



# Pre Select commentaries

Quarter ended 31 March 2023

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## Economic and market commentary

### Asset class returns to 31 March 2023

	1 month	3 months	1 year	3 years pa	5 years pa	10 years pa
Australian shares	-0.2%	3.5%	0.1%	16.5%	8.7%	8.2%
Global shares (hedged)	2.4%	6.6%	-7.6%	14.0%	6.7%	9.2%
Global shares (unhedged)	3.8%	8.7%	3.8%	11.9%	9.9%	12.9%
Emerging markets (unhedged)	3.7%	5.3%	0.1%	4.6%	1.8%	6.6%
Australian property securities	-6.8%	0.3%	-14.0%	14.2%	5.2%	8.0%
Global property securities (hedged)	-3.9%	0.1%	-21.3%	5.7%	0.7%	3.7%
Global listed infrastructure (hedged)	2.3%	-0.4%	-7.4%	8.6%	5.8%	7.7%
Australian bonds	3.2%	4.6%	0.3%	-2.4%	1.3%	2.8%
Global bonds (hedged)	2.1%	2.4%	-5.5%	-2.8%	0.3%	2.4%
Global high yield bonds (hedged)	-0.3%	2.7%	1.9%	7.7%	2.8%	0.0%
Australian Inflation-linked bonds	3.0%	5.2%	4.8%	2.7%	2.9%	2.8%
Cash	0.3%	0.8%	2.0%	0.7%	1.1%	1.7%
AUD/USD	-0.7%	-1.2%	-10.8%	3.0%	-2.7%	-4.3%

Index data sources: Australian shares - S&P/ASX 200 Total Return Index; Global shares (hedged) - MSCI All Countries World (A\$ hedged) ; Global shares (unhedged) - MSCI All Countries World; Emerging markets - MSCI Emerging Markets; Australian property securities - S&P/ASX 300 LPT Accumulation Index; Global property securities - FTSE EPRA/NAREIT Developed (A\$ hedged); Australian bonds - Bloomberg AusBond Composite 0+ Yr Index; Global bonds (A\$ hedged) - BCGA Global Agg (A\$ hedged); Global high yield bonds (A\$ hedged) - Morningstar LSTA US Index BB/B Index (A\$ Hedged); Australian inflation-linked bonds - Bloomberg AusBond Inflation Government 0+ Yr Index; Cash - Bloomberg AusBond Bank Bill Index, WM/Reuters Daily (4 pm GMT).

### Global

Financial markets have been remarkably resilient to significant risks this year. Apart from the inflation and interest rate risks as well as the Ukraine conflict, the recent turmoil in the global banking system has not dented this resilience. Global shares (unhedged) delivered a very strong 8.7% return for the three months to March. The weaker Australian dollar partly detracted from this gain, with hedged global shares providing a 6.6% return.

Global bonds (hedged) delivered a 2.4% quarterly return after tough times in the past year. Government bond yields fell in response to signs that global inflation pressures are moderating as well as concerns that banking stress would cause slower economic activity later this year.



Global high yield bonds (hedged) also made a strong gain with a 3.0% return. Investors have regained their appetite for high yield with optimism that the inflation and interest rate risks were less threatening than feared.

## Australia

Australian shares delivered a strong 3.5% return. Consumer discretionary (+11.4%) and staples (+7.6%) led the market gains with hopes that the end was near on rising interest rates squeezing consumers. There were also very strong gains for communication services (+9.4%) and information technology (8.1%). The resources sector delivered strong gains (+6.2%) given iron ore and metal prices on China's economic recovery hopes. However, there was weakness in the financial sector (-2.7%) as the global banking turmoil in March cautioned investors.

Australia's economy appears to be slowing judging by weaker retail spending as well as falling housing construction and house prices. However, there is still solid jobs growth and the unemployment rate at 3.5% is close to 50 year lows. The Reserve Bank of Australia raised the cash interest rate in both February and March by 0.25% to 3.6%. There has been some welcome news that consumer inflation is starting to moderate with annual inflation edging down from 7.4% in January to 6.8% in February.

## Global prospects

The recent global banking turmoil is another worry that has been added to the troubling trio of high inflation, rising interest rates and the war in Ukraine over the past year. For investors, assessing these considerable risks is challenging. Given the current investment climate has considerable risks with multiple positive and negative possible outcomes, investors should maintain a disciplined and diversified strategy.

## Contributors to performance

### Pre Select Conservative Fund

The Fund returned 3.4% for the quarter (before fees) and 2.1% for the year.

Key contributors to performance for the quarter ended 31 March 2023 are:

- In another volatile quarter, that saw large swings in both share and bond markets, **Australian shares** had a strong return of +4.4% and **global shares unhedged** an exceptionally strong return of +9.3%.
- Fixed income returns continued to improve over the quarter. The **inflation-linked bonds** strategy had a strong return +4.2% and the **short-maturity strategy** returned +1.7%. Inflation-linked bonds continue to take favour in the scenario where inflation is higher than expected and is further supported by the reset in real rates.

Note: Returns for the asset classes above are before fees and tax.



## Pre Select Balanced Fund

The Fund returned 4.1% for the quarter (before fees) and 1.2% for the year.

Key contributors to performance for the quarter ended 31 March 2023 are:

- In another volatile quarter, that saw large swings in both share and bond markets, **Australian shares** had a strong return of +4.4% and **global shares unhedged** an exceptionally strong return of +9.3%.
- Fixed income returns continued to improve over the quarter. The **inflation-linked bonds** strategy had a strong return +4.2% and the **short-maturity strategy** returned +1.7%. Inflation-linked bonds continue to take favour in the scenario where inflation is higher than expected and is further supported by the reset in real rates.

Note: Returns for the asset classes above are before fees and tax.

## Pre Select Growth Fund

The Fund returned 4.8% for the quarter (before fees) and 0.3% for the year.

Key contributors to performance for the quarter ended 31 March 2023 are:

- In another volatile quarter, that saw large swings in both share and bond markets, **Australian shares** had a strong return of +4.4% and **global shares unhedged** an exceptionally strong return of +9.3%.
- Fixed income returns continued to improve over the quarter. The **inflation-linked bonds** strategy had a strong return +4.2% and the **short-maturity strategy** returned +1.7%. Inflation-linked bonds continue to take favour in the scenario where inflation is higher than expected and is further supported by the reset in real rates.

Note: Returns for the asset classes above are before fees and tax.

## Pre Select High Growth Fund

The Fund returned 5.4% for the quarter (before fees) and 0.7% for the year.

Key contributors to performance for the quarter ended 31 March 2023 are:

- In another volatile quarter, that saw large swings in both share and bond markets, **Australian shares** had a strong return of +4.4% and **global shares unhedged** an exceptionally strong return of +9.3%.
- Fixed income returns continued to improve over the quarter. The **inflation-linked bonds** strategy had a strong return +4.2% and the **short-maturity strategy** returned +1.7%. Inflation-linked bonds continue to take favour in the scenario where inflation is higher than expected and is further supported by the reset in real rates.

Note: Returns for the asset classes above are before fees and tax.



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