Mason Stevens Foundation ETF Growth Managed Portfolio Performance Report as at 31 August 2024

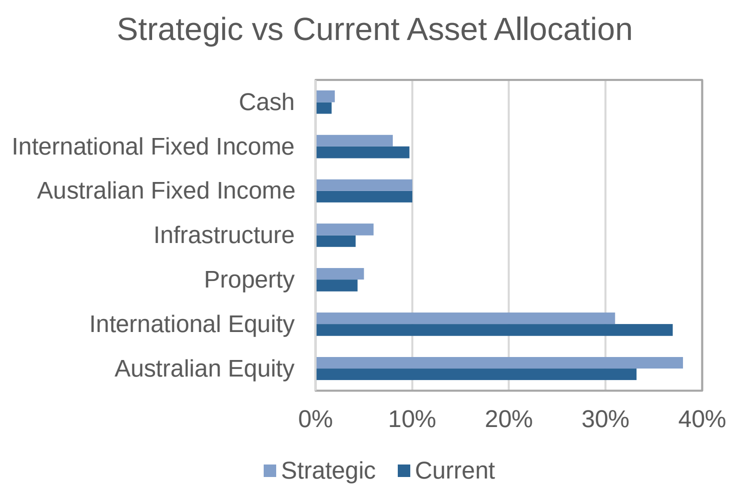
Investment objective and strategy

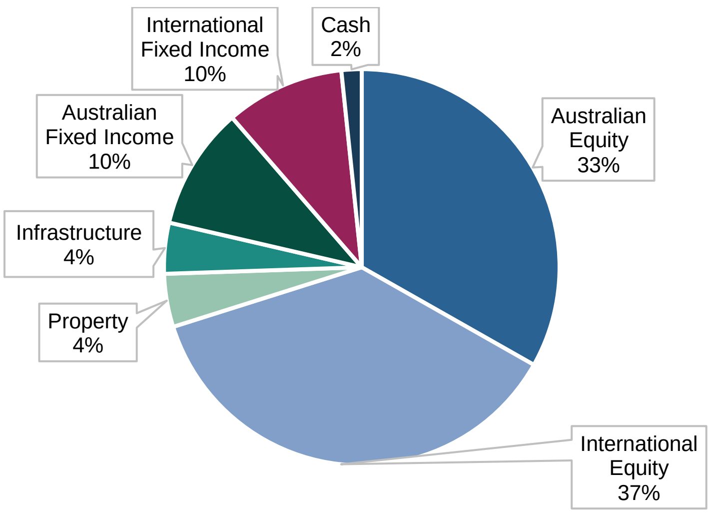
The portfolio is designed as a low-cost, all-in-one multi asset investment solution, with the aim of preserving capital and managing downside volatility/risk.

Portfolio performance as at 31 August 2024[1]

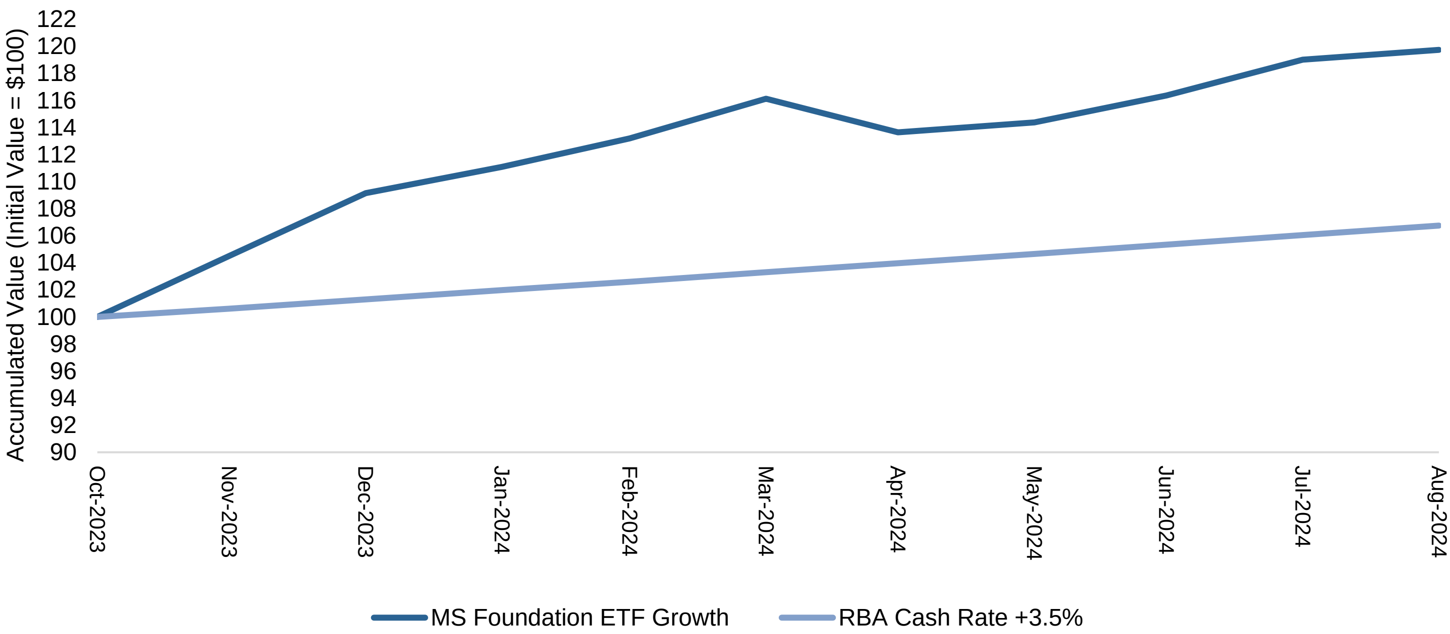
	1 month	3 months	6 months	1 year	Since incep
Portfolio	**0.60%**	**4.68%**	**5.79%**	**n/a**	**19.74%**
RBA + 3.5% p.a.	0.67%	2.00%	4.04%	n/a	6.75%
Excess Return	-0.07%	2.69%	1.75%	n/a	12.98%

Portfolio positioning





Performance since inception



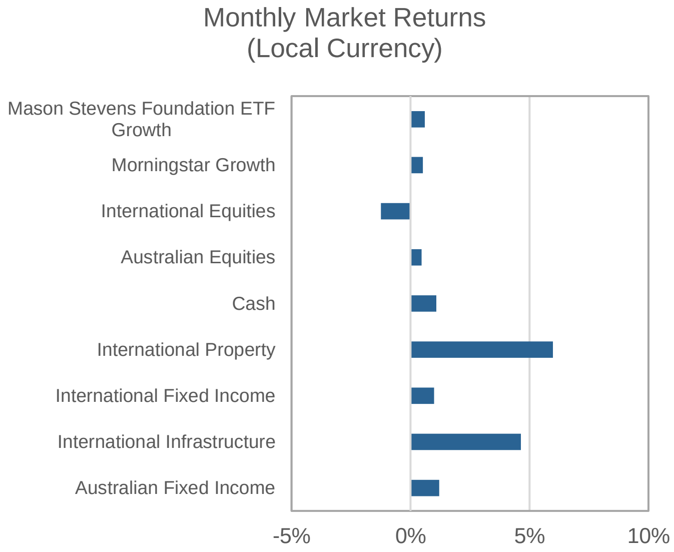
Past performance is not a reliable indicator of future performance.

(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.

Monthly portfolio commentary

The portfolio returned 0.60% for the month. Trades for the month took advantage of short-term volatility with an exit from GGOV (Global Government Bond 20 Year ETF-Currency Hedged ETF) and increased exposures in IXJ (iShares Global Healthcare ETF CDI) and JRHG (JPMorgan Asset Mgt Global Research Enhanced ID). Partly to increase our currency hedging but to also take profits on our long duration position. Later in the month we sold the remaining position in VVLU (Vanguard Global Value Equity Active ETF) and squared up in REITs versus the SAA given the tailwind for that sector with lower rates and heading into the Federal Reserve (Fed) decision where they reduced rates by 50bp. These trades reflected our preference for the quality and growth style factors, and larger caps.

The best performers for the month from an individual ETF exposure basis included XLF (Financial Select Sector SPDR), REIT (Vaneck FTSE International Property Hedged), JRHG (JPMorgan Asset Mgt Global Research Enhanced ID) and IFRA (Vaneck FTSE Global Infrastructure Hedged). Drilling into these reflects the benefit of the lower yields from rate cut bets from the Fed with a steeper yield curve and higher AUD versus a weakening USD (given yield curve differentials).



Market commentary and outlook

The sharp correction in stocks in July/early August was due to several factors, with the most important one being softer-than-expected economic growth data that culminated in a weak employment report on August 2. In particular, the 0.2pp increase in the unemployment rate is what triggered the Sahm Rule and caused markets to worry again about a hard landing. Since then, we have received some better economic data led by jobless claims, retail sales and the ISM non-manufacturing survey (though some data has been softer, too). As a result, many equity market indices have rallied back to near all-time highs, while the bond market, yen and commodities reflect lingering suspicions that the coast might not be clear. Even equity market “internals” like cyclical versus defensive stocks have failed to rebound much at all, while lower-beta stocks continued to show very resilient performance amid the mixed data on both the macroeconomic and microeconomic fronts.

Over the past month, it has become clear that inflation is no longer the only risk on the Fed’s radar. Confidence in the disinflation progress has increased, with personal consumption expenditures (PCE) inflation now under 3%. However, concerns about downside labour market risks have grown following the softer-than-expected July and August jobs data. The Fed believes they are still on track to a “soft landing” and has since delivered a 50bp cut with a renewed focus on jobs rather than inflation for the first time since COVID.

The challenge for equity investors is that markets are trading in the top quartile of historical valuation ranges. With downside risk if growth falters very real, there appears to be a lot riding on the upcoming labour reports for equity investors.

Until we get more evidence that growth is holding up or improving, it makes sense to favour quality, large cap stocks rather than drifting too far into the early cycle trades like Small Caps. In a late-cycle, soft-landing outcome in which the Fed is cutting rates due to growth concerns and labour market weakness, these areas of the market typically do not do well. We do not see why it will be different this time for small caps and cheap cyclicals unless the labour data holds up and the Fed stays on track to reduce rates in an orderly way.

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, David Macri – 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.

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.

Contact: Investors please speak to your adviser

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