March 2024

Market Wrap

February: Global Shares Dominate

- February saw solid returns, particularly for Global Shares.
- **Global Shares** on an unhedged gained 5.9%. Global shares on a hedged basis gained 4.7%. Momentum as a factor was exceptionally strong again in February, extending its lead over the next strongest factors Growth and Quality.
- **Australian shares** continued to advance slowly, with the broad market index, the S&P/ASX 200 Accumulation Index gaining 0.8% for the month. The best performing styles for the month were Momentum and Growth. The poorest performing style was Value.
- Similar to global small caps, **Australian small caps** are trading at an attractive discount to larger cap stocks, which may be starting to entice investors.
- **Fixed income** lost ground this month after returning very small gains last month. Australian Fixed Interest lost 0.3%, while global fixed interest lost 0.8%.
- The Australian dollar lost 1.5% against the U.S. dollar over the month.

U.S. Inflation Edges Up

Globally

- The annual inflation rate in the U.S. unexpectedly edged up to 3.2% in February 2024, compared to 3.1% in January and above forecasts of 3.1%. Energy costs dropped much less than expected (-1.9% vs -4.6% in January), with gasoline declining 3.9% (vs -6.4%), utility gas service falling 8.8% (vs -17.8%) and fuel oil going down 5.4% (vs -14.2%).
- U.S. core inflation eased to 3.8% from 3.9%, compared to forecasts of 3.7%. The monthly rate remained steady at 0.4%, instead of forecasts of 0.3%.
- In the U.S., the number of job openings went down by 26,000 from the previous month to 8,863 million in January 2024, the lowest in three months and below the market consensus of 8.9 million.

Locally

- The monthly Consumer Price Index (CPI) indicator in Australia stood at 3.4% in the year to January 2024, unchanged from the previous month and less than market forecasts of 3.6%.
- Retail sales in Australia increased by 1.1% month-on-month in January 2024, unrevised from the preliminary figures. The latest result followed a 2.1% fall in the prior month, with all retail industries contributing to the upturn after consumers brought forward spending to take advantage of discounts during the Black Friday event.
- The next RBA interest rate decision is on the 19th March, where it is widely anticipated that the RBA Official Cash Rate will remain unchanged at 4.35%.

Major asset class performance

Asset classes	1 month %	1 year %	5 years (p.a.) %
Australian Shares	0.8%	10.6%	8.6%
Australian small companies	1.7%	7.8%	4.4%
Global shares (hedged)	4.7%	22.2%	9.6%
Global shares (unhedged)	5.9%	29.8%	13.8%
Global small companies (unhedged)	4.9%	12.5%	8.9%
Global emerging markets (unhedged)	6.3%	12.6%	3.7%
Global listed property (hedged)	-0.2%	-0.1%	-0.8%
Cash	0.3%	4.1%	1.5%
Australian fixed income	-0.3%	3.5%	0.3%
International fixed income	-0.8%	3.9%	0.1%

Source: FactSet, Lonsec & Insignia Financial, 29 February 2024

Indices used: Australian Shares: S&P/ASX 200 Accumulation Index, Australian small companies: S&P/ASX Small Ordinaries Accumulation Index, Global shares (hedged): MSCI World ex Australia Net Total Return (in AUD), Global shares (unhedged): MSCI World ex Australia Hedged AUD Net Total Return Index; Global small companies (unhedged): MSCI World Small Cap Net Total Return USD Index (in AUD); Global emerging markets (unhedged): MSCI Emerging Markets EM Net Total Return AUD Index; Global listed property (hedged): FTSE EPRA/NAREIT Developed Index Hedged in AUD Net Total Return; Cash: Bloomberg AusBond Bank Bill Index; Australian fixed income: Bloomberg AusBond Composite 0+ Yr Index; International fixed income: Bloomberg Barclays Global Aggregate Total Return Index Value Hedged AUD

Please note: Past performance is not indicative of future performance.

Currency markets

Exchange rates	At close on 29/02 %	1 month change %	1 year change %
USD/AUD	0.6512	**-1.5%**	**-3.7%**
Euro/AUD	0.6017	**-1.1%**	**-5.1%**
Yen/AUD	97.46	**0.9%**	**5.9%**

Source: FactSet & Insignia Financial, 29 February 2024.

All foreign exchange rates are rounded to two decimal places where appropriate.
Please note: Past performance is not indicative of future performance.

February 2024

Market Wrap

January: Steady Start to 2024

- After an excellent month in December, returns in January seemed to be somewhat subdued.
- **Global Shares** on an unhedged basis were the best performers gaining 4.5%. Global shares on a hedged basis gained 1.8%. Momentum as a style was exceptionally strong in January. Even more so than Growth or Quality. This may be reflective of investors buying into the market leading "Magnificent 7" even after the exceptional year they had in 2023.
- **Australian shares** had a reasonable start to the year, with the broad market index, the S&P/ASX 200 Accumulation Index gaining 1.2% for the month. The best performing styles for the month were Low volatility and Growth, although, again this month, there was relatively little differentiation between styles, with one exception, Momentum which was a bit of a laggard. His was in stark contrast to global shares where Momentum performed well.
- **Fixed income** ground out small gains during January, with Australian Fixed Interest gaining 0.2%, while global fixed interest gained 0.4%.
- The Australian dollar lost 3.1% against the U.S. dollar over the month.

U.S. Inflation Down, but Above Forecasts

Globally

- The annual inflation rate in the U.S. fell back to 3.1% in January 2024 following a brief increase to 3.4% in December, but came in higher than forecast (2.9%). Energy costs dropped 4.6% (vs -2.0% in December), with gasoline declining 6.4% (vs -1.9%), utility (piped) gas service falling 17.8% (vs -13.8%) and fuel oil sinking 14.2% (vs -14.7%).
- The inflation rate in the Euro Area went down to 2.8% year-on-year in January 2024 from 2.9% in the previous month, in line with market expectations, a preliminary estimate showed. Meanwhile, the core rate, which excludes volatile food and energy prices, continued to ease to 3.3%, above forecasts of 3.2%, but still reaching its lowest level since March 2022.

Locally

- Australia's inflation rate was at 4.1% YoY in Q4 of 2023, down from 5.4% in Q3 and below market expectations of 4.3%. This was the lowest figure since Q4 of 2021, as goods inflation eased for the fifth consecutive quarter (3.8% vs 4.9% in Q3) and services inflation slowed for the second straight quarter (4.6% vs 5.8%).
- As expected, the RBA kept the official cash rate at 4.35% at its February meeting. The next cash rate announcement will be on March 19th.

Major asset class performance

Asset classes	1 month %	1 year %	5 years (p.a.) %
Australian Shares	1.2%	7.1%	9.7%
Australian small companies	0.9%	2.1%	5.4%
Global shares (hedged)	1.8%	16.5%	10.5%
Global shares (unhedged)	4.5%	25.1%	13.7%
Global small companies (unhedged)	0.4%	9.8%	9.1%
Global emerging markets (unhedged)	-1.6%	3.5%	3.0%
Global listed property (hedged)	-3.4%	-3.5%	-0.7%
Cash	0.4%	4.0%	1.4%
Australian fixed income	0.2%	2.5%	0.6%
International fixed income	-0.3%	2.8%	0.2%

Source: FactSet, Lonsec & Insignia Financial, 31 January 2024

Indices used: Australian Shares: S&P/ASX 200 Accumulation Index, Australian small companies: S&P/ASX Small Ordinaries Accumulation Index, Global shares (hedged): MSCI World ex Australia Net Total Return (in AUD), Global shares (unhedged): MSCI World ex Australia Hedged AUD Net Total Return Index; Global small companies (unhedged): MSCI World Small Cap Net Total Return USD Index (in AUD); Global emerging markets (unhedged): MSCI Emerging Markets EM Net Total Return AUD Index; Global listed property (hedged): FTSE EPRA/NAREIT Developed Index Hedged in AUD Net Total Return; Cash: Bloomberg AusBond Bank Bill Index; Australian fixed income: Bloomberg AusBond Composite 0+ Yr Index; International fixed income: Bloomberg Barclays Global Aggregate Total Return Index Value Hedged AUD

Please note: Past performance is not indicative of future performance.

Currency markets

Exchange rates	At close on 31/01 %	1 month change %	1 year change %
USD/AUD	0.6610	**-3.1%**	**-6.2%**
Euro/AUD	0.6086	**-1.5%**	**-6.2%**
Yen/AUD	96.63	**0.4%**	**5.4%**

Source: FactSet & Insignia Financial, 31 January 2024.

All foreign exchange rates are rounded to two decimal places where appropriate.
Please note: Past performance is not indicative of future performance.

January 2024

Market Wrap

December: 2023 Ends on a High

- After a poor month for nearly all investments in October, returns during November and December were exceptional.
- During December, **Global Share** performance, especially on a hedged basis was solid. Global shares gained 1.8% on an unhedged basis, and gained a very favourable 3.9% on a hedged basis.
- For December, the U.S. S&P 500 price index was up 4.4% in local currency. Global shares continued to perform well in December, as the market priced in further cuts to both interest rates and bond yields.
- **Australian shares** had a great close to the year, with the broad market index, the S&P/ASX 200 Accumulation Index gaining 7.3% for the month. The best performing styles for the month were Quality and Momentum, although there was relatively little differentiation between styles. The best performing sector was Property Trusts returning 10.1%, while the lowest performing sectors were Utilities and Energy, up by 1.4% and 3.4% respectively.
- **Fixed income** had a very strong month, with Australian Fixed Interest gaining 2.7%, while global fixed interest gained 3.0%.
- The Australian dollar gained a solid 2.9% against the U.S. dollar over the month, as many market participants started to factor in imminent rate cuts in the U.S.

Inflation Ticks Up in the U.S. and Europe

Globally

- The annual inflation rate in the U.S. went up to 3.4% in December 2023 from a five-month low of 3.1% in November, higher than market forecasts of 3.2%, as energy prices went down at a slower pace. Energy costs dropped 2% (vs -5.4% in November), with gasoline declining 1.9% (vs -8.9%) and fuel oil sinking 14.7% (vs -24.8%).
- The inflation rate in the Euro Area rose to 2.9% year-on-year in December 2023, climbing from an over two-year low of 2.4% seen in November, yet slightly below the market consensus of 3%, according to a preliminary estimate. It was the first uptick in inflation since April and was primarily propelled by energy-related base effects.

Locally

- The monthly Consumer Price Index indicator in Australia rose by 4.3% for the year to November 2023, down from 4.9% in October and less than forecasts of 4.4%. It was the second straight month of moderation in annual inflation, with the latest reading pointing to the lowest since January 2022.
- As expected, the RBA kept the official cash rate at 4.35% at its December meeting. The next cash rate announcement will be on February 6th.

Major asset class performance

Asset classes	1 month %	1 year %	5 years (p.a.) %
Australian Shares	7.3%	12.4%	10.3%
Australian small companies	7.2%	7.8%	6.4%
Global shares (hedged)	3.9%	21.7%	11.6%
Global shares (unhedged)	1.8%	23.2%	13.6%
Global small companies (unhedged)	6.5%	15.0%	10.4%
Global emerging markets (unhedged)	1.0%	9.2%	4.3%
Global listed property (hedged)	8.2%	7.9%	1.9%
Cash	0.4%	3.9%	1.4%
Australian fixed income	2.7%	5.1%	0.6%
International fixed income	3.0%	5.3%	0.5%

Source: FactSet, Lonsec & Insignia Financial, 31 December 2023

Indices used: Australian Shares: S&P/ASX 200 Accumulation Index, Australian small companies: S&P/ASX Small Ordinaries Accumulation Index, Global shares (hedged): MSCI World ex Australia Net Total Return (in AUD), Global shares (unhedged): MSCI World ex Australia Hedged AUD Net Total Return Index; Global small companies (unhedged): MSCI World Small Cap Net Total Return USD Index (in AUD); Global emerging markets (unhedged): MSCI Emerging Markets EM Net Total Return AUD Index; Global listed property (hedged): FTSE EPRA/NAREIT Developed Index Hedged in AUD Net Total Return; Cash: Bloomberg AusBond Bank Bill Index; Australian fixed income: Bloomberg AusBond Composite 0+ Yr Index; International fixed income: Bloomberg Barclays Global Aggregate Total Return Index Value Hedged AUD
Please note: Past performance is not indicative of future performance.

Currency markets

Exchange rates	At close on 31/12 %	1 month change %	1 year change %
USD/AUD	0.6824	**2.9%**	**0.6%**
Euro/AUD	0.6177	**1.6%**	**-2.8%**
Yen/AUD	96.20	**-1.9%**	**7.5%**

Source: FactSet & Insignia Financial, 31 December 2023.

All foreign exchange rates are rounded to two decimal places where appropriate.
Please note: Past performance is not indicative of future performance.

December 2023

Market Wrap

November: Solid rebound

- After a poor month for nearly all investments in October, returns during November were exceptional strong.
- During November, **Global Share** performance, especially on a hedged basis was great. Global shares gained 4.4% on an unhedged basis, and gained a stellar 8.0% on a hedged basis.
- For November, the U.S. S&P 500 price index was up 8.9% in local currency. Global shares rocketed in November as traders started to bet on a Goldilocks scenario of inflation falling and central banks lowering interest rates.
- **Australian shares** also gained ground over the month, with the broad market index, the S&P/ASX 200 Accumulation Index gaining 5.0%. The best performing styles for the month were Growth and Small Caps. The best performing sector was Health Care returning 11.7%, while the worst performing sectors were Energy and Utilities, down by 7.4% and 6.0% respectively.
- **Fixed income** had a very strong month, with Australian Fixed Interest gaining 3.0%, while global fixed interest gained 3.2%.
- The Australian dollar gained a very solid 4.7% against the U.S. dollar over the month. The most recent rally in the AUD/USD has been driven by elevated commodity prices, positive risk sentiment, and a hawkish RBA, amid a weakening U.S. dollar facing pressure from the Fed's dovish pivot and anticipated 1.25% of rate cuts expected next year.

Inflation cools in both the U.S. & Europe

Globally

- The annual inflation rate in the U.S. slowed to 3.2% in October 2023 from 3.7% in both September and August, and below market forecasts of 3.3%. Energy costs dropped 4.5% (vs -0.5% in September), with gasoline declining 5.3%, utility (piped) gas service falling 15.8% and fuel oil sinking 21.4%.
- The inflation rate in the Euro Area declined to 2.4% year-on-year in November 2023, reaching its lowest level since July 2021 and falling below the market consensus of 2.7%.

Locally

- The monthly Consumer Price Index (CPI) indicator in Australia increased by 4.9% in the year to October 2023, slowing from September's five-month-high of 5.6%, below forecasts of 5.2%. It was the first decline in annual inflation and the slowest pace since July.
- As largely expected, the RBA kept the official cash rate at 4.35% at its December meeting.

Major asset class performance

Asset classes	1 month %	1 year %	5 years (p.a.) %
Australian Shares	5.0%	1.5%	8.7%
Australian small companies	7.0%	-3.2%	4.0%
Global shares (hedged)	8.0%	11.0%	8.8%
Global shares (unhedged)	4.4%	14.4%	12.2%
Global small companies (unhedged)	4.4%	3.0%	7.7%
Global emerging markets (unhedged)	3.1%	5.3%	4.3%
Global listed property (hedged)	9.0%	-4.2%	-0.9%
Cash	0.3%	3.8%	1.4%
Australian fixed income	3.0%	0.2%	0.4%
International fixed income	3.2%	0.9%	0.2%

Source: FactSet, Lonsec & Insignia Financial, 30 November 2023

Indices used: Australian Shares: S&P/ASX 200 Accumulation Index, Australian small companies: S&P/ASX Small Ordinaries Accumulation Index, Global shares (hedged): MSCI World ex Australia Net Total Return (in AUD), Global shares (unhedged): MSCI World ex Australia Hedged AUD Net Total Return Index; Global small companies (unhedged): MSCI World Small Cap Net Total Return USD Index (in AUD); Global emerging markets (unhedged): MSCI Emerging Markets EM Net Total Return AUD Index; Global listed property (hedged): FTSE EPRA/NAREIT Developed Index Hedged in AUD Net Total Return; Cash: Bloomberg AusBond Bank Bill Index; Australian fixed income: Bloomberg AusBond Composite 0+ Yr Index; International fixed income: Bloomberg Barclays Global Aggregate Total Return Index Value Hedged AUD
Please note: Past performance is not indicative of future performance.

Currency markets

Exchange rates	At close on 30/11 %	1 month change %	1 year change %
USD/AUD	0.6631	**4.7%**	**-1.0%**
Euro/AUD	0.6077	**1.4%**	**-6.6%**
Yen/AUD	98.02	**2.2%**	**4.9%**

Source: FactSet & Insignia Financial, 30 November 2023.

All foreign exchange rates are rounded to two decimal places where appropriate.
Please note: Past performance is not indicative of future performance.

November 2023

Market wrap

October: Only positive was Cash

- During October, **Global Share** performance was poor. Global shares lost 1.0% on an unhedged basis, and lost 2.8% on a hedged basis. Unhedged outperformed due to the AUD losing ground against both the Euro and the USD.
- For October, the U.S. S&P 500 price index was down 2.2% in local currency. Global shares fell in October amid worries that US interest rates may remain higher for longer given still strong inflation.
- **Australian shares** lost ground over the month, with the broad market index, the S&P/ASX 200 Accumulation Index losing 3.8%. The best performing and the only positive return producing sector was the Utilities sector, which returned 1.7%. All other sectors were negative, with the worst sector being Information Technology, down by 7.6%.
- **Fixed income** returns for the month were also poor, with Australian Fixed Interest losing 1.8%, while global fixed interest lost 0.8%.
- The Australian dollar lost 1.9% against the U.S. dollar over the month. Increasing geopolitical tensions in the Middle East, coupled with a surge in U.S. Treasury yields and uncertainty surrounding the global growth outlook, saw the AUD struggle.

U.S. Labour Market still strong despite the latest figures

Globally

- The unemployment rate in the United States increased to 3.9% in October 2023, slightly exceeding market expectations and the previous month's figure of 3.8%. This marks the highest jobless rate since January 2022, with the number of unemployed individuals rising by 146,000 to 6.51 million, while the count of employed individuals decreased by 348,000 to 161.2 million.

Locally

- Australia's inflation rate fell to 5.4% p.a. in Q3 2023, down from 6.0% in the previous period, but above the market consensus forecast of 5.3%. This marked the third quarter in a row of lower annual inflation driven by a slowdown in goods and services inflation.

- The Reserve Bank of Australia raised its cash rate by 0.25% to 4.35% in line with market expectations at the November Melbourne Cup meeting. This comes after four meetings where the RBA maintained rates at 4.10%. This latest move brought borrowing costs to their highest level since late 2011.

Major asset class performance

Asset classes	1 month %	1 year %	5 years (p.a.) %
Australian Shares	-3.8%	3.0%	7.2%
Australian small companies	-5.5%	-5.1%	2.5%
Global shares (hedged)	-2.8%	8.2%	6.7%
Global shares (unhedged)	-1.0%	11.7%	10.8%
Global small companies (unhedged)	-4.3%	0.0%	6.3%
Global emerging markets (unhedged)	-2.0%	11.9%	3.9%
Global listed property (hedged)	-4.5%	-7.7%	-1.9%
Cash	0.3%	3.7%	1.3%
Australian fixed income	-1.8%	-1.2%	-0.1%
International fixed income	-0.8%	0.1%	-0.4%

Source: FactSet, Lonsec & Insignia Financial, 31 October 2023

Indices used: Australian Shares: S&P/ASX 200 Accumulation Index, Australian small companies: S&P/ASX Small Ordinaries Accumulation Index, Global shares (hedged): MSCI World ex Australia Net Total Return (in AUD), Global shares (unhedged): MSCI World ex Australia Hedged AUD Net Total Return Index; Global small companies (unhedged): MSCI World Small Cap Net Total Return USD Index (in AUD); Global emerging markets (unhedged): MSCI Emerging Markets EM Net Total Return AUD Index; Global listed property (hedged): FTSE EPRA/NAREIT Developed Index Hedged in AUD Net Total Return; Cash: Bloomberg AusBond Bank Bill Index; Australian fixed income: Bloomberg AusBond Composite 0+ Yr Index; International fixed income: Bloomberg Barclays Global Aggregate Total Return Index Value Hedged AUD
Please note: Past performance is not indicative of future performance

Currency markets

Exchange rates	At close on 31/10 %	1 month change %	1 year change %
USD/AUD	0.6332	**-1.9%**	**-1.0%**
Euro/AUD	0.5990	**-1.7%**	**-7.4%**
Yen/AUD	95.89	**-0.4%**	**0.9%**

Source: FactSet & Insignia Financial, 31 October 2023.

All foreign exchange rates are rounded to two decimal places where appropriate.
Please note: Past performance is not indicative of future performance.

October 2023

Market wrap

September: Cash is King Again

- During September, **Global Share** performance was poor. Global shares lost 4.0% on an unhedged basis, and lost 3.6% on a hedged basis. The difference was mostly due to the appreciation of the AUD versus the Euro.
- For September, the U.S. S&P 500 price index was down 3.7% in local currency. The heavy weight of I.T. names punished the NASDAQ to the tune of -5.8%. European equities did marginally better as the MSCI Europe was down only 1.3%.
- **Australian shares** lost ground over the month, with the broad market index, the S&P/ASX 200 Accumulation Index losing 2.8%. The best performing and the only positive return producing sector was the Energy sector, which returned 1.3%. All other sectors were negative, with the worst sector being Property Trusts, down by 8.7%.
- **Fixed income** returns for the month were also poor, with Australian Fixed Interest losing 1.5%, while global fixed interest lost 1.8%.
- The Australian dollar lost 0.3% against the U.S. dollar over the month. In a similar situation to last month, the U.S. dollar strengthened, benefitting from resilient domestic growth against a weak global backdrop. Markets are still pricing in one more interest rate rise by the Federal Reserve before year-end.

Labour Markets Still Robust

Globally

- The inflation rate in the Euro Area declined to 4.3% year-on-year in September 2023, reaching its lowest level since October 2021 and falling below the market consensus of 4.5%, a preliminary estimate showed.
- In a sign of strength from the U.S. economy, the number of job openings rose by 690,000 from the previous month to 9.61 million in August 2023, well above the market consensus of 8.8 million and indicating a robust labour market despite the Fed's unprecedented monetary policy tightening measures.

Locally

- The monthly Consumer Price Index (CPI) indicator in Australia climbed by 5.2% in the year to August 2023, accelerating from a 4.9% gain in July, which was the lowest level in 17 months, matching forecasts. It was the first increase in annual inflation since April, due mainly to faster rises in transport prices (7.4% vs 0.3%), with automotive fuel prices rising the most since November 2022.
- Australia's unemployment rate stood at 3.7% in August 2023, unchanged from July's three-month high and matching the market forecast, indicating the labour market is still solid.

Major asset class performance

Asset classes	1 month %	1 year %	5 years (p.a.) %
Australian Shares	-2.8%	13.5%	6.7%
Australian small companies	-4.0%	6.8%	1.6%
Global shares (hedged)	-3.6%	18.1%	5.7%
Global shares (unhedged)	-4.0%	21.6%	9.8%
Global small companies (unhedged)	-4.9%	13.6%	5.5%
Global emerging markets (unhedged)	-2.3%	11.3%	2.9%
Global listed property (hedged)	-5.6%	-0.4%	-1.7%
Cash	0.3%	3.6%	1.3%
Australian fixed income	-1.5%	1.6%	0.3%
International fixed income	-1.8%	0.5%	-0.2%

source: FactSet, Lonsec & Insignia Financial, 30 September 2023

Indices used: Australian Shares: S&P/ASX 200 Accumulation Index, Australian small companies: S&P/ASX Small Ordinaries Accumulation Index, Global shares (hedged): MSCI World ex Australia Net Total Return (in AUD), Global shares (unhedged): MSCI World ex Australia Hedged AUD Net Total Return Index; Global small companies (unhedged): MSCI World Small Cap Net Total Return USD Index (in AUD); Global emerging markets (unhedged): MSCI Emerging Markets EM Net Total Return AUD Index; Global listed property (hedged): FTSE EPRA/NAREIT Developed Index Hedged in AUD Net Total Return; Cash: Bloomberg AusBond Bank Bill Index; Australian fixed income: Bloomberg AusBond Composite 0+ Yr Index; International fixed income: Bloomberg Barclays Global Aggregate Total Return Index Value Hedged AUD
Please note: Past performance is not indicative of future performance

Currency markets

Exchange rates	At close on 30/09 %	1 month change %	1 year change %
USD/AUD	0.6454	**-0.3%**	**0.4%**
Euro/AUD	0.6096	**2.2%**	**-7.1%**
Yen/AUD	96.31	**2.1%**	**3.5%**

Source: FactSet & Insignia Financial, 30 September 2023.

All foreign exchange rates are rounded to two decimal places where appropriate.
Please note: Past performance is not indicative of future performance.

September 2023

Market wrap

August: Currency Decline Favours Unhedged Equities

- During August, **Global Share** performance was mixed. Global shares gained 1.6% on an unhedged basis, but lost 2.2% on a hedged basis, due to a depreciating AUD relative to the USD.
- For August, the U.S. S&P 500 price index was down 1.8%. Several of the household-name tech giants experienced a pullback and weighed on the index overall. At the sector level, Consumer Staples companies were generally weaker, as were Financials and Real Estate.
- **Australian shares** lost ground over the month, with the broad market index, the S&P/ASX 200 Accumulation Index losing 0.7%. The best performing sectors were Consumer Discretionary and Property Trusts, which were up 4.6% and 1.7% respectively. Utilities was the worst performing sector for the month, losing 4.3%.
- **Fixed income** returns for the month were mixed, with Australian Fixed Interest gaining a solid 0.7%, while global fixed interest lost 0.3%.
- The Australian dollar lost 3.9% against the U.S. dollar over the month. The U.S. dollar strengthened against all other major currencies, benefitting from resilient domestic growth against a weak global backdrop. The market is anticipating that higher rates for longer may be required in order to bring inflation sustainable back to target.

U.S. Inflation Up Again

Globally

- The annual inflation rate in the U.S. accelerated for a second straight month to 3.7% in August from 3.2% in July, above market forecasts of 3.6%. Oil prices have been on the rise in the previous two months, which coupled with base effects from last year, pushed the inflation higher.
- China's consumer prices rose by 0.1% YoY in August 2023, compared with market forecasts of a 0.2% gain and after the first drop in over 2 years of 0.3% a month earlier. Non-food prices increased by 0.5%, picking up from a flat reading previously, as cost went up for clothing (1.1% vs 1.0% in July), housing (0.1% vs 0.1), health (1.2% vs 1.2%), and education (2.5% vs 2.4%).

Locally

- The monthly Consumer Price Index (CPI) indicator in Australia increased by 4.9% in the year to July 2023, slowing from a 5.4% gain in June and below the market consensus of a 5.2% rise. This was the lowest inflation rate since February 2022, mainly due to a slowdown in housing and food prices.
- The monthly CPI indicator excluding volatile items and travel advanced by 5.8% in July, down from the rise of 6.1% in June.

Major asset class performance

Asset classes	1 month %	1 year %	5 years (p.a.) %
Australian Shares	**-0.7%**	**9.6%**	**7.0%**
Australian small companies	**-1.3%**	**-1.1%**	**2.4%**
Global shares (hedged)	**-2.2%**	**11.4%**	**6.6%**
Global shares (unhedged)	**1.6%**	**22.6%**	**10.8%**
Global small companies (unhedged)	**0.1%**	**14.3%**	**6.2%**
Global emerging markets (unhedged)	**-2.4%**	**7.2%**	**3.2%**
Global listed property (hedged)	**-2.7%**	**-7.0%**	**-0.9%**
Cash	**0.4%**	**3.4%**	**1.2%**
Australian fixed income	**0.7%**	**1.8%**	**0.6%**
International fixed income	**-0.3%**	**-1.2%**	**0.1%**

source: FactSet, Lonsec & Insignia Financial, 31 August 2023

Indices used: Australian Shares: S&P/ASX 200 Accumulation Index, Australian small companies: S&P/ASX Small Ordinaries Accumulation Index, Global shares (hedged): MSCI World ex Australia Net Total Return (in AUD), Global shares (unhedged): MSCI World ex Australia Hedged AUD Net Total Return Index; Global small companies (unhedged): MSCI World Small Cap Net Total Return USD Index (in AUD); Global emerging markets (unhedged): MSCI Emerging Markets EM Net Total Return AUD Index; Global listed property (hedged): FTSE EPRA/NAREIT Developed Index Hedged in AUD Net Total Return; Cash: Bloomberg AusBond Bank Bill Index; Australian fixed income: Bloomberg AusBond Composite 0+ Yr Index; International fixed income: Bloomberg Barclays Global Aggregate Total Return Index Value Hedged AUD
Please note: Past performance is not indicative of future performance

Currency markets

Exchange rates	At close on 31/08 %	1 month change %	1 year change %
USD/AUD	0.6477	**-3.9%**	**-5.5%**
Euro/AUD	0.5967	**-2.4%**	**-12.5%**
Yen/AUD	94.29	**-1.5%**	**-0.8%**

Source: FactSet & Insignia Financial, 31 August 2023

All foreign exchange rates are rounded to two decimal places where appropriate.
Please note: Past performance is not indicative of future performance.

August 2023

Market wrap

July: More Risk, More Returns

- During July, **Global Share** performance was favourable. Global shares gained 2.1% on an unhedged basis, and gained an even better 3.1% on a hedged basis, due to an appreciating AUD relative to the USD.
- For July, the U.S. S&P 500 total return index was up 3.11%. Energy stocks advanced on expectations of tighter supply and positive growth data. Certain media and technology giants made strong gains, as did a number of banking stocks.
- **Australian shares** rose over the month, with the broad market index, the S&P/ASX 200 Accumulation Index gaining 2.9%. The best performing sectors were Energy and Financials, which were up 8.8% and 4.9% respectively. Healthcare was the worst performing sector for the month, losing 1.5%.
- **Fixed income** returns for the month were mixed, with Australian Fixed Interest gaining a reasonable 0.5%, while global fixed interest lost a very small 0.04%.
- The Australian dollar rose by 1.2% against the U.S. dollar over the month. The U.S. dollar was weaker against its G10 peers. Despite the positive news on U.S. growth, an associated boost to risk sentiment generally benefited higher yielding and commodity-related currencies, such as Australia.

Australian Services Inflation Up

Globally

- The annual inflation rate in the U.S. increased to 3.2% in July 2023 from 3% in June, but below the consensus forecast of 3.3%. It marks a halt in the 12 consecutive months of declines, due to base effects.
- Opposite to the relatively high inflation in the western world, China's consumer prices dropped by 0.3% year-on-year in July, the first decrease since February 2021, compared to a flat reading in June and market estimates of a 0.4% fall.

Locally

- Australia's inflation rate dropped to 6.0% year-on-year in the second quarter of 2023, down from 7.0% in the previous period and below market forecasts of 6.2%. This marked the lowest figure since the third quarter of 2022, primarily driven by a slowdown in goods inflation (5.8% vs. 7.6% in Q1).
- In contrast, services inflation accelerated to 6.3%, the highest rate since the introduction of the GST in 2001.
- Meanwhile, the RBA's Trimmed Mean CPI rose by 5.9% year-on-year, marking the slowest growth rate in a year, but still remaining well above the central bank's target range of 2-3%.

Major asset class performance

Asset classes	1 month %	1 year %	5 years (p.a.) %
Australian Shares	**2.9%**	**11.7%**	**7.5%**
Australian small companies	**3.5%**	**0.8%**	**3.2%**
Global shares (hedged)	**3.1%**	**10.4%**	**7.4%**
Global shares (unhedged)	**2.1%**	**17.6%**	**11.4%**
Global small companies (unhedged)	**3.6%**	**12.4%**	**7.3%**
Global emerging markets (unhedged)	**4.9%**	**12.2%**	**3.7%**
Global listed property (hedged)	**3.2%**	**-9.9%**	**-0.1%**
Cash	**0.4%**	**3.1%**	**1.2%**
Australian fixed income	**0.5%**	**-1.5%**	**0.6%**
International fixed income	**0.0%**	**-3.6%**	**0.2%**

Source: FactSet, Lonsec & Insignia Financial, 31 July 2023

Indices used: Australian Shares: S&P/ASX 200 Accumulation Index, Australian small companies: S&P/ASX Small Ordinaries Accumulation Index, Global shares (hedged): MSCI World ex Australia Net Total Return (in AUD), Global shares (unhedged): MSCI World ex Australia Hedged AUD Net Total Return Index; Global small companies (unhedged): MSCI World Small Cap Net Total Return USD Index (in AUD); Global emerging markets (unhedged): MSCI Emerging Markets EM Net Total Return AUD Index; Global listed property (hedged): FTSE EPRA/NAREIT Developed Index Hedged in AUD Net Total Return; Cash: Bloomberg AusBond Bank Bill Index; Australian fixed income: Bloomberg AusBond Composite 0+ Yr Index; International fixed income: Bloomberg Barclays Global Aggregate Total Return Index Value Hedged AUD
Please note: Past performance is not indicative of future performance

Currency markets

Exchange rates	At close on 31/07 %	1 month change %	1 year change %
USD/AUD	0.6739	**1.2%**	**-3.4%**
Euro/AUD	0.6112	**0.2%**	**-10.7%**
Yen/AUD	95.74	**-0.5%**	**2.7%**

Source: FactSet & Insignia Financial, 31 July 2023

All foreign exchange rates are rounded to two decimal places where appropriate.
Please note: Past performance is not indicative of future performance.

July 2023

Market wrap

June: Growth Assets Grow

- During June, **Global Share** performance was favourable. Global shares gained 3.1% on an unhedged basis, and gained an even better 5.6% on a hedged basis, due to an appreciating AUD relative to the USD.
- For June, the U.S. S&P 500 total return index was up 6.61%, with broad contributions across the market, compared to previous months when high-market-value issues dominated the market. Having said that, the mega-cap tech stocks still dominate the market and the market's year-to-date performance.
- **Australian shares** rose over the month, with the broad market index, the S&P/ASX 200 Accumulation Index gaining 1.8%. The best performing sectors were Materials and Information Technology, which were up 4.75% and 3.50% respectively. Healthcare was the worst performing sector for the month, losing 6.64%.
- **Fixed income** returns for the month were disappointing, with Australian Fixed Interest losing 2.0%, while global fixed interest lost a relatively small 0.2%.
- The Australian dollar rose by 2.9% against the U.S. dollar over the month, after losing 2.1% in May. The AUD/USD started June on the back foot, but then early in the month a better-than-expected China Caixin Manufacturing PMI helped offset some of the negativity, while in Australia, the Fair Work Commission announcement of a 5.75% minimum award wage increase triggered speculation that the RBA would now need to make further rate increases to tame inflation

Inflation Down

Globally

- The annual inflation rate in the U.S. slowed to 3% in June, the lowest since March 2021 and significantly lower than the 4% in May and slightly below expectations of 3.1%. The slowdown is partly due to a high base effect from last year when a surge in energy and food prices pushed the headline inflation rate to post 1981-highs of 9.1%.
- The consumer price inflation rate in the Euro Area decreased to 5.5% in June 2023, down from 6.1% in the previous month and slightly below market expectations of 5.6%, an early estimate showed.

Locally

- The Reserve Bank of Australia maintained its cash rate at 4.1% at its July meeting, after raising it by 0.25% in June, with a total of 4% in increases since May 2022. The board said it needed more time to assess the impact of past hikes, adding that inflation in the country has passed its peak with the monthly CPI indicator showing a further drop to 5.6% in May.

Major asset class performance

Asset classes	1 month %	1 year %	5 years (p.a.) %
Australian Shares	**1.8%**	**14.8%**	**7.2%**
Australian small companies	**0.0%**	**8.4%**	**2.3%**
Global shares (hedged)	**5.6%**	**16.6%**	**8.3%**
Global shares (unhedged)	**3.1%**	**22.6%**	**11.5%**
Global small companies (unhedged)	**3.3%**	**16.7%**	**6.6%**
Global emerging markets (unhedged)	**0.9%**	**5.1%**	**3.1%**
Global listed property (hedged)	**2.8%**	**-5.9%**	**-0.6%**
Cash	**0.3%**	**2.9%**	**1.2%**
Australian fixed income	**-2.0%**	**1.2%**	**0.5%**
International fixed income	**-0.2%**	**-1.2%**	**0.2%**

source: FactSet, Lonsec & Insignia Financial, 30 June 2023

Indices used: Australian Shares: S&P/ASX 200 Accumulation Index, Australian small companies: S&P/ASX Small Ordinaries Accumulation Index, Global shares (hedged): MSCI World ex Australia Net Total Return (in AUD), Global shares (unhedged): MSCI World ex Australia Hedged AUD Net Total Return Index; Global small companies (unhedged): MSCI World Small Cap Net Total Return USD Index (in AUD); Global emerging markets (unhedged): MSCI Emerging Markets EM Net Total Return AUD Index; Global listed property (hedged): FTSE EPRA/NAREIT Developed Index Hedged in AUD Net Total Return; Cash: Bloomberg AusBond Bank Bill Index; Australian fixed income: Bloomberg AusBond Composite 0+ Yr Index; International fixed income: Bloomberg Barclays Global Aggregate Total Return Index Value Hedged AUD
Please note: Past performance is not indicative of future performance

Currency markets

Exchange rates	At close on 30/06 %	1 month change %	1 year change %
USD/AUD	0.6657	**2.9%**	**-3.2%**
Euro/AUD	0.6101	**0.5%**	**-7.2%**
Yen/AUD	96.21	**6.4%**	**3.0%**

Source: FactSet & Insignia Financial, 30 June 2023

All foreign exchange rates are rounded to two decimal places where appropriate.
Please note: Past performance is not indicative of future performance.

June 2023

Market wrap

May: Unhedged Shares Win

- During May, **Global Share** performance was mediocre. Global shares gained 1.2% on an unhedged basis, but lost 0.2% on a hedged basis, due to a depreciating AUD relative to the USD.
- In the U.S., energy and materials stocks were among the weakest performers in May, with concerns over the demand outlook impacting performance. The performance contrasted starkly with the stocks in the technology sector, which made strong gains. Fervour around artificial intelligence and the potential for a boom in related technology drove chipmakers, in particular, higher.
- **Australian shares** fell during May, with the broad market index, the S&P/ASX 200 Accumulation Index losing 2.5%. The best performing sector was Information Technology, which shot the lights out, gaining 11.6% for the month. Consumer Discretionary was the worst performing sector for the month, losing 6.2%.
- **Fixed income** returns for the month were disappointing, with Australian Fixed Interest losing 1.2%, and global fixed interest losing 0.5%.
- The **Australian dollar** fell by 2.1% against the U.S. dollar over the month. The U.S. economy's resilience, coupled with a tight labour market, builds expectations for further rate increases, which in turn strengthens the USD. Combining this with a sluggish Chinese economy, doesn't help the AUD. Against the Yen, the AUD was higher, gaining 0.5%.

Debt Ceiling Raised, Inflation Falls

Globally

- The annual inflation rate in the U.S. fell to 4.0% in May 2023, the lowest since March 2021, and very slightly below market forecasts of 4.1%, driven by a decline in energy prices. In addition, the core rate, which excludes volatile items such as food and energy, has slowed to 5.3%, the lowest since November 2021, supporting the case for the Fed to consider pausing its cycle of monetary tightening.
- Discussions around the U.S. debt ceiling were the focal point for much of the month. Prior to an agreement being reached, volatility in markets increased markedly. When a compromise was finally reached, markets settled down and moved back towards a business-as-usual scenario.

Locally

- The Reserve Bank of Australia somewhat unexpectedly raised the cash rate by 0.25% to 4.1% in early June. The RBA has indicated that the door remains open for further tightening, as inflation remains persistently high and wage growth has picked up. The most recent RBA decision means the cash rate has increased by a total of 4% since May 2022, pushing borrowing costs to their highest level since April 2012.

Major asset class performance

Asset classes	1 month %	1 year %	5 years (p.a.) %
Australian shares	-2.5%	2.9%	7.5%
Australian small companies	-3.3%	-5.8%	2.5%
Global shares (hedged)	-0.2%	1.5%	7.2%
Global shares (unhedged)	1.2%	13.4%	11.3%
Global small companies (unhedged)	-0.7%	6.0%	6.4%
Global emerging markets (unhedged)	0.4%	1.4%	2.5%
Global listed property (hedged)	-3.8%	-15.7%	-0.7%
Cash	0.3%	2.6%	1.1%
Australian fixed income	-1.2%	1.7%	1.0%
International fixed income	-0.5%	-2.6%	0.2%

Source: FactSet, Lonsec & Insignia Financial, 31 May 2023

Indices used: Australian Shares: S&P/ASX 200 Accumulation Index, Australian small companies: S&P/ASX Small Ordinaries Accumulation Index, Global shares (hedged): MSCI World ex Australia Net Total Return (in AUD), Global shares (unhedged): MSCI World ex Australia Hedged AUD Net Total Return Index; Global small companies (unhedged): MSCI World Small Cap Net Total Return USD Index (in AUD); Global emerging markets (unhedged): MSCI Emerging Markets EM Net Total Return AUD Index; Global listed property (hedged): FTSE EPRA/NAREIT Developed Index Hedged in AUD Net Total Return; Cash: Bloomberg AusBond Bank Bill Index; Australian fixed income: Bloomberg AusBond Composite 0+ Yr Index; International fixed income: Bloomberg Barclays Global Aggregate Total Return Index Value Hedged AUD
Please note: Past performance is not indicative of future performance

Currency markets

Exchange rates	At close on 31/05 %	1 month change %	1 year change %
AUD/USD	**0.6472**	**-2.1%**	**-9.8%**
AUD/Euro	**0.6070**	**1.4%**	**-9.4%**
AUD/Yen	**90.42**	**0.5%**	**-2.0%**

Source: FactSet & Insignia Financial, 31 May 2023

All foreign exchange rates are rounded to two decimal places where appropriate.
Please note: Past performance is not indicative of future performance.

May 2023

Market wrap

April: All Asset Classes Up

- During April, **Global Share** performance was solid. Global shares gained 1.6% on a currency hedged basis, but gained an even more impressive 4.5% on an unhedged basis, due to a depreciating AUD relative to the USD.
- In the U.S., equity market performance was influenced by gains from some of the index's largest companies, including some of the large tech stocks. Industrial and consumer discretionary stocks weighed, with automobiles notably weaker. Tesla shares fell as its results showed that profits had been hurt by increasing competition in the global electric vehicles market.
- **Australian shares** rose during April, with the broad market index, the S&P/ASX 200 Accumulation Index gaining 2.6%. The best performing sectors were Property Trust and Information Technology. Materials was the only sector to produce a negative return for the month, losing 2.6%.
- **Fixed income** returns for the month were modest, with Australian Fixed Interest gaining 0.5%, and global fixed interest gaining 0.7%.
- The **Australian dollar** fell by 1.3% against the U.S. dollar over the month, mainly due to the RBA not raising rates in early April and then stronger than expected retail sales figures in the U.S. mid-month strengthened the USD. Late in the month, Australian Trimmed Mean CPI came in lower than expected and markets priced out a May RBA rate hike, which subsequently proved incorrect. Against the Yen, the AUD was higher, gaining 1.0%.

Interest Rates Up, Inflation Down

Globally

- The annual inflation rate in the U.S. fell to 4.9% in April 2023, the lowest since April 2021, and below market forecasts of 5%. Food prices grew at a slower rate (7.7% vs 8.5% in March), while energy costs fell further (-5.1% vs -6.4%) including gasoline (-12.2%) and fuel oil (-20.2%). Also, shelter cost that accounts for over 30% of the total CPI basket, slowed for the first time in two years.
- The Federal Reserve raised the fed funds rate by 0.25% to a range of 5%-5.25% during its early May meeting, marking the 10th increase and bringing borrowing costs to their highest level since September 2007. The decision came in line with market expectations.

Locally

- While the RBA held rates steady at 3.60% at their April meeting, the RBA again increased the cash rate target by 0.25% to 3.85% on 2 May, which is now an accumulated increase of 3.75% in one year.

Major asset class performance

Asset classes	1 month %	1 year %	5 years (p.a.) %
Australian Shares	2.6%	2.8%	8.3%
Australian small companies	3.6%	-9.4%	3.9%
Global shares (hedged)	1.6%	1.5%	7.5%
Global shares (unhedged)	4.5%	11.1%	11.1%
Global small companies (unhedged)	2.6%	5.6%	7.0%
Global emerging markets (unhedged)	0.8%	0.5%	1.6%
Global listed property (hedged)	3.7%	-16.4%	0.5%
Cash	0.3%	2.4%	1.1%
Australian fixed income	0.5%	2.1%	1.4%
International fixed income	0.7%	-2.3%	0.4%

Source: FactSet, Lonsec & Insignia Financial, 30 April 2023

Indices used: Australian Shares: S&P/ASX 200 Accumulation Index, Australian small companies: S&P/ASX Small Ordinaries Accumulation Index, Global shares (hedged): MSCI World ex Australia Net Total Return (in AUD), Global shares (unhedged): MSCI World ex Australia Hedged AUD Net Total Return Index; Global small companies (unhedged): MSCI World Small Cap Net Total Return USD Index (in AUD); Global emerging markets (unhedged): MSCI Emerging Markets EM Net Total Return AUD Index; Global listed property (hedged): FTSE EPRA/NAREIT Developed Index Hedged in AUD Net Total Return; Cash: Bloomberg AusBond Bank Bill Index; Australian fixed income: Bloomberg AusBond Composite 0+ Yr Index; International fixed income: Bloomberg Barclays Global Aggregate Total Return Index Value Hedged AUD
Please note: Past performance is not indicative of future performance

Currency markets

Exchange rates	At close on 30/04 %	1 month change %	1 year change %
AUD/USD	0.6609	-1.3%	-7.0%
AUD/Euro	0.5986	-2.9%	-11.1%
AUD/Yen	89.98	1.0%	-2.3%

Source: FactSet & Insignia Financial, 30 April 2023

All foreign exchange rates are rounded to two decimal places where appropriate.
Please note: Past performance is not indicative of future performance.

April 2023

Market wrap

March: Banks Impact Share Performance

- During March, **Global Share** performance was solid. Global shares gained 2.5% on a currency hedged basis, but gained an even more impressive 3.9% on an unhedged basis, due to a depreciating AUD driven down by a widening interest rate differential between Australia and the U.S. In the U.S., Information Technology was the best performing sector for March, followed closely by Communication Services. Financials was clearly the worst performing sector, which was no surprise given the issues in the banking sector during the month.
- **Australian shares** fell during slightly during March, with the broad market index, the S&P/ASX 200 Accumulation Index losing 0.2%. The best performing sectors were Materials, Communication Services and Utilities. Consumer Discretionary was the only other sector to produce a positive return. The worst performing sector was Real Estate.
- **Fixed income** returns for the month were favourable, with Australian Fixed Interest gaining a very solid 3.2%, and global fixed interest gaining 2.1%.
- The **Australian dollar** fell by 0.7% against the U.S. dollar over the month, mainly due to the widening interest rate differential between Australia and the U.S. Against the Yen, the AUD was lower, losing 3.0%.

U.S Rates Still Edging Higher, RBA Pauses

Globally

- The annual inflation rate in the U.S. according to consensus data is expected to have slowed for a ninth consecutive period to 5.2% for March 2023, when the official figures are released in April. This is the lowest since May 2021, and down from 6% in February, brought down by the lower costs of energy and food.
- The Fed raised the fed funds rate by 0.25% to 4.75%-5% in March 2023, matching February's increase, and pushing borrowing costs to new highs since 2007, as inflation remains elevated. The decision came in line with expectations from most investors, although some investors believed the central bank should pause the tightening cycle to shore up financial stability.

Locally

- The RBA again increased the cash rate target by 0.25% to 3.60% on 7 March, which is now an accumulated increase of 3.50% over 10 months. Note subsequent to month end, the RBA held rates at 3.60% at their April meeting, which raises the question of have rates peaked in this cycle.

Major asset class performance

Asset classes	1 month %	1 year %	5 years (p.a.) %
Australian shares	-0.2%	0.1%	8.7%
Australian small companies	-0.7%	-13.2%	3.9%
Global shares (hedged)	2.5%	-7.8%	6.6%
Global shares (unhedged)	3.9%	4.3%	11.0%
Global small companies (unhedged)	-1.9%	1.6%	7.3%
Global emerging markets (unhedged)	3.7%	0.1%	1.8%
Global listed property (hedged)	-3.9%	-21.3%	0.7%
Cash	0.3%	2.0%	1.1%
Australian fixed income	3.2%	0.3%	1.3%
International fixed income	2.1%	-5.5%	0.3%

Source: FactSet, Lonsec & Insignia Financial, 31 March 2023

Indices used: Australian Shares: S&P/ASX 200 Accumulation Index, Australian small companies: S&P/ASX Small Ordinaries Accumulation Index, Global shares (hedged): MSCI World ex Australia Net Total Return (in AUD), Global shares (unhedged): MSCI World ex Australia Hedged AUD Net Total Return Index; Global small companies (unhedged): MSCI World Small Cap Net Total Return USD Index (in AUD); Global emerging markets (unhedged): MSCI Emerging Markets EM Net Total Return AUD Index; Global listed property (hedged): FTSE EPRA/NAREIT Developed Index Hedged in AUD Net Total Return; Cash: Bloomberg AusBond Bank Bill Index; Australian fixed income: Bloomberg AusBond Composite 0+ Yr Index; International fixed income: Bloomberg Barclays Global Aggregate Total Return Index Value Hedged AUD
Please note: Past performance is not indicative of future performance

Currency markets

Exchange rates	At close on 31/03 %	1 month change %	1 year change %
USD/AUD	0.67	**-0.7%**	**-10.8%**
Euro/AUD	0.62	**-3.1%**	**-8.7%**
Yen/AUD	89.1	**-3.0%**	**-2.2%**

Source: FactSet & Insignia Financial, 31 March 2023

All foreign exchange rates are rounded to two decimal places where appropriate.
Please note: Past performance is not indicative of future performance.

Market Update
Credit Suisse Acquired by UBS

20 March 2023

Following a tumultuous week for stocks in the banking sector, late on Sunday night it was announced that UBS would acquire all the shares in Credit Suisse.

This appears to be driven by concerns over a large reported loss for the year ($8 billion USD), U.S. Securities and Exchange Commission's unease with Credit Suisse's Financial Reporting practices over a prolonged period, a falling share price in the wake of the Silicon Valley Bank collapse and general nervousness over the bank's ongoing viability.

Fears escalated after the largest shareholder, The Saudi National Bank, also said they wouldn't buy further shares in Credit Suisse. They held 9.88% of the shares on issue.

The Swiss National Bank (Switzerland's equivalent of the Reserve Bank of Australia) and FINMA (Switzerland's financial Regulator) had recently stated that Credit Suisse "meets the capital and liquidity requirements imposed on systemically important banks" and that the Central Bank would provide additional liquidity if required.

Over the weekend however, Credit Suisse was taken over by fellow Swiss banking giant UBS.

Late last week, Credit Suisse counterparties had started to become nervous over their exposure to Credit Suisse, in some cases limiting or suspending transactions with the Bank. This move by UBS, and the support provided by the Swiss Central Bank, should restore confidence in the European financial system.

Timeline of recent events in the banking sector

- **8 March:** Silicon Valley Bank announces that it will report a loss of $1.8 billion due to selling some of it's investments to cover increasing withdrawals. The Bank also discloses plans to raise $2.25 billion by selling a mix of common and preferred stock.
- **9 March:** Share prices of the four largest banks in the US fall, driven by concerns that other banks may face losses to raise cash. Venture-capital firms begin pulling their money out of Silicon Valley Bank and urging their portfolio companies to do the same. By the end of the day, depositors have attempted to withdraw $42 billion from the Bank.
- **9 March:** Credit Suisse was forced to delay its 2022 Annual Report after a late call from the U.S. Securities and Exchange Commission relating to a "technical assessment of previously disclosed revisions to the consolidated cash flow statements" in 2019 and 2020.
- **10 March:** Federal Regulators halt trading of Silicon Valley Bank's shares following a pre-market selloff, announcing that they have taken control of the Bank before it can open. This marks the second-largest bank failure in US history.
- **12 March:** In response to the fear of bank runs, Federal Regulators unveil emergency measures to prevent further fallout from Silicon Valley Bank's failure. They announce the takeover of a second bank, Signature Bank, which becomes the third-largest bank failure in US history. Regulators assure customers of both banks that they will receive all their money back and announce a new lending program for banks.
- **14 March:** Credit Suisse published its 2022 Annual Report and Credit Suisse noted that "material weaknesses" were found in its Financial Reporting processes for 2021 and 2022, though it confirmed that it's previously announced financial statements were still accurate.

  Credit Suisse's largest shareholder, the Saudi National Bank stated that it is unable to invest further in Credit Suisse shares due to regulatory restrictions – it already held 9.88% of the shares and there was a limit of 10%.
- **15 March:** Credit Suisse Group's shares plummet, causing concerns about the financial system across Europe. Other European banks' stocks also suffer, including Société Générale and BNP Paribas in France, and Deutsche Bank in Germany.
- **15 March (later that evening):** Credit Suisse announces plans to borrow up to 50 billion Swiss Francs ($53.7 billion USD) from the Swiss Central Bank to strengthen its liquidity.
- **16 March:** Credit Suisse's shares recover after the Bank's loan announcement, snapping an eight-session losing streak. First Republic's shares also turn positive after reports that the largest banks in the US are discussing a joint rescue to shore up the lender's liquidity. Federal Regulators later reveal that 11 banks have deposited $30 billion in First Republic.

- **18 March:** UBS Group is reported to be nearing a deal to take over Credit Suisse as part of a state-backed solution (Swiss National Bank) to restore trust in the banking system. UBS is the biggest bank by assets in Switzerland and had long been seen as part of any state-backed solution for Credit Suisse, the country's second-largest bank by assets.
- **19 March:** UBS confirms it's acquisition of Credit Suisse for over $3 billion, which marks a significant step in addressing the banking turmoil that resulted from Silicon Valley Bank's collapse.

It should be noted that while the collapse of Silicon Valley Bank and Signature Bank, and the associated weakness in the banking sector share prices globally, did impact Credit Suisse's stock price, the issues with the three banks were not directly connected.

Credit Suisse has been involved in multiple scandals in recent years, including the material weakness in Financial Reporting, which was uncovered in its 2022 Financial Report. Furthermore, the Bank closed the 2022 fiscal year with a loss of nearly $8 billion USD, its largest loss since the 2008 Global Financial Crisis.

Impact on the Australian Banking Sector

Our banking sector analyst in the Direct Equities Research team believes that there is limited risk to the major banks or regionals in Australia. We believe direct risks for the major Australian banks from developments in the US and Europe with Credit Suisse are modest given the banks are well capitalised, have a strong banking business mix, and overall credit quality remains sound.

APRA and the major Australian banks learned the lessons of the 2008 Global Financial Crisis and have significantly strengthened their liquidity, funding and capital requirements. The actions of the regulators and government in the US and Europe to guarantee the deposits and provide the necessary liquidity should also relax any contagion risks especially to Australia, although short term volatility is likely to remain.

What to Do

This current market volatility, while significant, does not alter our long-term views on how portfolios are positioned. We remain convicted in our approach to diversification and asset allocation and continue to seek best-of-breed investment within portfolios. It is important to manage your portfolio in accordance with your long-term objectives, aligned to your risk tolerance. If you have any concerns about your portfolios, please speak to us.

WMA-30779 (55880) 0323

Market Update
Global Banking System Volatility

17 March 2023

Market volatility has been elevated over the past week driven by the failure of the Silicon Valley Bank (SVB).

The unfolding situation in the US could be construed as having echoes of the Global Financial Crisis (GFC). This, combined with recent falls in Credit Suisse shares (which appear to be unrelated to the US mid-tier banks), have continued to put jitters into the banking sector. It is important to note, however, that despite the SVB's failure being the second largest in US history, when put into perspective, it's assets are less than one tenth of J.P.Morgan's, one of the major players in the US banking system.

Considering the rapidly developing situation, the US Federal Deposit Insurance Corporation (FDIC) has already taken control of the SVB to navigate the collapse in the best interest of the financial system. Further announcements from the U.S. Treasury have sought to calm the broader market of the financial system's health and to reassure the market that the relevant tools are available, however stating there will be no GFC-style bailout, nor will one be necessary.

The US financial system is considered to be well capitalised overall. According to Mark Zandi, Moody's Chief Economist, the size of the smaller banks at risk is not likely to pose any threat to the financial system overall.

How it happened

- SVB has been operating in a relatively unusual manner. Instead of lending the deposits received, the Bank invested in long dated fixed interest rate bonds. This exposed the Bank's assets to significant interest rate risk which was not sufficiently hedged.
- Given rising interest rates, the value of the bonds held to cover customer deposits have fallen significantly. The need to sell fixed interest rate securities to cover the withdrawal requests resulted in realised losses.
- Earlier in the month a single sale resulted in a $1.8 billion loss which led the Bank to raise capital to increase the balance sheet health. This capital raise failed, which prompted customers with deposits with the Bank to withdraw their funds, resulting in a run on the Bank.
- Within 48 hours the Bank was bankrupt with the FDIC taking control of the Bank.
- Since then, the US Federal Reserve and the US Government have guaranteed customer funds at SVB will be paid back in full.
- More recently, major investment bank Credit Suisse has experienced a panic after the share price dramatically fell, with their banking operations coming under pressure.
- Overnight, the Swiss National Bank and the Swiss financial regulator announced support for the Bank announcing that "*Credit Suisse meets the higher capital and liquidity requirements applicable to systemically important banks*" and confirmed they will "*provide liquidity to the globally active bank if necessary*".

What to do?

This current market volatility, while significant, does not alter our long-term views on how portfolios are positioned. It is important to manage your portfolio in line with your long-term objectives, aligned to your risk tolerance and to that end we would encourage you to discuss your portfolio with us.

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