GSS Index Managed Models – Annual Asset Allocation Review & Re-weight February 2023

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The GSS Index Models use a strategic asset allocation to determine the percentage weights to each underlying asset class. Strategic asset allocation ('SAA') takes a long-term view to determine appropriate weights to each asset class and typically, are stable through the economic cycle. The key input to determining the SAA are the capital market assumptions ('CMA's'). CMA's include forward looking assumptions on economic growth, inflation and interest rates, currencies and asset class valuations.

The SAA is reviewed yearly by the appointed investment consultant, BlackRock Investment Management (Australia) Limited ('BlackRock'), and this was recently completed in February 2023. As a result, the models were re-balanced to reflect the updated SAA as detailed below.

Asset class	GSS Conservative Index Model	GSS Balanced Index Model	GSS Growth Index Model	GSS High Growth Index Model	GSS Total Growth Index Model
Australian equities	11	19	27	32	37
International equities - unhedged	16.5	27	37	45	51
International equities - hedged	2.5	4	6	8	10
Australian property	0	0	0	0	0
Australian fixed interest	29	20.5	12.5	7.7	0
International fixed interest	33	21.5	13	4.3	0
Cash	8	8	4.5	3	2
TOTAL	100	100	100	100	100

SAA Changes

In the SAA review for 2023, BlackRock observed some modest changes in the CMAs as it relates to equity, cash and fixed income forecasts. The following summarises the key changes made to the SAA:

- Increased the Australian equities exposure and reduced exposure to unhedged international equities. This change was driven by favourable changes in the CMAs for Australian equities, with improved longer-term expected returns on the back of higher dividend yields and better valuations.

- Slightly increased the exposure to hedged international equities in order to increase the portfolio's currency hedge ratio. A higher currency hedge ratio would better protect the value of the portfolio if Australian dollar strengthens.

- Within fixed income, there is an increased exposure to Australian fixed interest which was funded out of cash. This change was driven by more favourable capital market assumptions for Australian bonds with higher expected long-term returns on the back of higher yields for this asset class.