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Asset Allocator

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Investment Strategy

Asset allocation after the rebound rally

Global equity markets have rebounded sharply in 2019, retracing 4Q18's correction. The US Federal Reserve has driven the rebound, moving to an extended rate pause. Signs of a trough in China and, until this week, easing trade uncertainty have added to the rebound. Bonds have continued to rally, oil has rebounded sharply, and the Australian dollar has moved sideways. In this note, we update our Tactical-Dynamic Asset Allocation views.

International Equities: The rebound has lifted valuation, but metrics are still in attractive-to-neutral territory. The Fed's shift to a supportive policy stance is very positive. While earnings expectations have significantly moderated, earnings indicators appear more constructive. Investor sentiment is not bullish. We remain overweight international equities, biased to outside the US.

Australian Equities: Valuation has rebounded to above-average levels. Earnings indicators are deteriorating and well below average. Political risk is not discounted. That said, liquidity conditions remain supportive and the RBA has moved to a neutral stance. We remain underweight Australian equities.

Fixed Income: Bonds are expensive in absolute and relative terms. Supportive central banks and slower growth indicators are positives, but a US soft landing, rising wages or higher inflation are not discounted. The end of QT will moderate US bond supply. We remain underweight.

Property & Infrastructure: A-REITs are discounting very low cap rates, with the retail sector facing major challenges. Some infrastructure is feeling the slower economy. We are underweight and switch to a global infrastructure fund.

Currency: The AUD faces challenges from record negative rate spreads, deteriorating relative growth, Australia's high household and foreign debt and political risk. We recommend unhedged international exposures.

Investment implications: We switch part of our active global exposure from Templeton Global Growth Fund (TGG) to PM Capital Global Opportunities Fund (PGF), which is trading at a near record discount to NTA. We also switch Australian property and infrastructure exposure to the Magellan Infrastructure Fund (MICH), a global infrastructure fund with a strong track record.

Fig.1: Tactical-Dynamic Asset Allocation listed recommendations

Asset Class	Extreme Underweight	Underweight	Slight Underweight	Benchmark	Slight Overweight	Overweight	Extreme Overweight
Australian Equities							
Large Cap							
Small-Mid Cap							
International Equities							
United States							
Europe							
Japan							
Emerging Markets							
Property & Infrastructure							
AUS Property & Infrast.							
Fixed Income							
Australian Fixed Income							
Australian Credit & Hybrids							
Cash							
Cash							
Currency							
AUD							

Source: Baillieu. Notes: Dark blue squares = current recommendation; Grey squares = last quarter's recommendation; Green squares = neutral

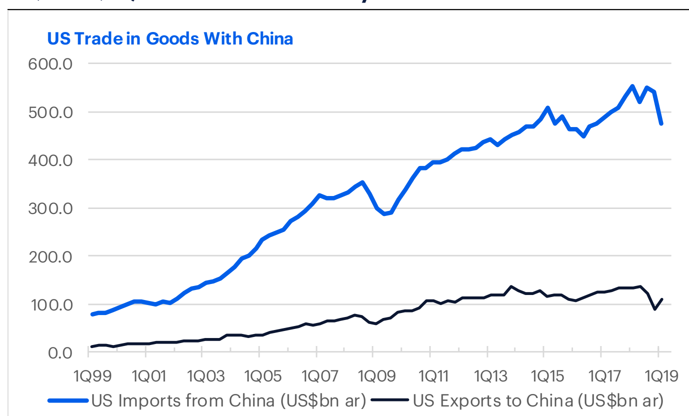
Asset allocation after the rebound rally

- Major equity markets have rebounded a strong 8-17% in 2019, recovering from the sharp sell-off in 4Q18. Despite the equity rebound, however, bonds have continued to rally, with major market bond yields declining 5-60bps. The key driver of markets has been the US Federal Reserve, which has backed away from rate rises and quantitative tightening, guiding to just one rate rise over the next three years. Other central banks have also softened their policy stances. Together with a better-than-expected US 1Q19 reporting season and, until this week, signs of progress in US-China trade negotiations, these factors have outweighed mixed, but mostly softer economic data. Brent crude oil has rebounded ~32% to around year ago levels. In this note, we update our views on the major asset classes.

Trade tensions resurface: Resolution offers upside

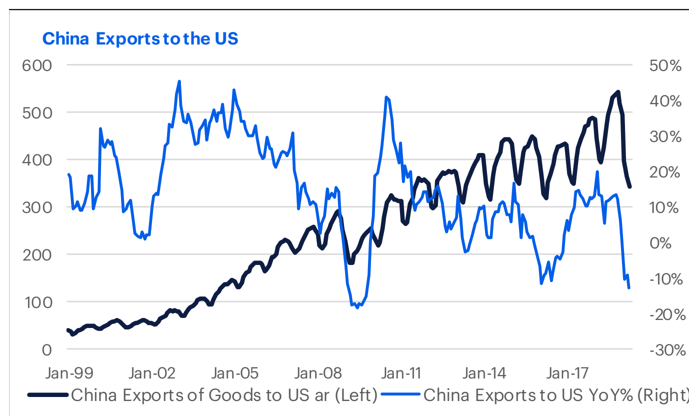
- US President Trump has again elevated US-China trade tensions with a threat to lift from 10% to 25% tariffs on US$200 billion of China exports. The US also currently imposes a 25% tariff on a further US$50 billion of China exports. US tariffs cover ~45% of China's exports to the US. By way of retaliation, China currently imposes tariffs on US$110 billion of US exports, or 61% of US exports to China (91% of goods exports).
- The trade war has already hit growth. US goods exports to China fell 25% YoY in 4Q18-1Q19 to the lowest level since 2010, equivalent to a 0.2% full-year hit to US growth (Figure 2). Given tariffs are already being imposed on most US exports, China has limited leverage to inflict further damage on the US.
- Exporters front-loading sales in 2018 meant China exports to the US were still up 2% YoY in 4Q18, but fell 14%Yoy in 1Q19 (see again Figure 2). China data suggests exports have 10% YoY in the year to April (Figure 3). Such a decline directly takes ~0.4% off China's full-year GDP.
- Looking ahead, if the US tariff rate jumps from 10% to 25%, the direct impact on China could rise to 0.6-0.9% of GDP. Together with lost employment and investment as production relocates, we estimate the full impact of a 25% tariff on ~US$250 billion of exports as 1-2% of GDP, something China should offset through both its current and some additional stimulus. In our view, the downside scenario is a substantial broadening of US tariffs from the current ~45% of exports, a risk we deem unlikely.
- On the other hand, if the Trump threat drives a trade resolution it should restart deferred capex. Moreover, a constructive deal involving a wind-back of tariffs would drive a rebound in, and possibly stimulate, exports.

Fig.2: The US perspective: Exports to China fell 25%YoY in 4Q18-1Q19, a hit of 0.2% to full-year GDP



Source: Datastream, Baillieu

Fig.3: The China perspective: Year-to-date exports to the US are down 10% YoY

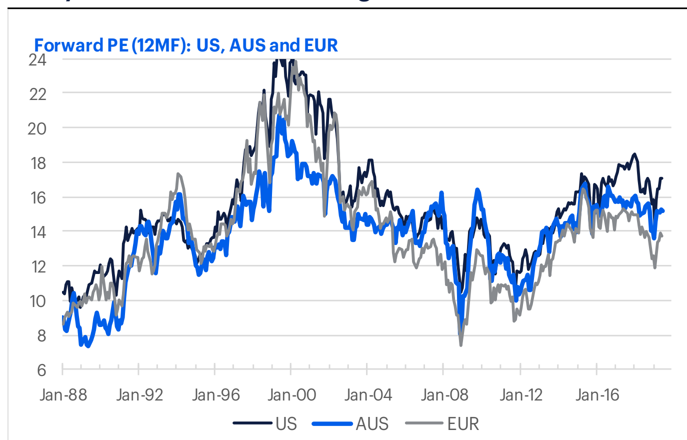


Source: Datastream, Baillieu

Equities: Overweight International; underweight Domestic

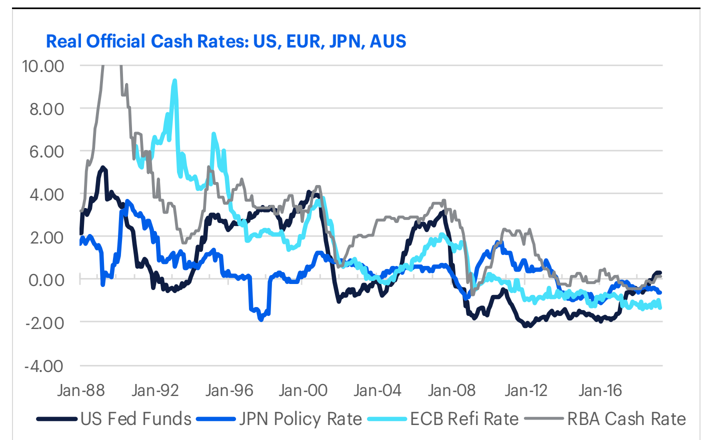
- **Valuation back to neutral to very attractive following rally:** The rally in global equity markets has also driven a rebound in equity valuations. The US at 17.0x is moderately above its long-term average 16x, while Europe on 13.5x and emerging markets (EMs) on 12.0x are still below-average, and Japan on 11.5x is far below average (Figure 4). Like the US, Australia at 15.5x is moderately above its long-term average 14.5x. Versus rates, short- or long-term, equities are far more attractive than average across all markets, but particularly in Japan, Europe and Australia. Dividend yields are attractive in absolute terms, but not so price-to-book value when compared to expected return on equity. In relative terms, the US and Australia are expensive versus Europe and Japan. Overall, composite valuation metrics range from about neutral in the US, to slightly attractive in Australia and EM, to very attractive in Europe and Japan.

Fig.4: Forward PE valuations have significantly rebounded – led by the US – to around average levels



Source: Datastream, Baillieu

Fig.5: Real short rates are flat-to-negative, still extremely accommodative



Source: Datastream, Baillieu

- **Liquidity conditions in major inflection point – US improving, while others remain positive:** The sharp inflection in central bank policy has driven a material improvement in liquidity conditions. Whilst the Fed's extended pause and end of quantitative tightening has been the most important driver, the European Central Bank's (ECB) extension of its unchanged rates guidance through year-end and the restart of its targeted longer-term refinancing operations (TLTRO) program, and dovish policy shifts by Canada, New Zealand and Australia, have helped. In China the People's Bank of China (PBOC) has continued to ease policy and is seeking to resolve the small and medium enterprise (SME) credit crunch. Looking ahead, official rates should be flat-to-lower and real rates should stay at a very accommodative minus 1%-0% range (Figure 5). A supportive Fed and a recovery in growth expectations should help the US yield curve to steepen. Rate spreads, already at multi-decade highs, should continue to favour markets outside the US.

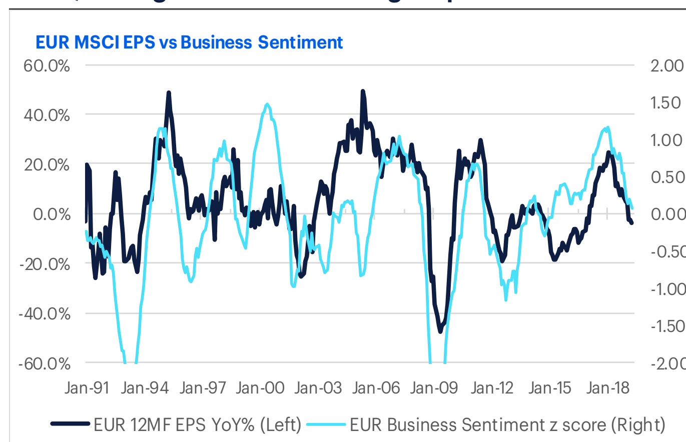
- **Earnings outlook: US and Japan positive; Europe and Australia soft; EM trough:** Earnings growth expectations have deteriorated in recent months on the back of softer business sentiment surveys and weaker oil prices. Whilst US ISM surveys have softened, they are still at average-or-better levels, and we expect a US soft landing driven by lower bond yields, the market's rebound and robust consumer and business fundamentals (Figure 6). The US 1Q19 reporting season was an unusually large 6.7% better-than-expected, driving a ~3% YoY earnings rise, despite lower oil prices and some weakness in the technology sector.

- In Japan, a softer but still robust Tankan survey should support a positive earnings outlook (Figure 8). China stimulus and resolution of the US-China trade tensions should help China, where the purchasing managers' index (PMI) may have troughed (Figure 9). We would expect this to help broader EM and Europe (Figure 9). Soft business confidence in Australia, reflecting the housing downturn and squeeze on consumers, should weaken its earnings outlook (Figure 11).

Fig.6: US earnings momentum has slowed along with the ISM surveys, though they remain at a high level

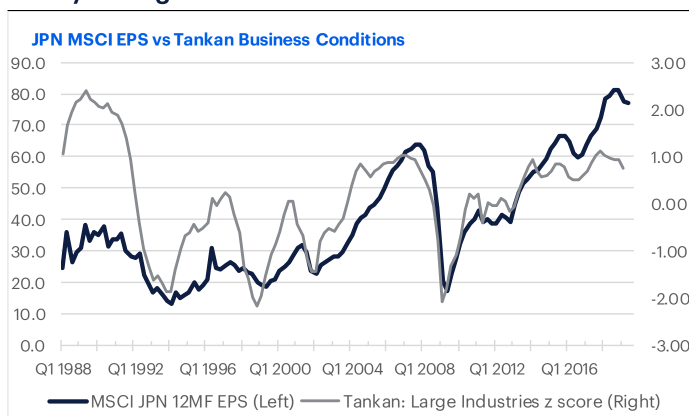
Source: Datastream, Baillieu

Fig.7: Europe business sentiment has softened to average levels, driving weakness in earnings expectations



Source: Datastream, Baillieu

Fig.8: Japan earnings momentum has slowed despite Tankan survey at a high level



Source: Datastream, Baillieu

Fig.9: EM earnings expectations are soft, but China's PMI may have troughed

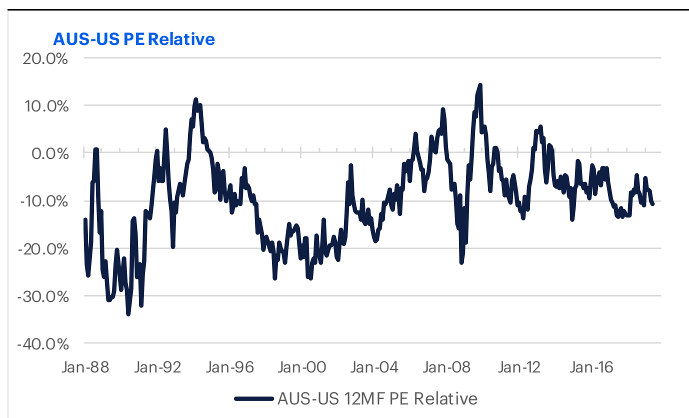
Source: Datastream, Baillieu

- **Consensus earnings growth momentum moderated sharply from Oct-18 to Jan-19**, reflecting softer economic data, lower oil prices and analyst caution. In the past three months it has been mixed. By market, trends include:
  - **US:** +1.5% over three months, -1.2% over six months, and +6.1% YoY. Forward earnings expectations have moderated to an unusually low 6.7% above trailing earnings, and if adjusted for the long-term average analyst bias of ~5.5% and a 2% contribution from buybacks, are effectively below zero.
  - **Europe:** -1.6%, -3.0% and -3.5% over 3-, 6- and 12-months respectively. This weakness is consistent with the significant slowdown seen in Europe (Figure 5), on the back of the China slowdown, Turkey's downturn, political uncertainty, oil price volatility and auto emission issues. Cycling some of these negatives and reduced uncertainty should be constructive for Europe.

- **Japan:** -3.0%, -5.7% and 1.6% over 3-, 6- and 12-months respectively, supported by a robust, though softer, Tankan survey (Figure 6). Japan is seeing improving internal performance and would benefit from a US-China trade resolution.
- **EM:** -1.1%, -5.0% and -8.8% over 3-, 6- and 12-months respectively, impacted by the China slowdown (Figure 7), and hits to EMs from earlier Fed tightening, including downturns in Turkey and Argentina. But, signs of a China trough and the Fed's extended pause should be supportive in 2019.
- **Australia:** 2.3%, +0.4% and 3.8% over 3-, 6- and 12-months respectively, driven by bulk commodity price upgrades and a lower AUD. We expect a further domestic slowdown, partially offset by support from a weaker AUD.

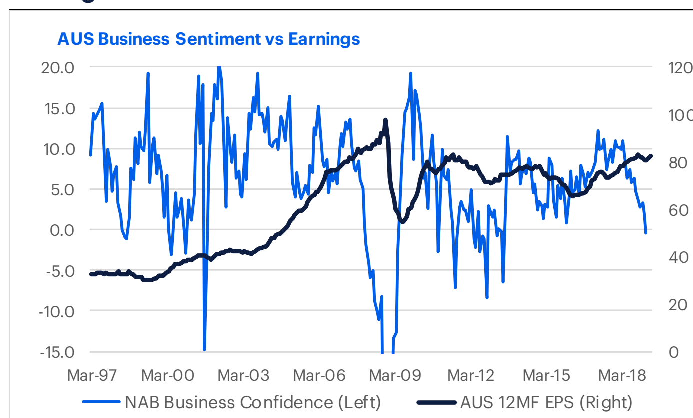
- **Supply-demand dynamics – US buybacks supportive:** In the US, whilst outflows from mutual funds and ETFs have totalled a net US$22 billion and US$133 billion over the past three and 12 months respectively, corporate share buybacks in 2018 for the S&P 500 rose by ~50% to a record US$806bn. Sentiment indicators have rebounded, but are still below average.
- **Overall outlook – overweight International:** With neutral-to-attractive valuations, very supportive liquidity conditions, and early signs of soft landings in the US and China, we see international equities as attractive. We remain overweight international equities, expecting high-single digit local currency total returns over the year ahead.
- Within international equities we prefer Japan given extreme valuation, supportive earnings indicators and ongoing liquidity support. Our positive views on EM and Europe, which lack the earnings positives of the US and Japan, should be supported by signs of a trough in China and the catalysts of reduced trade and political uncertainty. We are positive on the US, given Fed support and a soft landing, but see more upside elsewhere.
- **Overall outlook – underweight Australia:** Valuation in absolute terms, and relative to the US, is about neutral (Figure 10). Earnings momentum is likely to continue to deteriorate as the domestic slowdown becomes more apparent (Figure 11). While liquidity conditions remain supportive, the RBA seems reactive – as opposed to pre-emptive – to the housing and consumer slowdown. We are underweight Australian equities, expecting a retracement in the ASX 200 index to 5,850, implying a modestly negative total return.

Fig.10: ASX200 is around the average 10% discount to the US



Source: Datastream, Baillieu

Fig.11: Soft AUS business confidence points to a weak AUS earnings outlook

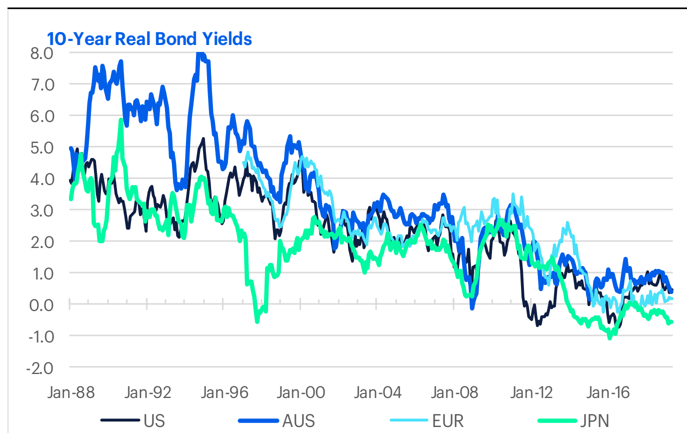


Source: Datastream, Baillieu

Fixed Income: Underweight

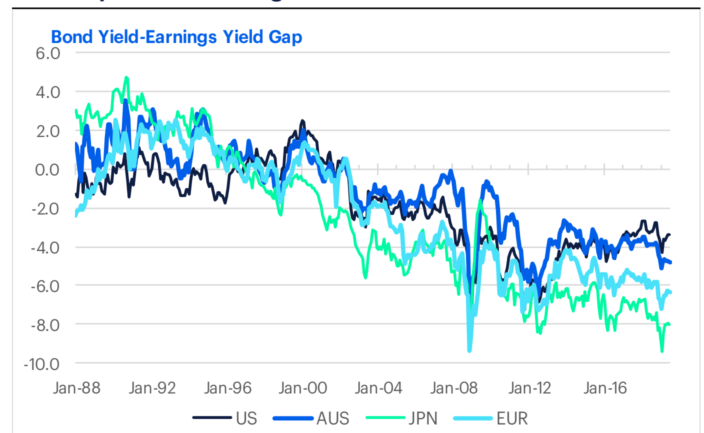
- Major bond markets have continued to rally in 2019, with yields declining 5-60bps! The declines in yields have been driven by dovish central bank policy moves, mixed growth indicators and lower-than-expected inflation, and have defied the strong rebound in equity markets. Looking ahead, we see five sources of upside risk in bond yields:
  - **Expensive absolute valuations:** Real bond yields are at multi-decade lows, ranging from -0.5 to 0.5% (Figure 12). The US real yield of 0.5% compares to the long-term average 2.0%, Europe 0.2% to 2.2%, Japan -0.5% to 1.5% and Australia 0.4% to 3.0%.
  - **Unattractive relative valuations:** Bonds are near extreme valuations relative to equities (Figure 13). European equities are around Eurozone debt crisis spreads, Japan around record lows, and Australia and US equities at spreads not seen outside the GFC and the Eurozone crisis.

Fig.12: Real bond yields in major bond markets remain very low at -0.5-0.5%



Source: Datastream, Baillieu

Fig.13: Relative valuation: Bonds are as expensive vs equities as at any time excluding the GFC and Eurozone crisis



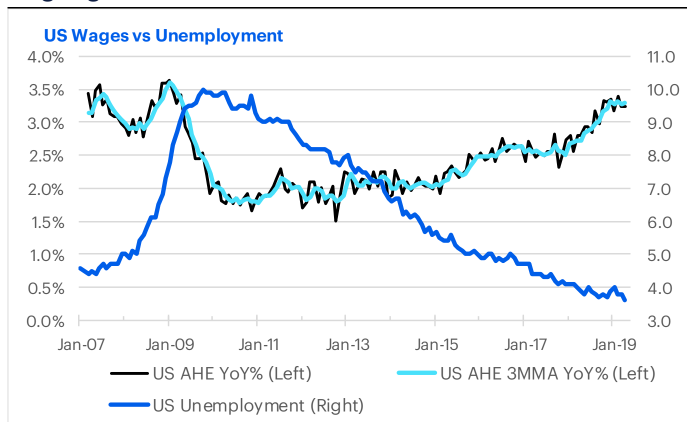
Source: Datastream, Baillieu

  - **Growth expectations near-trough levels:** Weaker PMIs have reduced growth expectations. Even so, PMIs in the US and Japan are still at-or-above average levels and may have troughed in China. In addition, the typical pre-conditions of downturns – tight policy, financial excess (ex-China) and/or commodity shocks – are not present. We expect the policy pause, bond rally, reduced trade uncertainty and more-moderate oil prices to support growth expectations in 2019, a negative for bond yields.
  - **Inflation outlook:** With the rebound in oil prices, the disinflationary impulse from this source should soon dissipate. Labour markets in the major economies are the tightest since at least pre-GFC, consistent with gradually rising labour costs and inflation. In the US, unemployment is at 50-year lows at 3.6%, which has driven a gradual recovery in wages growth to ~3% YoY, up modestly year-on-year (Figure 14). In Japan, unemployment is around 26-year lows at ~2.4%, though wages growth has recently moderated from 25-year highs to ~0.4% YoY. Even in Europe, unemployment is at a decade low 7.7% and wages have recovered to a near-average 2.3% YoY (Figure 14).
  - **US bond supply less of a headwind**: Despite rising US budget deficits, with the end to Fed quantitative tightening in Sep-19, US net bond supply should moderate, reducing the risks of 'crowding out'.
- In our view, this combination of five headwinds should see bond yields rise in the year ahead. The central bank policy support should slow but not avert this process. We see US bond yields rising back above 3%. Outside the US, with the outlook for easy policy extended and growth lagging well behind the US,

bond yields should rise much more slowly. We remain underweight fixed income, expecting a low positive return locally and flat-to-negative returns elsewhere.

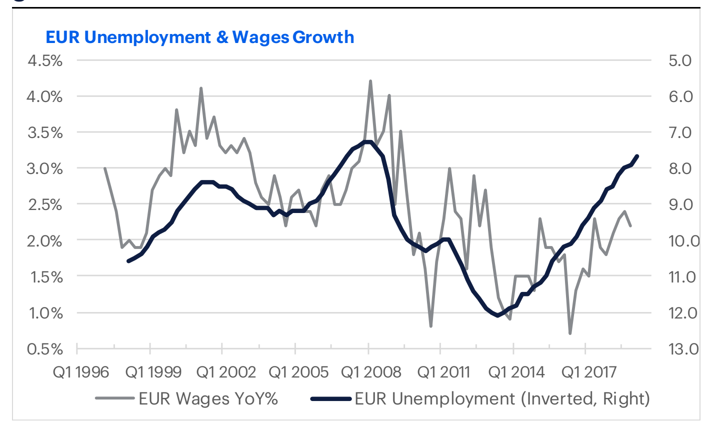
- Within fixed income we continue to prefer low duration, often floating rate securities that protect investors from interest rate risk.

Fig.14: US: 50-year low unemployment is gradually lifting wages growth



Source: Datastream, Baillieu

Fig.15: Europe: Falling unemployment helping lift wages growth

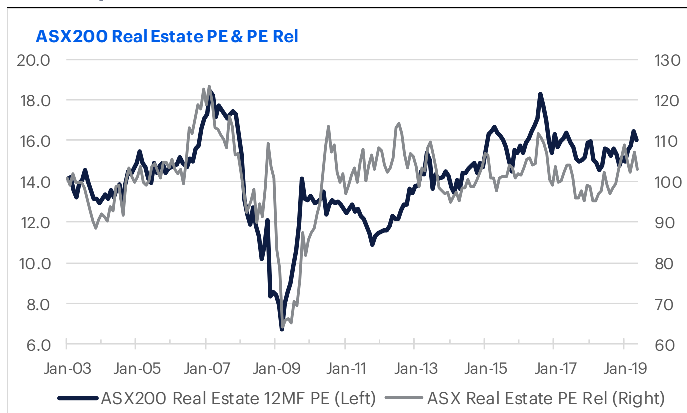


Source: Datastream, Baillieu

Property & Infrastructure: Underweight

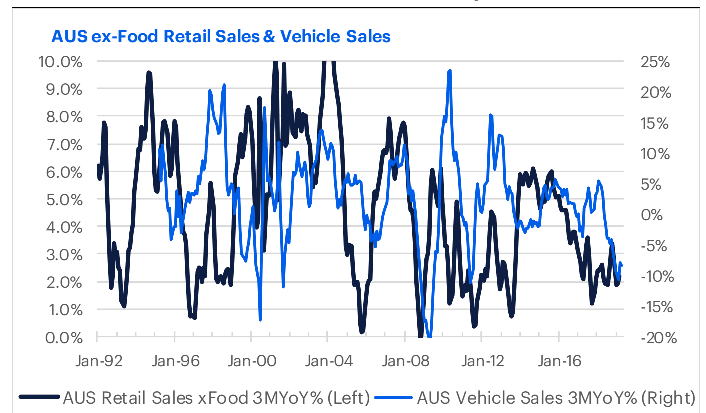
- Bond-sensitive equity securities have generally performed well in the context of rallying bonds and record low Australian bond yields. The A-REIT sector has also benefited from strong fundamentals in office and industrial sub-sectors, with sector valuation at above-average levels (Figure 16) and the cap rates underlying NTAs expensive (i.e. unusually low).
- The telecoms sector has benefited from TPG ending the rollout of a fourth mobile network. The utilities have underperformed, facing an increasingly challenging regulatory environment.
- A key sub-group within the A-REIT universe is retail. We remain concerned about this sub-sector for two key reasons:
  - **The household sector squeeze**: Household spending is being pressured by low wages growth, rising interest and debt burdens, tax bracket creep and a negative wealth effect from falling home prices. Vehicle sales are down 8.3% YoY and retail sales ex-food are up a sluggish 2.2% YoY (Figure 17).
  - **Intensifying online competition:** Amazon Prime, eBay Plus and traditional retailers are expanding their online offerings. Bricks and mortar retail sales are trailing total sales, driving retailers such as Big W to shrink their store count and space. An unusual volume of malls are up for sale.
- Infrastructure assets are somewhat exposed to the domestic slowdown and energy policy risks. Sydney Airport is seeing slowing traffic growth, with domestic traffic -2.0% YoY in 1Q19. Utilities are vulnerable to a more hostile regulatory regime, cutting permitted rates of return and tightening the treatment of capex.
- We see better opportunities in global infrastructure and switch our exposure into the Magellan Infrastructure Fund (MICH). Valuations appear more reasonable and this fund protects investors from competition, commodity and sovereign risks, all of which can undermine infrastructure returns.

Fig.16: A-REIT sector has re-rated to ~16.0x and a 3% PE relative premium



Source: Datastream, Baillieu

Fig.17: AUS consumer indicators are soft – vehicle sales down 8.3% YoY and ex-food retail sales up 2.2% YoY



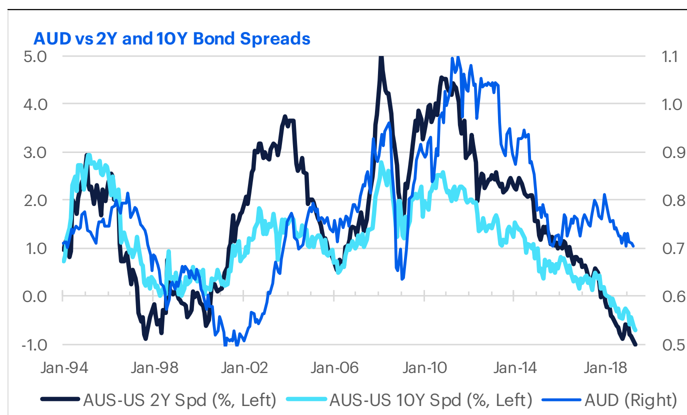
Source: Datastream, Baillieu

Currency: Underweight AUD

- The AUD is flat in 2019 following a 10% decline in 2018 (vs the US dollar). We see a resumption of downside for the AUD in 2019-20 given:
  - **US dollar strength**: US growth and interest rates should remain well above other major markets, reinforced by a US soft landing, driving a strong USD. USD indices are currently up 6-7% YoY, a trend we expect to continue.
  - **Record low rate spreads**: The Australia-US cash spread, already a record low -88bps, should widen substantially on our call of 100bps of RBA rate cuts between mid-2019 and mid-2020. The 2-year and 10-year spreads at -102ps and -72bps, also at post-float (35 year) lows, should also continue to widen (Figure 18).
  - **Deteriorating relative growth and economic fundamentals**: Australian real GDP growth at 2.3% YoY has fallen below the US at 3.2% YoY. On our outlook the gap should widen significantly further. Australia faces challenges from the housing downturn, squeezed households, emerging growth headwinds, elevated political risks, a lack of pro-market reforms and poor productivity performance.
  - **Structurally lower rates than the US**: Reflecting Australia's unsustainable household debt ratio of 190%, versus 99% in the US, it will be challenging for neutral interest rates in Australia to exceed US levels of ~3%.
  - **Australia's high net foreign debt level at 57% of GDP**: The current account deficit at ~2% of GDP seems manageable. However, net foreign debt at a high 57% of GDP, with Australian rates at a record discount to the US amid a housing downturn, could prove a challenge for refinancing at current AUD levels which are at around a long-term average (ex-the resources boom).
  - **China growth moderation**: Australia's bulk commodity export prices have rallied despite China's weakest growth in 28 years (Figure 19)! China faces significant medium-term challenges, including negative demographics, high debt levels, advanced urbanisation and US superpower tensions, but has strong external surpluses, low foreign debt, low inflation and the policy capacity to contain downside risks. Personal and SME tax cuts and targeted credit for SMEs seems to be the policy focus rather than another property-infrastructure boom which would favour Australian commodity exports.

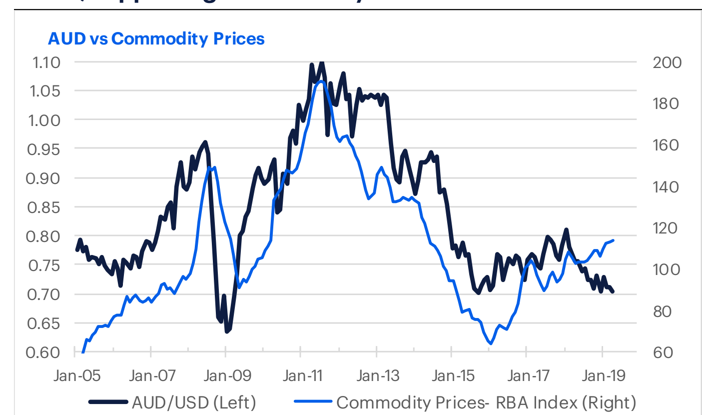
- We expect the AUD to fall ~10% to the low-to-mid-60s over the next year, and further beyond that. A deeper-than-expected housing and household spending downturn would augur further downside. Aggressive rate cuts would push the currency lower as well. AUD upside probably requires US weakness, aggressive Australian fiscal stimulus, bulk-intensive China stimulus and a limited housing downturn.

Fig.18: AUS-US rate spreads are at record negative levels



Source: Datastream, Baillieu

Fig.19: AUS commodity prices have rallied despite a slower China, supporting the currency

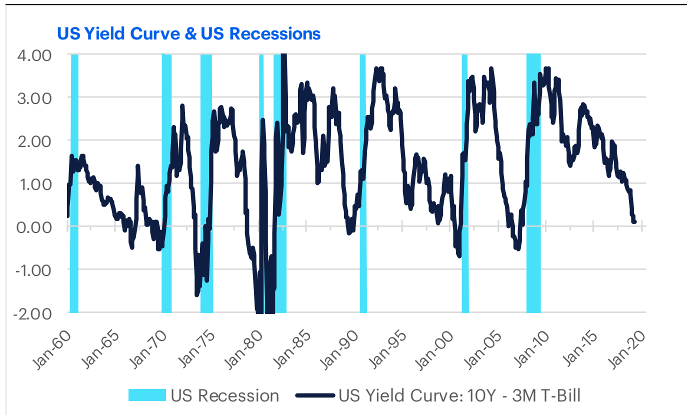


Source: Datastream, Baillieu

Tactical Asset Allocation signals

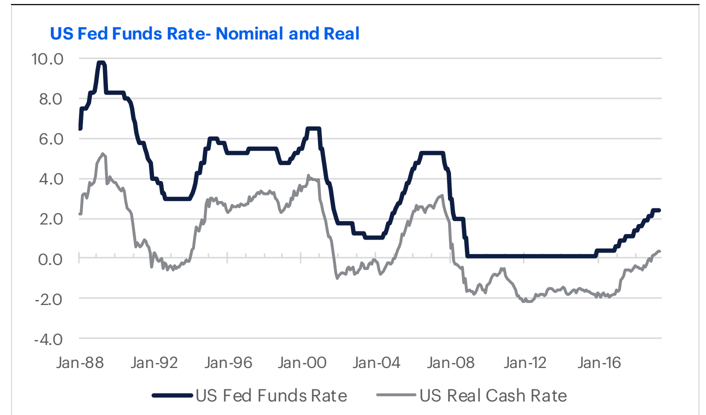
- We regularly track eight key Tactical Asset Allocation signals. Updating the signals:
  - **#1: Relative valuation – equities very attractive versus both bonds and cash (Figure 13)**: The US bond-earnings yield gap remains much wider than pre-GFC, whilst Europe and Japan are at-or-close to extreme lows.
  - **#2: Absolute valuation – bonds very expensive (Figure 12); equities neutral-to-attractive (Figure 4):** Bonds suffer from multi-decade low nominal and real yields. Whilst US and Australian equities are at above-average valuations, Europe, EM and Japan are attractive-to-very attractive.
  - **#3: US yield curve – negative for equities:** The US yield curve has flattened (Figure 20), impacted by a dovish Fed, concerns about global growth, trade uncertainties and some mixed US data.
  - **#4: Liquidity conditions – equity positive:** The Fed's extended pause, particularly at a real rate around zero is equity positive (Figure 21). Europe, Japan and Australia remain ultra-accommodative, whilst China has materially eased policy and has the capacity to ease further if needed.
  - **#5: Credit spreads – credit neutral; equity positive:** Spreads have recently narrowed, along with the equity rally, to moderately below-average levels (Figure 22). Spreads remain moderately wider than the mid-18 post-GFC lows.
  - **#6: Business activity expectations – US and Japan positive; AUS negative**: US and Japan surveys are above-average, whilst Europe has slowed to average levels (Figure 23). Australia has fallen to well-below average (Figure 11), whilst confidence in China may have troughed.
  - **#7: Consumer expectations – US positive, AUS slight negative:** US confidence has partly rebounded to near 18-year highs (Figure 24). Europe has slipped but remains above-average. Australia has softened to slightly below-average.
  - **#8: Unexpected inflation – bond modest negative:** US implied inflation is at 1.8%, modestly below the current core CPI of 2.0% YoY (Figure 25). We see above-average inflationary pressures in the US, given 50-year low unemployment and above-trend growth.
- Conclusions: the TAA indicators are generally positive for equities, aside from the US yield curve, and more so for international markets than Australian equities. The bond market indicators are generally negative.

Fig.20: US yield curve – flattened to just 10bps



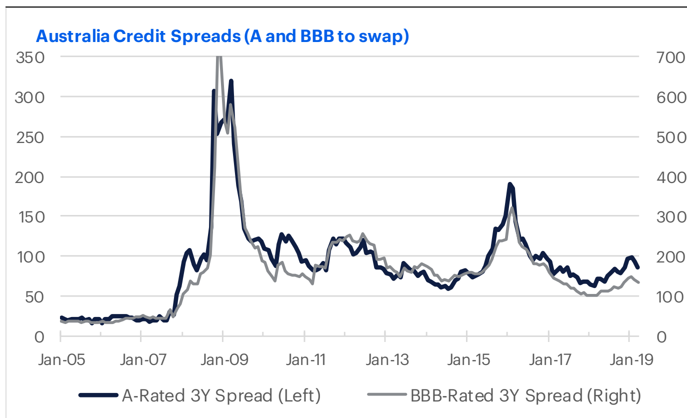
Source: Datastream, Baillieu

Fig.21: Liquidity conditions – US real Fed funds rate just 0.3% vs average 1.6%



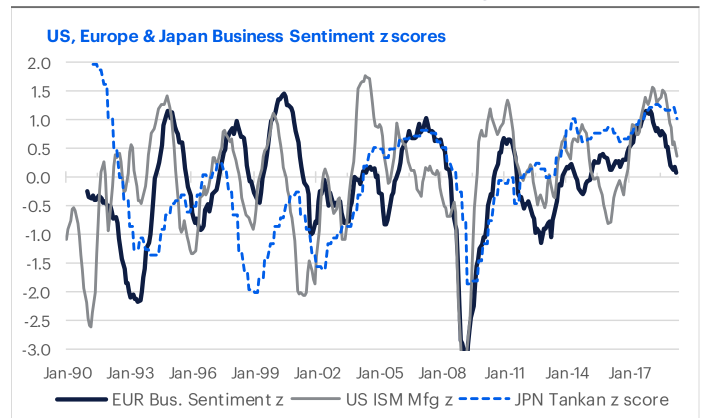
Source: Datastream, Baillieu

Fig.22: Credit spreads – AUS spreads have narrowed modestly but remain above post-GFC lows



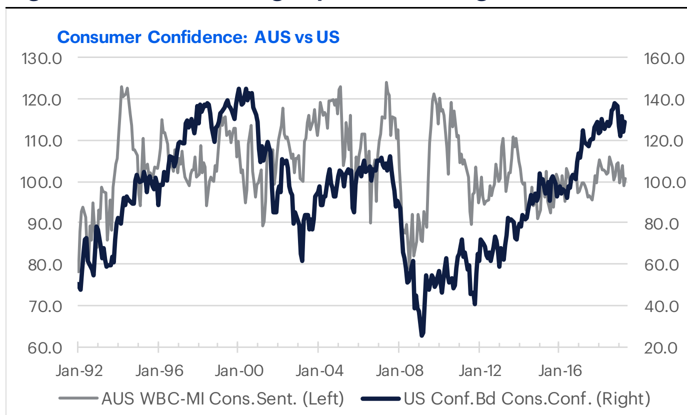
Source: Datastream, Baillieu

Fig.23: Business expectations – Japan strong; US Mfg moderated; Europe has softened to average levels



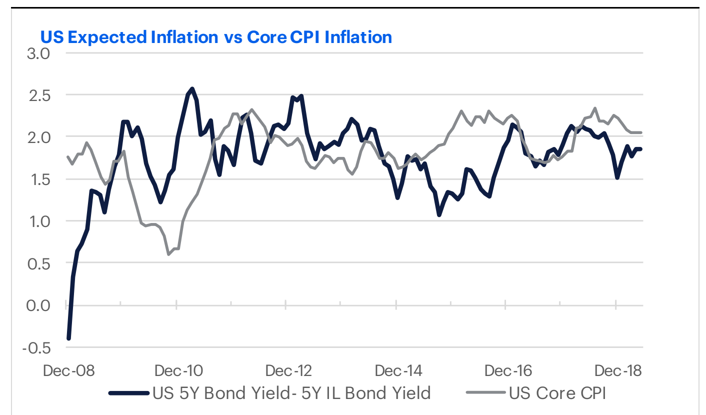
Source: Datastream, Baillieu

Fig.24: Consumer confidence – US has softened off 18-year highs; AUS is back at slightly below-average levels



Source: Datastream, Baillieu

Fig.25: US expected inflation at 1.8% is moderately below the current core CPI of 2.0% YoY



Source: Datastream, Baillieu

Investment implications

- In broad terms, we remain overweight international equities and underweight Australian equities, property, fixed income and cash. We remain extremely underweight Australian small caps, which remain extended in absolute and relative terms in a domestic economic slowdown.
- Within our international equities overweight, we are overweight markets outside the US, especially Japan and Europe. Both are extremely attractive, supported by ultra-accommodative monetary policy. Business sentiment remains robust in Japan, but has slowed to around average levels in Europe. Resolution of trade uncertainty will assist both markets.

Implementation

- **International Equities**: We switch one of our three active international equity positions, Templeton Global (TGG), into PM Capital Global Opportunities Fund (PGF). PGF is trading on a near-record low-teens discount to its net tangible assets (NTA), failing to participate in much of the recent rally. Portfolio themes include domestic banking (US/Europe), housing recoveries in the US and Europe, alternative investment managers and service monopolies.
- **Property and Infrastructure:** A-REITs appear expensive, discounting very low cap rates. The key retail sector is facing the online structural challenge and the housing downturn-squeezed households cyclical challenge. Some infrastructure is feeling the effect of the slowing domestic economy. We move further underweight the asset class (0.5%), adding this to cash, and switch our exposure from domestic listed securities to the Magellan Infrastructure Fund (MICH). MICH offers exposure to global infrastructure, while avoiding exposure to competitive sub-sectors, commodity-driven models and sovereign risk. Using a conservative risk-free rate, it is finding securities that are reasonable value, something more attractive than domestically.

Tactical-Dynamic Asset Allocation: Detailed recommendations

Fig.26: Tactical-Dynamic Asset Allocation recommendations

Asset Class	Extreme Underweight	Underweight	Slight Underweight	Benchmark	Slight Overweight	Overweight	Extreme Overweight
Australian Equities							
Large Cap							
Small-Mid Cap							
International Equities							
United States							
Europe							
Japan							
Emerging Markets							
Property & Infrastructure							
AUS Property & Infrast.							
Fixed Income							
Australian Fixed Income							
Australian Credit & Hybrids							
Cash							
Cash							
Currency							
AUD							

Source: Baillieu. Notes: Black squares = current recommendation; Grey squares = last quarter's recommendation; Green squares = neutral

Fig.27: Tactical-Dynamic Asset Allocation listed recommendations by investor type

Asset Class	ASX/mFund Code	Conservative	Moderate	Balanced	Growth	High Growth
Australian Equities		**6.0%**	**10.0%**	**18.0%**	**27.5%**	**27.5%**
Aus Direct Equities	-	6.0%	10.0%	18.0%	27.5%	27.5%
International Equities		**18.0%**	**29.5%**	**41.5%**	**52.5%**	**72.5%**
US Equities	VTS*	6.2%	9.6%	13.0%	16.0%	21.4%
European Equities	VEQ	3.1%	4.9%	7.3%	9.2%	12.4%
Japanese Equities	IJP	1.9%	3.1%	4.2%	5.3%	7.1%
Active Emerging Market Equities	FEMX	1.4%	2.9%	4.4%	5.8%	8.2%
Active Global Equities	MFF	2.4%	4.1%	5.0%	7.3%	10.5%
Active Global Equities	PGF	1.6%	2.7%	3.8%	4.9%	7.0%
Active Global Equities	APL	1.4%	2.3%	3.8%	4.1%	5.9%
Property & Infrastructure		**0.0%**	**2.5%**	**4.0%**	**5.0%**	**0.0%**
Global Infrastructure	MICH	0%	2.5%	4.0%	5.0%	0%
Fixed Income		**19.0%**	**25.0%**	**22.0%**	**10.0%**	**0.0%**
Australian Fixed Income	IAF	5.5%	7%	6%	2%	0%
Active Domestic Diversified	PMF04	5.5%	7%	6%	2%	0%
Australian Hybrids	-	8%	11%	10%	6%	0%
Cash		**57.5%**	**33.0%**	**14.5%**	**5.0%**	**0.0%**
Cash		57.5%	33.0%	14.5%	5.0%	0%

Source: Baillieu

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