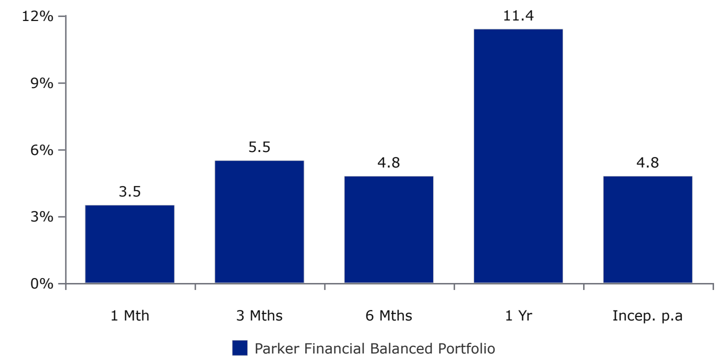
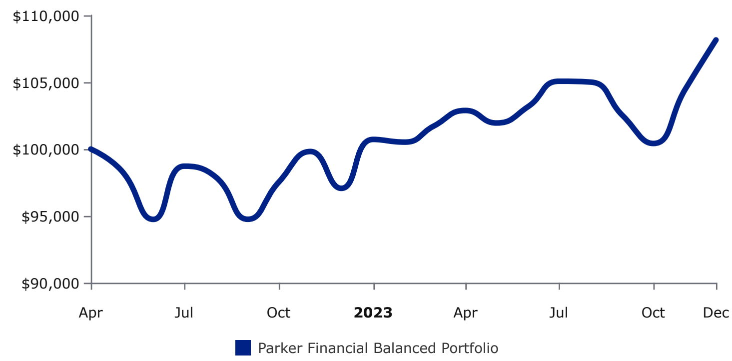
PARKER FINANCIAL BALANCED PORTFOLIO (PWM001)

Performance Summary



Source data: Hub24 | Model Inception Date: 01/05/2022

Investment Growth



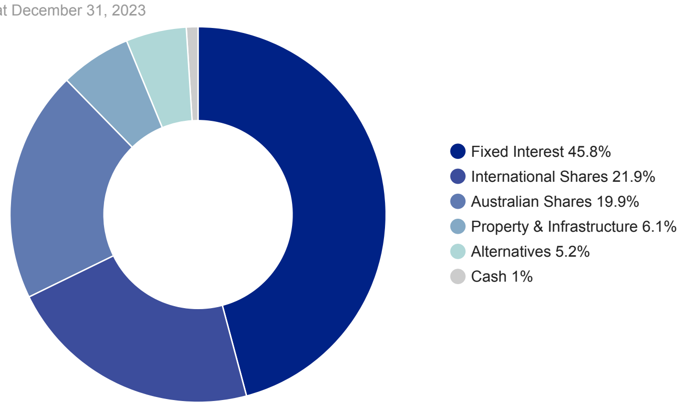
Source data: Hub24 | Model Inception Date: 01/05/2022

Executive Summary

The Parker Financial Balanced Portfolio recorded a strong return of +5.5% for the quarter. Markets put a challenging previous quarter behind them as softer-than-expected inflation data and the prospects of rate cuts in 2024 drove bond yields down, creating the perfect platform for both shares and bonds to rally in the final quarter of the year. Despite warnings to the contrary, 2023 turned out to be a prosperous year for markets, rewarding patient investors and reinforcing the value of staying invested even in the face of significant macroeconomic and geopolitical risks. Although there are risks to the downside which demand a cautious approach, the year ahead looks set to be characterised by a slowing but resilient economy, further cooling of inflation, and the beginning of a rate-cutting cycle. Together, these point to an environment likely to be supportive of shares and bonds.

Portfolio Summary

As at December 31, 2023



	Current	Neutral	Range
Australian Shares	19.9%	19.0%	5-35%
International Shares	21.9%	25.0%	10-40%
Property & Infrastructure	6.1%	6.0%	0-20%
Fixed Interest	45.8%	40.0%	10-65%
Alternatives	5.2%	0.0%	0-30%
Cash	1.0%	10.0%	0.5-40%

Market Review

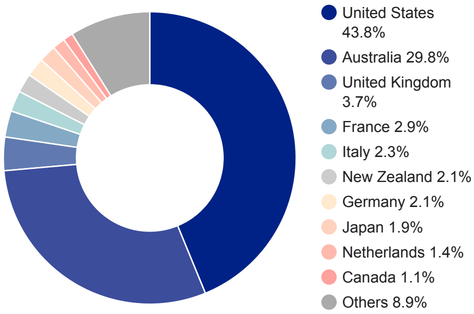
After a disappointing September quarter, the prospect that central banks will cut interest rates sooner and harder in 2024 than previously expected, resulted in a sharp drop in bond yields and delivered excellent returns across all major asset classes. Australian shares rallied hard into the end of the year, with the S&P/ASX 200 Index jumping +8.4% over the December quarter. Smaller companies kept pace with their larger peers as the S&P/ASX Small Ordinaries Index gained +8.5%.

International shares also rallied. The MSCI All Country World Hedged Index rose +8.7% over the quarter. Further weakness in the US dollar was a headwind for unhedged shares, which increased +5.0%. Small Companies outperformed the broader market, with the MSCI World ex-Australia Small Cap Net Return Index up +6.4%. US shares advanced +11.7% to within touching distance of their all-time high as gains broadened out across the S&P 500 Index. European shares rose +8.6%, while the Japanese market was more muted, rising +2.0%. The MSCI Emerging Markets Index (Hedged) added +5.0% despite further weakness in China, which fell -4.8%.

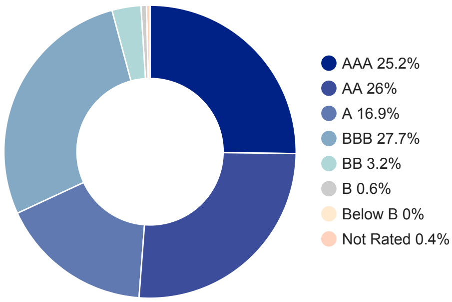
The interest rate-sensitive property sector, which had struggled in the face of higher-for-longer interest rate expectations for much of 2023, had a late surge. Locally, the S&P/ASX 200 A-REIT Index soared +16.6%, while globally, the FTSE EPRA Nareit Developed Index (Hedged) jumped +12.7%. 2023 was an uncharacteristically volatile year for global infrastructure, which finished close to where it started after a late flurry — the FTSE Global Core Infrastructure 50/50 (Hedged) Index rose +8.5% over the quarter.

Fixed interest (bond) markets enjoyed their best quarterly performance in a long time as bond yields continued to fall (and bond prices rose) on the prospect of rate cuts. The Bloomberg AusBond Composite 0+ Yr Index increased +3.8%, while the Bloomberg Global Aggregate Bond Hedged Index advanced +5.4%. Australian and US government bond markets generated healthy returns, jumping +4.0% and +5.7%, respectively. The credit (corporate bond) market staged an impressive rally as concerns about company refinancing and default risk faded. Australian and global investment-grade credit both returned +4.5% over the quarter.

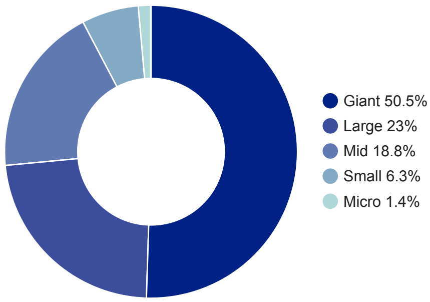
Regional Exposure



Credit Quality



Market Capitalization



Portfolio Commentary

Australian Shares capped off a turbulent but prosperous year with an impressive final-quarter rally. **Evidentia Quality Growth (+7.3%)** marginally underperformed the S&P/ASX 200 TR Index over the quarter. Technology-heavy **Hyperion Australian Growth Companies (+16.0%)** enjoyed a standout quarter as growth sectors — unloved in 2022 — continued their march higher.

International shares also enjoyed a late surge to cap off a strong 2023. Manager performance was mixed. A weaker USD was a tailwind for hedged exposure, benefiting **Ironbark Royal London Core Global Share (Hedged) (+8.7%).** Despite market performance broadening beyond the mega-cap and technology segments in December, value failed to keep pace with growth over the quarter. Value strategy **Pzena Global Focused Value (+3.3%)** trailed quality-growth strategy **Fiera Atlas Global Companies (+8.3%)**. **GQG Partners Emerging Markets Equity (+7.2%)** benefitted from an underweight to a struggling Chinese market. Diversified small-cap strategy **Yarra Global Small Companies (+3.8%)** lagged the broader small-cap market, with healthcare exposure the biggest detractor.

The sharp drop in bond yields boosted interest rate-sensitive assets like global infrastructure. **ClearBridge RARE Infrastructure Income (+10.2%)** remains defensively positioned but still finished in positive territory for the year after a strong last quarter. Economically sensitive sectors such as airports, rail, and toll roads performed well and were key contributors.

In fixed interest, strong returns from government bonds (duration) were constructive for Australian and global bond strategies **Western Asset Australian Bond (+4.2%)** and **Vanguard Global Aggregate Bond Hedged ETF (+6.4%).** Recently added US TIPS exposure **Betashares Inflation-Protected US Treasury Bond ETF (Hedged) (+4.1%)** followed real rates higher. **Janus Henderson Tactical Income (+2.6%)** delivered robust returns, with falling yields offering a tailwind for active duration positioning in its investment credit portfolio. **Yarra Enhanced Income (+2.6%)** also performed well as credit spreads tightened on its high-yielding floating and fixed-rate corporate bonds.

Defensive positioning was again a drag on performance for **Ruffer Total Return International (+2.1%)**.

Underlying Investments

As at December 31, 2023

	Weight	1Mth	3Mths	1Yr	3Yr p.a
Australian Shares	**19.9%**				
Evidentia Quality Growth Portfolio	15.7%	6.7%	7.3%	15.8%	8.3%
Hyperion Australian Growth Companies	4.3%	9.3%	16.0%	23.4%	1.7%
International Shares	**21.9%**				
Fiera Atlas Global Companies Class O	3.2%	3.9%	8.3%	23.2%	7.5%
GQG Partners Emerging Markets Equity	2.1%	4.7%	7.2%	30.1%	4.1%
Ironbark Royal London Core Glb Sh AUnh	5.1%	1.5%	4.7%	26.2%	-
Ironbark Royal London Core Glb Sh H H	5.1%	3.5%	8.7%	24.6%	-
Pzena Global Focused Value P	3.4%	4.2%	3.3%	19.5%	-
Yarra Global Small Companies Fund	2.9%	4.7%	3.8%	17.8%	10.8%
Property & Infrastructure	**6.1%**				
ClearBridge RARE Infrastructure Income B	6.1%	2.5%	10.2%	0.7%	4.3%
Fixed Interest	**45.8%**				
BetaShares Active Australian Hybrids ETF	4.7%	0.9%	1.3%	4.1%	3.4%
Betashares Infl-Protd US Trs Bd CcyH ETF	3.4%	2.4%	4.1%	-	-
Janus Henderson Tactical Income	6.0%	1.6%	2.6%	6.4%	1.5%
Vanguard Global Aggregate Bd Hdg ETF	9.9%	3.4%	6.4%	5.0%	-4.0%
Western Asset Aus Bd A	14.0%	3.0%	4.2%	6.3%	-2.7%
Yarra Enhanced Income Fund	7.9%	1.7%	2.6%	8.9%	4.8%
Alternatives	**5.2%**				
Ruffer Total Return International Aus Z	5.2%	2.2%	2.1%	-7.3%	2.5%
Cash	**1.0%**				
Platform Cash	1.0%	-	-	-	-

Portfolio Changes

Over the quarter, we extended our cautious positioning by neutralising portfolio beta where relevant. This involved implementing a small switch from international shares to bonds to reduce portfolio sensitivity to share market moves. Inflation-linked government bonds should outperform in a higher-for-longer inflationary environment. They should also perform well relative to traditional bonds in a soft landing scenario. US real rates (adjusted for inflation) are particularly compelling in the current environment.

To reflect this in the portfolio, we reduced international shares exposure by exiting **T. Rowe Price Global Equity** and reallocated the proceeds into US Treasury Inflation-Protected Securities (TIPS) through **Betashares Inflation-Protected US Treasury Bond ETF (Hedged).**

Portfolio Weights

	Current	Last Quarter	Changes
Australian Shares	**19.9%**	**19.2%**	**+0.7%**
International Shares	**21.9%**	**25.1%**	**-3.3%**
T. Rowe Price Global Equity I	0.0%	3.4%	-3.4%
Property & Infrastructure	**6.1%**	**5.3%**	**+0.9%**
Fixed Interest	**45.8%**	**43.9%**	**+1.9%**
Betashares Infl-Protd US Trs Bd CcyH ETF	3.4%	0.0%	+3.4%
Alternatives	**5.2%**	**5.3%**	**-0.1%**
Cash	**1.0%**	**1.1%**	**-0.1%**

*Actual floating weights vary from weights depending on market conditions

Evidentia Direct Equities Commentary

The Evidentia Quality Growth model portfolio recorded a net return after headline fees of +7.3% for the December quarter, modestly below the strong +8.4% return for the S&P/ASX 200 benchmark. Over the rolling 12 months, a net return of +15.8% for the portfolio sits solidly above the S&P/ASX 200, whilst since its March 2020 inception the net annualised return of +15.0% p.a. exceeds the +12.7% p.a. total return for the benchmark.

During the quarter we added Mineral Resources (MIN) to the portfolio. MIN is a diversified mining company, with operations in iron ore, lithium, gas and mining services. Management has a strong track record of delivering attractive returns on invested capital and we believe the strong production growth profile across the Group's operations over the next 2-3 years will drive solid share price performance. The recent correction in the lithium price has provided an attractive entry point.

We also topped up holdings in Corporate Travel Management, ResMed, CSL, Ramsay Health Care, IDP Education, Breville Group and Woodside. These were funded through a complete exit of Amcor, as well as slight reductions in stocks which had re-rated strongly (James Hardie, Pinnacle, Steadfast, AUB Group), or face changing environments (NIB, Woolworths, QBE).

Top 10 Holdings

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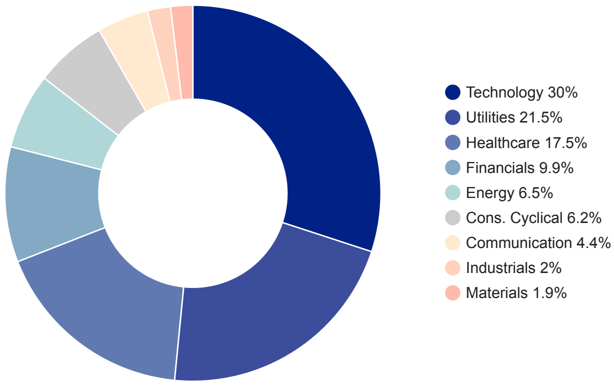
Sector Exposure



Significant Contributors

James Hardie Industries (+38.5%)

Regained share price momentum in early November after a stellar Q.2 result that delivered ahead of consensus on volumes, pricing, margins and cashflows. Upbeat guidance also drove analyst upgrades of ~15%. Having suffered during September as US 10-year bond spiked to 5%, JHX was a major beneficiary of sentiment around housing as yields rapidly unwound in Q.4.

BHP Group Ltd (+13.9%)

Our large domestic miners marched higher in Q.4 on continued strength in the iron ore price, as positive Chinese PMI data, low port inventories and broker upgrades drove the benchmark contract north of US$140/t. This drove the BHP share price to all-time highs, and the associated tax windfall will help underpin the Government's budget repair task.

CSL Ltd (+14.3%)

CSL was another growth company to drift lower as bond yields tracked higher in Q.3, but investors took confidence from the Group's bi-annual capital markets day in early October, where they re-emphasised their medium term expectations for gross margins, capex and earnings growth. The company also declared that the impact of GLP-1 drugs will not be material.

Significant Detractors

Woodside Energy Group Ltd (-14.9%)

Delivered few surprises in its Q.3 production report and its investor day, but sold off in concert with oil price weakness and speculation around implications of a potential Australian oil & gas mega-merger with Santos. There is potential logic to the deal, but significant uncertainties given major projects in train.

Bapcor Ltd (-18.5%)

Downgraded consensus at their AGM, noting more moderate growth in Trade & Wholesale markets, further deterioration in retail, and higher costs. Now expect a 'solid underlying performance' in FY24 via the Group's self-improvement program, but NPAT will be below initial expectations.

Performance Disclaimer: The performance numbers represent estimates for Model Portfolio performance. The Model Portfolio is a notional portfolio, and these returns will differ from the returns experienced by individual clients. Performance numbers are net of fees and rebates and are before tax. Please refer to the PDS for the indices that comprise the Model Portfolio's benchmark. Any Peer Group information is a median of nominated peers within the Model Portfolio's risk profile and style. As the percentage numbers in this document are rounded to the nearest 0.1%, the sum of individual numbers may not always add up to 100%.