



Medalist Core Portfolios Commentary – Q4 2023

Balanced Portfolio

The Balanced Portfolio's performance fell short of its benchmark in Q4 2023.

The Medalist Core Portfolios have been slightly overweight defensive assets through the quarter, though this has moderated, moving closer to neutral by the end of December.

Morningstar currently uses two passive managers as the primary way to get fixed interest exposure, **Vanguard Australian Fixed Interest ETF** (Gold rated) and **iShares Global Bond Index** (Bronze). We have paired **Janus Henderson Tactical Income** (Silver) and **Bentham Global Income** (Silver), respectively with the passive funds for their variable duration and credit exposure along with our high conviction in their investment approach.

As yields fell over the quarter, **Janus Henderson Tactical Income** underperformed the broad market benchmark (Bloomberg AusBond Composite) given the nature of a low interest rate duration position, which is a hallmark of the strategy. Balancing this, **Bentham Global Income** delivered outperformance for the quarter, mostly from its credit positions, though it's overweight duration position also played a role. As yields have fallen, we've been reducing the portfolio's passive exposure and duration given the heightened risks of rising yields.

We have chosen active managers in Australian and international equity asset classes for the higher likelihood of achieving meaningful alpha over the medium term. Over the quarter, we had an underweight tilt in Australian equities compared to our benchmark, which has helped relative returns. While the fourth quarter was tough for **Fidelity Australian Equities** (Gold) and **Schroder Australian Equity** (Gold), which were bested by the benchmark (S&P/ASX 200), **Platypus Australian Equity** (Bronze) saw significant outperformance.

While we have been overweight international equities versus our benchmark, which helped relative returns, three of four managers in the balanced portfolio have underperformed their benchmarks (MSCI ACWI Ex Australia and MSCI ACWI Ex Australia 100% Hedged). **MFS Global Equity Trust II – I Hedged's** (Gold) quality growth at a reasonable price approach hasn't been in favour given the markets focus on the 'Magnificent 7'. Capital Group New Perspective (Gold) outperformed the index over the 2023 calendar year but faced headwinds in the quarter. Similarly, **Barrow Hanley Global Share S** (Gold), which has a value tilt, struggled as growth outperformed value over the quarter. **GQG Partners Global Equity AUD Hedged** (Gold) had another strong quarter however, outperforming its benchmark with a positive return.

MFG Core Infrastructure, our choice for global listed infrastructure in the Medalist portfolios, outpaced its benchmark in the quarter.

We take a passive approach to our global property exposure and have chosen **iShares Global Listed Property Index Hedged S** (Bronze). It performed in line with its benchmark over the quarter.

Note: the above commentary excludes fund manager rebates to clients