



Pre Select commentaries

Quarter ended 30 June 2023

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Economic and market commentary

Asset class returns to 30 June 2023

	1 month	3 months	1 year	3 years pa	5 years pa	10 years pa
Australian shares	1.8%	1.0%	14.8%	11.1%	7.2%	8.6%
Global shares (hedged)	5.3%	6.3%	14.6%	10.2%	7.4%	9.7%
Global shares (unhedged)	2.9%	6.8%	20.4%	12.2%	10.4%	12.3%
Emerging markets (unhedged)	0.9%	1.5%	5.1%	3.5%	3.1%	6.3%
Australian property securities	-0.1%	3.2%	7.5%	8.5%	3.9%	8.0%
Global property securities (hedged)	2.8%	0.9%	-5.9%	3.1%	-0.6%	4.0%
Global listed infrastructure (hedged)	1.8%	-0.9%	-3.0%	5.5%	4.5%	7.6%
Australian bonds	-2.0%	-2.9%	1.2%	-3.5%	0.5%	2.4%
Global bonds (hedged)	-0.2%	-0.3%	-1.2%	-3.6%	0.2%	2.5%
Global high yield bonds (hedged)	1.3%	0.9%	7.0%	1.5%	2.5%	0.0%
Australian Inflation-linked bonds	-1.7%	-1.7%	5.2%	1.5%	2.3%	2.9%
Cash	0.3%	0.9%	2.9%	1.0%	1.2%	1.7%
AUD/USD	2.9%	-0.6%	-3.2%	-1.1%	-2.1%	-3.1%

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 A-REIT 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) - Barclays US High Yield Ba/B Cash Pay x Financials (\$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

Global share prices continue to climb the wall of worries this year. High inflation, rising interest rates, banking stress and the Ukraine conflict has not curbed investor's enthusiasm. Global shares (unhedged) delivered a very strong 6.8% return for the three months to June. The weaker Australian dollar also added to this gain. By comparison the hedged global shares provided a strong 6.3% return.

Wall Street's benchmark S&P 500 Index delivered a remarkable 8.6% return, in local currency terms. These strong gains came despite the US central bank continuing to raise interest rates. Investors appear to have gained solace from milder consumer inflation with May's 4% annual result being the lowest in the past two years. US economic activity remains mixed with robust jobs growth being in sharp contrast to slower retail spending and weaker housing construction.

European shares (EURO STOXX 50) made a solid quarterly gain of 1.9%, in local currency terms, despite the Russia-Ukraine conflict on their doorstep.

The performance of Asian share markets has been mixed. The MSCI China Index returned -9.0%, in local currency terms, given concerns over China's economy. By contrast, Japan's Nikkei 225 Index delivered an exceptionally strong return of 18.5%, in local currency terms, with the central bank maintaining their low interest rate and bond yield targets.

Global bonds (hedged) delivered a mildly negative -0.3% quarterly return with inflation concerns still prominent.

Global high yield bonds (hedged) made a positive gain with a 0.9% return. Investors have regained their appetite for high yield with optimism that the global economy is proving resilient to the wall of worries.

Australia

Australian shares delivered a positive 1.0% return with a mixed performance across industry sectors. Information Technology (21.1%) led the market gains in line with the global mania for 'Artificial Intelligence' (AI). There were also strong gains for Energy (3.8%) and Industrials (3.8%). However, there was sharp weakness in the Health Care (-3.2%) sector. Resources (-1.8%) also disappointed as iron ore and coal prices corrected on China's growth concerns.

Australia's economy is struggling judging by sedate retail spending and weak housing construction activity. Consumers are understandably reluctant to spend given the budget challenges of high inflation and interest rates. The Reserve Bank of Australia's surprise 0.25% interest rate hike in both May and June to a 4.1% cash interest rate has only added to the worry list. Housing provides a complex profile with a rebound in house and apartment prices over recent months, but a dramatic slide in new housing approvals and rise in insolvencies amongst builders.

There are some positive signs amidst this gloom. The labour market remains strong with May recording a 75,900 surge in jobs and the unemployment rate is close to 50 year lows at 3.6%. Inflation pressures have moderated with May's 5.6% annual rise being materially lower than April's 6.8% result.

Global prospects

Global share prices have positively surprised this year by making strong gains. However, investors appear to be precariously treading between optimism that inflation is moderating and pessimism that a recession may be looming. The rapid interest rate increases and tighter credit conditions after a sequence of financial shocks - sudden US bank collapses such as Silicon Valley Bank in March as well as Credit Suisse takeover - have materially increased the downside risks to the global economy and share prices.

For investors, assessing these considerable risks is very challenging. Given that there are multiple positive and negative outcomes possible over coming months, investors should maintain a disciplined and diversified strategy.

Contributors to performance

Pre Select Conservative Fund

The Fund returned 1.6% for the quarter (before fees) and 7.5% for the year.

Key contributors to performance for the quarter ended 30 June 2023 are:

- In another volatile quarter, that saw large monthly swings in both share and bond markets, the **Australian shares strategy** had a positive return of +1.0% and the **global shares unhedged** strategy a very strong return of +7.4%.
- Corporate bonds have also benefitted from improving risk appetite with narrower credit spreads. Investors are finding the current corporate yields as now providing attractive income potential compared to recent years. The **extended credit strategy** returned +1.4%.

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



Pre Select Balanced Fund

The Fund returned 2.0% for the quarter (before fees) and 9.2% for the year.

Key contributors to performance for the quarter ended 30 June 2023 are:

- In another volatile quarter, that saw large monthly swings in both share and bond markets, the **Australian shares strategy** had a positive return of +1.0% and the **global shares unhedged** strategy a very strong return of +7.4%.
- Corporate bonds have also benefitted from improving risk appetite with narrower credit spreads. Investors are finding the current corporate yields as now providing attractive income potential compared to recent years. The **extended credit strategy** returned +1.4%.

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

Pre Select Growth Fund

The Fund returned 2.5% for the quarter (before fees) and 11.2% for the year.

Key contributors to performance for the quarter ended 30 June 2023 are:

- In another volatile quarter, that saw large monthly swings in both share and bond markets, the **Australian shares strategy** had a positive return of +1.0% and the **global shares unhedged** strategy a very strong return of +7.4%.
- Corporate bonds have also benefitted from improving risk appetite with narrower credit spreads. Investors are finding the current corporate yields as now providing attractive income potential compared to recent years. The **extended credit strategy** returned +1.4%.

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

Pre Select High Growth Fund

The Fund returned 3.1% for the quarter (before fees) and 13.4% for the year.

Key contributors to performance for the quarter ended 30 June 2023 are:

- In another volatile quarter, that saw large monthly swings in both share and bond markets, the **Australian shares strategy** had a positive return of +1.0% and the **global shares unhedged** strategy a very strong return of +7.4%.
- Corporate bonds have also benefitted from improving risk appetite with narrower credit spreads. Investors are finding the current corporate yields as now providing attractive income potential compared to recent years. The **extended credit strategy** returned +1.4%.

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



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