ARO MACRO
AUSTRALIAN EQUITIES PORTFOLIO

SEPTEMBER 2023 Quarterly

Portfolio Details

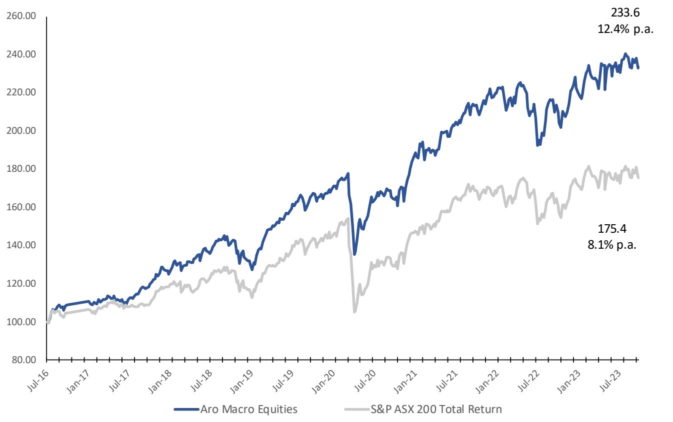
Investment Manager	Aro Asset Management
Asset Class	Equity
Suggested Investment Horizon	7 years
Benchmark	Unaware
Investment Style	Style Neutral
Indicative Number of Holdings	15 to 30

Description

The Macro Equities Model Portfolio is an actively managed portfolio, predominately invested in Australian equities focusing on alpha and risk management.

Aro uses a top-down approach, with a focus on economic cycles and relationships between companies, industries and global markets. With a long-term macroeconomic focus, the portfolio at times may be invested across both growth and defensive asset classes.

Aro's objective is to mitigate risk while maintaining an above normal return over the long term, underlined by Aro's long-term risk management strategy.



STANDARD RISK MEASURE*

* *Standard Risk Measure is based on industry guidelines*

1	2	3	4	5	6	7	8	9	10

This portfolio is suitable for investors with a long-term time horizon seeking capital growth, a broad share market exposure, and looking for performance during all stages of the market cycle.

Fund Performance (gross of fees)

	Fund (%)	Index (%)*	Over/Under
3m	-0.4	-0.8	0.3
6m	2.1	0.2	1.9
1y	15.6	13.5	2.2
3y (p.a.)	12.9	11.0	2.0
5y (p.a.) **	10.3	6.7	3.7
From Inception - 01/07/2016 (% Total)	137.9	80.3	57.6

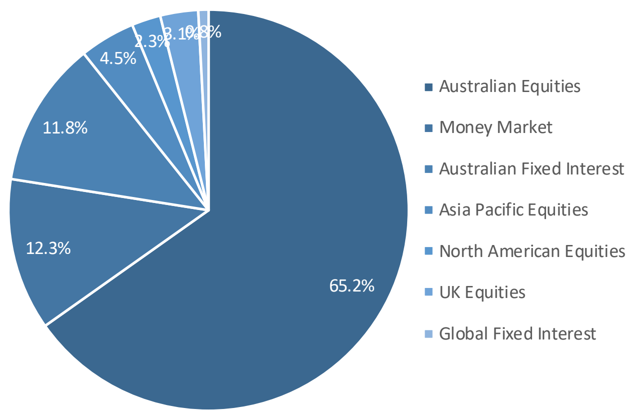
** The index used is S&P ASX 200*

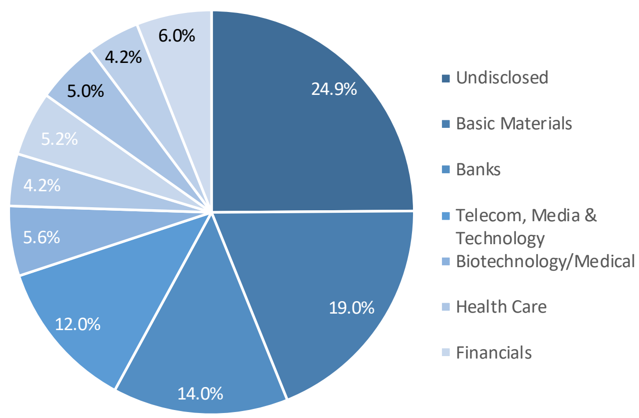
*** Combined performance of portfolio - Client portfolio used prior to March 2019; Macquarie SMA used post Mach 2019. Performance is gross of fees*

Top 10 Holdings

ARO Macro Top Holdings
CASH
NATIONAL AUSTRALIA BANK LIMITED
CSL LTD
BHP GROUP LIMITED
AUSTRALIA & NEW ZEALAND BANKING GROUP LIMITED
MACQUARIE GROUP LIMITED
WESFARMERS
NICKEL INDUSTRIES LIMITED
WOODSIDE PETROLEUM
BETASHARES AUSTRALIAN EQUITIES STRONG BEAR HEDGE

Sector Exposure





Commentary

The Macro Portfolio fell slightly 0.4% in the September quarter, while the ASX200 fell 0.8% (outperformance of 0.4%). Year to date, the portfolio has risen 7.6%, outperforming the market by 3.8%. Since inception, it has risen 144%, compared to the ASX 200 total return of 81%, a 63% outperformance.

The Australian stock market has drifted lower the past year, as a tightening monetary policy slows the economy. While Australian total household spending has risen (primarily due to inflation), discretionary spending has fallen, reducing the capacity of consumers to weather further economic tightening.

Global funds are shifting away from risk, resulting in a stronger US dollar. Also, the US 10-year bond yield has returned to the 10-year CPI average ("fair value"), last seen prior to 2008 Crisis. This suggests perhaps a normalising of global bond markets after a more than a decade of recurring quantitative easing.

Growth sectors that require investment, such as resources and technology, have struggled this year, as cost of capital impacts valuations, and funds becomes harder to access.

Much commentary has been made about the resilience of the US economy to weather the rising rates. We believe increased cost of capital and inflation has yet to impact, and the financial markets are driving performance, which can lead to a harder landing than anticipated, as high levels of gearing start to unwind.

The portfolio remains overweight cash. Concerns with rising costs, higher default risk, both for the commercial and residential loans, and harder access to capital underlines the medium-term views for this portfolio. Our view hasn't changed regarding the longer term, with tech and resource companies our preferred sectors in 2024. We remain positive that both the economy and Australian stock market are well placed to rebound when this correction comes.

As mentioned previously, the ASX is in a bear market, ahead of what we think is the second leg of a long-term bull market. We are now positioned for recovery early next year.

L 1/1205 Hay St, West Perth WA 6005 | P: +61 8 6380 9205 | Website: www.aroam.com.au | Email: info@aroam.com.au