

Mason Stevens Foundation ETF Conservative Managed Portfolio Performance Report as at 31 December 2024



Investment objective and strategy

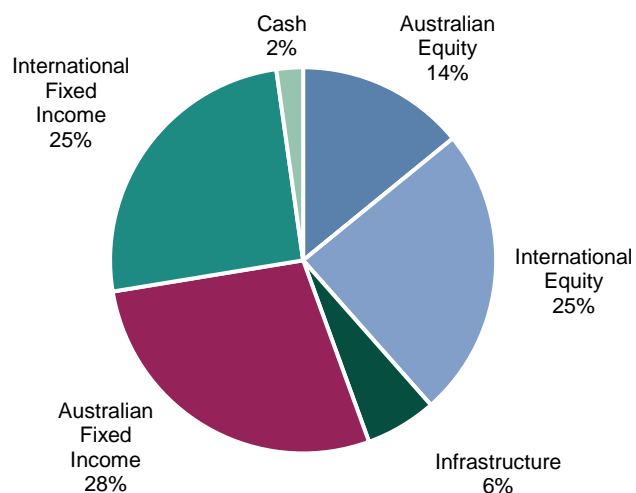
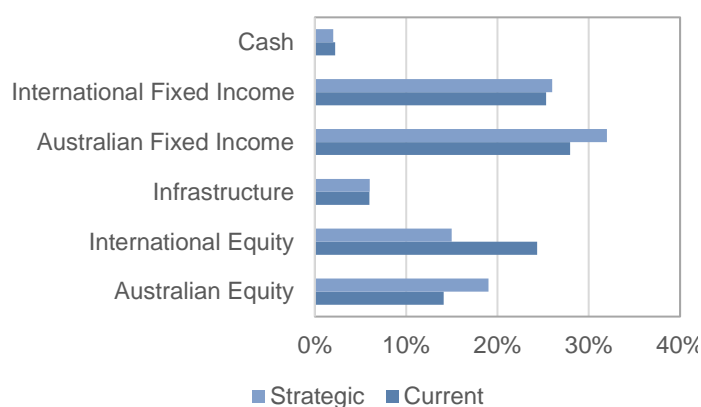
The portfolio is designed as a low-cost, all-in-one multi asset investment solution, with the aim of preserving capital and managing downside volatility/risk.

Portfolio performance as at 31 December 2024¹

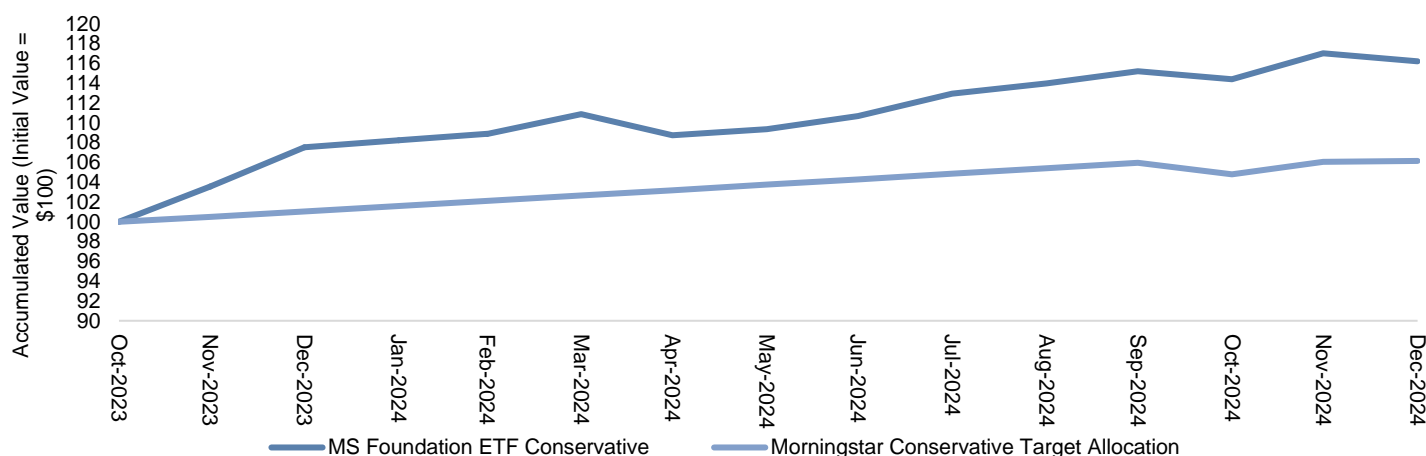
	1 month	3 months	6 months	1 year	Since Inception
Portfolio	-0.69%	0.87%	5.00%	8.08%	16.21%
Morningstar Conservative Target Allocation ²	0.09%	0.16%	1.78%	5.05%	6.15%
Excess Return	-0.78%	0.71%	3.22%	3.03%	10.07%

Portfolio positioning

Strategic vs Current Asset Allocation



Performance since inception



Past performance is not a reliable indicator of future performance.

(1) Portfolio returns are calculated net of management, performance, administration/custody and transaction fees, but excluding any adviser fees from the Managed Portfolio's inception date of 31/10/2023 and assumes reinvestment of all income (but not franking credits). Returns are based on the theoretical performance of a portfolio from the inception date based on simplifying assumptions and security weightings. Actual individual returns of each client's portfolio will differ depending on factors such as date of initial investment, timing of transactions, contributions and withdrawals, fees and any customisations. Each client should also take into account their own taxation situations. All information provided in this report is correct as at the date of this report but without independent verification. (2) The benchmark is blended. From 11 months to 30/09/2024 is RBA Cash Rate+2.00%, and from 1/10/2024 is Morningstar Conservative Allocation.

Monthly portfolio commentary

The portfolio delivered -0.69% for the month which was a combination of weak performance across most risk asset classes aside from international equities and Australian fixed income. International equities held up reasonably well against a backdrop of a surprisingly hawkish Fed meeting in mid-December. US equities in particular had a negative month however ex-US markets globally performed relatively better which helped out the asset class. International fixed income was hurt mainly by duration as markets digested the more hawkish guidance from the FOMC. Australian fixed income markets were better behaved reflecting the weaker economic backdrop versus the US and less hawkish RBA.

A stronger US dollar versus the AUD also helped performance in unhedged international equity exposures. The best performing ETFs for the month included NDQ and EMXC. Within Australian fixed income CRED outperformed as credit spreads remained relatively well bid and duration didn't underperform to the extent in the US.

The portfolios performance will continue to be driven predominantly by our overweight growth assets exposure and tilt towards small caps, financials and industrials, and the US as a region. We believe that Trump 2.0 and earnings growth in the US will continue to support equities in the first half of 2025.

Market commentary and outlook

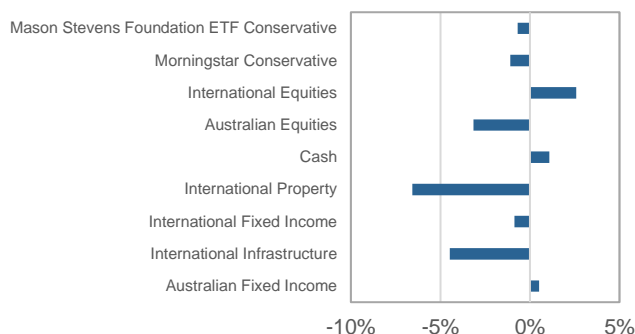
As we shift into 2025 the biggest challenge from a market perspective lies in quantifying the independent effects of potential US policy changes and then attempting to understand how these countervailing impacts will interact. With the breadth of unknowns in regard to each key policy across tariffs, deregulation, immigration and tax policy the only thing one can have conviction on right now is that the error bands are wide on every economic forecast. The year ahead is likely to be a tug-of-war between inflationary and disinflationary forces.

We continue to view Trump's policy mix as tilting up growth in the US as much as it tilts up real rates, providing a boost for US risk assets and the US dollar, while keeping credit spreads tight. As expected, it has already produced a backup in the US Treasury curve. This and inflation will be the metrics to watch in 2025. This supports international risk assets with US exceptionalism likely to drive geographic outperformance. With that said it is important to recognise valuations are high with the need for earnings growth and liquidity to drive risk asset markets further. The distribution of probable economic outcomes is wide and widening due to some potentially dramatic changes to US fiscal, regulatory, trade, and net financing policy — all of which may perpetuate a further hawkish shift in monetary policy.

The dynamics of credit spreads and long-end interest rates in Australia remain influenced by global event risks, particularly those emanating from the United States and broader international economic conditions. Despite the unique aspects of the Australian economic landscape, these financial metrics are significantly aligned with global movements. Recently, the RBA has adopted a more dovish stance on interest rates, though it remains vigilant, especially regarding incoming economic data. A key indicator for the RBA is the quarterly trimmed mean CPI, which helps gauge underlying inflation trends without the volatility of one-off price changes. In the context of Australia's slow economic growth, another low CPI reading could potentially trigger an interest rate cut by the RBA. However, this scenario is counterbalanced by a resilient labour market, which might keep inflation pressures higher than expected. Investors should brace for potentially lower returns in 2025 compared to the previous year, given the current relative value of investments and the anticipation of possible rate cuts by the RBA.

The market's expectation is for increased volatility throughout the year. This volatility, while posing risks, also opens up opportunities for portfolio adjustments and potentially higher returns from the fixed income asset class. Current market pricing suggests only marginal rate cuts from the RBA for the year ahead. Given this backdrop, coupled with the opportunities that volatility might present, the fixed income market could again offer relatively strong returns in 2025, provided investors navigate the market with strategic acumen.

Market Returns (Local Currency)



Key features

Investment universe

Exchange Traded Funds (ETFs), Listed Managed Funds and Cash

Target Return

RBA Cash Rate + 2.5% p.a.

Number of investments

5 to 30 (subject to market conditions and Manager Discretion)

Min investment

\$25,000 (or as agreed by the Investment-Sub Adviser)

Suggested timeframe

3 years +

Portfolio statistics

Underlying ICR – up to 0.30%
Individual Holdings – 19

Portfolio Managers

Jacqueline Fernley - Chief Investment Officer
Lloyd Mitchell – Head of Fixed Income & Markets

Investment Committee

Jacqueline Fernley - Chief Investment Officer, Brad Creighton – Head of Asset Allocation, Lloyd Mitchell – Head of Fixed Income & Markets, Andrew Ash – Head of Manager Research

Investment Sub-Advisor

The Managed Portfolio is managed by Mason Stevens Asset Management Pty Limited (MSAM) as Investment Sub-Advisor. MSAM is part of the Mason Stevens group of companies.

Contact:

Investors, please speak to your adviser

T 1300 988 878

E wealth@masonstevens.com.au

The Managed Portfolio is managed by Mason Stevens Asset Management Pty Limited (MSAM) ABN 92 141 447 654, as the Investment Sub- Adviser. MSAM is a Corporate Authorised Representative (CAR 461312) of Mason Stevens Limited. Investment decisions are governed by an Investment Committee that ensures the appropriate discipline and rigour is applied to the investment process.

More information

Further information about the Portfolio, including fees and costs, is outlined in the Mason Stevens Foundation ETF Managed Portfolio Investment Mandate, available at masonstevens.com.au.

About Mason Stevens

Mason Stevens is a specialist wealth platform provider that focuses on Managed Account (MA) solutions. The company offers Outsourced CIO (Chief Investment Office) services that complement the platform and MA solutions. Established in 2010, Mason Stevens is led by some of Australia's most experienced finance and investment professionals. With offices in Sydney and Melbourne, Mason Stevens has a dedicated team of over 80 professionals committed to providing exceptional services nationwide.