



Leaving no stone unturned

Exploring opportunities within asset classes

Core Offerings

Our latest view of markets and insights
into our latest strategic and tactical
asset allocation positions

March 2024



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Leaving no stone unturned

Exploring opportunities within asset classes

AN UPDATE FROM LGT CRESTONE'S CHIEF INVESTMENT OFFICER



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While high conviction ideas appear scarce at a macro level, we believe there are still significant tactical opportunities within asset classes.

While global economic growth has continued to moderate, recent sticky inflation prints highlight that the mission of central banks has not yet fully been accomplished. Fixed income markets have relinquished most of their prior hopes for an aggressive central bank easing cycle this year, while renewed excitement over the 'blue-sky' potential of generative artificial intelligence (AI) has propelled equity markets to fresh record highs across the US, Europe, and Japan.

With heightened market volatility, increasingly heroic valuations, and the ongoing backdrop of key political risk events that are expected in 2024, it may appear difficult to identify high conviction investment ideas at the macro level. However, we believe significant opportunities lie beneath this uncertain surface, awaiting the prudent and nimble investor. This month, we highlight tactical opportunities within fixed income, equities, and alternative assets that still offer the potential for outperformance in today's uncertain environment.

Looking beyond the headlines to identify tactical opportunities within asset classes

At a headline level, the global macro-economic and market backdrop has not shifted significantly over the past month. The US economy, while moderating, continues to stand out against its developed market peers, with European growth remaining stagnant and Japan and the UK entering technical recessions. Australia continues to be propped up by population growth, with signs of softening as the impact of prior rate hikes eats into household budgets. On the other hand, China continues to face cyclical and structural challenges as it enters the new Lunar Year of the Dragon.

Meanwhile, bond markets have continued to gradually price out an aggressive rate-cutting cycle by major central banks. This has led to a back-up in global yields to levels which are now more in line with central banks' guidance for a more modest easing in policy settings from mid-year. Equity markets have largely shrugged off higher yields and have continued their march higher, fuelled by increasing excitement over the 'blue-sky' potential of generative AI, headlined by an increasingly macro-relevant NVIDIA.

Looking across the major asset classes, it may appear difficult to identify high conviction investment ideas. Fixed income assets have given back some of their historic rally from Q4 2023, though they remain attractively priced and we continue to favour them from a tactical perspective. Equity markets appear relatively expensive in general and priced for a very benign outlook. This is particularly the case in the US, where there remains profound uncertainty (in both directions) around the ultimate broader economic benefits of AI.

However, significant opportunities lie beneath this surface-level view. As we noted last month (and in our 2024 Outlook last December), we believe that a focus on quality and tactical opportunism within asset classes may prove to be rewarding this year. This month, our team has run the ruler over the fixed income, equity, and alternatives complexes to uncover high conviction tactical opportunities that still offer the potential for outsized returns in today's uncertain environment.

Fixed income: We favour domestic government and direct local corporate bonds

Our base case remains that global central banks have reached the end of their tightening cycles and rate cuts will come later in the year, supporting lower bond yields from here. Volatility may persist in the short term, so investors will benefit from being more tactical and detailed in allocating their fixed income investments.

Domestic government bonds: Domestic government bonds have been far less volatile than their US counterparts. The Reserve Bank of Australia (RBA) has lagged the global tightening cycle, but the local yield curve remains positively sloped, and the Australian Government's fiscal position is more sustainable than that of the US. As a result, we view the domestic market as the best place to invest in fixed income this year. Tactically, investors should look to increase duration by locking in current yields for domestic securities with maturities of four to seven years. This will allow them to take advantage of higher rates and less expected volatility.

Domestic fixed income has experienced noticeably lower volatility than in the US and remains attractive on a relative basis.

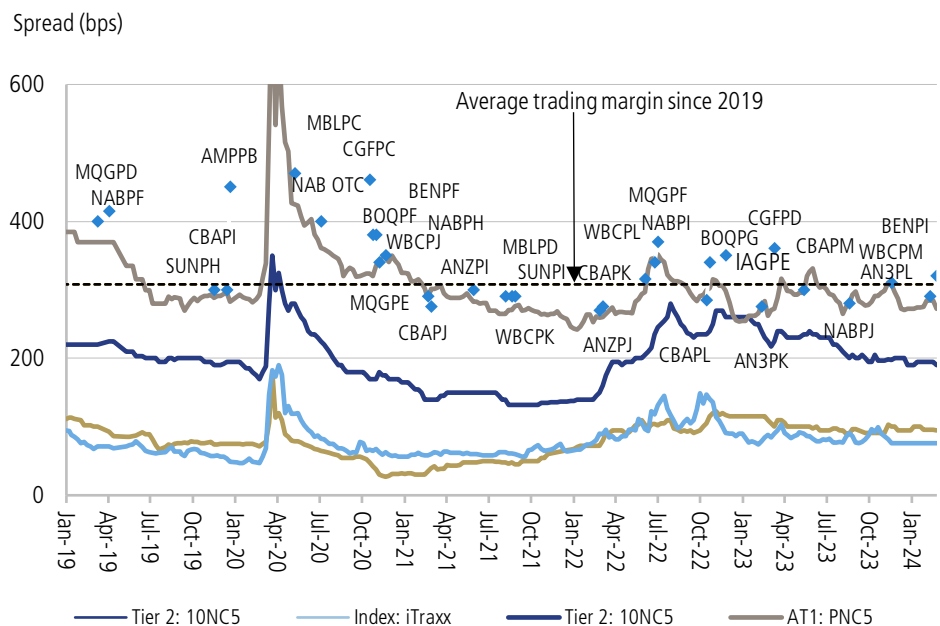
The domestic corporate bond market has also performed well, with strong investor demand across subordinated Tier II, senior unsecured regional bank debt, and Tier 1 hybrid issues so far this year.

We continue to favour locking in domestic fixed income at current attractive yields, and adopting actively managed strategies within high yield.

Domestic corporate bonds and hybrids: The domestic corporate bond market has also performed well this year, with tightening secondary spreads offsetting the impact of rising government bond yields. Issuers are taking advantage of tighter spreads and even offering a new issue concession, while investors are finding outright yields attractive. There has been approximately AUD 40 billion of issuance so far this year, dominated by the financial sector. The recent AUD 1.25 billion Macquarie Bank Subordinated Tier II offer received just under AUD 5 billion of demand split equally across fixed and floating-rate tranches, evidence that demand is strong.

When allocating to this sector, it is important to diversify between fixed-rate and floating-rate exposures, which should provide protection against short-term volatility. We remain broadly balanced on the ratio between the two, with the split dependent on timing, outright yields and portfolio construction. We believe hybrids are attractive for those investors looking to increase their floating-rate exposure, with initial coupons of around 7%. This has been a popular sub-asset class, with over AUD 4 billion of demand seen in the recent ANZ Capital Notes 9 issue.

Issuers are taking advantage of tighter spreads



Source: Bloomberg, BondAdviser.

High yield: While spreads have compressed, high yield credit still offers attractive all-in yields, particularly if the 'soft-ish'-landing narrative prevails. To hedge against downside risks, we favour actively managed strategies that can tilt their allocations towards the higher quality end of the high yield universe.

Equities: We like small and mid-caps, domestic, Japan, and equal-weighted S&P 500

Global equities are now trading on a 12-month forward price/earnings (P/E) ratio of 18.5x. With the exception of the 18-month period to the end of 2022, this is the loftiest multiple that investors have been asked to pay for global equities since the tail end of the DotCom crash. At an aggregate level, this is reason enough for investors to adopt a cautious approach to buying equities. However, the notion of being 'bullish' (positive) or 'bearish' (negative) equities is one that can sometimes be flawed at certain parts of the cycle – or, at least, may not always be as relevant. While tactical asset allocation can add value over shorter time frames, there should be a tendency to take a constructive view on equities. Over the past 50 years, global equities have risen by almost 8.5% per annum, despite periods of stagnant returns and, at times, harrowing drawdowns.

In the very short term, investors should also acknowledge that once new all-time highs are reached following a bear market, forward six and 12-month returns are generally positive. The next five to 10-year period is where the challenges lie. Historically, when forward P/E multiples have been at current levels, forward 10-year annualised returns have tended to be much lower, in the order of 0-5%.

Notwithstanding our overall neutral allocation to equities, we still believe there are tactical opportunities to position for outperformance.

Small- and mid-cap equities remain attractively priced and offer a rich hunting ground for high quality active managers.

A supportive backdrop for domestic equities appears likely to emerge in 2024, while Japanese equities are poised to break out of their 30-year rut.

Pockets of relative outperformance can still be found within the equal-weighted US share market, as well as energy and insurance sectors.

Small and mid-caps: Both small and mid-cap equities are trading at valuation discounts to their large-cap counterparts that are three standard deviations from their 10-year average. This relative valuation discount, along with greater potential for active management to add value in this space, provide a strong set-up for small and mid-cap allocations to outperform going forward.

Domestic equities: Having underperformed global equities for much of 2023, a more supportive backdrop for domestic equities could emerge in 2024 for several reasons: There is the potential that the RBA will cut rates (domestic rate cuts have not been as aggressively priced in by the market as in other regions); the proposed Stage 3 tax cuts should support consumer spending and domestic activity; Australia's economic growth trajectory is one of the strongest among advanced economies; the commodities sector is proving resilient, despite a lacklustre Chinese economic backdrop; investors are already positioned for deteriorating local earnings; and the domestic market is cheap relative to global equities.

Japan: After 30 years of investor inertia, there is growing evidence that Japanese equities may be breaking out of their rut. The Japan thesis is not just rooted in macro-economics, there is also structural reform under way at a corporate level. Buybacks are at their highest levels in almost 20 years and shareholder activism is at record levels. Higher inflation may also be sparking a once-in-a-generation shift out of cash into real assets. Some 54% of financial assets in Japan are still held in cash, with just 12% of financial assets in equities.

Equal-weighted S&P 500: Analysis by Schroders indicates that, based on the current concentration within the S&P 500 (i.e., the 10 largest stocks make up 31% of the index), the equal-weighted S&P 500 could outperform by more than 15% per annum over the next five years. This could particularly be the case if the benefits of generative AI broaden out beyond the 'Magnificent 7'.

Energy and insurance: While there has been much attention on the Magnificent 7 and the broader technology sector, investors should not forget there are sectoral opportunities elsewhere:

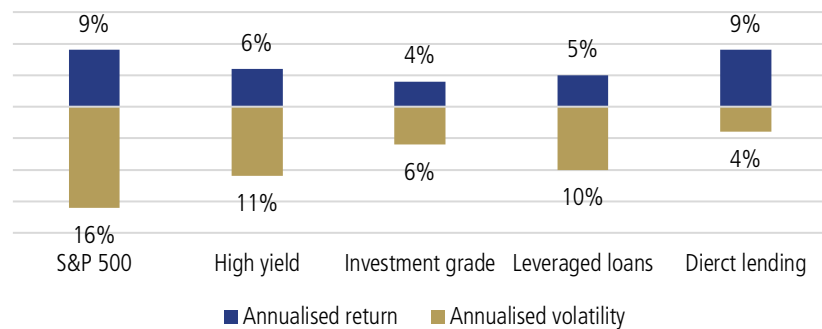
- The transition to net zero, as well as the surging cost of capital, have led to a capex discipline among energy companies that has strengthened balance sheets and generated positive total shareholder return. Given the immediate role these companies will play in the energy transition, as well as any upswing in the price of oil, there may be tactical opportunities investors can benefit from.
- The unloved insurance sector has been able to generate shareholder returns that largely keep pace with broader markets. Under the assumption that interest rates remain higher for longer, the outlook for the sector, especially if credit spreads remain contained, continues to suggest positive earnings momentum at average valuations.

Alternatives: We favour private debt and credit-oriented strategies

Much has been reported on the opportunity set for private debt. However, compared to equities, the broader credit complex is also offering attractive risk-adjusted returns, given higher interest rates. At this juncture, we see two avenues to explore:

- **Building long-term core exposures to global private debt:** While spreads have started to moderate, yields for US private debt are expected to hover between 10.75% and 11.50%, according to Stepstone. This makes for an attractive entry point to an asset class that has historically offered equity-like returns with far lower risk. However, manager selection is critical. Not only is it important to identify managers with the potential to deliver superior returns, but it is also crucial that investors identify managers that do not charge high carry rates (i.e., performance fees), which can detract from returns.
- **Credit exposures in hedge funds and/or private markets:** Flexible and/or opportunistic credit exposures across corporate and asset-backed sectors within hedge funds and/or private markets also provide opportunities for investors. Despite pockets of stress, 2023 saw credit spreads remain close to long-term averages. However, the level of dispersion in credit spreads remains high, which is positive for credit-orientated hedge fund strategies. The regional banking crisis in the US is also driving pockets of value in asset-backed securities. US agency mortgages is an example of where opportunities lie. The market has significantly repriced as the US Federal Reserve (Fed) is no longer the dominant buyer. Asset-backed strategies can be complex, cover multiple verticals, and often requires scale. For this reason, sizeable investment platforms that can pivot across consumer and commercial exposures, while investing alongside more traditional corporate debt, are preferred.

Alternatives have demonstrated less annualised volatility than US equities



Source: S&P 500 index, Bloomberg High Yield index, Bloomberg Investment Grade index, LCD Morningstar Leverage Loans index and Cliffwater Direct Lending index as of September 2023. Time period 1 January 2005 - 30 September 2023.

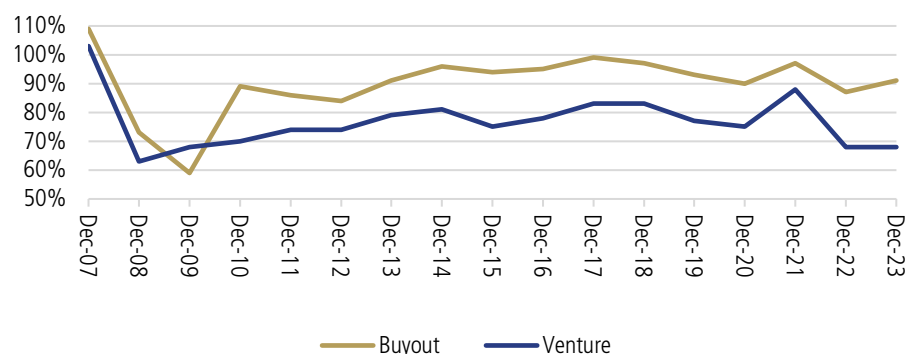
Having navigated a volatile period of dislocation since 2021, venture capital and growth private equity may be approaching attractive valuation levels.

Venture and growth private equity: The venture capital (VC) sector has been through a tumultuous period since Q4 2021. Net asset values (NAV) have declined around 25%, while growth equity NAVs have declined approximately 7% through Q3 2023. However, these aggregate numbers mask significant dispersion in returns across managers, as well as the excesses in late-stage VC, which saw the deepest declines. The valuation environment is, however, beginning to stabilise, with only modest declines in the last year. The fundraising and competitive dynamic has shifted to a more appropriate stance compared to pre-2022.

Tactically, the VC market remains dislocated, driving significant discounts to the VC secondary market, as shown in the chart below. This provides greater structural inefficiencies when compared to its buyout equivalent. Valuation methodologies are often opaque and there are significant information asymmetries, as well as specialised buyer knowledge and relationship factors to navigate. According to Preqin, there is approximately USD 1.4 trillion in unrealised NAV across 2010 to 2018 vintages. This follows a dearth of exit activity, which implies that the opportunity set is ripe. Broad asset level intelligence is essential to underwrite deals across VC secondaries, so manager selection is as critical as ever.

Ongoing market dislocation is creating significant discounts in venture secondaries

Price (% of NAV)



Source: Jefferies, *Global secondary market review*, January 2024.

2024 will likely favour investors who are able to dive beneath the surface in the pursuit of tactical opportunities.

Investment implications: Opportunities abound for astute investors

Financial markets have had a volatile start to 2024, and investors considering broad asset classes may struggle to find high conviction investment ideas amid stubborn inflation, record-high equity markets, and key political risk events still to come. However, we believe that significant tactical opportunities for outperformance still abound for investors who have the capability and flexibility to dive beneath the headlines and leave no stone unturned in the pursuit of their investment objectives.

What's driving our views

Tactical asset allocations (% weights)

Cash	-2	
Total fixed income		2
Short maturity	-2	
Government bonds		1
Investment grade credit		2
High yield credit		1
Total equities		0
Domestic		1
United States		0
Europe (ex-UK)	-1	
United Kingdom		0
Emerging markets		0

Source: LGT Crestone Wealth Management. Units refer to the percentage point deviation from strategic asset allocations. Investment grade credit includes Australian listed hybrid securities.

We prefer fixed income as yields normalise

Economic growth continued to moderate in February, with Japan and the UK dipping into technical recessions. Stubborn services inflation corroborated our view that the 'last mile' of lowering inflation to central bank targets will likely be a stiff challenge.

We maintain a slight risk-on bias via our overweight to high yield credit. Markets have mostly reversed expectations of an aggressive easing cycle, bond yields are attractive for long-term investors. As a result, we retain our preference for fixed income assets.

Can policymakers stick the landing—After a fast and steep tightening cycle, central bankers now need to calibrate policy to continue lowering inflation without triggering a recession. While consumer sentiment is still healthy, political and geo-political risks remain, financial markets are hyperactive, and the secular inflation outlook is more volatile.

Politics takes centre stage in 2024—After the geo-political shocks of the past two years, politics will be a key market driver this year. More than 64 elections will take place in 2024, headlined by the US in November.

Diverging cycles—The US economy is resilient, Europe has been flirting with technical recession, and China faces key cyclical and structural challenges. How these macro dynamics play out will be a key driver for markets.

Fortune favours the flexible—Given ongoing volatility and uncertainty, we believe it pays to remain diversified, nimble, and flexible. Investors will benefit from prudently managing liquidity, investing with high quality active managers, and being flexible in their management of portfolios.

Structural themes

Positioning for multi-polarity—As the world order continues to transition towards multi-polarity, we expect more volatility and more geo-political shocks, but also more growth and opportunities for astute investors.

A challenging energy transition—Amid rising political and geo-political tensions, the world faces an increasingly challenging trade-off between net-zero commitments, cost, and energy security.

Innovative upside—AI presents a key challenge and opportunity, while advances in pharmaceuticals show that human ingenuity remains potent and is a key constructive force for the long term.

Higher rates increase investors' options—The resetting of interest rates at a higher level increases forward-looking returns across all asset classes, and gives investors more options to construct robust, diversified portfolios.

	What we like	What we don't like
Equities	<ul style="list-style-type: none"> ■ Broader S&P 500 exposure over mega-cap (long equally weighted S&P 500 over market cap-weighted S&P 500). ■ Value and quality-tilted active strategies. ■ Actively managed small and mid-cap equities. 	<ul style="list-style-type: none"> ■ Companies with shorter-term debt maturities at risk of repricing into a higher rate environment. ■ Stocks trading at historically tight dividend yields to the risk-free rate.
Fixed income	<ul style="list-style-type: none"> ■ Actively managed funds investing in higher quality credit. ■ Fixed rate three- to five-year senior and tier 2 bank credit. ■ Shorter maturity high quality bonds (two to five years). ■ Higher quality issuers and actively managed funds within high yield credit. 	<ul style="list-style-type: none"> ■ Longer-maturity bonds, which are vulnerable to rising inflation and term premia risk. ■ Lower quality credit vulnerable to higher cost of funds.
Alternatives	<ul style="list-style-type: none"> ■ Credit-oriented strategies including corporate/asset-backed. ■ Senior private debt (strategies excluding real estate). ■ Real assets with inflation linkages and/or exposure to secular themes (e.g., multi-polarity and energy transition). 	<ul style="list-style-type: none"> ■ Lower grade real estate assets (particularly office). ■ Assets that have not adjusted to a higher rate environment. ■ Assets and industries with no transition plan.

Economic and asset class outlook

Economic outlook

Global economy



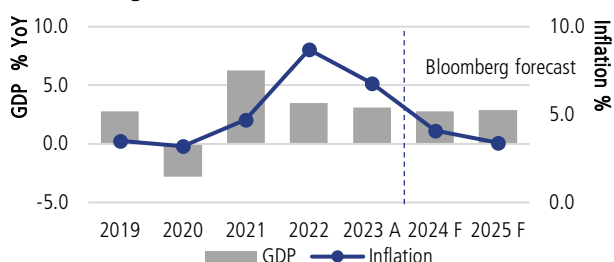
Recent data have broadly supported expectations for a relatively mild global growth slowdown during late 2023 and 2024. Still, a 'softish' landing for the global economy should embody a period of below-trend growth (particularly H1 2024), even as elevated net wealth, high levels of saving, and cyclical support from low unemployment) continue to mitigate the impacts of higher interest rates and tighter credit conditions. Moreover, top-line growth masks divergence between ongoing US and Asia economic resilience and a confirmed recession in the UK, flat growth in Europe and an unexpected recession in Japan.

A broad, albeit mild, slowing in global growth should set in train a new phase for the global economy, where interest rates have peaked, but are unlikely to fall to extremely low pre-pandemic levels. Recent signs that core inflation rates are annualising nearer central bank targets have led several central banks, including the US and Europe, to become open to the possibility of rate cuts around mid-year. However, we expect the bulk of the policy easing to occur in H2 2024, in part due to ongoing low unemployment and wages growth. This has created a more positive backdrop for financial markets and eased residual concerns of a hard economic landing globally.

Politics (as well as geo-politics) are also likely to take centre stage in 2024. Indeed, politics has the potential to drive geo-politics, with elections in 2024 impacting more than half of the world's population. Ballots have already been cast in Taiwan and Indonesia, with elections ahead in the US, India, the UK, and Europe (Parliament). Focus will likely be on the US, where success in recent caucuses suggests former President Trump could secure the Republican nomination by mid-March. During the year, markets may turn their attention to the implication of a possible Trump victory on US-China relations, US support for Ukraine (and treaties, like NATO), US tax and fiscal policy, and the implications for the Red Sea traffic and inflation.

Consensus expects global growth to slow in 2024 to a pace modestly below long-term averages. The International Monetary Fund recently upgraded its 2024 outlook (lifting growth from 2.9% to 3.1%) noting that a 'soft landing' was in sight. Similarly, Société Générale (SG) has stepped away from its US recession outlook, while UBS still anticipates a mild recession for the US through 2024.

Global GDP growth and inflation



Source: Bloomberg as of 29 February 2024.

Australia



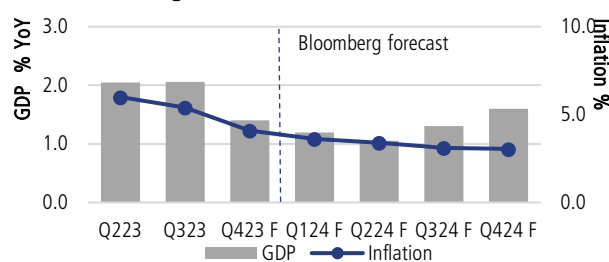
Data suggest Australia's economy has been expanding at a below-trend pace through H2 2023 and early 2024. While improving inflation data has focused attention on the potential for easier policy into mid-year, the resilience of the jobs market suggests policy makers are under limited pressure to trim rates imminently. The volatility in consumer spending during the final months of 2023 is yet to reveal whether seasonal timing around 'Black Friday' sales was to blame or whether the lagged impact of monetary tightening is finally weighing on demand. Housing activity has also slowed. Despite this, strong population growth, together with mid-year 'cost-of-living' relief via personal tax cuts, suggest growth (absent off-shore shocks) should stabilise and recover moderately through H2 2024.

Growth slowed further to 0.2% in Q3 after 0.4% in Q2, although this saw the annual pace edge slightly higher to 2.1% from 2.0% (still below the current population growth rate). Consumer spending and income were weak, with growth supported largely by government and business capex. Recent data suggest a similarly weak pace of growth in Q4 and early 2024. Retail sales collapsed 2.7% in December, signalling weakening demand, while January jobs growth stalled and unemployment pushed higher to 4.1%, above 4% for the first time in two years. Housing activity has begun to weaken more clearly, with dwelling starts at their lowest in a decade.

Inflation eased from 5.4% to 4.1% in Q4. Positively, this was below the RBA's 4.5% year-end forecast, while the quarterly pace of core inflation slowed to 0.8% from Q3's unexpected pick-up to 1.2% and December month headline inflation fell to 3.4% (from 4.3%). Q4 wages slowed on the quarter (from 1.3% to 0.9%, albeit the annual pace was little changed at 4.2%). Despite weakening the RBA's tightening bias at its February meeting, RBA Governor Bullock has retained a relatively hawkish tone. Still, modest cuts of 0.5% to 0.75% remain likely in H2 2024. UBS has delayed its first forecast cut from August to November, while CBA continues to see the first cut in September 2024.

After likely growth of 2.0% in 2023, UBS expects Australia to avoid a recession, with growth of 1.5% in 2024, ahead of a recovery to 2.1% in 2025. CBA sees slightly slower growth of 1.2% for 2024, with stronger growth of 2.5% in 2025.

Australian GDP growth and inflation



Source: Bloomberg as of 29 February 2024.

Economic outlook

United States



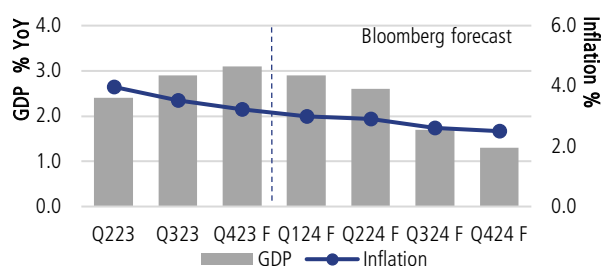
Growth in the US economy has remained resilient into early 2024, after stronger-than-expected growth through H2 2023. While there have been some tentative signs of softening in consumer demand, a strong jobs market and slower-than-expected moderation in inflation have seen a number of forecasters revise their prior expectations for a US recession in 2024. This has contributed to policy makers adopting data dependency and pushing back near-term rate cuts. Nonetheless, growth is expected to slow in H1 2024, and inflation is expected to slow. This increases confidence that policy will pivot toward rate cuts around mid-year. Focus on the US Presidential election is increasing after former President Trump's victory in the early Republican caucuses.

Q4 growth rose by an above-trend 0.8% (3.3% annualised), slowing moderately from Q3's sharp acceleration to 1.2% (4.9%). Recent data has remained resilient during early Q1. The composite Purchasing Managers Index (PMI) rose to average 51.7 across January and February, above December's 50.9, its strongest level since mid-2023. In January, retail sales fell 0.8%, below expected, although like the weaker industrial output data, poor weather was a factor. More positively, data suggest credit tightening may be easing, while the jobs market remains resilient, with non-farm payrolls surging 353,000 in January and unemployment claims very low. Housing starts trended higher in Q4, up almost 8%.

After several months of moderation, inflation surprised higher in January. The headline rate eased to 3.1% from 3.4%, but the monthly gain rose to 0.3%, its highest in four months, while core inflation rose 0.4%, its fastest in nine months. At the late January Fed meeting, Chair Powell said quite flatly that the Fed's base case was not a March cut, but that it would be data dependent. Subsequent minutes reveal a lack of urgency to trim rates, given recent stronger-than-expected jobs and inflation data. Having delayed its March cut expectations, UBS now expects the Fed to trim during Q2, a similar view to SG.

After 2.5% in 2023, UBS still expects a mid-year recession and growth of 1.6% in 2024, with a similar pace of growth continuing into 2025. SG no longer expects a US recession in 2024, upgrading growth from 0.9% to 2.2%.

US GDP growth and inflation



Source: Bloomberg as of 29 February 2024.

Europe



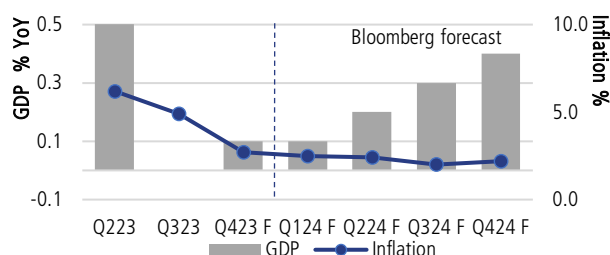
European activity has remained weak in early 2024, particularly in Germany, where growth fell sharply in late 2023. According to Longview Economics, Europe's outlook for growth remains under pressure, given ongoing tight monetary policy, some signs of labour market softness, and the demise of households' spare cash. Twin wars in the region, Red Sea supply impacts, and tighter German fiscal policy have added to the negative European growth outlook. However, while the consumer remains soft, BCA Research notes that "other data suggest the Eurozone industrial cycle is experiencing a mini upturn", given the recent improvement in manufacturing PMIs. Further, the recent improvement in inflation, but weak growth, have raised the spectre of lower policy rates in Europe, ahead of the US.

In Q4, Europe's growth was 'flat', narrowly missing a technical recession after Q3's -0.1% print. The annual pace remained unchanged, also 'flat' and down from 0.6% in mid-2023. Risks of a further contraction in early 2024 have risen with recent weak retail sales (falling 1.1% in December). In contrast, consumer confidence has been trending higher over recent months (to near a 10-month high), aided by a peak in interest rates and improving real wage growth. Despite the PMI relapsing below the key 50 mark during Q4, February's print edged higher to 48.9 from 47.9. The unemployment rate edged down to a new record low of 6.4% (signalling a still tight jobs market).

Inflation has continued to trend lower into early January, easing to 2.8% from 2.9%, down from 5.5% in June 2023. Core inflation fell to 3.3% (from 3.4%), still above the 2% target (and held higher by a 4% pace in services). As such, prior commentary from the European Central Bank (ECB) that it is premature to expect rate cuts has given way to signals from President Lagarde that cuts may begin in the summer (though not as early as the market's March pricing). This message was echoed in the latest minutes, according to CBA. UBS and CBA expect a rate-cutting cycle to start mid-year, while SG has recently brought forward its expected start for rate cuts from December to October.

After relatively weak growth of 0.5% in 2023, UBS expects a modest recovery in H2 2024, with year-average growth of 0.6% for 2024 (albeit with some downside risks), and 1.2% in 2025. SG expects slightly stronger growth of 0.8% in 2024, while CBA sees ongoing recession and just 0.2% in 2024.

European GDP growth and inflation



Source: Bloomberg as of 29 February 2024.

Economic outlook

United Kingdom



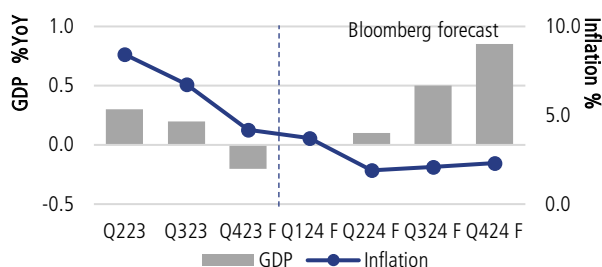
Recent data predicts the UK economy will be in recession during H2 2023. Headwinds from tighter financial conditions, notably higher mortgage payments, and external sector weakness persist, according to UBS. Still, the economy has defied expectations for a sharper 2023 contraction, helped by a resilient consumer, solid capex, and a relatively tight jobs market. Moreover, Longview Economics believes some improvement might be afoot, given house price and housing activity data have ticked up, while the service sector PMI has continued to push further above its key 50 level. This could potentially be laying the foundation for a tepid recovery through H2 2024.

Growth dropped 0.3% in Q4, much weaker than expected. With Q3 -0.1%, the UK's economy has technically entered recession. Consumer spending continued to decline, but at a slower rate, a sequential drop in exports accelerated, while government consumption declined. This was partly offset by stronger capex. Early 2024 data point to a pick-up in Q1 growth, with January retail sales rebounding 3.4% (after -3.3%), while December unemployment moved lower to 3.8% (from 4.3% in July). The PMI lifted again in February to 53.3 from 52.9 (its strongest level since May 2023). Positively for the inflation outlook, wages growth slowed to 6.2% in January (from 8.5% mid-last year).

Inflation trended significantly lower in H2 2023, annualising below zero in Q4. A 0.6% fall in January's headline rate kept inflation unchanged at 4.0%, while core inflation was unchanged at 5.1% (also with a fall on the month). The Bank of England kept policy steady at 5.25% in February. But the decision was not unanimous, with a three-way split, and this was the first meeting where a vote to cut was recorded. In a relatively 'dovish' speech by Governor Bailey (according to CBA), he noted he was comfortable with a profile for official interest rates that had rate cuts in it, and that rates could fall before inflation returns to target. UBS expects the first cut in May, similar to SG, while CBA sees a later start in August.

After growth of 0.1% for 2023, UBS now forecasts a weak recovery to 0.6% for 2024, ahead of stronger growth of 1.5% in 2025. CBA expects a recession in 2024, with activity growth of just -0.2%, recovering to 0.7% in 2025.

UK GDP growth and inflation



Source: Bloomberg as of 29 February 2024.

Japan



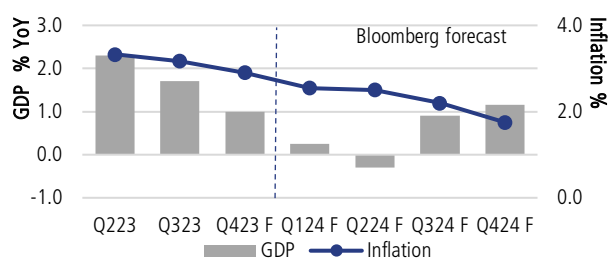
After a stronger-than-expected expansion in H1 2023, Japan's economy slipped into recession in H2. A weaker-than-expected result for Q4 growth, led by the consumer, raised concerns about the likely strength of demand through 2024. There are still reasons to be optimistic for improved activity ahead, given relatively robust business conditions, solid tourist arrivals and rising wage growth. This is supporting expectations of a moderate rebound in consumer spending, while a lift in global trade should also incrementally support the growth outlook. However, with inflation falling over recent months, weaker growth is challenging expectations for an exit from Japan's negative rate policy during 2024.

Output eased by a much weaker-than-expected 0.1% in Q4. On the back of a downwardly revised -0.8% in Q3, Japan was in a technical recession in H2 2023. Housing investment, consumer spending, business capex and public spending all fell in Q4, while the annual pace of growth slowed to 1.0% from 1.7%. Early 2024 data support a tepid pick-up in Q1, though uncertainty is elevated. Japan's PMI eased to 50.3 in February from 51.5, still above the key-50 mark. The jobs market also remains tight, with unemployment ticking down to 2.4% in December, its lowest in a year. In contrast, (the more volatile) retail sales collapsed 2.9% in January after a strong 1.0% gain.

After having been remarkably stable at around 3.3% for much of 2023, inflation eased during Q4 to 2.6%, its lowest since mid-2022. Core wage growth remained stable at 2% in January, though headline wage growth slowed due to a soft bonus. A survey by the private sector suggested that the outcome of Shunto will likely to be stronger than last year. UBS expects a result greater than 4% will support the inflation outlook and a tightening of monetary policy (with a positive 0.25% cash rate by the end of 2024). The Bank of Japan (BoJ) left policy little changed at its December and January meetings, with BoJ Deputy Governor Uchida noting it is hard to see the policy rate rising rapidly, even after it exits its negative rate policy. CBA expects the cash rate to stay negative this year.

After strong growth of 1.9% in 2023, UBS expects growth to retrace to just 0.3% in 2024 before steadying at around a 1.1% pace in 2025. SG forecasts a similar 0.7% pace for 2024, but strong growth of 1.4% for 2025.

Japanese GDP growth and inflation



Source: Bloomberg as of 29 February 2024.

Economic outlook

China



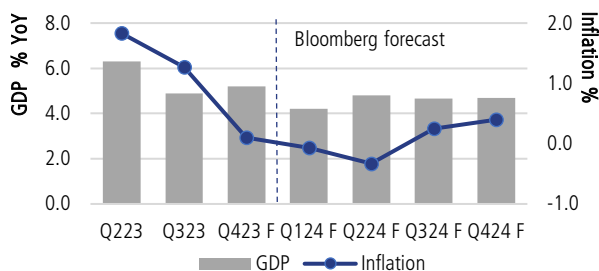
Confidence surrounding a sustainable recovery in China's economy remains elusive in early 2024. After recovering solidly early in H2 2023, sequential momentum slowed into year-end, albeit the official 5% growth target for 2023 was achieved. Activity outside the property sector appears to have improved moderately in early 2024. But property activities continue to weaken and challenge the outlook. This is contributing to ongoing piecemeal easing of policy, which continues to add uncertainty to whether enough support is being delivered to stabilise the outlook. As UBS has noted, China's past key growth drivers, namely property, infrastructure, and exports, are all facing headwinds. New structural growth engines (which include consumption, upgrading manufacturing and data and AI) "will take some time" to support growth.

China's annual output rose to 5.2% in Q4 from 4.9%—in line with expectations and slightly above the 5.0% government growth target. Despite this, sequential growth disappointed, slowing in Q4 to about 4% from Q3's 6%. As Longview Economics notes, "the economy remains under significant cyclical (and structural) pressure, with the housing downturn weighing upon growth." As usual, a lack of January data around the Lunar New Year means a full assessment of conditions in Q1 is likely several weeks away. Credit growth in January proved stronger than expected, though some, like BCA Research, have questioned whether the strength reflects seasonal patterns. The PMI remains above the key 50 mark, easing to 52.5 in January from 52.6.

Deflationary pressures continued in Q1, with January inflation weakening further to -0.8%, its weakest in 14 years, while upstream price pressures remained negative. In January, the government announced a further 0.5% cut to the bank reserve requirement, as well as other measures to support the property and equity market. In February, authorities cut the five-year benchmark loan rate by 0.25% to 3.95%, likely to support new housing activity, according to Lazard.

After 5.2% in 2023, UBS expects China's 2024 and 2025 growth to slow to 4.6% (recently revised from 4.4%). SG expects a similar slowdown to 4.5% in 2024, while CBA expects stronger growth of 4.9% for 2024 and 5.1% in 2025.

Chinese GDP growth and inflation



Source: Bloomberg as of 29 February 2024.

Emerging markets

Emerging market growth is now expected to decelerate by about 0.5% (including and excluding China) through 2024, albeit mostly through H1 2024. In contrast, H2 2024 should embody modest recoveries in Latin American and emerging European growth. Asia is expected to strengthen into mid-year, helped by ongoing disinflation that paves the way for some renewed central bank easing in H1 2024 (as well as support via the tech export recovery for North Asia). However, China's mixed growth outlook and potential US dollar strength on geo-political and political concern could weigh on the emerging market export and currency outlook.

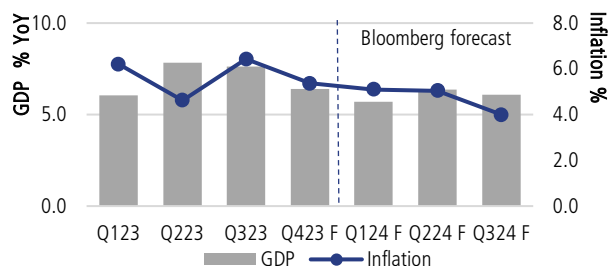
According to UBS, growth in Southeast Asia will strengthen moderately in 2024, from 4.2% to 4.6%, albeit growth is seen below trend for all economies except Thailand. This recovery will be supported by a likely recovery in the export cycle that supports activity in Malaysia, Singapore, and Vietnam (particularly for technology). North Asian economies, namely Korea and Taiwan, which are more linked to the tech export cycle, should benefit more in 2024.

In India, a stabilising consumer, together with stronger capex, should see India remain one of the fastest growing economies in 2024. Inflation continues to moderate, easing to 5.1% in January from 5.7%. SG also continues to expect the first rate cut in India at the June meeting after the new government is formed, further supporting the consumer. India's national election will be held during Q2, with the Modi Government widely expected to remain in power. According to SG, "a politically confident government unfolded a rather prudent budget with an eye toward fiscal consolidation, and rightly so".

For Latin America, growth is expected to slow in 2024, particularly into mid-year. For Brazil, UBS sees the pace of growth halving from around 3.0% to 1.4%. However, monthly data has improved through November and December, led by industrial output and services. This points to slightly positive growth in Q1 2024, before a stronger recovery through H2 2024, aided by further rate cuts during the year.

After an expected 4.5% in 2023, UBS expects a moderate slowing to 4.0% in 2024 (as does SG) before a pick-up to 4.3% in 2025.

India GDP growth and inflation



Source: Bloomberg as of 29 February 2024.

Asset class outlook

Short maturity and government bonds

Position: Underweight short maturity, overweight government bonds

Key points

- We recommend maintaining a diversified portfolio of fixed and floating rate bonds. The three-month Bank Bill Swap Rate (BBSW) is 35 basis points (bps) above the swap rate. With floating rate notes pricing off the BBSW, this makes them look more attractive than fixed rate bonds, and should attract interest from investors.
- As central banks provide a clearer outlook on rates, we expect the government bond curve to steepen.

Short maturity—Markets will likely remain very focused on inflation and economic data in 2024 to determine when rate cuts will start. Decade-high interest rates have helped slow inflation, while stronger-than-expected economic data, particularly employment, points to a relatively soft landing. This has created some uncertainty about when the easing cycle will start. The timing and level of easing in 2024 depends on progressive data prints. The higher January non-farm payroll and less dovish tones from the Fed have removed the momentum of the bond market over the past two months and reduced the likelihood of an early rate cut in May. Continued economic resilience, sticky services inflation, and job data will likely keep volatility elevated in the near term.

While our tactical asset allocation to short-term maturity is underweight, we recommend adding fixed-rate bonds to complement existing floating rate positions. Global central banks are likely to start easing from mid to late 2024, so we are recommending adding fixed-rate exposure now. We see value in the five to seven-year part of the curve, as well as the longer end, depending on the portfolio's maturity profile.

Government bonds—Global rates rallied significantly at the end of 2023 as inflation prints came in lower and more rapidly than expected. Dovish statements from Powell post the November Fed meeting added fuel to the positive momentum. Post the November Fed meeting, the 10-year US Treasury rallied 120bps to 3.80% at the end of December. However, it is now back around 4.25%. Markets are pricing an aggressive easing path for the Fed this year, with around 160bps of cuts. However, the latest CPI print, labour data, and Fed speak have cooled rate cut hopes. It is possible the bond market may have over-extended the rally and may be over-bought. The degree of further improvement in inflation will subsequently dictate the timing and scale of cuts in 2024 and beyond.

We see clear signs that inflationary pressures are cooling and we expect economic growth to moderate in coming quarters, with a relatively soft-landing making a recession unlikely. We believe government bond yields at the front end of the curve will be lower over the next six to 12 months. This is in line with central banks easing at a moderate pace. We remain overweight on an outright yield basis, expecting less capital upside at the longer end as the curve steepens. We remain overweight, but volatility is likely to persist until such time that central banks have a clear bias to ease.

Investment grade and high yield credit

Position: Overweight investment grade, overweight high yield credit

Key points

- We prefer investment grade bonds as inflation cools and downside risks to growth moderate.
- High yield credit quality has improved and demand for outright yields has risen, driving spreads lower.

Investment grade credit—Investment grade credit spreads are now fully priced for a soft landing, with limited upside from here. Despite the volatility in bond markets, investors have continued to be attracted to the outright yields, driving spreads lower. Conditions for issuers have been positive due to tighter spreads. This has led to a record amount of issuance in the US and Europe so far this year (USD 300 billion in the US and EUR 400 billion in Europe). Corporate credit spreads are at historically low levels, but fundamental economic data remains robust. This implies that the economy is likely to experience a soft landing, and spreads should remain tight. As global central banks start to ease later in the year, spreads are likely to widen. However, we expect that the total return will remain positive as bond yields fall. An exposure to high-quality bonds should provide a degree of protection to portfolios if the economy slows, as credit spread widening is usually offset by falling government bond yields.

Domestically, issuance has also been high and dominated by financials. Attention has been centred around the Macquarie Bank 10NC5 subordinated tier 2. This was issued 20 bps tighter than initial price talk at asset swap +195bps and attracted nearly AUD 5 billion of demand. During the first two months of the year, domestic banks have issued more than AUD 30 billion of debt across the US dollar and Australian dollar markets.

High yield credit—Despite global economic risks, high-yield investments continue to attract long-term investors due to the potential for total returns. The end of the rate-hiking cycle, coupled with robust consumer spending and labour market strength, have tightened credit spreads. While there are concerns about the sustainability of high-yield spreads at current levels, there is a common belief that the US economy will experience a soft landing. Corporate earnings improved in late 2023. Additionally, irrespective of the sector's sensitivity to interest rates, leverage, and cyclical, the credit quality of the high-yield market has improved, with the average rating for high-yield US issuers now BB. Encouragingly, many high-yield issuers have strengthened their financial positions, maintaining low leverage and manageable interest coverage. With limited near-term maturities and a higher credit quality profile, default rates are expected to remain stable in the near to medium term. While volatility may persist, higher-rated bonds and loans are favoured, given their potentially attractive total returns. Although they have tightened recently, yields on BB-rated bonds and loans still appear compelling. The loan asset class stands out for its higher-than-average coupons, contributing to potentially above-average total returns.

Asset class outlook

Domestic equities

Position: Overweight

Key points

- Domestic equities were largely unchanged in February, rising 0.5%.
- The S&P/ASX 200 index traded to new all-time highs in early February and is now attempting to consolidate above the 7,650 level.
- There was a clear domestic cyclical bias to performance in February, with the consumer discretionary (+7.9%), financials (+2.4%), real estate (+3.2%) and industrials (+2.4%) sectors all trading higher.

The February 2024 reporting period has started well, with almost twice as many earnings beats versus misses at the time of writing. Overall, financial year 2024 earnings growth for the S&P/ASX 200 has slipped by just 0.6%. It is now forecast to decline 5.5% versus the previous financial year. Importantly, financial year 2025 earnings per share (EPS) estimates have been more resilient and seen modest increases.

Cost management was the number one talking point this reporting season, with most companies still pointing to the elevated and sticky costs they face. That said, the peak rate of upward momentum in cost growth may be over, with one third of reporting companies saying cost pressures have now passed peak intensity. As a result, profit margins have been very resilient. Combined with a fully employed economy (i.e., an ability to pass through cost increases to customers), and significant infrastructure spend from governments, most businesses have been able to (at worst) protect margins (20% of companies). 56% of companies that have reported have increased margins.

Domestic cyclical (net beat 24%) have delivered the best results, with positive surprise across sales, margins, and dividends. In the main, domestic cyclical are the reason why this results season has been better than expected. Growth stocks (net beat 16%) are also having a strong season, driven mainly by stronger sales. By contrast, the resources sector has weighed on the S&P/ASX 200, with close to half of companies reporting missing on margins. Although analysts are downgrading financial year 2024 EPS, the average stock reaction on the day of results has not been negative. This suggests that weaker results were already largely priced in.

With the rebasing in financial year 2024 EPS estimates, the financial year 2025 rebound in EPS is now expected to be over 6%. With an almost 4% dividend yield and valuations at around average levels, there is scope for reasonable forward-looking returns from domestic equities in financial year 2025.

The S&P/ASX 200 dividend yield has fallen to 3.8%, approximately one standard deviation below its 10-year average. It is also in the bottom 10% of observations over the past decade. For yield-focussed investors, this means that earnings growth will need to be a greater focus than it has been previously.

International equities

Position: Underweight Europe. Neutral the US, UK and emerging markets

Key points

- The MSCI World ex-Australia index returned 5.4% in Australian dollar terms in February.
- Consumer discretionary stocks were the month's biggest gainers, rising 8.3%. Tech stocks continued their strong performance.
- NVIDIA garnered the most single-stock attention for many years. Its Q4 2023 result spurred the largest single-day addition of market cap in history (USD 276 billion).

The outperformance of US stocks versus global peers reflects the relatively greater weight of tech in the US index. The US economy's relative resilience is also likely a contributing factor. Consumer sentiment is improving, the labour market remains tight, and consumption is robust. Moreover, the US is relatively less exposed to headwinds facing other major economies. These include those stemming from deflationary pressures in the Chinese economy. Indeed, US firms continue to experience more rapid sales growth.

However, this continued outperformance of US stocks has pushed them further into expensive territory versus their global counterparts. These rich valuations will likely hinder US stocks from continuing to outperform. However, the US index's relatively more defensive tilt should protect it on a relative basis in the event of an economic downturn. Thus, the end of US outperformance is unlikely to occur until after the start of the next recession.

Market leadership is becoming increasingly unhealthy with a further increase in stock concentration this year. While the weight of the top 50 stocks within the S&P 500 remains roughly unchanged, the largest 10 stocks have continued to increase their share and now represent 33.1% of the index. The next 40 largest stocks have fallen to 35.8%, as has the broader index.

Year-to-date, the market cap-weighted S&P 500 has outperformed its equal-weighted version by approximately 4%. Throughout 2023, it outperformed by 13%. This extreme concentration (a 50 to 60-year high, comparable to Nifty-Fifties) will likely be problematic for active investors. In particular, it presents a high hurdle for active managers to outperform market-cap weighted benchmarks, given the narrow opportunity set of winners tilted towards mega-cap companies.

European equities have largely kept pace with global equities over the past three months. Japan has been the stand-out, rising to record highs and up almost 30% in just the past four months. Emerging markets continue to be a laggard, dragged down by China's continued underperformance. However, there are tentative signs that China's equity market performance is being noticed, politically, with the CSI300 index up 7% in February.

Asset class outlook

Currencies

Key points

- The US dollar generally strengthened in February as ongoing US economic robustness saw markets relinquish hopes of an aggressive Fed easing cycle.
- The Australian dollar gave up some of its gains over the month, stabilising at just under USD 0.66.

Ongoing US economic robustness over the month saw bond markets progressively relinquish their hopes for an aggressive rate-cutting cycle from the Fed. From a peak of around seven cuts priced for 2024, current futures markets are expecting just over three cuts. This is in line with the Fed's 'dot-plot' guidance. This re-pricing of the Fed's rate-cutting profile was the primary driver behind a rise in both bond yields and the US dollar in February. The US dollar strengthened by just under 1% in aggregate. For the year ahead, political risks around the US election and the ongoing evolution of inflation are likely to be key drivers for the US dollar. Structural factors, including a deteriorating US budget deficit and increasing geo-political multi-polarity, point to downside pressures longer term, but these are unlikely to be in markets' minds for some time.

The Australian dollar gave up some of its gains over the month, and is trading just under USD 0.66, with a moderating local macro backdrop weighing on the currency relative to ongoing US economic strength. Current levels remain in line with or at the low end of longer-term fair value estimates, and the stubbornness of inflation could provide some support, despite a challenging macro outlook. At these levels, we would recommend gradually rebalancing toward the top end of strategic hedge ratios. A significant Chinese stimulus programme is a key upside risk for the Australian dollar. Our external partners are forecasting moderate upside risks to the currency for the year ahead, to the low USD 0.70s.

The euro generally weakened in February, with moribund macro conditions—the region barely avoided a technical recession. This prompted market speculation that the ECB may need to commence an easing cycle before the Fed. We continue to expect the Eurozone to face macro risks going forward, which are likely to weigh on the currency. However, like Australia, the region may benefit from a significant Chinese stimulus programme.

The Japanese yen depreciated against most major currencies over the month, as the latest national accounts data indicated a technical recession (two quarters of negative GDP growth). This reduced market expectations for rate hikes from the BoJ. There is potential upside support for the Japanese yen as a downside risk hedge, and Japan's internal inflation and macro dynamics remain tilted towards policy normalisation to begin within the next 12 to 18 months.

Commodities

Key points

- Global commodities fell further over February, weighed down by a rising US dollar and Chinese economic concerns. Gold is trading around USD 2,000 per ounce.
- Iron ore prices are around 11% lower and trading at USD 116 per tonne.

Slowing global demand and concerns over the Chinese economy continued to weigh on the global commodity complex in February. While WTI crude oil prices broadly stabilised around USD 78 per barrel (supported by ongoing Middle East tensions), a mild winter and European macro malaise saw falling demand drive natural gas prices to their lowest levels since May 2021.

Gold prices fell modestly to around USD 2,040 per ounce as markets pared back rate cut bets and the US dollar strengthened.

Industrial metals prices generally declined, with a stronger US dollar and softer Chinese economic activity weighing on copper, aluminium, and iron ore prices.

The evolution of the Chinese economy will continue to play a key role in the near-term outlook for commodities. We expect that authorities will continue to emphasise targeted and limited stimulus packages to support, but not ignite, China's growth pulse. This approach reflects China's multi-year efforts to rebalance its economy towards more sustainable consumer- and services-led growth, while addressing structural issues in its property market and debt dynamics.

Recent data suggests that the Chinese economy continues to face significant cyclical and structural challenges, which present fundamental headwinds to commodity prices. The key upside risk for commodities is that economic stresses threaten social stability and force authorities to pursue more aggressive stimulus. This could support a cyclical rebound in commodity prices in the absence of a broader global slowdown. This backdrop is likely to lead to ongoing elevated volatility in commodity prices.

Looking beyond the cyclical horizon, longer-term themes, including climate change and geo-politics, are likely to support the commodity complex on a secular basis. It is difficult to determine how these competing cyclical and secular forces might evolve over the year ahead, and we are particularly cognisant of the risk that a cyclical downturn could outweigh the secular tailwinds in the near term.

Asset allocation views

Strategic asset allocation views

Why do we believe in strategic asset allocation?

We believe that the central component of successful long-term performance is a well-constructed strategic asset allocation. Empirical evidence suggests that a disciplined strategic asset allocation (SAA) is responsible for around 80% of overall investment performance over the long term¹. Diversification plays a critical role within SAA. By diversifying your portfolio among assets that have dissimilar return behaviour, lower overall portfolio risk can be achieved, and your portfolio can be better insulated during major market downswings.

Why do we advocate SAAs to our clients?

We believe that SAAs encourage a disciplined approach to investment decision-making and help to remove emotion from these decisions. A thoughtfully designed SAA provides a long-term policy anchor for clients. Over the long term, we believe clients are best served by identifying the risk they can bear, then adjusting their return expectations accordingly. Return expectations may be anchored unrealistically. However, risk tolerance tends to remain more consistent throughout the cycle.

Why strategic asset allocation?

Strategic asset allocation is an important part of portfolio construction as it structures your portfolio at the asset class level to match your specific objectives and risk tolerance.

Furthermore, history has shown that a disciplined strategic asset allocation is responsible for around 80% of overall investment performance over the long term.

Strategic asset allocations in models

	Yield (%)	Balanced (%)	Growth (%)	Endowment (%)
Cash	3	3	3	3
Fixed income	53	35	17	14
Short maturity	8	6	3	3
Government bonds	32	15	7	5
Investment grade credit	11	11	4	4
High yield credit	2	3	3	2
Equities	24	42	60	38
Domestic	12	19	28	11
United States	6	11	16	13
Europe (ex-UK)	3	4	5	4
United Kingdom	2	3	4	3
Emerging markets	1	5	7	7
Alternatives	20	20	20	45
Hedge funds	6	6	5	14
Private markets	7	7	9	17
Real assets	7	7	6	14

Source: LGT Crestone Wealth Management. Investment grade credit includes Australian listed hybrid securities.

¹ Ibbotson, Roger G., and Paul D. Kaplan. 2000. *Does Asset Allocation Policy Explain 40, 90, or 100 Percent of Performance?* Financial Analysts Journal, vol. 56, no. 1 (January/February).

Active portfolio weights and tactical asset allocation views

Our current tactical asset allocation views

We expect that growth and inflation will continue to slow in most developed economies this year, and we remain strongly convicted that cash rates have peaked this cycle. Central banks have signalled varying intentions to ease policy gradually over 2024, with risks to the outlook broadly balanced.

In Australia, inflation is moderating in line with peers, while there are some signs that tight policy is weighing on consumer activity. The US economy remains resilient amid growing excitement around the potential of generative AI. We retain the view that if there is a recession it is likely to be relatively shallow, and the near term looks supportive for a 'softer' economic landing. Overall, we continue to believe that fixed income will perform well relative to equities under several scenarios in the short term.

Cash

Our underweight cash position remains at -2, reflecting our view that rates have likely peaked, favouring fixed income over cash.

Fixed income

At an asset class level, fixed income remains our highest conviction position at +2. At a sub-asset class level, we are positioned in favour of investment grade and high yield credit. This positioning takes advantage of still attractive all-in yields and reflects a slight risk-on bias. If markets experience volatility, we expect fixed income (particularly government bonds and investment grade credit) to prove relatively defensive—particularly if the growth outlook deteriorates.

Why tactical asset allocation?

Tactical asset allocations have a six- to 12-month investment horizon and are reviewed monthly. They can be considered an interim strategy where the aim is to provide a smoother investment journey without altering the end goal.

Alternatives

We favour infrastructure, private debt, and low-beta hedge fund exposures, while maintaining private equity exposures. We are taking a cautious approach to real estate globally.

Equities

We are neutral equities overall, reflecting the ongoing resilience of the US economy and corporate earnings. We are overweight domestic equities due to attractive relative valuations and potential tailwinds from economic outperformance. We are underweight Europe due to its weaker macro and earnings outlook.

Active portfolio weights and active tactical asset allocation tilts

	Active tilt	Yield (%)	Balanced (%)	Growth (%)	Endowment (%)
Cash	-2	1	1	1	1
Fixed income	2	55	37	19	16
Short maturity	-2	6	4	1	1
Government bonds	1	33	16	8	6
Investment grade credit	2	13	13	6	6
High yield credit	1	3	4	4	3
Equities	0	24	42	60	38
Domestic	1	13	20	29	12
United States	0	6	11	16	13
Europe (ex-UK)	-1	2	3	4	3
United Kingdom	0	2	3	4	3
Emerging markets	0	1	5	7	7
Alternatives	—	20	20	20	45



Decreased weight this month



Increased weight this month

Source: LGT Crestone Wealth Management. Investment grade credit includes Australian listed hybrid securities.

Our view on fixed income

Short maturity

We are underweight short maturity. We favour a more balanced position in duration-related bonds and credit securities, as aggressive monetary policies from central banks have sufficiently repriced bond yields for now. Our base case is that central banks will be required to ease monetary policy moderately from mid-2024. This will contribute to the positive total returns from adding duration with fixed rate relative to floating rate over time.

Government bonds

We are overweight government bonds. With expectations that central banks are at the end of their rate-hiking cycles, we are tactically overweight government bonds. However, we have continued to trim this overweight as yields have rallied. Markets are now pricing significant rate cuts through 2024. Yields should, nonetheless, continue to move moderately lower as rate cuts come through and inflation falls further.

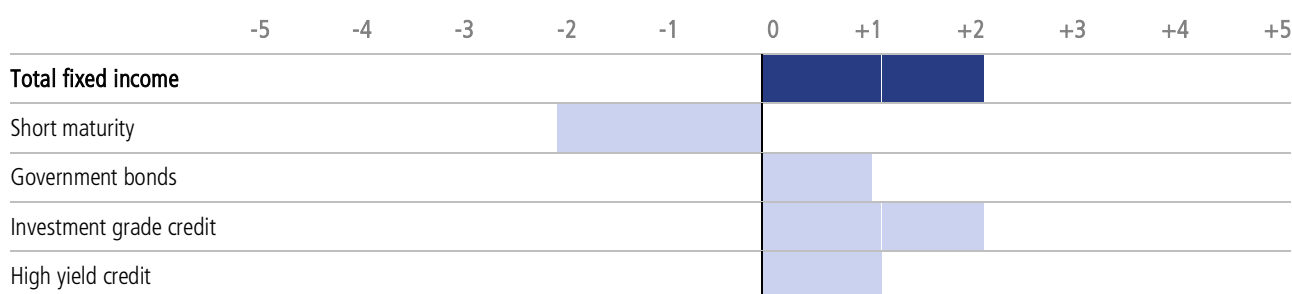
Investment grade credit

We are overweight investment grade credit. While all-in yields are at historically elevated levels, we believe investors should continue deploying into investment grade credit. Staying in high-quality bonds should protect portfolios in a growth slowdown, as credit spread widening is usually offset by falling government bond yields. Easing risks of an economic hard landing should also support returns through 2024.

High yield credit

We have moved overweight high yield credit. Although high yield credit spreads are near historically low levels, the credit quality of high-yield issuers has improved. The average rating of high-yield US issuers is now BB. Many issuers have strengthened their financial positions and are maintaining low leverage and manageable interest coverage. We believe that high interest rates make all-in yields attractive.

Active fixed income weights (%)—We are overweight fixed income



Fixed income market summary

Fixed income indices	Current	One month ago.
Australian iTraxx	64.27	68.49
Australian 3-year yield	3.69%	3.70%
Australian 10-year yield	4.13%	4.11%
Australian 3/10-year spread	43.0 bp	40.5 bp
Australian/US 10-year spread	-0.1 bp	7.8 bp
US 10-year Bond	4.28%	4.03%
German 10-year Bund	2.46%	2.27%
UK 10-year Gilt	4.19%	3.90%
Markit CDX North America Investment-Grade Index	53.1 bp	54.3 bp
Markit iTraxx Europe Main Index	55.61	58.3
Markit iTraxx Europe Crossover Index	308.02	318.1
SPX Volatility Index (VIX)	13.84	13.3

Source: LGT Crestone Wealth Management, Bloomberg as of 29 February 2024. Active fixed income weights sourced from LGT Crestone Wealth Management. Units refer to the percentage point deviation from strategic asset allocation.

Our view on equities

Domestic equities

We are overweight domestic equities. The S&P/ASX 200 is attempting to break above its recent trading range. Having structurally underperformed global equities for much of 2023, a more supportive backdrop for global equities could emerge in 2024. This would be driven by a clearer view on rate cuts, stage 3 tax cuts supporting consumption, and the prospect of investors turning less negative on China's economic prospects.

US equities

We are neutral US equities. Year-to-date, the market cap-weighted S&P 500 has exceeded its equal-weighted version by approximately 4%. In 2023, it outperformed by 13%. The valuation set-up favours investors looking beyond the largest cohort of stocks. At an aggregate level, the S&P 500 trades at more than 20x 1-year forward P/E. With the exception of the post-COVID era, this has been its peak valuation since 2002.

European (ex-UK) equities

We are underweight European (ex-UK) equities. European equities have moved higher over the past several months, despite a deteriorating earnings backdrop.

Investors are instead focusing on the prospect of earlier-than-anticipated rate cuts by the ECB to alleviate growth pressures, weaken the euro, and support a stabilisation in economic growth.

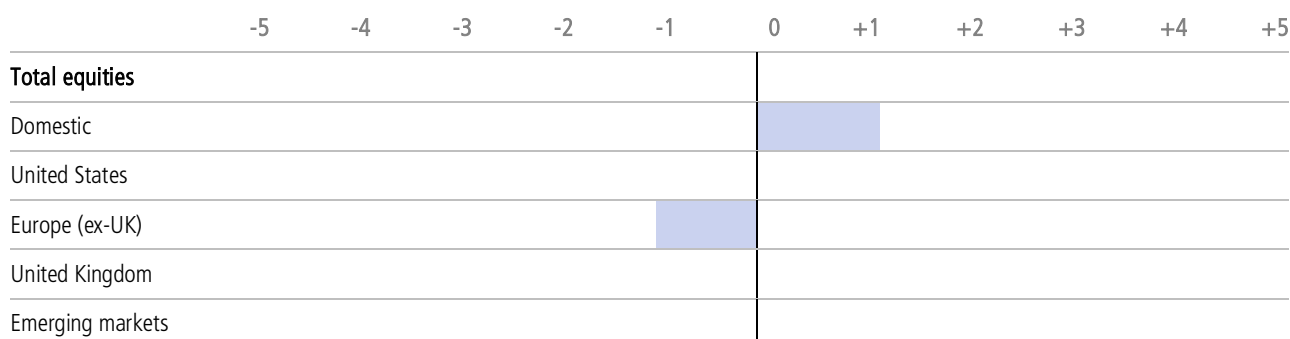
United Kingdom equities

We are neutral UK equities. In a European context, after outperforming strongly in 2022 (the only large developed market to rise that year), the UK lagged significantly in 2023. This has left the UK at close to record discounts to Europe, and the MSCI World ex-US. The UK is typically a low beta play, and last year equity indices were up strongly. If equity markets becomes more volatile, and challenge the 'Goldilocks' narrative, the UK is likely to revisit the relative outperformance it saw in 2022.

Emerging market equities

We are neutral emerging market equities. For the emerging market trade to work, several things need to happen—the relative growth delta of emerging market GDP needs to be higher than that of developed markets; the US dollar needs to weaken; the Fed rate-cutting cycle needs to begin; and China needs to reflate.

Active equity weights (%)—We are neutral equities



Equity market summary

Region	Index	Latest price	Consensus 1 yr		Next year P/E ¹	Next year D/Y ²
			Target	Upside		
Australia	S&P ASX 200	7,660.4	7,785.8	1.6%	16.6	3.9%
New Zealand	S&P NZ 50	11,763.3	12,433.9	5.7%	27.3	3.4%
United States	S&P 500	5,069.8	5,535.5	9.2%	18.7	1.5%
Europe	Euro Stoxx	499.1	555.1	11.2%	12.2	3.5%
United Kingdom	FTSE 100	7,625.0	8,980.8	17.8%	11.2	3.9%
China	CSI 300	2,957.9	3,457.6	16.9%	10.2	3.3%
Japan	Nikkei 225	39,208.0	40,351.3	2.9%	20.3	1.7%
India	Sensex	72,304.9	81,013.7	12.0%	20.8	1.4%

Source: Bloomberg. Data as of 29 February 2024; 1 P/E = Price to earnings ratio; 2 D/Y = Dividend yield. Active equity weights sourced from LGT Crestone Wealth Management. Units refer to the percentage point deviation from strategic asset allocation.

Our view on alternatives

Hedge funds

Higher rates and greater asset price dispersion should support the case for hedge funds. A decade of quantitative easing has suppressed volatility and dispersion across underlying industries and securities, which is now shifting. Combined with the higher interest rates regime, the opportunity set for hedge fund managers has improved materially. Across the hedge fund universe, we continue to favour idiosyncratic credit-orientated strategies, where outright yield increases further support the investment case and pockets of dislocation across both corporate and asset-backed sectors provide a ripe opportunity set for more flexible strategies with broader mandates.

Private markets

Private equity remains core, with venture secondaries looking particularly attractive. With entry valuations having re-adjusted meaningfully, we recommend maintaining exposures to private equity and venture capital and building positions where underweight. We maintain a preference for new primary and secondary fund commitment structures, with venture secondaries looking particularly attractive, given the ongoing market dislocations and heightened discounts relative to buy-out equivalents. However, investors should maintain discipline and partner with fund managers that have sufficient data and qualitative insights to source and assess high quality opportunities.

Private debt is our favoured alternative asset class. Higher base rates and increased spreads on private debt offshore mean that risk-adjusted returns look highly attractive relative to other asset classes. Lenders can attract senior deals with strong covenants and an equity cushion of more than 50-60% at unlevered double-digit yields. We prefer direct, sponsor-backed transactions versus broadly syndicated strategies, as loan terms can be negotiated directly, offering greater protection to the end investor. Investors can also further diversify through private, asset-backed securities, albeit we remain cautious on construction and land-focussed real estate lending. We anticipate significant product proliferation across global direct lending exposures in 2024. As such, we are taking a prudent approach to research, given existing offshore exposures typically have both significantly higher fees (management and performance) and leverage.

Real assets

Real estate is our least preferred alternative asset class, yet 2024 may present an attractive long-term entry point. There remains a meaningful dichotomy across different assets, sectors, geography and investment approaches. To that effect, we prefer high-grade assets, where there is some ability to add value through up-leasing, repositioning, or marking rents to market. Offshore industrial assets and multi-family accommodation are favoured alongside alternative sectors, such as self-storage, student accommodation, data infrastructure and manufactured housing. Valuer sentiment in Australia has finally shifted resulting in meaningful downgrades in valuations, but we anticipate that both local and global valuations may settle in 2024 and present an attractive long-term entry point for those that can look past the noise.

We favour growing infrastructure exposures in portfolios. Infrastructure can provide more defensively positioned core assets on long-term, typically inflation-linked contracts. This can provide both a defensive ballast and inflation protection, both of which are in high demand currently. We see attractive investment opportunities focussed on energy transition, but where scale investors are able to build on established platforms and be prudent on entry valuations.

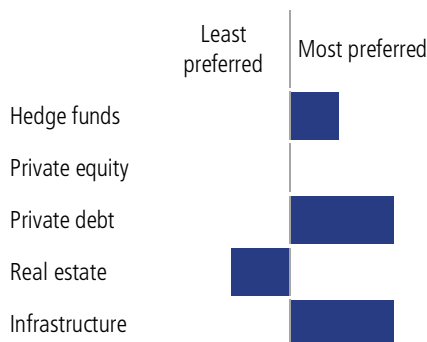
Our most preferred and least preferred exposures—We favour infrastructure, private debt, and low-beta hedge fund exposures while maintaining private equity exposures. We are taking a cautious approach to real estate globally.

What we like

- Credit-oriented strategies including corporate and asset-backed sectors.
- Senior private debt (strategies excluding real estate).
- Core and core-plus infrastructure assets with inflation linkages.
- Private market and real assets exposed to the global energy transition.

What we don't like

- Long-bias equity hedge fund strategies.
- Lower grade and/or buy-and-hold real estate assets (particularly office).
- Construction and/or junior lending within real estate.
- Carbon-intensive assets and industries with no transition plan.



Direct equity

Recommendations: Domestic equities—Best sector ideas

Objective of this list

The objective is to identify the best business models or best in breed by GIC's Industry Group for longer-term investors. While we also overlay valuation, companies are included based on anticipated three to five-year performance. When analysing companies to add to the list, some metrics we consider are:

- **Profitability measures**—Return on net operating assets, return on invested capital, free cashflow and return on equity.
- **Liquidity and leverage**—Net debt to equity, Altman Z-score, net debt to earnings before interest, tax, depreciation, and amortisation (EBITDA).
- **Efficiency**—Capital expenditure to sales.
- **Valuation**—Price/earnings ratio, price/book ratio, enterprise value to sales and EBITDA, private equity screens.

Code	Company	Sector	Market price	Consensus Target Price	P/E 1yr fwd (x)	Dividend yield	ROIC	ROE	1yr EPS growth	MSCI ESG rating
REA	REA Group Ltd	Comm. Serv.	\$183.98	\$167.09	52.5	1.1%	34.9%	29%	19%	AA
ALL	Aristocrat Leisure Ltd	Cons. Disc.	\$44.21	\$47.15	20.5	1.7%	22.8%	20%	9%	AA
TLC	Lottery Corp Ltd	Cons. Disc.	\$5.02	\$5.32	30.1	3.3%	21.7%	132%	10%	AA
MTS	Metcash Ltd	Cons. Staples	\$3.63	\$3.87	12.8	5.7%	19.6%	25%	0%	AAA
ALD	Ampol Ltd	Energy	\$36.31	\$37.53	11.5	7.1%	17.0%	20%	-7%	AA
MQG	Macquarie Group Ltd	Financials	\$189.81	\$185.68	19.8	3.4%	na	11%	20%	AA
IAG	Insurance Aust. Group	Financials	\$6.04	\$6.17	16.9	4.3%	na	13%	13%	AA
RMD	ResMed Inc	Health Care	\$29.09	\$32.62	25.7	0.7%	23.9%	24%	11%	A
CSL	CSL Ltd	Health Care	\$300.04	\$319.71	32.6	0.9%	13.5%	17%	17%	AA
MND	Monadelphous Group	Industrials	\$13.81	\$14.72	21.1	4.1%	17.1%	14%	17%	AAA
BXB	Brambles Ltd	Industrials	\$14.59	\$15.52	18.1	2.0%	19.2%	24%	10%	AAA
ALU	Altium Ltd	Info. Tech.	\$49.22	\$48.30	51.3	1.1%	38.5%	26%	25%	AA
XRO	Xero Ltd	Info. Tech.	\$110.78	\$119.25	119.1	0.0%	9.8%	13%	61%	AA
IGO	IGO Ltd	Materials	\$7.59	\$9.33	9.2	3.5%	9.2%	17%	-43%	AA
JHX	James Hardie Industries	Materials	\$58.21	\$55.99	23.7	0.0%	52.9%	39%	9%	AA
GMG	Goodman Group	Real Estate	\$25.51	\$25.64	24.2	1.2%	10.1%	11%	10%	AA
APA	APA Group	Utilities	\$8.55	\$8.99	40.1	6.6%	7.0%	13%	11%	A

Source: Bloomberg Analyst consensus and MSCI Research. This list does not constitute research and is the output of material prepared by our research providers. To obtain a copy of the underlying research, please contact your investment adviser. Data as of 29 February 2024. ESG is environmental, social, and corporate governance.

Trade opportunities

Please note the following opportunities may not fully satisfy metrics for the above table.

Altium (ALU)—Sell. On 15 February Altium entered into a binding scheme of arrangement with Renesas, a Tokyo-based supplier of advanced semi-conductor solutions. Under the proposal, Altium shareholders will receive \$68.50 per share in cash, which is a 46% premium on Altium's three-month average price prior to the date of announcement.

Ampol (ALD)—Buy. ALD trades at a 20% discount to the S&P/ASX 200 on a 13x calendar year 2024 P/E, with a 5.5% dividend yield. The earnings mix is increasingly diversified due to the contribution of its convenience retail business, and there is a government sponsored floor on refining margins, which should command a higher P/E.

IGO Group (IGO)—Buy. IGO's 45% share price fall is its largest since COVID but is in line with its average drawdown since 2015. As the world's lowest cost producer of lithium with a large net cash position, IGO is well positioned.

Recommendations: Domestic equities—Sustainable income

Objective of this list

This objective is to generate 'sustainable income' over time. Historically, companies that grow their dividends consistently can offer superior long-term performance. While we also overlay valuation, companies are included based on anticipated three to five-year performance. When analysing companies to add to this list, some metrics we consider are:

- **Profitability measures**—Return on assets, cashflow, return on invested capital and return on equity.
- **Liquidity and leverage**—Net debt to equity.
- **Efficiency**—Change in revenue, EBITDA, and margins.
- **Management signalling**—Dividend growth and pay-out ratios.

Code	Company	Sector	Market price	Consensus Target Price	P/E 1yr fwd (x)	P/B 1yr fwd (x)	Franking	Div. yield	1yr DPS growth	MSCI ESG rating
IAG	Insurance Aust., Group	Financials	\$6.04	\$6.17	15.0	2.2	30%	4.3%	16.5%	AA
MQG	Macquarie Group Ltd	Financials	\$189.81	\$185.68	16.5	2.2	40%	3.4%	9.8%	AA
WBC	Westpac Banking Corp	Financials	\$24.12	\$22.09	13.2	1.3	100%	5.9%	0.4%	A
QBE	QBE Insurance Group Ltd	Financials	\$15.84	\$17.89	9.1	1.7	10%	2.9%	30.1%	AAA
COL	Coles Group Ltd	Cons. Staples	\$15.85	\$16.19	19.5	6.3	100%	4.0%	5.8%	AA
MTS	Metcash Ltd	Cons. Staples	\$3.63	\$3.87	12.7	3.2	100%	5.7%	0.0%	AAA
TLC	Lottery Corp Ltd	Cons. Disc.	\$5.02	\$5.32	27.3	32.4	100%	3.3%	9.1%	AA
TAH	Tabcorp Holdings Ltd	Cons. Disc.	\$0.80	\$1.04	15.4	0.8	100%	1.7%	121.4%	AA
TLS	Telstra Group Ltd	Com. Services	\$4.02	\$4.48	20.5	2.9	100%	4.5%	5.0%	AA
NEC	Nine Entertainment Co.	Com. Services	\$1.98	\$2.23	13.6	1.7	0%	4.8%	10.4%	AA
RMD	ResMed Inc	Health Care	\$29.09	\$32.62	23.1	5.7	100%	0.7%	10.2%	A
PME	Pro Medicus Ltd	Health Care	\$101.11	\$75.62	101.4	67.1	100%	0.4%	29.1%	BBB
REP	RAM Essential Services	Real Estate	\$0.69	\$0.88	14.4	1.4	0%	8.1%	-7.1%	--
SGP	Stockland	Real Estate	\$4.52	\$4.60	13.6	1.1	0%	5.6%	6.7%	AA
IRE	IRESS Ltd	Info. Tech	\$8.12	\$8.99	25.8	5.2	0%	1.1%	131.8%	AA
DBI	Dalrymple Bay Infra.	Industrials	\$2.79	\$2.70	15.1	1.2	39%	7.5%	5.8%	--
ALX	Atlas Arteria Ltd	Industrials	\$5.44	\$5.84	14.0	1.2	0%	7.4%	-2.0%	AA
APA	APA Group	Utilities	\$8.55	\$8.99	36.1	2.8	0%	6.6%	1.6%	AAA
ALD	Ampol Ltd	Energy	\$36.31	\$37.53	12.5	2.7	100%	7.1%	-17.3%	AA
BPT	Beach Energy Ltd	Energy	\$1.66	\$1.82	5.9	na	100%	2.8%	110.6%	AAA
BHP	BHP Group Ltd	Materials	\$47.16	\$48.66	11.6	3.5	100%	3.3%	-2.3%	A
AMC	Amcor PLC	Materials	\$14.53	\$14.91	13.0	na	0%	3.4%	2.5%	AA

Source: Bloomberg Analyst consensus and MSCI Research. This list does not constitute research and is the output of material prepared by our research providers. To obtain a copy of the underlying research, please contact your investment adviser. Data as of 29 February 2024. ESG is environmental, social, and corporate governance.

Trade opportunities

Please note the following opportunities may not fully satisfy metrics for the above table.

Tabcorp Holdings (TAH)—Buy. TAH recently won sole rights to operate retail betting in Victoria's TABs, pubs and clubs for the next 20 years. The stock has retraced 36% from its 2023 highs, and at 14x P/E the valuation looks appealing. There is scope for a re-rate, dividend growth, and for it to be a potential merger and acquisition target.

RAMS Essential Services Property (REP)—Buy. Having announced a \$22 million share buyback in November (4% of issued capital), management is actively executing on this program, and the buyback is 10% complete. With 90% of the buyback remaining and a dividend yield of 7-8%, the stock's total return characteristics for the remainder of 2024 are attractive.

APA Group (APA)—Buy. APA is trading close to nine-year lows, and with easing bond yields, valuation pressure has moderated. This makes its decade-low enterprise value/EBITDA of around 11.5x attractive—not to mention a 7% dividend yield for a company whose dividend per share has increased every year for 20 years.

Recommendations: International equities—Best sector ideas

Objective of this list

The objective is to provide a list of large-cap international companies across sectors with sustainable business models that generate compounding returns on investment and capital over the longer term. While we also overlay valuation, companies are included based on anticipated three to five-year performance. When analysing companies to add to the list, some metrics we consider are:

- **Profitability measures**—Return on net operating assets, return on invested capital, free cashflow and return on equity.
- **Liquidity and leverage**—Net debt to equity, Altman Z-score, net debt to EBITDA.
- **Efficiency**—Capital expenditure to sales.
- **Valuation**—Price/earnings ratio, price/book ratio, enterprise value to sales and EBITDA, private equity screens.

Code	Company	Sector	Base CCY	Market price	Consensus Price Tgt.	P/E 1yr fwd (x)	Yield (%)	Market cap (USD bn)	MSCI ESG rating
LSEG LN	LSEG	Financials	GBP	90.02	103.21	24.5	1.4	61,772	AA
LLOY LN	Lloyds Banking Group	Financials	GBP	0.43	0.57	6.2	7.2	34,670	AA
WFC US	Wells Fargo & Co	Financials	USD	51.19	55.42	9.6	3.1	184,228	BB
2318 HK	Ping An Insurance Group	Financials	HKD	33.00	63.07	3.9	7.8	92,375	A
939 HK	China Construction Bank	Financials	HKD	4.64	6.03	3.1	8.8	151,812	A
2330 TT	Taiwan Semi. Manuf.	Information Tech.	TWD	628.00	713.24	13.3	2.4	520,664	AAA
MA US	Mastercard Inc	Financials	USD	445.19	470.81	31.4	0.6	417,489	AA
ASML NA	ASML Holding NV	Information Tech.	EUR	801.30	832.82	28.5	1.1	346,442	AAA
GOOGL US	Alphabet Inc	Comm. Services	USD	151.46	160.00	18.3	0.0	1,905,470	BBB
UMG NA	Universal Music Group	Comm. Services	EUR	27.76	28.61	29.0	1.9	54,716	AA
DIS US	Walt Disney Co	Comm. Services	USD	96.94	104.59	18.5	0.8	177,431	A
9988 HK	Alibaba Group Holding	Consumer Disc.	HKD	69.70	110.76	7.5	0.5	181,420	BBB
NKE US	NIKE Inc	Consumer Disc.	USD	104.18	123.39	24.5	1.5	157,845	BBB
SBUX US	Starbucks Corp	Consumer Disc.	USD	94.08	110.40	19.7	2.6	106,517	A
ABNB US	Airbnb Inc	Consumer Disc.	USD	149.44	138.70	32.0	0.0	96,903	BB
RACE IM	Ferrari NV	Consumer Disc.	EUR	322.90	333.75	42.1	0.8	63,132	BB
BA US	Boeing Co/The	Industrials	USD	200.44	260.54	55.4	0.2	121,262	BBB
DSV DC	DSV A/S	Industrials	DKK	1236.00	1,435.68	21.4	0.6	39,289	AA
MSFT US	Microsoft Corp	Information Tech.	USD	408.59	436.28	31.3	0.8	3,036,002	AAA
JNJ US	Johnson & Johnson	Health Care	USD	158.77	175.65	14.4	3.2	382,204	AAA
NOVOB DC	Novo Nordisk A/S	Health Care	DKK	748.20	750.69	33.2	1.5	489,786	AAA
ISRG US	Intuitive Surgical Inc	Health Care	USD	377.29	391.57	52.4	0.0	132,833	A
EL US	Estee Lauder Cos Inc	Consumer Staples	USD	134.18	142.31	32.8	2.1	48,016	A
COST US	Costco Wholesale Corp	Consumer Staples	USD	700.74	678.45	40.8	0.6	310,938	A
288 HK	WH Group Ltd	Consumer Staples	HKD	4.60	6.19	6.3	0.8	7,550	BBB
SHW US	Sherwin-Williams Co	Materials	USD	307.63	319.59	24.2	1.0	78,743	A
SHEL LN	Shell PLC	Energy	GBP	24.74	30.31	7.7	0.1	203,846	AA
EQIX US	Equinix Inc	Real Estate	USD	841.58	852.86	73.5	2.0	79,010	AA
ORSTED DC	Orsted AS	Utilities	DKK	377.00	433.29	18.1	3.7	23,004	AAA
Average Yield:							2.0%		

Source: Bloomberg Analyst consensus and MSCI Research. This list does not constitute research and is the output of material prepared by our research providers. To obtain a copy of the underlying research, please contact your investment adviser. Data as of 29 February 2024. ESG is environmental, social, and corporate governance.

Recommendations: Thematic investing—Artificial intelligence

Objective of this list

Thematic investing is an approach which focuses on predicting long-term trends rather than specific companies or sectors. As it is also often associated with secular forces, this means it can provide investors with exposure to themes that are expected to grow at rates above economic growth over the longer term. Thematic investing is best suited to longer-term investors and those looking for opportunities beyond the comparatively smaller investment universe that exists in Australia. Some key themes that investors are exploring include:

- Climate change
- Cryptocurrency and blockchain
- Demographics
- Electric vehicles
- Healthcare and genomics
- Energy transition
- Artificial Intelligence
- Security and safety
- Supply chain disruption
- Sustainable investing

Artificial intelligence—Select exposures

Artificial intelligence is only in its nascent stages, but already we have seen signs of its potential to transform wide-ranging industries by driving innovation, efficiency, cost savings, and productivity.

Code	Company	Sector	Base CCY	Market price	Consensus Price Tgt.	P/E 1yr fwd (x)	Yield (%)	Market cap (USD bn)	MSCI ESG rating
NVDA US	NVIDIA Corp	Info. Tech	USD	776.63	879.18	25.27	0.00	167,973	BBB
MSFT US	Microsoft Corp	Info. Tech	USD	407.72	464.63	14.08	3.22	366,171	A
GOOGL US	Alphabet Inc	Comm. Services	USD	136.38	165.33	19.19	1.49	494,817	AA
2330 TT	Taiwan Semi. Manuf. Co.	Info. Tech	TWD	689.00	746.54	30.82	1.62	457,645	AAA
ASML NA	ASML Holding NV	Info. Tech	EUR	869.40	855.88	28.24	0.49	164,426	AA
GMG AU	Goodman Group	Real Estate	AUD	29.86	29.69	49.50	0.00	109,410	A
EQIX US	Equinix Inc	Real Estate	USD	891.87	901.24	93.10	0.00	16,129	A
LSEG LN	London Stock Exchange	Financials	GBp	8,912.00	10,105.31	24.60	1.15	83,718	AA
ISRG US	Intuitive Surgical Inc	Health Care	USD	386.59	402.81	19.70	0.89	23,583	A
PME AU	Pro Medicus Ltd	Health Care	AUD	102.70	91.01	42.67	1.64	11,775	AAA
SIE GY	Siemens AG	Industrials	EUR	179.86	192.20	89.15	0.55	6,142	na
AMD US	Advanced Micro Devices	Info. Tech	USD	176.54	193.58	21.11	0.82	37,272	AA
PANW US	Palo Alto Networks Inc	Info. Tech	USD	316.15	330.58	9.16	3.45	17,661	A
ACN US	Accenture PLC	Info. Tech	USD	378.03	373.50	11.89	3.16	256,266	A
AVGO US	Broadcom Inc	Info. Tech	USD	1,289.42	1,224.01	na	0.00	11,766	A
CRWD US	Crowdstrike Holdings Inc	Info. Tech	USD	320.94	324.08	na	0.00	5,488	na
6861 JP	Keyence Corp	Info. Tech	JPY	69,940.00	74,984.70	9.54	5.51	169,844	A
SNOW US	Snowflake Inc	Info. Tech	USD	230.00	229.52	11.74	4.21	220,804	A
ADSK US	Autodesk Inc	Info. Tech	USD	255.25	266.19	13.57	4.37	221,432	AA
CRM US	Salesforce Inc	Info. Tech	USD	299.77	307.09	15.32	0.03	197,500	AA

Source: Bloomberg Analyst consensus and MSCI Research. Data as of 29 February 2024. ESG is environmental, social, and corporate governance.

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