

# OPTIMIX UPDATE

MARCH QUARTER 2023

## Quarterly market review

Global shares provided a positive surprise in March with solid gains despite the turmoil in the global banking system. The failure of three US banks and Credit Suisse's sudden takeover caused bank share prices to fall sharply. However milder inflation and lower bond yields have helped mitigate this banking turbulence.

## Key events in global markets

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 9.2% return in the quarter.

The US central bank continued to raise interest rates with respective 0.25% rises in February and March. However, investors gained solace from milder consumer inflation with February's 6% annual result being the lowest since September 2021. The rapid collapse of three US regional banks in March did place Wall Street into a brief tailspin. This weakness was reversed by the rapid supportive responses from the US central bank and the US Federal Government to assure bank depositors. US economic activity remains mixed with robust jobs growth being in sharp contrast to slower retail spending and weaker housing construction.

European shares also made a very strong recovery even with the Russia-Ukraine conflict on their doorstep. Europe's recovery reflects the benefits of a mild winter and lower energy prices. While Credit Suisse's troubles and the European Central Bank's interest rate increases did cause some turmoil, investors appear confident that these are manageable risks.

Asian share markets delivered solid gains with encouraging signs that China's government is relaxing their regulatory scrutiny on technology companies by allowing Alibaba to split into six different units and raise capital. There were also some modest growth signs in China's industrial production and retail spending in the opening months of the year.

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. Investors have regained their appetite for high yield with optimism that the inflation and interest rate risks were less threatening than feared.

## Key events in local markets

Australian shares delivered a strong 3.3% return. Consumer discretionary and staples 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 and information technology. The resources sector delivered strong gains given iron ore and metal prices on China's economic recovery hopes. However, there was weakness in the financial sector 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 6.3% in March.

## What's next for markets?

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. Investors are very concerned about navigating these considerable risks.

Given the current investment climate is dynamic with multiple positive and negative scenarios possible, we maintain a disciplined and diversified strategy to manage these extraordinary risks. Further, we've been concerned about inflation for some time and that's why we allocated funds towards alternative assets which have different return patterns to traditional assets and offer attractive yields relative to cash and bonds. We also believe our alternative assets are more favourably positioned for an environment of rising inflation and rising interest rates compared to fixed income and shares.

## Major asset class performance (%) (as at 31 March 2023)

Asset classes	3 months	12 months	5 years (p.a.)
Australian shares	3.33%	-0.57%	8.64%
International shares (hedged)	7.14%	-7.57%	7.59%
International shares (unhedged)	9.20%	4.31%	11.02%
International emerging markets (unhedged)	5.26%	0.12%	1.82%
International small companies (unhedged)	5.82%	2.08%	7.34%
Global listed property	0.01%	-23.06%	0.90%
Cash	0.79%	2.04%	1.08%
Australian fixed interest	4.60%	0.35%	1.27%
International fixed interest	2.38%	-5.48%	0.27%

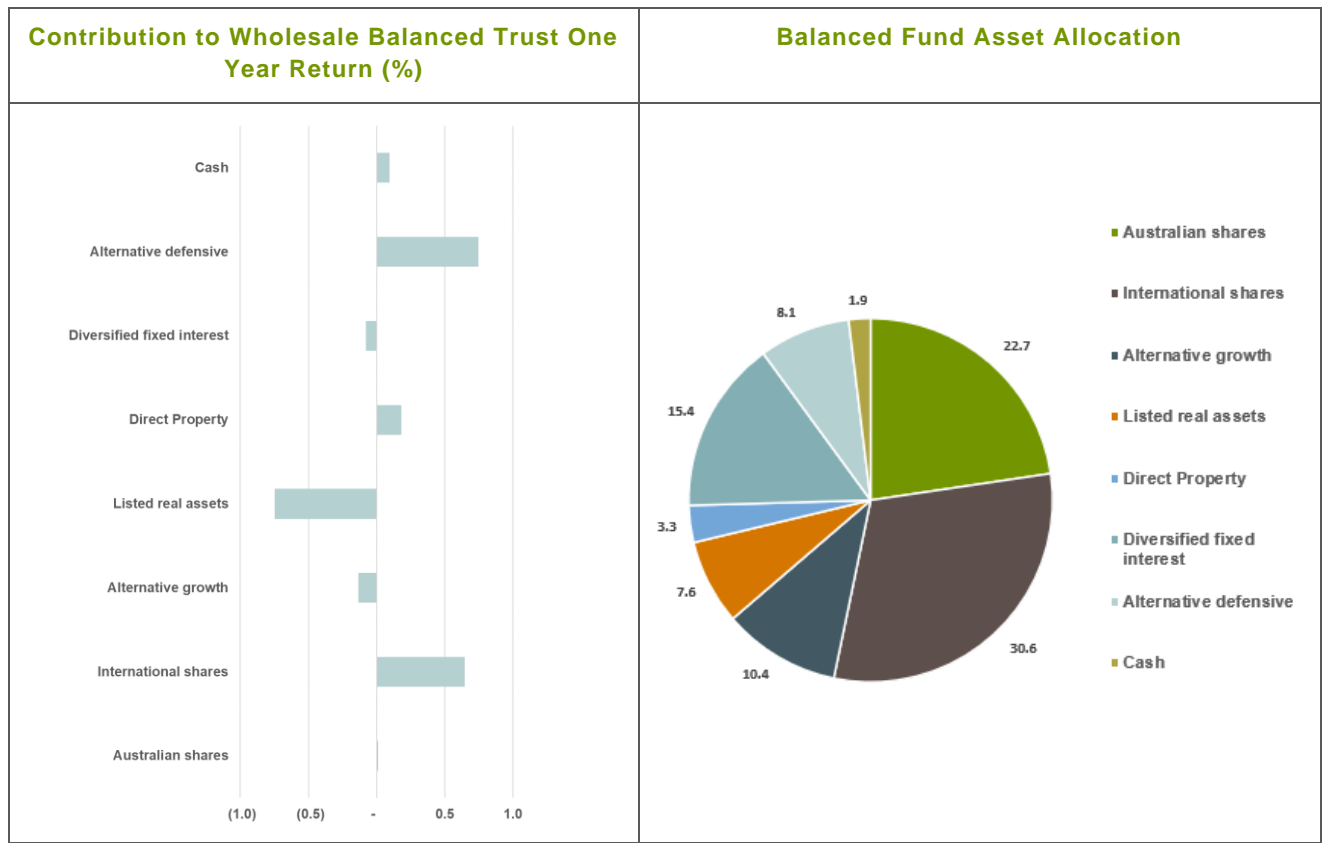
**Source:** JP Morgan and Insignia Financial

**Past performance is not a reliable indicator of future performance.**

**Indices:** Australian shares: S&P/ASX 300 Accumulation | International shares (hedged/unhedged): MSCI World ex Australia Net | International emerging markets: MSCI Emerging Markets Net in AUD (unhedged) | International small companies (unhedged): MSCI World ex Aust Small Cap | Global listed property: FTSE EPRA/NAREIT Developed Rental Index ex Australia (hedged) | Cash: Bloomberg Bank Bill | Australian fixed interest: Bloomberg AusBond Composite 0+ Yr Index | International fixed interest: Barclays Global Aggregate Bond Index (hedged).

## OptiMix Wholesale Balanced Trust Performance (as at 31 March 2023) %

	3 mths	1 year	3 years (p.a.)	5 years (p.a.)	7 years (p.a.)	10 years (p.a.)
Gross returns	3.95	0.72	10.23	6.13	7.03	7.38
Benchmark	3.96	0.87	9.98	6.74	7.45	7.63
Excess returns against benchmark	-0.01	-0.15	0.25	-0.61	-0.43	-0.25
CPI + 5% Benchmark*	2.65	12.00	9.37	8.31	7.94	7.60
Excess returns CPI Objective	1.30	-11.28	0.86	-2.18	-0.91	-0.22



## Performance data of OptiMix Wholesale Diversified Trusts %

(Gross returns as at 31 March 2023)

Fund name/Benchmark	3 mths	1 year	2 years (p.a.)	3 years (p.a.)	5 years (p.a.)	7 years (p.a.)	10 years (p.a.)
<b>OptiMix Conservative</b>	3.37	1.23	2.74	5.14	4.30	4.68	5.18
<b>Benchmark</b>	3.41	0.74	1.76	4.28	4.23	4.48	5.01
<b>OptiMix Moderate</b>	3.58	0.62	3.53	7.41	5.11	5.78	6.29
<b>Benchmark</b>	3.64	0.87	2.90	7.08	5.51	5.98	6.38
<b>OptiMix Balanced</b>	3.95	0.72	4.65	10.23	6.13	7.03	7.38
<b>Benchmark</b>	3.96	0.87	3.96	9.98	6.74	7.45	7.63
<b>OptiMix Growth</b>	4.43	0.54	5.39	12.27	6.88	7.94	8.25
<b>Benchmark</b>	4.47	0.74	4.94	12.28	7.71	8.54	8.63
<b>OptiMix High Growth</b>	4.64	0.05	5.44	13.89	7.34	8.69	9.05
<b>Benchmark</b>	4.64	0.26	5.23	14.06	8.46	9.59	9.61

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