euree
asset management

Multi Asset Balanced & Growth Funds Quarterly Update – December 2024

Fund Objectives

The Fund's invest in a mixture of asset classes to form a multi-asset portfolio with the aim to earn investors a return of CPI + 3% p.a in the Balanced Fund and CPI + 4% p.a in the Growth Fund over rolling 7-year periods after fees and expenses.

Balanced Fund	Quarter Return	1 Year Return	Returns Since 30/09/2023
Distribution Return*	0.907%	3.65%	3.39%
Total Return	1.371%	10.80%	12.14%
CPI + Target**	0.68%	5.42%	5.29%
Excess Return	0.69%	5.38%	6.85%
Growth Fund	**Quarter Return**	**1 Year Return**	**Returns Since 30/09/2023**
Distribution Return*	0.898%	4.91%	4.31%
Total Return	2.103%	13.45%	14.81%
CPI + Target**	0.93%	7.87%	6.29%
Excess Return	1.17%	5.58%	8.52%

* Represents distributions as a proportion of total net return. **CPI is measured by the Sydney City All Groups Index and provided by the Australian Bureau of Statistics. Calculation of CPI + Target is determined by CPI over the relevant period plus the excess target over the same timeframe. ***Returns Since 30/09/2023 are expressed in annualised figures.

Portfolios Quarter Review and Positioning

The Euree Asset Management Multi-Asset Balanced and Multi-Asset Growth Funds (the Funds) returned 1.371% and 2.103% over the quarter, with distributions of 1 Cent Per Unit in both the Balanced and Growth Funds representing a 0.907% and 0.898% distribution return to unitholders respectively. The Funds total returns for the calendar year of 2024 were 10.80% and 13.45% besting our CPI + targets by 5.38% and 5.58% respectively.

Market Commentary:

A great year for risk assets came to a close with a final quarter rewarding both equity and high yield credit investors. In particular, Growth investors were rewarded for bearing the volatility with the MSCI All World Growth index up 25% including net dividend reinvestment over the calendar year, Value investors were not as fortunate, only up around 11% with net dividends reinvested for the year (albeit with less volatility). The gains were largely driven by the magnificient 7, with NVIDIAs rise contributing significantly to that. The last quarter was no different, with Growth outperforming both Quality and Value even in the face of a December selloff that was driven by a market rethink of how many rate cuts were expected throughout 2025.

US based indicies were the best performers, also supported by a strengthening USD towards the back end of the year. The S&P/ASX200 performed admerably up over 11% on a total return basis but paled in comparison to that of US mega tech driven growth. Domestically our equity market was driven heavily by the performance of financials, in particular the banking sector. Materials were a laggard although showed some resilience in the last quarter as the economic conditions in China looked to be improving through stimulatory fiscal policy. The best performing sector was information technology driven by strong gains in WiseTech and Zero.

In fixed income – risk on was the name of the game with credit spreads reducing progressively throughout the year, with a minor spike in August due to an anomaly in non-farm payrolls falling well short of expectations and raising unemployment to 4.3% against an expected 4.1%. This was short lived and by October spreads were at or below August levels. High yield credit was the stand-out performer relative to investment grade and government fixed income bonds. The combination of higher yield, lower duration and thinning credit spreads provided a boost to the riskiest of fixed income assets. The thinning of credit spreads was driven by inflation and growth providing companies with improved balance sheets and lower leverage ratios creating the perfect storm for high yield credit investors. Government bonds oscillated throughout the calendar year, closing out with a negative Q4 with a selldown due to stronger than expected growth data, coupled with sticker upward inflation data. The yield on both the 10-year US Treasury note and the Aus 10 Year Government bond moved from around 4% at the start of the quarter to close the year at over 4.6% and 4.55% respectively.

In the alternatives and commodities space, Gold flatlined throughout the last quarter, however the precious metal moved substantially throughout the year posting a return of around 27% driven by central bank purchases. Silver performed well but lagged that of Gold with a circa 21% return over the period. Iron ore staged a late recovery in calendar Q4 up over 10% after a lacklustre year down around 24%. In the hedge fund space, although difficult to aggregate as performance is predominantly driven by Alpha, the Barclays Hedge Fund index returned 9.7% over the year, this was aided by the strong performance of convertible arbitrage, equity long/short (in particular long bias managers), global macro and fixed income arbitrage strategies.

Positions taken in the year and outlook for early 2025:

We maintained a below benchmark position in duration through keeping positions in a short duration tactical fixed income manager and floating rate note exposure across both funds. Duration was added strategically throughout the year; however, we still maintain a shorter duration stance within the fixed income portfolio as the Trump presidency became a likely outcome and bonds started to factor in higher inflation expectations and tariff uncertainty.

Within equities, we increased our overweight to international equities whilst keeping an underweight to Australian equities. Our overall equity beta was kept between around a 2%-5% active overweight to the asset class throughout the quarter which benefitted from international equity performance. We initiated a position in a global small cap index in the middle of the year and have held that relatively constant since. Although upward pressure on rates has put downward pressure on small caps performance, we believe that the relative value of small caps presents a compelling risk/reward opportunity if the cost of borrowing does start to come down. Given the USD strengthened against most major currencies throughout the quarter (DXY was up over 7.5%), emerging market equities performance was kept suppressed. Our active emerging market manager showed some late-stage gusto in the last few months of the year, beating their emerging markets index in Q4.

We maintained between a 3.75% to 4.25% position in Gold in both Funds throughout the year and initiated the position at around USD$1,900. This has provided a large boost to the Funds, whilst reducing our reliance on equities and bonds. We have written previously about the stock-bond correlation and the positive territory it still sits in. Therefore, we are still willing and able to use alternatives and commodities strategically to reduce volatility and drawdown risk. We still believe that there is a possibility that positive inflation shocks will keep the drawdown risk in a predominantly stock-bond portfolio high throughout 2025 and will look for early signs that this relationship is either breaking down or improving (turning negative).

We continue to hold an overweight to risk assets within the portfolio with an overweight to international equities offsetting a minor underweight to Australian equities. Our leading indicators suggest that there is still resilience in the economy and although we have come off the peaks of growth expectations, bottom-up EPS growth estimates for 2025 are still positive and we believe this will be supported by a positive macro backdrop having reached the peak of a the rate cutting cycle. We believe that stronger than expected economic growth could lead to an extended pause from the Fed and will look for a broadening of the rally in equities, a catchup of the S&P 493 with the Mag 7 could provide investors with opportunities in the year ahead.

Fees and Costs	Fund
Management Fee % p.a.	1.25%
Performance Fee %	10.25%
Total Cost Ratio TCR % p.a.	1.60%
Buy Spread %	0.25%
Sell Spread %	0.25%

i. A full breakdown of fees is available through the PDS. Link provided on following page.

Codes Balanced	
ARSN	669 663 665
APIR	OMG2231AU
Codes Growth	
ARSN	669 661 652
APIR	OMF6843AU
Ratings	

Favourable

SQM RESEARCH

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A copy of the Euree Multi-Asset Balanced Fund PDS and TMD may be obtained from https://www.oneinvestment.com.au/eureemulti-assetbalancedfund/ or https://www.eureeassetmanagement.com/our-funds/euree-multi-asset-balanced-fund/. A copy of the Euree Multi-Asset Growth Fund PDS and TMD may be obtained from https://www.oneinvestment.com.au/eureemulti-assetgrowthfund/ or https://www.eureeassetmanagement.com/our-funds/euree-multi-asset-growth-fund/ Euree Asset Management Pty Ltd (ABN 40 665 390 241) (AFSL 546248) (Euree AM) is the investment manager of the Funds. Neither OMIFL nor Euree AM guarantees the repayment of capital or the performance of any product or any rate of return referred to in this document. Past performance is not a reliable indicator of future performance. Whilst every care has been taken in the preparation of this document, Euree AM makes no representation or warranty as to the accuracy or completeness of any statement in it including, without limitation, any forecasts. This fact sheet has been prepared for the purpose of providing general information only, without taking account of any investor's objectives, financial situation or needs. Investors should, before making any investment decisions, consider the appropriateness of the information in this fact sheet, and seek professional advice, having regard to their objectives, financial situation and needs. Information in this fact sheet is current as of the 13th of February 2025.

*A full list of fees

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