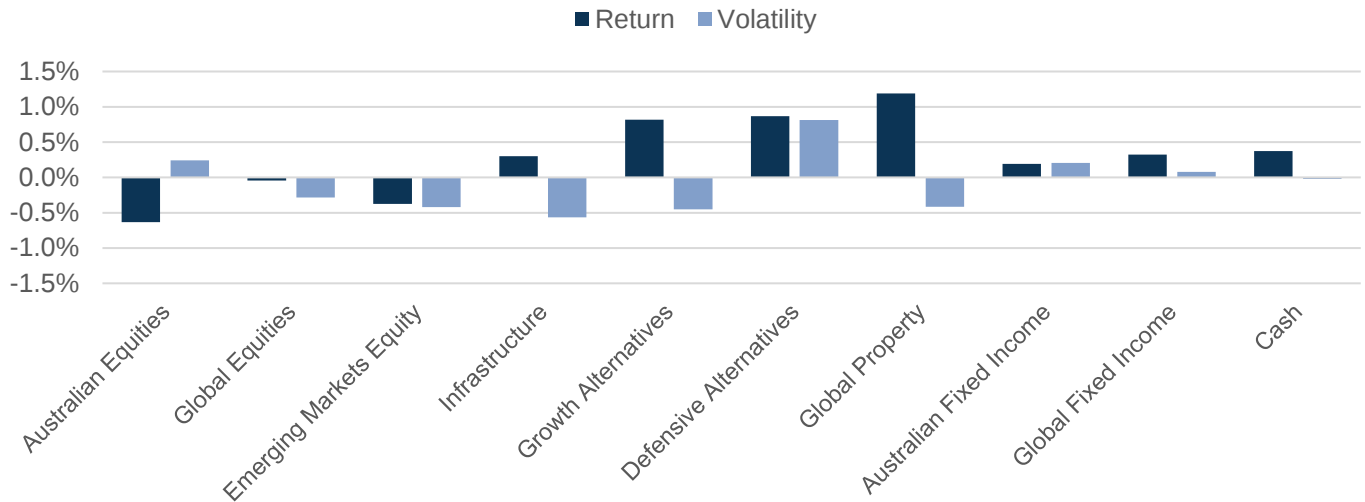
In calculating correlations, we adopt a longest available approach and are guided entirely by the empirical relationships that have existed between asset classes.



Capital Market Assumption changes in 2025

In the following chart we see that the changes to both return, and volatility were relatively small and mixed. The largest changes were observed in Alternatives and Property.

Chart 1: Changes in expected return and volatility assumptions versus 2024



Source: Mason Stevens OCIO

The changes are noted in Table 2 below which contains a new column this year titled 'Net benefit', which is a simple sum of the change in expected return less the change in expected volatility. These values can be a useful guide as to the recommendations provided by the SAA model. In the table below, we see that Global Equities (+0.24%) has improved relative to Australian Equities (-0.88%). Global Property (+1.61%), Global Infrastructure (+0.86%), and Growth Alternatives (+1.27%) also improved, however as these asset classes tend to be in competition with one another for capital the model is less likely to recommend significant changes.

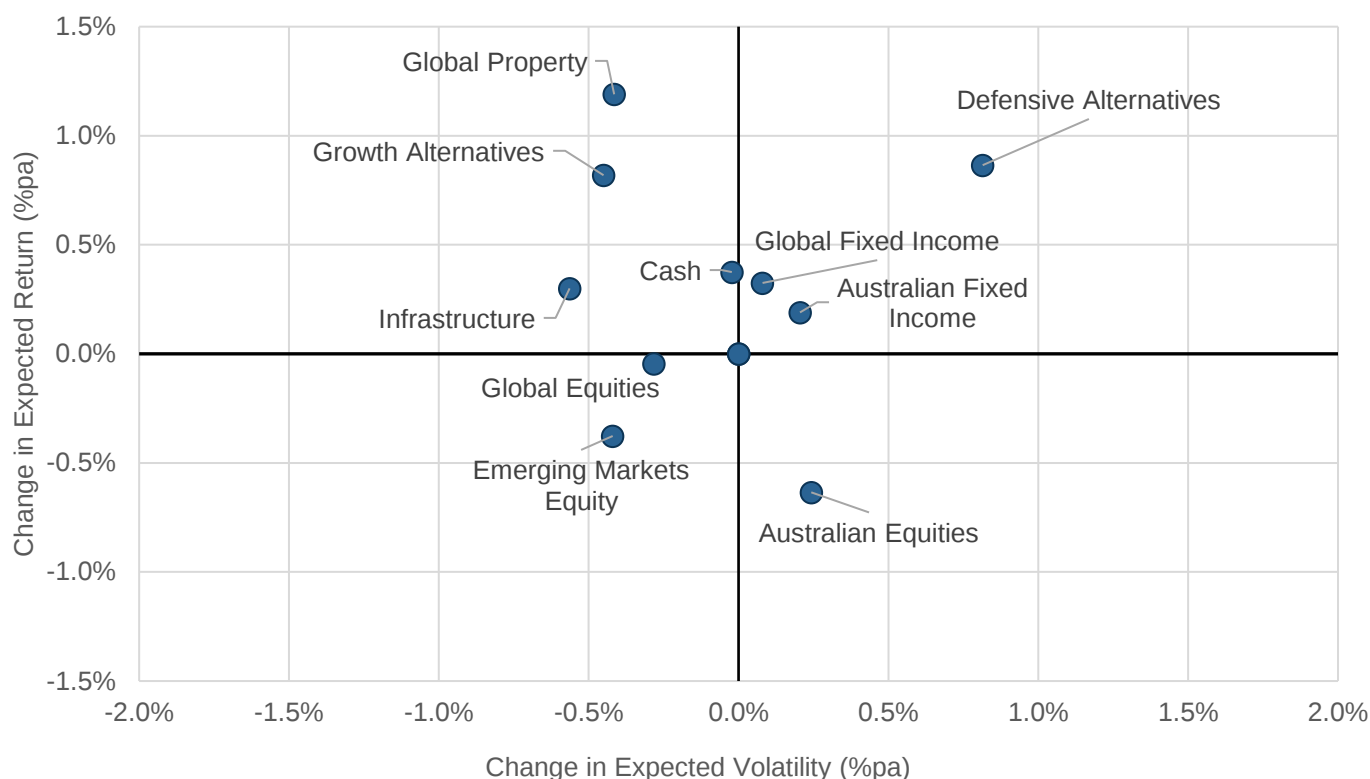
Table 2: Mason Stevens Capital Market Assumptions

Asset Classes	2025 Expected Return (%p.a.)	2024 Expected Return (%p.a.)	Difference (%p.a.)	2025 Expected Volatility (%p.a.)	2024 Expected Volatility (%p.a.)	Difference (%p.a.)	Net benefit (%p.a.)
Australian Equities	7.87	8.50	-0.64	15.32	15.08	+0.24	-0.88
Global Equities	7.08	7.13	-0.05	12.84	13.12	-0.28	+0.24
Global Infrastructure	6.55	6.25	+0.30	10.34	10.90	-0.56	+0.86
Growth Alts	7.42	6.60	+0.82	10.97	11.42	-0.45	+1.27
Defensive Alts	5.50	4.63	+0.86	6.55	5.74	+0.81	+0.05
Global Property	7.34	6.15	+1.19	15.39	15.80	-0.42	+1.61
Aus Fixed Income	4.09	3.90	+0.19	4.27	4.07	+0.21	-0.01
Global Fixed Income	4.14	3.81	+0.33	5.27	5.19	+0.08	+0.25
Cash	3.31	2.94	+0.38	0.96	0.98	-0.02	+0.40

Source: Mason Stevens OCIO

Chart 2 illustrates the changes in return and volatility assumptions on a grid where the top left quadrant of the grid representing the most desirable combination – higher returns, lower risk.

Chart 2: Change in expected returns and volatilities



Source: Mason Stevens OCIO

Table 3 contains the correlation assumptions used as part of the 2025 SAA review.

Table 3: 2025 correlation matrix

2025 Correlation Matrix	AEQ	GEQ	AFI	GFI	GP	GI	GA	DA	C
Australian Equities (AEQ)	1.00	0.53	0.12	0.19	0.77	0.75	0.44	0.23	-0.03
Global Equities (GEQ)	0.53	1.00	0.12	0.09	0.45	0.51	0.32	0.22	-0.04
Australian Fixed Income (AFI)	0.12	0.12	1.00	0.73	0.77	0.12	-0.05	0.27	0.35
Global Fixed Income (GFI)	0.19	0.09	0.73	1.00	0.51	0.39	0.09	0.38	0.31
Global Property (GP)	0.77	0.45	0.22	0.51	1.00	0.82	0.51	0.33	0.09
Global Infrastructure (GI)	0.75	0.51	0.12	0.39	0.82	1.00	0.51	0.33	-0.06
Growth Alternatives (GA)	0.44	0.32	-0.05	0.09	0.51	0.51	1.00	0.69	-0.15
Defensive Alternatives (DA)	0.23	0.22	0.27	0.38	0.33	0.33	0.69	1.00	0.01
Cash (C)	-0.03	-0.04	0.35	0.31	0.09	-0.06	-0.15	0.01	1.00

Source: Mason Stevens OCIO, Bloomberg

Portfolio Construction Process

Portfolio construction process summary

The objective of our portfolio construction process is to maximise return for a given level of risk subject to a Growth asset constraint. We do this by using the CMAs detailed in the previous section in a constrained mean-variance optimisation model to construct a range of model portfolios, starting at 0% Growth assets and progressing at intervals of 10% with the exception of a final 98% Growth portfolio.

The portfolios are also subject to a secondary set of constraints which restrict the amount of Global Infrastructure, Global Property and Alternative assets they can hold to ensure adequate liquidity and diversification.

The complete list of constraints is listed below:

- » Long-only portfolio exposures which must add to 100%
- » Leverage is not permitted
- » Growth asset exposure constrained (progressively) starting at 0% increasing at 10% intervals to 90% plus an additional 98% Growth portfolio - this produces an efficient frontier of model portfolios that can be mapped to various risk appetites
- » Individual asset class minimum and maximum weight constraints such that:
 - » The minimum exposure to Cash equals 2% in each portfolio (except for the 0% Growth portfolio where cash can be up to 50%)
 - » For models with Growth allocations between 10% and 40% we set a maximum exposure of 6% to each of the Infrastructure and Property asset classes
 - » For models with Growth allocations between 50% and 98% we set a minimum exposure of 5% to each of the Infrastructure and Property asset classes and a maximum of 6%
 - » For Equities asset classes, we set a constraint that ensures the Australian Equity component is capped at 45% of the total exposure to that asset class
Note: this is a modification from prior years where the model was permitted to allocate up to 55% of the total equity exposure to Australian Equities, and seeks to address a feature known as 'home country bias'. More on this below
 - » For the Fixed Income asset classes, we set a constraint that ensures Global Fixed Income receives a minimum of 50% and a maximum of 60% of the total fixed income asset
 - » The Alternatives maximum is driven by practical implementation considerations and varies by risk profile but never exceeds a total of 14% for Retail portfolios and 23% for Wholesale portfolios, in accordance with daily portfolio liquidity requirements



Results of the 2025 SAA review

The 2025 SAA review resulted in a meaningful shift out of Australian Equities and into Global Equities. This stems primarily from a modification made to the optimisation model to address ‘home country bias’, whereby an investor is overweight locally domiciled assets in relation to that country’s weighting in a global context. Some degree of home country bias is a natural and rational feature of portfolios and often reflects favourable tax treatments and other incentives for locally domiciled investors. That said, we deemed it prudent to moderate the degree of home country bias present in our portfolios as part of this year’s SAA review.

Outside of this, the model indicated a modest increase in preference for Growth Alternatives in the Wholesale portfolios. The model otherwise recommended similar allocations to last year. The following tables contain the final SAA weights for the Retail and Wholesale portfolios including and excluding Alternatives.

Table 4: Strategic Asset Allocation for Retail and Wholesale portfolios excluding Alternatives

Growth (%)	Australian Equity	Global Equity	Infrastructure	Global Property	Australian Fixed Income	Global Fixed Income	Cash
0%	0.0	0.0	0.0	0.0	33.0	33.0	34.0
10%	4.0	6.0	0.0	0.0	44.0	44.0	2.0
20%	9.0	11.0	0.0	0.0	39.0	39.0	2.0
30%	13.0	17.0	0.0	0.0	34.0	34.0	2.0
40%	18.0	22.0	0.0	0.0	29.0	29.0	2.0
50%	20.0	24.0	3.0	3.0	24.0	24.0	2.0
60%	22.0	28.0	5.0	5.0	19.0	19.0	2.0
70%	26.0	34.0	5.0	5.0	14.0	14.0	2.0
80%	30.0	38.0	6.0	6.0	9.0	9.0	2.0
90%	35.0	43.0	6.0	6.0	4.0	4.0	2.0
98%	38.0	48.0	6.0	6.0	0.0	0.0	2.0

Source: Mason Stevens OCIO

Table 5: Strategic Asset Allocation for Retail portfolios including Alternatives

Growth (%)	Australian Equity	Global Equity	Infrastructure	Growth Alts	Defensive Alts	Global Property	Australian Fixed Income	Global Fixed Income	Cash
0%	0.0	0.0	0.0	0.0	10.0	0.0	30.0	30.0	30.0
10%	4.0	6.0	0.0	0.0	10.0	0.0	39.0	39.0	2.0
20%	9.0	11.0	0.0	0.0	10.0	0.0	34.0	34.0	2.0
30%	12.0	15.0	0.0	3.0	10.0	0.0	29.0	29.0	2.0
40%	15.0	18.0	2.0	3.0	10.0	2.0	24.0	24.0	2.0
50%	18.0	22.0	3.0	4.0	8.0	3.0	20.0	20.0	2.0
60%	21.0	25.0	4.0	6.0	8.0	4.0	15.0	15.0	2.0
70%	24.0	29.0	4.0	9.0	4.0	4.0	12.0	12.0	2.0
80%	27.0	34.0	5.0	9.0	4.0	5.0	7.0	7.0	2.0
90%	30.0	37.0	6.0	12.0	0.0	5.0	4.0	4.0	2.0
98%	32.0	42.0	6.0	12.0	0.0	6.0	0.0	0.0	2.0

Source: Mason Stevens OCIO



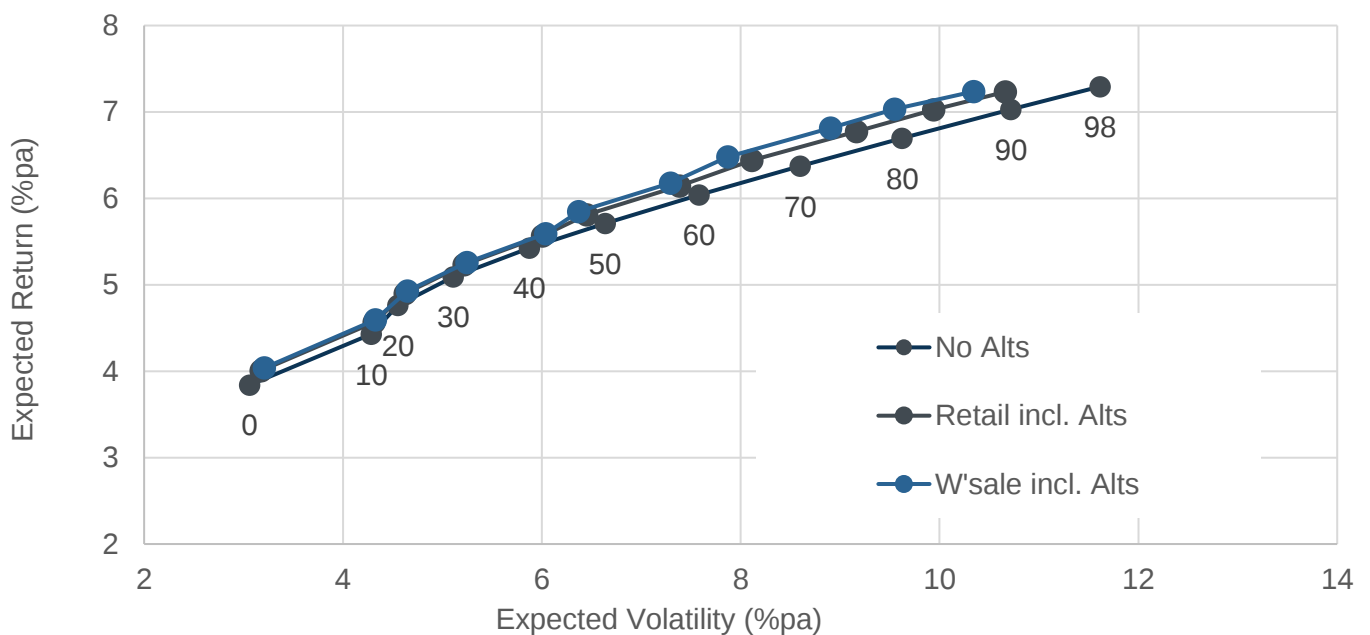
Table 6: Strategic Asset Allocation for Wholesale portfolios including Alternatives

Growth (%)	Australian Equity	Global Equity	Infrastructure	Growth Alts	Defensive Alts	Global Property	Australian Fixed Income	Global Fixed Income	Cash
0%	0.0	0.0	0.0	0.0	12.0	0.0	29.0	29.0	30.0
10%	4.0	6.0	0.0	0.0	12.0	0.0	38.0	38.0	2.0
20%	9.0	11.0	0.0	0.0	12.0	0.0	33.0	33.0	2.0
30%	11.0	15.0	0.0	4.0	12.0	0.0	28.0	28.0	2.0
40%	14.0	18.0	2.0	4.0	12.0	2.0	23.0	23.0	2.0
50%	18.0	22.0	2.0	6.0	10.0	2.0	19.0	19.0	2.0
60%	20.0	24.0	4.0	8.0	10.0	4.0	14.0	14.0	2.0
70%	22.0	28.0	4.0	12.0	8.0	4.0	10.0	10.0	2.0
80%	24.0	31.0	5.0	15.0	8.0	5.0	5.0	5.0	2.0
90%	26.0	34.0	5.0	20.0	0.0	5.0	4.0	4.0	2.0
98%	28.0	40.0	6.0	18.0	0.0	6.0	0.0	0.0	2.0

Source: Mason Stevens OCIO

Chart 3 presents the Growth-constrained efficient frontiers for the three sets of portfolios previously outlined. From this we can also see that the portfolios which include alternative assets result in an efficient frontier that sits above the no alternatives portfolios, indicating somewhat higher returns for a given level of risk.

Chart 3: Model portfolio efficient frontier comparison



Source: Mason Stevens OCIO

The following tables contain some key statistical measures that can be useful in describing the portfolios risk-reward properties.

Portfolio volatility (no diversification) represents the portfolio volatility if all assets had a correlation of 1.0 with one another. Comparing this measure with the standard Portfolio volatility measure, which takes into account the correlations presented in Table 2, gives us a sense of the Diversification benefit a portfolio is receiving.

The Information Ratio is the Expected return divided by Portfolio volatility. Similarly, the Sharpe ratio is the Expected Return less the risk-free rate divided by Portfolio volatility. The other measures are fairly self-explanatory. Note that '3sd' refers to 3 standard deviations, i.e. an extremely low probability event.

We assess how these measures evolve as a result of SAA reviews and how they compare versus industry peers as a point of reference. The values are all considered to be healthy and normal.

Table 7: Key portfolio statistics by Growth profile – Retail portfolios excluding Alts

Statistical measure	0%	10%	20%	30%	40%	50%	60%	70%	80%	90%	98%
Expected return %	3.8	4.4	4.8	5.1	5.4	5.7	6.0	6.4	6.7	7.0	7.3
Portfolio volatility (no diversification) %	3.5	5.6	6.5	7.4	8.4	9.2	10.1	11.0	11.9	12.8	13.5
Portfolio volatility %	3.1	4.3	4.6	5.1	5.9	6.7	7.6	8.6	9.6	10.7	11.6
Diversification benefit	37%	31%	32%	29%	24%	21%	18%	15%	13%	11%	10%
Information ratio	1.25	1.03	1.05	1.00	0.92	0.86	0.80	0.74	0.70	0.66	0.63
Sharpe ratio	0.44	0.45	0.50	0.51	0.50	0.48	0.47	0.45	0.44	0.42	0.41
Probability of loss over 1 year %	10.5	15.0	14.8	15.9	17.8	19.6	21.2	22.9	24.3	25.6	26.5
Probability of loss over 10 years %	0.00	0.05	0.05	0.08	0.17	0.34	0.58	0.94	1.38	1.91	2.34
Expected number of negative years in 10	1.0	1.5	1.5	1.6	1.8	2.0	2.1	2.3	2.4	2.6	2.6
3sd loss in 1 year %	-5.3	-8.4	-8.9	-10.2	-12.2	-14.3	-16.7	-19.3	-22.1	-25.1	-27.5

Source: Mason Stevens OCIO

Table 8: Key portfolio statistics by Growth profile – Retail portfolios including Alts

Statistical measure	0%	10%	20%	30%	40%	50%	60%	70%	80%	90%	98%
Expected return %	4.0	4.6	4.9	5.2	5.5	5.8	6.2	6.4	6.8	7.0	7.3
Portfolio volatility (no diversification) %	3.8	5.8	6.7	7.5	8.4	9.2	10.1	10.8	11.7	12.5	13.2
Portfolio volatility %	3.2	4.3	4.6	5.1	5.8	6.5	7.4	8.1	9.1	9.9	10.8
Diversification benefit	37%	31%	31%	30%	25%	22%	19%	16%	14%	13%	11%
Information ratio	1.25	1.06	1.06	1.04	0.96	0.89	0.84	0.79	0.74	0.71	0.67
Sharpe ratio	0.47	0.48	0.52	0.54	0.53	0.51	0.50	0.48	0.47	0.46	0.44
Probability of loss over 1 year %	10.5	14.5	14.5	15.0	16.9	18.6	20.1	21.4	23.0	24.0	25.0
Probability of loss over 10 years %	0.00	0.04	0.04	0.05	0.12	0.24	0.41	0.61	0.97	1.27	1.64
Expected number of negative years in 10	1.1	1.4	1.4	1.5	1.7	1.9	2.0	2.1	2.3	2.4	2.5
3sd loss in 1 year %	-5.6	-8.3	-9.0	-9.9	-11.8	-13.8	-15.9	-17.9	-20.6	-22.8	-25.1

Source: Mason Stevens OCIO



Table 9: Key portfolio statistics by Growth profile – Wholesale portfolios including Alts

Statistical measure	0%	10%	20%	30%	40%	50%	60%	70%	80%	90%	98%
Expected return %	4.0	4.6	4.9	5.3	5.6	5.9	6.2	6.5	6.8	7.0	7.3
Portfolio volatility (no diversification) %	3.8	5.8	6.7	7.5	8.4	9.2	10.1	10.8	11.6	12.2	13.0
Portfolio volatility %	3.2	4.3	4.6	5.0	5.8	6.5	7.3	8.0	8.9	9.5	10.4
Diversification benefit	37%	31%	31%	30%	25%	22%	19%	17%	15%	13%	12%
Information ratio	1.26	1.06	1.06	1.05	0.97	0.91	0.85	0.81	0.77	0.74	0.70
Sharpe ratio	0.48	0.48	0.52	0.55	0.53	0.52	0.51	0.50	0.48	0.48	0.46
Probability of loss over 1 year %	10.4	14.4	14.5	14.8	16.7	18.3	19.8	20.9	22.2	23.0	24.3
Probability of loss over 10 years %	0.00	0.04	0.04	0.05	0.11	0.21	0.36	0.53	0.77	0.98	1.37
Expected number of negative years in 10	1.0	1.4	1.4	1.5	1.7	1.8	2.0	2.1	2.2	2.3	2.4
3sd loss in 1 year %	-5.6	-8.4	-9.0	-9.8	-11.7	-13.6	-15.7	-17.6	-19.8	-21.5	-24.0

Source: Mason Stevens OCIO



Peer Comparisons

Tables 9-12 compare the Mason Stevens portfolios with Alternatives to a sample peer group where 'MS_R' refers to the Mason Stevens Retail portfolios including Alternatives and 'MS_W' refers to the Mason Stevens Wholesale portfolios including Alternatives.

While not strictly peer aware, this exercise can serve as a useful benchmarking exercise for advisers and asset managers alike. In the rightmost columns we summarise how the Mason Stevens portfolios compare to the sample peer group average. In short, the Mason Stevens portfolios contain a smaller share of Property, Infrastructure and Cash than peers, enabling them to make larger allocations to Equities, Alternatives and Fixed Income.

Table 10: Conservative portfolio SAA Peer Comparison

Asset class	MS_R	MS_W	Australian Super	Hostplus	AMP	Mercer	Lonsec	Peer average	MS_R vs Avg	MS_W vs Avg
Australian Equity	15	14	10.6	8.2	11.4	10.5	11.0	10.4	+4.6	+3.6
Global Equity	18	18	16.7	11.1	13.5	11.9	16.0	13.8	+4.2	+4.2
Prop & Infra	4	4	16.0	19.0	12.3	15.7	7.0	14.0	-10.0	-10.0
Alternatives	13	16	6.0	13.6	7.5	15.1	13.0	11.0	+2.0	+5.0
Australian Fixed Income	24	23	12.0	11.7	13.5	18.0	30.0	17.1	+6.9	+5.9
Global Fixed Income	24	23	18.6	15.3	29.6	12.6	13.0	17.8	+6.2	+5.2
Cash	2	2	20.2	21.0	12.2	16.1	10.0	15.9	-13.9	-13.9
Total	100	100	100	100	100	100	100	100		

Source: Mason Stevens OCIO

Table 11: Balanced portfolio SAA Peer Comparison

	MS_R	MS_W	Australian Super	Hostplus	AMP	Mercer	Lonsec	Peer average	MS_R vs Avg	MS_W vs Avg
Australian Equity	21	20	18.3	16.6	19.7	20.0	18.0	18.5	+2.5	+1.5
Global Equity	25	24	25.8	22.3	25.0	22.9	24.0	24.0	+1.0	+0.0
Prop & Infra	8	8	17.0	16.2	12.7	14.0	7.0	13.4	-5.4	-5.4
Alternatives	14	18	8.2	15.7	7.9	15.6	17.0	12.9	+1.1	+5.1
Australian Fixed Income	15	14	8.0	7.6	9.6	11.1	19.0	11.0	+4.0	+3.0
Global Fixed Income	15	14	12.3	9.9	23.4	9.7	10.0	13.1	+1.9	+0.9
Cash	2	2	10.2	11.8	1.7	6.9	5.0	7.1	-5.1	-5.1
Total	100	100	100	100	100	100	100	100		

Source: Mason Stevens OCIO

Table 12: Growth portfolio SAA Peer Comparison

	MS_R	MS_W	Australian Super	Hostplus	AMP	Mercer	Lonsec	Peer average	MS_R vs Avg	MS_W vs Avg
Australian Equity	27	24	25.2	22.1	26.7	27.7	21.0	24.5	+2.5	-0.5
Global Equity	34	31	33.2	29.4	32.8	31.7	34.0	32.2	+1.8	-1.2
Prop & Infra	10	10	18.1	19.2	13.8	15.7	9.0	15.2	-5.2	-5.2
Alternatives	13	23	7.9	21.3	9.6	12.6	19.0	14.1	-1.1	+8.9
Australian Fixed Income	7	5	4.2	1.5	4.2	3.2	9.0	4.4	+2.6	+0.6
Global Fixed Income	7	5	6.4	1.9	12.8	5.3	6.0	6.5	+0.5	-1.5
Cash	2	2	4.9	4.6	0.1	3.8	2.0	3.1	-1.1	-1.1
Total	100	100	100	100	100	100	100	100		

Source: Mason Stevens OCIO

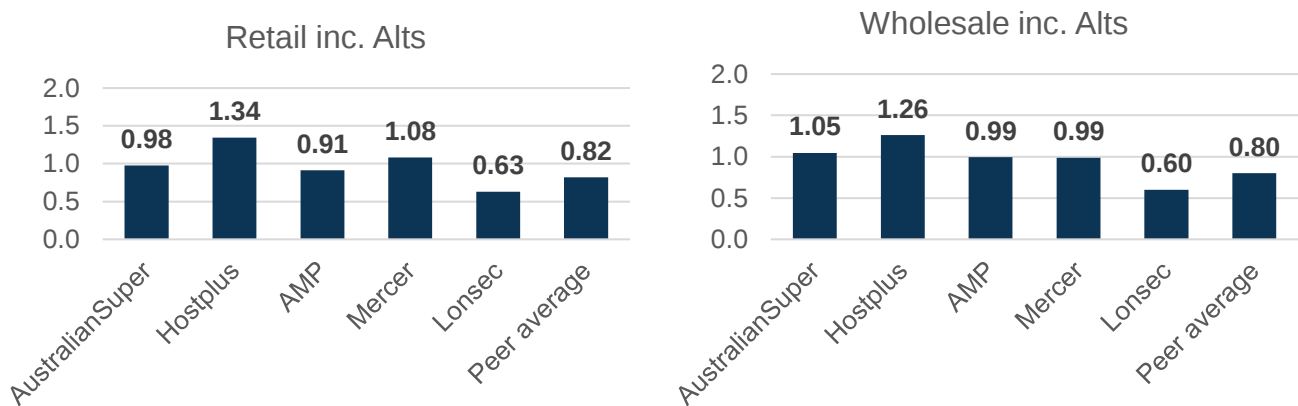
Table 13: High Growth portfolio SAA Peer Comparison

	MS_R	MS_W	Australian Super	Hostplus	AMP	Mercer	Lonsec	Peer average	MS_R vs Avg	MS_W vs Avg
Australian Equity	32	28	32.3	31.0	33.7	34.7	35.0	33.3	-1.3	-5.3
Global Equity	42	40	42.1	41.4	42.0	40.3	42.0	41.6	+0.4	-1.6
Prop & Infra	12	12	12.4	11.6	12.7	13.8	5.0	11.1	+0.9	+0.9
Alternatives	12	18	6.7	16.0	8.3	6.3	18.0	11.1	+0.9	+6.9
Australian Fixed Income	0	0	0.6	0.0	0.5	0.4	0.0	0.3	-0.3	-0.3
Global Fixed Income	0	0	1.0	0.0	2.9	1.2	0.0	1.0	-1.0	-1.0
Cash	2	2	4.9	0.0	0.0	3.3	0.0	1.6	+0.4	+0.4
Total	100	100	100	100	100	100	100	100		

Source: Mason Stevens OCIO

In charts 4-7 we provide estimates of the annualised tracking error between the Mason Stevens portfolios and the sample peer group noted above. We must caution that these are estimates only as this analysis can only be performed at a very high level which leaves little room for distinction between and within asset classes such as Property, Infrastructure and Alternatives. These asset classes also tend to be where the greatest allocation differences occur, and it is more than likely that the true tracking error is larger than those stated below. Nevertheless, they do provide some informational value and we monitor how they evolve as a result of each SAA review. This year the tracking errors are relatively unchanged versus 2024.

Chart 4: Conservative portfolio (40% Growth) tracking error analysis



Source: Mason Stevens OCIO

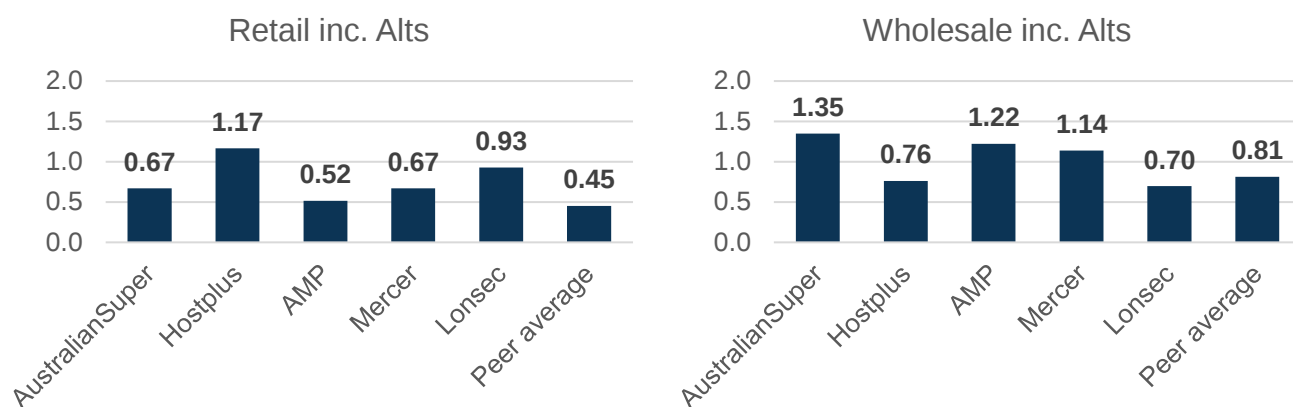
Chart 5: Balanced portfolio (60% Growth) tracking error analysis



Source: Mason Stevens OCIO

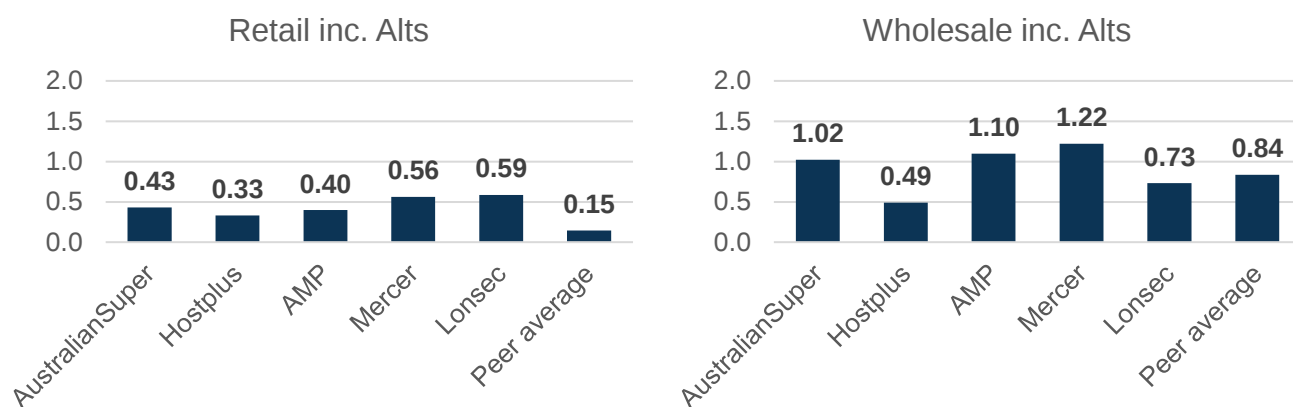


Chart 6: Growth portfolio (80% Growth) tracking error analysis



Source: Mason Stevens OCIO

Chart 7: High Growth portfolio (90%+ Growth) tracking error analysis



Source: Mason Stevens OCIO



Asset Allocation Ranges

The following asset allocation ranges are based on a maximum tracking error tolerance to determine the appropriate limits. The ranges have two components, (1) an active decision component equalling $\pm 10\%$, and (2) a drift component equal to $+5\%$. This means the total active weight range around the SAA will equal $\pm 15\%$ (while ensuring all weights are positive).

Note that we can design tailored solutions based on client asset allocation portfolio structure and risk preferences. For example, if more or less tracking error is required, we can tailor asset allocation ranges to meet these requirements.

Table 13 shows the updated SAA weights and associated minimum and maximum exposures for the Conservative, Balanced, Growth and High Growth portfolios excluding alternative asset classes.

Table 14: Asset Allocation Ranges – Retail and Wholesale portfolios excluding Alternatives

	Conservative			Balanced			Growth			High Growth		
Asset Class	Min Wgt (%)	SAA Wgt (%)	Max Wgt (%)	Min Wgt (%)	SAA Wgt (%)	Max Wgt (%)	Min Wgt (%)	SAA Wgt (%)	Max Wgt (%)	Min Wgt (%)	SAA Wgt (%)	Max Wgt (%)
Australian Equities	3	14	33	7	22	37	15	30	45	23	38	53
Global Equities	7	22	37	13	28	43	23	38	53	33	48	63
Australian Fixed Income	14	29	44	4	19	34	0	9	24	0	0	0
Global Fixed Income	14	29	44	4	19	34	0	9	24	0	0	0
Australian Property	0	0	0	0	0	0	0	0	0	0	0	0
Global Property	0	0	0	0	5	20	0	6	21	0	6	21
Global Infrastructure	0	4	0	0	5	20	0	6	21	0	6	21
Cash	0	2	17	0	2	17	0	2	17	0	2	17
Expected Return (% pa)	5.4			6.0			6.7			7.3		
Expected Volatility (% pa)	5.9			7.6			9.6			11.6		
Growth Asset Exposure (%)	40			60			80			98		

Source: Mason Stevens OCIO

Tables 14-17 show the SAA weights and associated minimum and maximum exposures for the Conservative, Balanced, Growth and High Growth Retail and Wholesale portfolios including Alternatives.



Table 15: Conservative portfolio SAA Allocation Ranges (including Alternatives)

Asset Class	Min. Weight (%)	Retail SAA Weight (%)	Max. Weight (%)	Min. Weight (%)	Wholesale SAA Weight (%)	Max. Weight (%)
Australian Equities	0	15	30	0	14	29
Global Equities	3	18	33	3	18	33
Australian Fixed Income	9	24	39	8	23	38
Global Fixed Income	9	24	39	8	23	38
Australian Property	0	0	0	0	0	0
Global Property	0	2	17	0	2	17
Global Infrastructure	0	2	17	0	2	17
Growth Alternatives	0	3	18	0	4	19
Defensive Alternatives	0	10	25	0	12	27
Cash	0	2	17	0	2	17
Expected Return (% pa)	5.5			5.6		
Expected Volatility (% pa)	5.8			5.8		
Growth Asset Exposure (%)	40			40		

Source: Mason Stevens OCIO

Table 16: Balanced portfolio SAA Allocation Ranges (including Alternatives)

Asset Class	Min. Weight (%)	Retail SAA Weight (%)	Max. Weight (%)	Min. Weight (%)	Wholesale SAA Weight (%)	Max. Weight (%)
Australian Equities	6	21	36	5	20	35
Global Equities	10	25	40	9	24	39
Australian Fixed Income	0	15	30	0	14	29
Global Fixed Income	0	15	30	0	14	29
Australian Property	0	0	0	0	0	0
Global Property	0	4	19	0	4	19
Global Infrastructure	0	4	19	0	4	19
Growth Alternatives	0	6	21	0	8	23
Defensive Alternatives	0	8	23	0	10	25
Cash	0	2	17	0	2	17
Expected Return (% pa)	6.2			6.2		
Expected Volatility (% pa)	7.4			7.3		
Growth Asset Exposure (%)	60			60		

Source: Mason Stevens OCIO



Table 17: Growth portfolio SAA Allocation Ranges (including Alternatives)

Asset Class	Retail			Wholesale		
	Min. Weight (%)	SAA Weight (%)	Max. Weight (%)	Min. Weight (%)	SAA Weight (%)	Max. Weight (%)
Australian Equities	12	27	42	9	24	39
Global Equities	19	34	49	16	31	46
Australian Fixed Income	0	7	22	0	5	20
Global Fixed Income	0	7	22	0	5	20
Australian Property	0	0	0	0	0	0
Global Property	0	5	20	0	5	20
Global Infrastructure	0	5	20	0	5	20
Growth Alternatives	0	9	24	0	15	30
Defensive Alternatives	0	4	19	0	8	23
Cash	0	2	17	0	2	17
Expected Return (% pa)	6.4			6.8		
Expected Volatility (% pa)	9.1			8.9		
Growth Asset Exposure (%)	80			80		

Source: Mason Stevens OCIO

Table 18: High Growth portfolio SAA Allocation Ranges (including Alternatives)

Asset Class	Retail			Wholesale		
	Min. Weight (%)	SAA Weight (%)	Max. Weight (%)	Min. Weight (%)	SAA Weight (%)	Max. Weight (%)
Australian Equities	17	32	47	13	28	43
Global Equities	27	42	57	25	40	55
Australian Fixed Income	0	0	0	0	0	0
Global Fixed Income	0	0	0	0	0	0
Australian Property	0	0	0	0	0	0
Global Property	0	6	21	0	6	21
Global Infrastructure	0	6	21	0	6	21
Growth Alternatives	0	12	27	3	18	33
Defensive Alternatives	0	0	0	0	0	0
Cash	0	2	17	0	2	17
Expected Return (% pa)	7.3			7.3		
Expected Volatility (% pa)	10.8			10.4		
Growth Asset Exposure (%)	98			98		

Source: Mason Stevens OCIO



Historical Performance Analysis

This section provides a summary of how the model portfolios would have performed historically based on their 2025 SAA weights during the period 2006 to 2024. We chose this period based on the time series data available to us, ensuring that we could model all asset classes accurately. This analysis assumes the SAA weights in each portfolio were held constant over the analysis period.

Table 19: Historical Performance Analysis – Retail portfolios excluding Alts

Growth Exposure	0%	10%	20%	30%	40%	50%	60%	70%	80%	90%	98%
Best Year	10.6 (2008)	10.1 (2014)	10.9 (2019)	12.8 (2019)	14.7 (2019)	16.7 (2013)	19.4 (2013)	22.9 (2013)	25.9 (2013)	29.4 (2013)	32.5 (2013)
Worst Year	-6.9 (2022)	-10.4 (2022)	-9.9 (2022)	-9.5 (2022)	-9.0 (2022)	-11.4 (2008)	-15.3 (2008)	-19.3 (2008)	-23.2 (2008)	-27.0 (2008)	-29.8 (2008)
# Neg Years	2	1	1	2	2	2	2	3	3	3	4
% Neg Return years	10.0%	5.0%	5.0%	10.0%	10.0%	10.0%	10.0%	15.0%	15.0%	15.0%	20.0%

Source: Mason Stevens OCIO

Table 20: Historical Performance Analysis – Retail portfolios including Alts

Growth Exposure	0%	10%	20%	30%	40%	50%	60%	70%	80%	90%	98%
Best Year	9.7 (2008)	9.8 (2014)	10.7 (2019)	12.2 (2019)	14.0 (2019)	16.1 (2013)	18.6 (2013)	21.7 (2013)	24.9 (2013)	27.9 (2013)	30.8 (2013)
Worst Year	-6.6 (2022)	-9.6 (2022)	-9.0 (2022)	-8.5 (2022)	-8.4 (2022)	-11.4 (2008)	-15.2 (2008)	-18.5 (2008)	-22.2 (2008)	-25.3 (2008)	-28.1 (2008)
# Neg Years	2	1	1	2	2	2	2	3	3	3	3
% Neg Return years	10.0%	5.0%	5.0%	10.0%	10.0%	10.0%	10.0%	15.0%	15.0%	15.0%	15.0%

Source: Mason Stevens OCIO

Table 21: Historical Performance Analysis – Wholesale portfolios including Alts

Growth Exposure	0%	10%	20%	30%	40%	50%	60%	70%	80%	90%	98%
Best Year	9.5 (2008)	9.7 (2014)	10.7 (2019)	12.1 (2019)	13.9 (2019)	16.2 (2013)	18.3 (2013)	21.4 (2013)	24.0 (2013)	27.0 (2013)	30.2 (2013)
Worst Year	-6.4 (2022)	-9.4 (2022)	-8.9 (2022)	-8.4 (2022)	-8.3 (2022)	-11.3 (2008)	-15.1 (2008)	-18.3 (2008)	-21.6 (2008)	-24.1 (2008)	-27.0 (2008)
# Neg Years	2	1	1	2	2	2	2	3	3	3	3
% Neg Return years	10.0%	5.0%	5.0%	10.0%	10.0%	10.0%	10.0%	15.0%	15.0%	15.0%	15.0%

Source: Mason Stevens OCIO

Table 22: Year-By-Year Historical Return Results – Retail portfolios excluding Alts

Growth Exposure	0%	10%	20%	30%	40%	50%	60%	70%	80%	90%	98%
2024	3.24	4.59	6.41	8.43	10.31	11.38	12.91	15.03	16.71	18.70	20.50
2023	4.79	6.54	7.83	9.22	10.53	11.01	11.85	13.28	14.33	15.68	16.87
2022	-6.95	-10.36	-9.85	-9.48	-8.99	-9.08	-9.11	-8.79	-8.54	-8.12	-7.91
2021	-1.42	0.35	2.80	5.40	7.96	10.59	13.37	16.19	18.98	21.82	24.24
2020	3.28	4.87	5.00	5.09	5.14	4.22	3.57	3.51	3.07	2.90	2.76
2019	5.26	9.00	10.87	12.79	14.71	16.48	18.35	20.36	22.30	24.33	25.99
2018	2.69	2.82	2.54	2.28	1.98	1.50	1.11	0.82	0.43	0.10	-0.15
2017	3.02	4.60	5.57	6.54	7.53	8.34	9.21	10.21	11.15	12.16	12.97
2016	3.40	4.70	5.40	6.04	6.72	7.35	7.94	8.54	9.18	9.82	10.26
2015	2.76	3.60	4.16	4.78	5.31	5.49	5.85	6.43	6.81	7.29	7.74
2014	7.53	10.14	10.26	10.45	10.56	11.52	12.27	12.46	12.84	12.94	13.10
2013	2.39	5.27	8.25	11.52	14.66	16.67	19.36	22.93	25.92	29.40	32.51
2012	7.07	9.46	10.39	11.26	12.19	13.21	14.13	14.99	15.95	16.88	17.54
2011	8.90	8.96	7.06	5.22	3.36	2.44	1.25	-0.52	-2.03	-3.82	-5.19
2010	6.63	6.88	6.23	5.50	4.83	5.15	5.06	4.29	3.90	3.17	2.52
2009	4.39	5.83	7.19	8.18	9.53	11.44	12.78	13.75	15.28	16.62	17.29
2008	10.55	7.02	2.05	-2.57	-7.18	-11.35	-15.30	-19.28	-23.17	-26.98	-29.79
2007	5.61	5.12	5.36	5.39	5.62	6.13	6.35	6.36	6.67	6.87	6.83
2006	4.54	5.13	6.57	7.89	9.35	11.05	12.56	13.92	15.51	17.03	18.11

Source: Mason Stevens OCIO, Bloomberg



Table 23: Year-By-Year Historical Return Results – Retail portfolios including Alts

Growth Exposure	0%	10%	20%	30%	40%	50%	60%	70%	80%	90%	98%
2024	2.94	4.37	6.19	7.98	9.31	11.00	12.54	14.51	16.37	18.21	19.90
2023	4.36	6.06	7.35	8.44	9.19	10.28	11.16	12.48	13.62	14.73	15.86
2022	-6.61	-9.55	-9.04	-8.52	-8.40	-8.30	-7.95	-7.77	-7.64	-7.39	-7.45
2021	-1.28	0.59	3.05	5.50	8.08	10.66	13.27	15.83	18.72	21.27	23.81
2020	3.23	4.64	4.77	4.93	4.37	4.15	3.87	4.01	3.62	3.56	3.28
2019	5.35	8.85	10.72	12.23	14.02	15.81	17.43	19.07	21.03	22.67	24.30
2018	2.31	2.39	2.11	1.86	1.45	1.20	0.85	0.76	0.41	0.28	0.02
2017	3.01	4.51	5.48	6.45	7.32	8.26	9.20	10.24	11.18	12.25	12.99
2016	3.15	4.36	5.06	5.45	6.09	6.70	7.17	7.67	8.26	8.79	9.18
2015	2.47	3.28	3.83	4.35	4.65	5.14	5.50	6.12	6.58	7.06	7.54
2014	7.48	9.79	9.91	10.20	10.87	11.41	11.90	12.33	12.80	13.31	13.67
2013	2.25	5.15	8.13	10.92	13.26	16.06	18.63	21.71	24.92	27.88	30.79
2012	6.70	8.89	9.83	10.47	11.46	12.41	13.20	14.07	14.96	15.83	16.53
2011	7.77	7.59	5.72	4.08	2.86	1.68	0.29	-0.80	-2.25	-3.17	-4.42
2010	5.74	5.87	5.22	4.80	4.81	4.72	4.54	4.46	4.02	4.05	3.60
2009	3.31	4.69	6.04	6.73	8.44	9.85	11.06	12.20	13.34	14.70	15.33
2008	9.69	6.02	1.08	-3.05	-7.45	-11.37	-15.23	-18.48	-22.25	-25.31	-28.06
2007	5.20	4.76	5.00	5.29	5.71	6.05	6.48	6.90	7.01	7.58	7.49
2006	4.70	5.38	6.81	8.12	9.73	11.14	12.65	13.90	15.36	16.74	17.79

Source: Mason Stevens OCIO, Bloomberg



Table 24: Year-By-Year Historical Return Results – Wholesale portfolios including Alts

Growth Exposure	0%	10%	20%	30%	40%	50%	60%	70%	80%	90%	98%
2024	2.90	4.32	6.15	7.97	9.30	11.14	12.40	14.36	15.97	18.00	19.78
2023	4.26	5.96	7.25	8.31	9.06	10.30	10.89	12.08	12.92	14.29	15.44
2022	-6.45	-9.39	-8.88	-8.39	-8.27	-7.88	-7.72	-7.41	-7.10	-7.19	-7.35
2021	-1.23	0.64	3.09	5.57	8.14	10.64	13.25	15.88	18.61	21.10	23.69
2020	3.18	4.60	4.72	4.91	4.35	4.46	3.89	4.02	3.74	4.00	3.54
2019	5.32	8.82	10.69	12.08	13.87	15.56	17.13	18.61	20.13	21.59	23.48
2018	2.22	2.30	2.02	1.80	1.39	1.19	0.79	0.64	0.31	0.41	0.12
2017	2.99	4.49	5.46	6.43	7.30	8.30	9.18	10.20	11.15	12.24	12.99
2016	3.08	4.29	5.00	5.26	5.91	6.46	6.92	7.23	7.57	8.01	8.58
2015	2.41	3.21	3.77	4.29	4.60	5.15	5.40	5.97	6.33	7.04	7.50
2014	7.42	9.72	9.84	10.21	10.88	11.15	11.92	12.36	12.93	13.60	14.04
2013	2.22	5.13	8.11	10.88	13.22	16.17	18.35	21.38	24.05	27.03	30.20
2012	6.59	8.78	9.71	10.23	11.22	12.10	12.92	13.55	14.22	15.15	15.94
2011	7.50	7.32	5.45	3.90	2.69	1.25	0.17	-1.08	-2.36	-2.82	-3.99
2010	5.53	5.66	5.02	4.65	4.67	4.36	4.52	4.31	4.17	4.63	4.08
2009	3.08	4.46	5.81	6.16	7.86	9.11	10.50	11.05	11.89	13.16	13.96
2008	9.48	5.81	0.88	-2.98	-7.38	-11.30	-15.07	-18.25	-21.64	-24.09	-27.05
2007	5.12	4.69	4.93	5.17	5.59	5.99	6.51	6.82	7.19	7.87	7.62
2006	4.75	5.42	6.86	8.07	9.68	11.05	12.65	13.85	15.29	16.41	17.49

Source: Mason Stevens OCIO, Bloomberg

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