

# GSS Index Models

Quarterly report as at 31/03/2022

## Model performance snapshot

	3 mths %	6 mths %	1 year %	2 years % p.a.	3 years % p.a.	Inception % p.a.
Portfolio - GSS Conservative Index Model	-4.8	-3.5	1.0	4.9	3.8	4.5
Benchmark - Morningstar Aus Moderate Target Allocation NR A\$	-4.1	-2.7	1.6	4.9	3.5	4.5
Portfolio - GSS Balanced Index Model	-4.7	-2.0	4.4	9.7	6.1	6.4
Benchmark - Morningstar Aus Balanced Target Allocation NR A\$	-3.9	-1.4	5.5	10.3	6.3	7.0
Portfolio - GSS Growth Index Model	-4.6	-0.5	7.7	14.6	8.3	8.3
Benchmark - Morningstar Aus Growth Target Allocation NR A\$	-3.4	0.3	9.5	15.2	8.5	8.9
Portfolio - GSS High Growth Index Model	-4.6	0.5	10.1	18.3	9.8	9.6
Benchmark - Morningstar Aus Aggressive Target Allocation NR A\$	-3.3	1.3	12.3	19.3	10.7	10.8
Portfolio - GSS Total Growth Index Model	-4.6	1.4	12.3	21.8	11.1	9.8
Benchmark - Morningstar Aus Aggressive Target Allocation NR A\$	-3.3	1.3	12.3	19.3	10.7	9.6

Managed Model returns are net of investment management fees and transaction costs. Benchmark returns are before fees.

## Market Overview

### Global Overview

The first quarter of the year was a volatile one for financial markets. Russia's invasion of Ukraine, accelerating inflation, exacerbated global energy shock and rate hikes across global central banks added significantly to investor uncertainty over the period. Supply-driven inflation and commodity prices surged following the sanctioning of Russia, with risk assets extending their sharp rebound off the year's lows. Emerging markets were also weighed down by a new round of Omicron cases and broader geopolitical tensions. The U.S yield curve briefly inverted during the period, prompting recessionary concerns as central banks rhetoric turned more hawkish.

Risk assets recouped some losses in March after declining in the first two months of the year, with Developed market equities outperforming that of Emerging market equities.

Developed market government bond indices were volatile, with strong upside pressure on both short-end and long-end yields driven respectively by expectations for faster monetary tightening and inflationary concerns. Most global bond indices experienced a volatile period and finished the quarter down as rates continued to advance amidst upward trending inflation.

## United States

In the US, the S&P 500 Index rebounded by 3.7% over the month of March, but was still down -4.6% over the quarter (in local currency terms) in line with broader market selloffs as investors viewed the existing geopolitical and monetary policy headwinds with caution.

On the policy front, the US Federal Reserve (Fed) raised interest rates by 0.25%, in line with market expectations, with further rate hikes expected to combat rising inflation. The median dot plot showed seven hikes this year and four next year, with the policy rate rising to 2.8% in 2023. Russia's invasion of Ukraine has placed additional strain on food and energy prices, with inflation accelerating to 8.5% in March, the highest reading since 1981. The US labour market remained resilient over the period with the unemployment rate falling to 3.6% and average hourly earnings growing by 0.4% in March.

## Europe

European equity markets represented through the Euro Stoxx Index detracted -0.2% in March and -9.0% over the quarter (in local currency terms), underperforming most other developed markets. Concerns around Europe's heavy reliance on Russian oil and natural gas increased risks of an economic deceleration, energy-driven inflation and dampened consumer sentiment given the region's exposure to the ongoing conflict within Ukraine.

Within the European block, annual inflation grew to an all-time high of 7.5% in March, driven by high food and energy prices and a significant increase from February's 5.9% reading. Following a 12-billion-euro debt raising for its coronavirus recovery fund, the European Union discussed the possibility of issuing bonds to finance energy and defense spending to alleviate sharply rising energy costs. The European Central Bank (ECB) also confirmed the tapering of the pandemic emergency purchase program (PEPP) in June with a potential rate hike 'some time' after the conclusion of the asset purchase program (APP) in Q3. The flash services Eurozone PMI reading in March slightly fell to 54.5 yet remaining in positive territory as the region displayed strong economic resilience and robust demand recovery post rising COVID-19 cases in late 2021.

Within the UK, equity markets finished the month and quarter with positive gains of 1.4% and 2.9% respectively, as measured by the FTSE Index. The market benefited from a relatively higher exposure to energy and materials sectors, with strong contributions from the banking sector on the back of the Bank of England hiking rates by an additional 25 basis points in March. Soaring food and energy prices prompted the announcement of a 6-billion-pound fiscal

package to support household incomes and increase consumer purchasing power.

## Asia

Asian equities detracted sharply over the month and quarter, driven by an outbreak of the Omicron variant across China and rising commodity costs. Chinese equities particularly suffered over the period with lockdowns in Shenzhen and Shanghai forcing manufacturing plant shutdowns and leading to a fall in the Manufacturing PMI to below 50 for the first time since late 2019. Concerns about stagflation also dampened investor confidence given the supply-side shock to commodities and subsequent impacts on inflation and reduced growth. The National Congress announced a GDP target of 5.5% for the year with further stimulus expected to support small businesses and consumers.

Japanese equities detracted 2.8% over the quarter (in local currency terms), however, rebounded in March with gains in financial related value stocks. Higher energy and raw material prices exasperated supply chain concerns within the region as manufacturing activity decreased for the first time in nearly two years. The Bank of Japan (BOJ) announced the purchase of unlimited fixed-rate government bonds to constrain yields within its target range given the rise of interest rates globally.

## Australia

In Australia, the S&P/ASX 300 Accumulation Index recorded strong positive performance of 6.9% over the month and 2.1% over the quarter. Energy, Consumer Staples, Utilities and Materials performed best, whilst growth sectors continued to detract. The Reserve Bank of Australia (RBA) continued to hold the cash rate at 10 basis points, however, noticeably shifted its tone by noting that inflation had picked up and was likely to rise further. The unemployment rate fell to a 13 year low of 4.0% with an uptake in full-time positions, however wage growth, a focus for the RBA, continues to remain weak in real terms. The lifting of Omicron related restrictions resulted in a rise in the Market Manufacturing PMI, driven by purchasing activity, easing supply chain disruptions and higher employment levels. Gains in house prices continued to decelerate with the latest 0.3% month-over-month rise being the lowest since late 2020.

## Fixed Income

Fixed Income markets were characterized by increased volatility. Global bond yields continued to rise with markets pricing in a faster pace of central bank normalization given ongoing inflationary pressures. The Australian composite bond index finished the quarter down 5.9%, whilst the global

composite bond index finished the quarter down 5.2%. Riskier parts of the fixed income markets, such as emerging markets debt and high yield indices recorded negative performance, with spreads in credit markets widening and investment grade also recording losses.

### Commodity Markets

Major commodities including energy and industrial materials gained over the quarter, driven by the invasion of Ukraine by Russia pushing prices higher.

Looking at currencies, the USD trade-weighted index gained slightly by 1.7% in March, whilst the Australian trade-weighted index appreciated by 5.0% over the period.

## Performance Commentary – Underlying fund returns (quarterly)

### GSS Hedged International Equity Index Fund:

- International equities experienced a tumultuous quarter amid ongoing uncertainty in the geopolitical, economic and policy outlook. Nonetheless, the end of the quarter offered some respite, with the equity rebound in March helping to partially offset the initial declines seen during the first two months of the year. Hedged global equities returned -4.9% over the quarter and 2.9% in March.
- US and Australian equities drove the recovery in performance towards the end of the quarter, with the S&P 500 and ASX 300 gaining 3.7% and 6.9% (in local currency terms) respectively in March.
- The ongoing strengthening of the Australian dollar also helped boost hedged returns, with the AUD trade weighted index gaining 4.1% over the quarter.

### GSS Unhedged International Equity Index Fund:

- International equities experienced a tumultuous quarter amid ongoing uncertainty in the geopolitical, economic and policy outlook. Unhedged international equities were down by 8.3% over the quarter, lower than their currency hedged equivalent given the strengthening of the AUD.
- The month of March saw equities rebounding from their lows, with US and Australian equities driving the recovery in performance.

### GSS Australian Equity Index Fund:

- Australian equities outperformed the broad market and recorded strong performance of 2.1% over the quarter, underpinned by the ongoing re-opening of the economy and a rally in commodity prices.

- Energy, Consumer Staples, Utilities and Materials performed best, whilst growth sectors continued to detract.
- In terms of key macro-economic data, the unemployment rate fell to a 13 year low of 4.0% during the quarter with an uptake in full-time positions, however wage growth, a key focus for the RBA, continues to remain tepid in real terms.

### GSS Global Bond Index Fund:

- Global fixed income markets were characterized by significant volatility in the first quarter of the year as bond yields edged higher amid more hawkish central bank rhetoric. The Global composite bond index finished the quarter down -4.8% as increasingly hawkish rate hike expectations continued to create headwinds for the asset class. US 10-year bond yields edged above 2.4% during the month of March, up from only 1.5% at the start of the year, with both inflation breakevens and real yields rising to reflect the risk of higher commodity prices and tighter monetary policy.

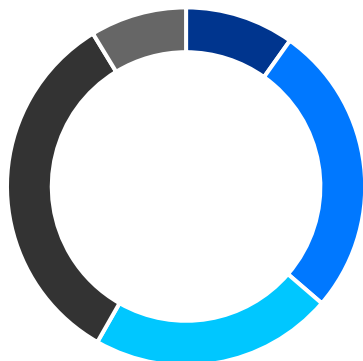
### GSS Australian Bond Index Fund:

- Australian bonds underperformed their global counterparts over the quarter, as markets priced in a more hawkish path for the RBA.
- Strong upside pressure on both short-end and long-end yields were driven respectively by expectations for faster monetary tightening and inflationary concerns.

## GSS Conservative Index Model

### Asset allocation

- Australian Equities (9.85%)
- Australian Fixed Interest (26.46%)
- International Equities (21.94%)
- International Fixed Interest (33.04%)
- Cash (8.71%)



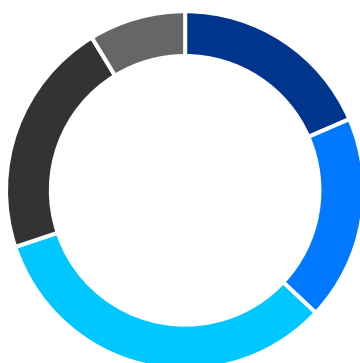
### Current holdings

Code	Name	Weight %
NET5702AU	netwealth Global Bond Index Fund	33.04
NET0023AU	netwealth Australian Bond Index Fund	26.46
NET0009AU	netwealth Unhedged International Eq Index Fund	19.69
NET0001AU	netwealth Australian Equities Index Fund	9.85
NET0034AU	netcash	7.61
NET2119AU	netwealth Hedged International Eq Index Fund	2.25
MACASH	Managed Account Cash	1.10

## GSS Balanced Index Model

### Asset allocation

- Australian Equities (18.49%)
- Australian Fixed Interest (18.50%)
- International Equities (32.89%)
- International Fixed Interest (21.39%)
- Cash (8.73%)



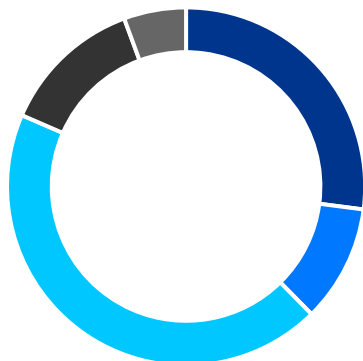
### Current holdings

Code	Name	Weight %
NET0009AU	netwealth Unhedged International Eq Index Fund	29.32
NET5702AU	netwealth Global Bond Index Fund	21.39
NET0023AU	netwealth Australian Bond Index Fund	18.50
NET0001AU	netwealth Australian Equities Index Fund	18.49
NET0034AU	netcash	7.61
NET2119AU	netwealth Hedged International Eq Index Fund	3.56
MACASH	Managed Account Cash	1.12

## GSS Growth Index Model

### Asset allocation

- Australian Equities (27.05%)
- Australian Fixed Interest (10.59%)
- International Equities (43.88%)
- International Fixed Interest (12.86%)
- Cash (5.62%)



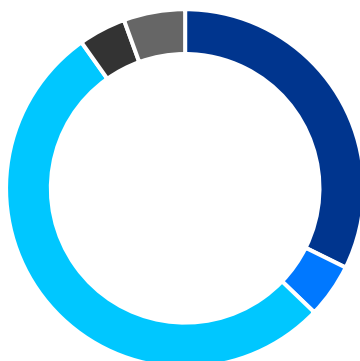
### Current holdings

Code	Name	Weight %
NET0009AU	netwealth Unhedged International Eq Index Fund	39.07
NET0001AU	netwealth Australian Equities Index Fund	27.05
NET5702AU	netwealth Global Bond Index Fund	12.86
NET0023AU	netwealth Australian Bond Index Fund	10.59
NET2119AU	netwealth Hedged International Eq Index Fund	4.81
NET0034AU	netcash	4.52
MACASH	Managed Account Cash	1.10

## GSS High Growth Index Model

### Asset allocation

- Australian Equities (32.30%)
- Australian Fixed Interest (4.88%)
- International Equities (53.00%)
- International Fixed Interest (4.28%)
- Cash (5.55%)



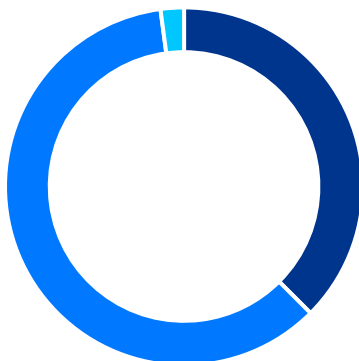
### Current holdings

Code	Name	Weight %
NET0009AU	netwealth Unhedged International Eq Index Fund	47.24
NET0001AU	netwealth Australian Equities Index Fund	32.30
NET2119AU	netwealth Hedged International Eq Index Fund	5.76
NET0023AU	netwealth Australian Bond Index Fund	4.88
NET0034AU	Netcash	4.44
NET5702AU	netwealth Global Bond Index Fund	4.28
MACASH	Managed Account Cash	1.11

## GSS Total Growth Index Model

### Asset allocation

- Australian Equities (37.51%)
- International Equities (60.39%)
- Cash (2.11%)



### Current holdings

Code	Name	Weight %
NET0009AU	netwealth Unhedged International Eq Index Fund	53.81
NET0001AU	netwealth Australian Equities Index Fund	37.51
NET2119AU	netwealth Hedged International Eq Index Fund	6.57
MACASH	Managed Account Cash	1.13
NET0034AU	Netcash	0.98

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Source: FactSet financial data and analytics.

#### Performance disclaimer

Managed Model data has been prepared by Netwealth. Investment performance is simulated based on an investment made in the model at inception of the model. The investment performance shown in this table is unlikely to exactly match your actual investment returns. This is because the investments you hold in your managed account do not always exactly match those of your chosen models (for example, due to your personal investment preferences or the amount invested in the model). Managed Model returns are net of fees and transaction costs. Benchmark results presented are before fees and a combination of two indices. Morningstar Multisector Index was used prior to 31 December 2021; Morningstar Target Allocation Index is used subsequently. Returns for periods greater than 1 year have been annualised.



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