Cornerstone Strategic Index Managed Portfolios

Portfolio changes

July 2026

In this note, we provide a short update on recent trade activity and changes to the **Cornerstone Strategic Index Managed Portfolios**.

Summary of key changes

- Rebalanced the direct Australian equity portfolio.
- Reduced exposure to Australian equities
- Reduced exposure to global equities
- Increased exposure to Australian fixed income
- Increased allocation to global fixed income in the balanced growth and growth managed portfolio
- Reduced FX hedging in global equities
- Reduced cash
- Portfolios affected by these changes are the **Cornerstone Strategic Index Managed Portfolio** – **Conservative**, **Balanced**, **Balanced Growth**, **Growth** and **High Growth** (Portfolios).

Rationale for portfolio changes

We rebalanced the direct Australian equity portfolio across all managed portfolios as part of the regular review cycle.

For the broader portfolio, most of the activity reflects market performance over the last six months. Global equities have had a strong run, while fixed income has seen softer performance. As a result, we are taking some profits and getting the portfolio back closer to long-term targets.

We increased growth exposure within the portfolios through Australian equities and global listed infrastructure. The increase in Australian equities was due to rebalancing, with the portfolios remaining overweight global equities. Global listed infrastructure valuations look attractive relative to other assets and should benefit from the increasing capex related to AI and clean energy. Further, global listed infrastructure should provide good diversification benefits in the event of an economic recession and/or an unexpected uptick in inflation.

In global equities, we reduced our allocation to hedged equities and added to unhedged. The Australian dollar is trading closer to fair value, and hence we are bringing the portfolios hedging ratio back towards neutral levels.

In addition, we reduced exposure to global fixed income & increased the Australian fixed income exposure across portfolios. Since the start of the year, government bond yields in Australia and the US have increased[1], which has made valuations more attractive. The portfolios continue to favour Australian fixed income given attractive valuations. The portfolios are underweight credit given expensive valuations.

[1] Bond yields have an inverse relationship with bond prices, meaning that when yields fall, prices rise and vice versa.

Specific portfolio changes

Direct Australian equity portfolio

The direct Australian equity portfolio is rebalanced semi-annually. The purpose of rebalancing is to ensure the portfolio's holdings are in line with the underlying investment strategy. We do this by buying and/or selling shares.

As part of this latest rebalancing, we bought into the Materials, Utilities, Health care & Energy sectors, and sold out of IT, Industrials & Financials. Among the additions, Origin Energy screened attractively on valuation, while Ramsay Health Care exhibited strong growth, momentum and value characteristics. Of the stocks we sold, Technology One exhibited deteriorating momentum and less attractive valuation characteristics, Brambles experienced weaker momentum, while Pro Medicus saw momentum weaken and valuation become increasingly stretched.

Portfolio rebalancing trades*

	COMPANY	WEIGHT
Shares purchased	Origin Energy	+1.9%
	Ramsay Health care	+1.6%
	Santos	+1.5%
	Newmont	+1.0%
	Northern Star Resources	+0.9%
	Cochlear	+0.7%
	Ramelius Resources	+0.7%
	Evolution Mining	+0.6%
Shares sold	Technology One	-2.0%
	Brambles	-1.9%
	Pro Medicus	-1.4%
	BHP Group	-1.3%
	Rio Tinto	-1.1%
	National Australian Bank	-1.0%
	Transurban Group	-1.0%
	Suncorp Group	-0.6%

*Note these percentages are at the direct share level, not the total portfolio

Changes in asset allocation (%)

ASSET CLASS	RISK PROFILE				
	CONSERVATIVE	BALANCED	BALANCED GROWTH	GROWTH	HIGH GROWTH
Australian equities	0.4	-0.9	-1.1	-0.4	-3.2
Global equities	-0.9	-0.1	-0.4	-0.6	3.5
Australian listed property	0.0	0.5	0.5	0.5	-0.9
Global listed property	0.0	-0.7	0.0	-0.5	0.0
Global listed infrastructure	0.0	0.0	0.0	0.0	1.0
Australian fixed income	4.5	3.4	2.4	0.2	0.0
Global fixed income	0.0	0.0	1.8	0.8	0.0
Cash	-4.0	-2.2	-3.2	0.0	-0.4

Final asset class allocations after these changes (%)[2]

ASSET CLASS	RISK PROFILE				
	CONSERVATIVE	BALANCED	BALANCED GROWTH	GROWTH	HIGH GROWTH
GROWTH ASSETS	**34.0**	**53.9**	**73.5**	**92.1**	**99.0**
Australian equity	11.0	17.2	25.2	32.3	33.7
Global equity	17.5	30.9	40.4	52.8	54.4
Australian property	1.9	1.9	3.4	2.9	1.9
Global property	1.6	2.0	2.6	3.1	3.6
Infrastructure	1.1	1.1	1.0	1.0	5.4
Growth alternatives	0.0	0.0	0.0	0.0	0.0
Extended credit	0.9	0.9	0.8	0.0	0.0
DEFENSIVE ASSETS	**66.0**	**46.1**	**26.5**	**7.9**	**1.0**
Loans & absolute return credit	0.0	0.0	0.0	0.0	0.0
Australian fixed income	35.7	25.2	15.0	3.5	0.0
Global fixed income	16.3	13.3	9.0	2.8	0.0
Defensive alternatives	0.0	0.0	0.0	0.0	0.0
Short-term credit	0.0	0.0	0.0	0.0	0.0
Cash	14.1	7.7	2.6	1.6	1.0

Effective date

These changes were completed on **15/16th July 2026**.

[2] Asset class breakdown is based on the model and may vary slightly depending on the Platform.

Looking ahead

Market drivers continue to be a mix of the geopolitical agenda coming out of the United States and investor interest in AI. The impact of the conflict in the Middle East will depend on its duration and how long transit through the strait of Hormuz remains severely subdued, something we continue to watch closely. Economic fundamentals have remained resilient, and we expect this to continue through the rest of 2026. Corporate earnings have been very strong, and we think this can be maintained.

Our exposure to growth is modestly above benchmark given the economic and market backdrop. We also hold a moderate overweight to government bonds. We are looking to increase risk if the opportunity arises and retain an overweight to US and Emerging Market equities, and a smaller overweight to Developed Markets excluding the US.

For fixed income assets, we believe Australian government bonds offer reasonable value versus the US, which appears more fully valued. Private credit and infrastructure markets are alternative investment opportunities that may benefit from resilience in a higher interest rate environment.

During moments of volatility, our investment process of cycle, value and sentiment ensures that we're able to respond to events appropriately. The Portfolios have been designed to respond in real time to manage risks and take advantage of market dislocations.

Note: Past performance is not a reliable indicator of future performance.

For more information please visit our website:

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