

CFS Dynamic Portfolio

Dynamic 30

December 2024 update

CFS Dynamic 30

December 2024 update

CFS's 'best ideas' managed account offers sophistication without complexity.

Dynamic asset allocation

We believe skilful asset allocation is a cost-effective and powerful form of active management that is often underappreciated in the 'active versus passive' debate.

Efficient diversification

As this portfolio has a modest allocation to large-cap Australian shares, the most feasible way of providing sufficiently diversified exposure is via the iShares S&P/ASX 20 ETF.

Full toolkit

We use a combination of managers, ETFs and direct shares across the portfolio. These include 'enhanced' exposures, which sit between what are traditionally considered 'passive' and 'active' building blocks.

Investment mix

30% growth | 70% defensive assets

Minimum suggested timeframe

3 years

Platform availability

CFS Edge

Total ongoing fees and costs (p.a)¹

0.64%

Minimum investment

\$50,000

Research rating

4 star (Superior) - SQM



Superior



¹ Managed account fee (CFS SMA PDS 1/11/2024), indirect costs, recoverable expenses, performance fee, transaction costs.

What happened over the quarter?

- The emphatic US election result saw equities react positively in November, before easing slightly in December.
- Bond yields continued their upward march, with US 10-year rates ending the quarter nearly 100 basis points higher than the September low of 3.6%.
- Continued US dollar strength saw the AUD/USD slide further to 0.62, down from 0.69 the prior quarter.

The CFS Dynamic portfolios were launched at an interesting juncture in markets – mere days before the US Presidential election. We embedded two key tilts in the portfolio launch weights to navigate this environment.

The first, in global equities, was to increase the allocation to Global Small and Mid-cap equities (via the Bell Global Emerging Companies Fund). Small and Mid-caps outperformed Large-caps immediately after all but one of the past seven US elections over the past 30 years². The 2024 result – a Republican ‘sweep’ of Congress – saw a similar pattern emerge in November, benefitting the portfolio.

The second tilt was in fixed income, where we saw an opportunity to increase our exposure to Australian bonds while decreasing our Global exposure. Australian 10-year yields are trading at similar levels to the US despite the latter’s much higher debt-to-GDP and bond issuance levels. Global bonds also look unattractive when considering political risk (with France, Germany and South Korea in the spotlight for this reason over the past few months).

The allocations to the Western Asset Australian Bond Fund and the Bentham Global Income Fund (which has exposure to Australian duration) were increased to express this view in the Dynamic portfolios.

Our initial view is that a ‘Trump 2.0’ administration should be pro-growth, but more finely balanced on the inflation front. Will the dividend from any deregulation measures offset the inflationary pressure from immigration curbs? And will tariff revenues balance the impact of tax cuts? Time will tell.

Looking ahead, three near-term watchpoints include:

- policy announcements in the lead-up to and following President-elect Trump’s inauguration
- China’s policy response to any tariff announcements from the US and
- the impact of ‘higher for longer’ bond yields dominating the Fed’s easing cycle.

² The exception was November 2008 – in the midst of the Global Financial Crisis

Performance: Portfolio and managers

Since inception ¹ (2 months)	
Return (net)	1.6%
Benchmark (gross)	-0.5%

¹ 1 November 2024

APIR	Asset Class	Manager	2-month return
FSF6226AU	Global Equities	RQI Global Value	5.9%
FSF8622AU	Global Equities	Bell Global Emerging Cos	5.9%
FSF7753AU	Global Equities	Royal London Core	5.7%
EMKT	Global Equities	VanEck EM Multifactor ETF	4.9%
CSA0046AU	Fixed Income	Bentham Synd Loan	2.0%
FSF4813AU	Fixed Income	Western Asset Aust Bond	1.8%
FSF3550AU	Aust Equities	Antares ex-20	1.4%
FSF7613AU	Fixed Income	Bentham Global Income	1.2%
FSF4820AU	Fixed Income	PIMCO Global Bond	0.9%
ILC	Aust Equities	iShares S&P/ASX 20 ETF	0.9%
FSF9620AU	Cash	CFS Enhanced Cash	0.5%
FSF9690AU	Global Equities	GQG (hedged)	0.2%
FSF0874AU	Global Infra	CFS Global Infra	-2.7%
FSF4609AU	Global Prop	ResCap GREIT	-4.5%

Past performance is no indication of future performance.

- The portfolio outperformed its benchmark over the two months to December.
- Our larger position in unhedged Global Equities was a positive contributor to performance, as the Australian dollar weakened significantly.
- The broadening of returns from US 'mega-cap' stocks was evident in the strong performance from value stocks (RQI Global Value) and small/mid-cap stocks (Bell Global Emerging Companies).
- The outperformance of Australian fixed income (Western Asset Australian Bond) over Global fixed income (PIMCO Global Bond) has been a positive given the higher domestic allocation in the portfolio.
- The rise in long bond yields over the two months weighed heavily on listed real assets with CFS Global Infrastructure Securities and Resolution Capital Global Property Securities suffering negative returns.

Portfolio at a glance

Growth / Defensive mix: 30 / 70

Asset allocation (%)			
Global Equities	14.5	Fixed Income	52
Australian Equities	10	Cash	18
Listed Real Assets	5.5		

How to read this treemap. This visualisation shows larger asset allocations and holdings at the top-left of the box, and smaller holdings at the bottom-right. Holdings are grouped and colour-coded by asset class. Direct stock weights are listed on the previous page and the platform cash allocation is 1%.



Find out more

To find out more about CFS managed account portfolios, investors can contact their financial adviser or call CFS on 1300 769 619.

Advisers can contact their CFS Business Development Manager or call CFS on 13 18 36.

Total ongoing fees and costs are GST inclusive, net of any input tax credits (including reduced input tax credits). Refer to the CFS Edge Signature Managed Account PDS for more information.

The rating contained in this document is issued by SQM Research Pty Ltd ABN 93 122 592 036 AFSL 421913. SQM Research is an investment research firm that undertakes research on investment products exclusively for its wholesale clients, utilising a proprietary review and star rating system. The SQM Research star rating system is of a general nature and does not take into account the particular circumstances or needs of any specific person. The rating may be subject to change at any time. Only licensed financial advisers may use the SQM Research star rating system in determining whether an investment is appropriate to a person's particular circumstances or needs. You should read the product disclosure statement and consult a licensed financial adviser before making an investment decision in relation to this investment product. SQM Research receives a fee from the Fund Manager for the research and rating of the managed investment scheme.

Past performance is not an indicator of future performance for this option or any other option available from Colonial First State. The performance and holdings in this document are for a representative Model Portfolio and are not a guarantee or an indication of the actual performance or holdings of a client's portfolio due to differences in the timing and transaction prices for portfolio changes, client investments and withdrawals during the period, timing of receipt of dividends and income distributions, platform administration fees, transactional costs associated with the client's portfolio, and any portfolio exclusions required by the client. Performance is reported net of ongoing fees and expenses but excluding individual tax, member fees and entry fees (if applicable) and cross-checked but not audited. Periods less than one year are not annualised. Benchmark is a weighted composite and is reported gross of fees. Underlying manager returns are sourced or proxied from Lonsec iRate as detailed performance reporting is not currently available for CFS Edge. Please refer to the CFS Edge PDS for full details of the applicable fees, costs, and benchmarks.

Avanteos Investments Limited ABN 20 096 259 979, AFSL 245531 (AIL) is the trustee of the Avanteos Superannuation Trust ABN 38 876 896 681 and issuer of CFS Edge Super and Pension. Colonial First State Investments Limited ABN 98 002 348 352, AFSL 232468 (CFSIL) is the Investor Directed Portfolio Service (IDPS) operator, administrator and custodian of the Avanteos Wrap Account Service and issuer of CFS Edge Investments. CFSIL is also the administrator and custodian of the Colonial First State Separately Managed Account ARSN 618 390 051 (Colonial First State Managed Account). While all care has been taken in preparing the information contained in this document (using reliable and accurate sources), to the extent permitted by law, no one including AIL and CFSIL, nor any related parties, their employees or directors, accept responsibility for loss suffered by anyone from reliance on this information. This document provides general information and doesn't take into account anyone's individual objectives, financial situation, needs or tax circumstances. You should read the relevant Product Disclosure Statement (PDS), Investor Directed Portfolio Service Guide (IDPS Guide) and Financial Services Guide (FSG) before making an investment decision or any recommendations to a client. You can find the target market determinations (TMD) for our financial products at www.cfs.com.au/tmd, which include a description of who a financial product might suit. The disclosure documents can be obtained via www.cfs.com.au/cfsedge or by calling us on 1300 769 619. 30701 / 0225