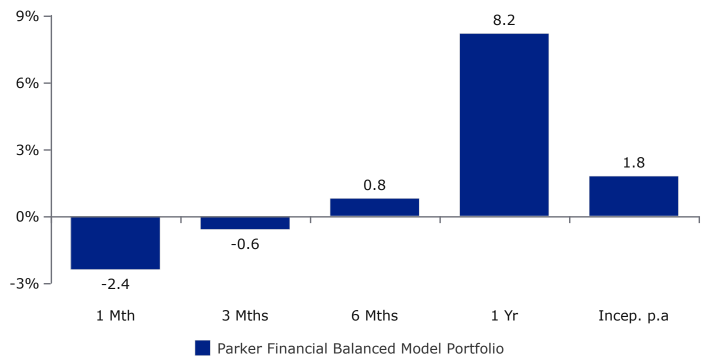
Parker Financial

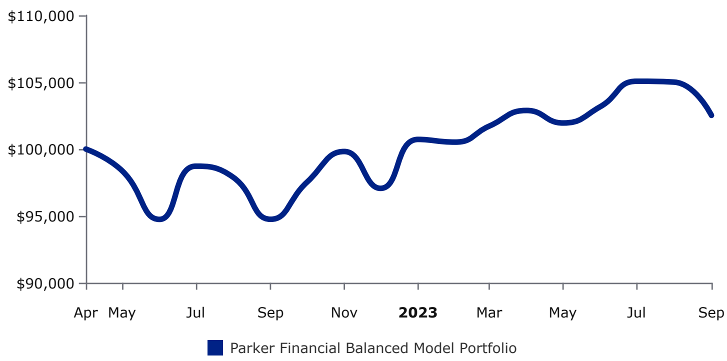
PARKER FINANCIAL BALANCED MODEL PORTFOLIO (PWM001)

Performance Summary



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

Investment Growth



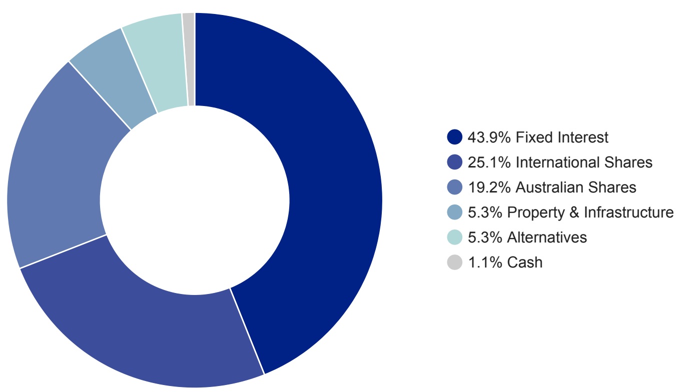
Model Inception Date: 01/05/2022 | Source data: Hub24

Executive Summary

The Parker Financial Balanced Model Portfolio recorded a negative return of -0.6% for the quarter and held up well relative to its peer group. Fixed interest (bond) and share markets weakened in the quarter on concerns that major global economies were showing greater resilience than anticipated and inflation could be more persistent, resulting in an expectation that interest rates would remain higher for longer. Despite reasons to be cautious in the current environment, pockets of value are now emerging in shares, and higher bond yields should set the scene for better future returns in fixed interest.

Portfolio Summary

As at September 30, 2023



	Current	Neutral	Range
Australian Shares	19.2%	19.0%	5-35%
International Shares	25.1%	25.0%	10-40%
Property & Infrastructure	5.3%	6.0%	0-20%
Fixed Interest	43.9%	40.0%	10-65%
Alternatives	5.3%	0.0%	0-30%
Cash	1.1%	10.0%	0.5-40%

Market Review

Global markets were universally weaker over the quarter, with selling pressure accelerating during September as expectations of rate cuts were pushed further out, and a jump in oil prices stoked fears of a reacceleration in inflation. Bond yields increased sharply in response, triggering losses for longer-dated fixed interest (bonds) and shares.

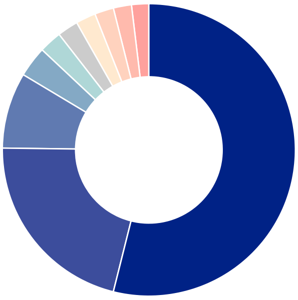
A spike in bond yields weighed heavily on Australian shares, with the S&P/ASX 200 Index slipping -0.8% after a difficult September. Most sectors went backwards. Energy, which benefited from a surge in oil prices, and consumer discretionary, which rebounded after a better-than-feared reporting season, were the standouts. More sensitive to higher interest rates, small companies fared worse, with the S&P/ASX Small Ordinaries Index falling -1.9% over the quarter.

International shares were also hit hard. The MSCI All Country World Hedged Index fell -2.7% over the quarter, with a weaker Australian dollar cushioning some of the fallout with the unhedged equivalent holding up relatively well at -0.4%. Again, performance was negative across most sectors with energy a clear winner. Information technology fell as several of the ‘magnificent seven’ megacap companies ran out of steam. US shares posted their biggest monthly percentage falls of the year in September, dragging down quarterly returns with the S&P 500 Index and Nasdaq down -3.3% and -3.9%. The UK and Japan were the only major markets to post gains over the month on weaker local currencies.

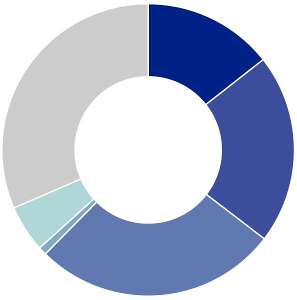
Rising interest rates and the prospect of weakening economic growth played havoc with listed property. The local S&P/ASX 200 A-REIT Index erased all the gains from the previous two months to end the quarter -2.9% lower. Global property suffered as well, with the FTSE EPRA Nareit Developed Index (Hedged) falling -5.2%. Higher rate expectations created a torrid time for infrastructure with the FTSE Global Core Infrastructure 50/50 (Hedged) Index losing -7.3%.

Bond yields jumped higher at the start of September and just kept on going, and with bond prices inversely related to bond yields, fixed interest markets endured a challenging month. The spike in yields was particularly severe for longer-dated government bonds, which pulled both local and global composite indices into negative territory for the quarter. The Australian Bloomberg AusBond Composite 0+ Yr Index retreated -0.3%, while globally, the Bloomberg Global Aggregate Bond Hedged Index dropped -2.1%.

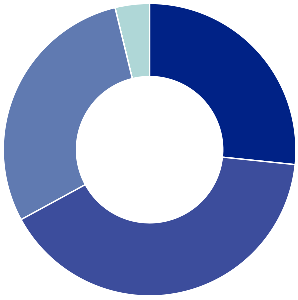
Regional Exposure



Credit Quality



Market Capitalization



Portfolio Commentary

In Australian Shares, **Evidentia Quality Growth (+0.2%)** significantly outperformed the S&P/ASX 200 TR Index (-0.8%) over the quarter — benefiting from a positive reporting season for several of the portfolio's consumer discretionary positions, as well as energy and financials exposures. Negative company selection in financials and a large active weight in Health Care were the primary drivers of underperformance for **Hyperion Australian Growth Companies (-6.9%)**.

Despite a difficult end to the quarter for International Shares as bond yields surged, most managers produced strong relative performance over the quarter. In a reversal of the previous two quarters, value style outpaced growth. This helped the newly introduced **Pzena Global Focused Value (+1.9%)** which benefited from financial and energy overweights. Having little exposure to the magnificent seven again weighed on **Fiera Atlas Global Companies (-3.7%)**. **GQG Partners Emerging Markets Equity (+5.4%)** had another impressive quarter on the back of high conviction energy positions and exposure to India where shares are close to all-time highs. Diversified small-cap strategy **Yarra Global Small Companies (+0.4%)** performed very strongly outperforming both large and small caps despite relative weakness in the small-cap sector.

Following a difficult end to the quarter for International Shares as bond yields surged, manager performance was mixed. Rising bond yields also weighed heavily on global infrastructure — **ClearBridge RARE Infrastructure Income (-9.2%)** — but the asset class continues to offer important diversification benefits if economic conditions weaken and has historically outperformed once real yields begin to taper.

In Fixed Interest, the spike in bond yields was particularly severe for longer-dated government bonds (duration) with yields on 10-year government bonds soaring to new cyclical highs. Given the inverse relationship with bond yields, bond prices went backwards. This was felt hardest in global markets but with Australian duration too — **Western Asset Australian Bond (-0.2%)** and **Vanguard Global Aggregate Bond Hedged ETF (-2.6%)**. **Yarra Enhanced Income (+3.0%)** also enjoyed a strong quarter as high-yielding hybrids and investment-grade credit rallied. While attractive yields on bank hybrids resulted in a solid quarter for **BetaShares Active Australian Hybrids (+2.4%)**.

Premature defensive positioning has hurt performance at **Ruffer Total Return International (-1.7%)** throughout 2023. The strategy struggled again over the quarter, with gains from US dollar, oil, and equity put option trades not enough to offset losses in inflation-linked bonds.

Underlying Investments

As at September 30, 2023

	Weight	1Mth	3Mth	1Year	3 Yrs (pa)
Australian Shares	**19.2%**				
Evidentia Quality Growth Portfolio	15.3%	-3.3%	0.2%	14.1%	10.0%
Hyperion Australian Growth Companies	3.9%	-7.9%	-6.9%	11.3%	2.1%
International Shares	**25.1%**				
Ironbark Royal London Divers Glb Sh AUnh	5.2%	-3.6%	1.0%	-	-
Ironbark Royal London Divers Glb Sh H	5.0%	-3.1%	-1.2%	-	-
Pzena Global Focused Value P	3.5%	-3.2%	1.9%	28.9%	-
T. Rowe Price Global Equity I	3.4%	-3.7%	-0.1%	16.0%	4.0%
Fiera Atlas Global Companies Fund - Class 0	3.1%	-6.3%	-3.7%	18.8%	4.0%
Yarra Global Small Companies Fund	3.0%	-2.1%	0.4%	20.8%	12.7%
GQG Partners Emerging Markets Equity	2.1%	-0.4%	5.4%	18.4%	4.5%
Property & Infrastructure	**5.3%**				
ClearBridge RARE Infrastructure Income B	5.3%	-5.1%	-9.2%	-4.6%	3.8%
Fixed Interest	**43.9%**				
Western Asset Australian Bond A	14.1%	-1.6%	-0.2%	2.4%	-3.9%
Vanguard Global Aggregate Bd Hdg ETF	10.2%	-2.0%	-2.6%	-0.3%	-5.7%
Yarra Enhanced Income	8.1%	0.6%	3.0%	7.6%	4.7%
Janus Henderson Tactical Income	6.2%	0.0%	1.3%	5.3%	1.1%
BetaShares Active Australian Hybrids ETF	5.2%	1.2%	2.4%	4.7%	3.3%
Alternatives	**5.3%**				
Ruffer Total Return International Aus Z	5.3%	-0.6%	-1.7%	-8.9%	-
Cash	**1.1%**				
Platform Cash	1.1%	0.0%	0.0%	0.0%	0.0%

Portfolio Changes

There were several changes made during the quarter.

With discounted valuations in Value sectors like financials, energy, and materials, we have retained exposure to Value within the international shares component of the portfolio but moved from passive to an active allocation given the elevated risk of value traps — where a company's shares appear to be cheaply priced because it has been trading at low valuation metrics (e.g. price to earnings) for an extended period. This involved exiting **Vanguard Global Value Equity Active ETF** and replacing it with the active value-strategy **Pzena Global Focused Value**.

Listed property dividend yields typically offer a healthy premium over the cash rate. Property dividend yields at or below the cash rate are now relatively unattractive, meaning better value can be found elsewhere. Therefore, we removed the global property strategy **Resolution Capital Global Property Securities** and used the proceeds to add a dedicated allocation to high-quality international small company shares through **Goldman Sachs Asset Management/Yarra Global Small Companies**. With international small companies trading at significant valuation discounts to large companies, this has provided an attractive entry point for long-term investors. Given elevated recession risks, we prefer active management in this market sector.

To increase duration within the portfolio, absolute return fixed interest strategy **CC JCB Dynamic Alpha** was exited, and cash from **UBS Cash** was utilised, to accommodate an increased allocation to global bonds through **Vanguard Global Aggregate Bond Index (Hedged) ETF**.

Portfolio Weights

	Current	Last Quarter	Change
Australian Shares	**19.2%**	**19.3%**	**-0.1%**
International Shares	**25.1%**	**23.2%**	**+2.0%**
Pzena Global Focused Value P	3.5%	0.0%	+3.5%
Vanguard Global Value Equity Active ETF	0.0%	3.5%	-3.5%
Yarra Global Small Companies Fund	3.0%	0.0%	+3.0%
Property & Infrastructure	**5.3%**	**8.7%**	**-3.4%**
Resolution Capital Global Prpt Secs II	0.0%	2.9%	-2.9%
Fixed Interest	**43.9%**	**38.5%**	**+5.5%**
CC JCB Dynamic Alpha A	0.0%	2.8%	-2.8%
Vanguard Global Aggregate Bd Hdg ETF	10.2%	2.9%	+7.3%
Alternatives	**5.3%**	**5.4%**	**0.0%**
Cash	**1.1%**	**5.0%**	**-3.9%**
Vanguard Cash Reserve	0.0%	3.9%	-3.9%

*Actual floating weights vary from weights depending on market conditions

Evidentia Direct Equities Commentary

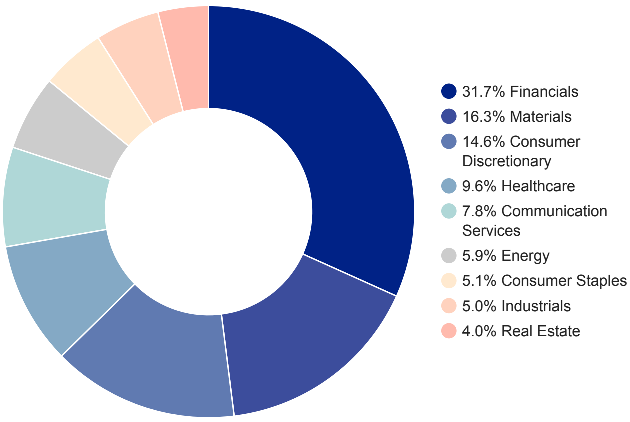
The Evidentia Quality Growth model portfolio recorded a net return after headline fees of +0.2% for the September quarter, outperforming the -0.8% return for the S&P/ASX 200 benchmark. Over the rolling 12 months, a net return of +14.1% for the portfolio sits +0.6% above the S&P/ASX 200, whilst since its March 2020 inception the net annualised return of +13.8% p.a. also exceeds the +11.1% p.a. for the benchmark.

Late in the quarter we added Corporate Travel Management (CTD) to the portfolio. CTD offers leverage to a further recovery in corporate travel, growth through ongoing client acquisition, and a net cash balance sheet which provides additional optionality. A recent PE de-rating to 10-year lows has provided a more attractive entry point. We added to our holding in CSL following its recent share price decline, whilst trimming the size of our holdings in Carsales.com and James Hardie Ltd following their strong outperformance over the past year.

Top 10 Holdings

BHP Group Ltd	7.72%
Woodside Energy Group Ltd	5.73%
Commonwealth Bank of Australia	5.47%
CSL Ltd	5.41%
ANZ Banking Group Ltd	5.26%
James Hardie Industries PLC	4.87%
Macquarie Group Ltd	4.84%
Aristocrat Leisure Ltd	4.50%
carsales.com Ltd	4.15%
Goodman Group	3.86%

Sector Exposure



Significant Contributors

Carsales.com Ltd (+18.7%)

Delivered a strong full year FY23 result, with broad strength across the Group (in particular from international businesses) and a positive FY24 outlook. Carsales continues to drive offshore revenue improvement through the roll-out of yield enhancing products and features. Management's clear confidence in the outlook resulted in EPS upgrades of ~5% over the next two years, together with a substantial re-rating.

Bapcor Ltd (+16.4%)

Having underperformed in the first half of the year, Bapcor enjoyed a share price rally in Q3 after the Group's full year result demonstrated improved trading, margins and cash generation in the second half. Efficiency program targets were reaffirmed, and management articulated expectations for solid underlying performance in FY24, which was welcomed by the market.

Woodside Energy Group Ltd (+9.6%)

Surging global oil prices – reflecting supply tightness and economic resilience – drove most energy stocks higher during the quarter, with Woodside a clear beneficiary. The company delivered a solid 1H24 result, maintaining low gearing (~8%) despite an 80% payout ratio. With peak capex over the next 12 months and Scarborough facing environmental delays, balancing these competing priorities will be key going forward.

Significant Detractors

ResMed Inc (-27.8%)

ResMed significantly de-rated during the quarter, primarily due to commentary surrounding potential longer term addressable market implications of GLP-1 drugs such as Ozempic targeting obesity. The company has encountered several similar ‘scares’ over its long history of growth, and on just 20x (vs 10-year ave of 25x) we believe the risk reward equation is positively skewed.

CSL Ltd (-8.9%)

CSL has drifted almost 30% lower since downgrading guidance in mid-June on slower than expected Ig margin improvement and currency headwinds. While this reflects a re-setting of nearer term expectations, the medium term outlook for Behring’s sales growth (volumes + pricing), and improved free cashflow following a step down in capex, remain clear positives albeit with the stock now more attractively priced.

