



Sterling abrdn Portfolio: Model Changes:

12 May 2023

Market backdrop

Inflation looks to have peaked in Australia but still has a long way to come back down. While pleasing to see signs that inflation is trending lower, its not quick enough for the RBA who now extended out its projections for when inflation gets back into the 2%-3% range from 2024 to 2025.

Over in the US, the FOMC did what it was widely expected to do and hiked the Fed Funds rate by another 25 bp to 5.00-5.25% while opening the possibility of a pause.

Model Portfolio implication

With inflation beginning to show signs of turning down, the possibility of a shallower recession can not be dismissed. While we still see a US recession, the update in views which include now include a chance of a soft-landing lead us to moderate the level of defensive positioning in our models. Healthcare underperformed through the start of this year but has recovered through the later part of this quarter and year to date is positive. We think this is a good opportunity with the position being back in the black, to take profit and rotate into more growth orientated equities. We still maintain an overall defensive stance given the numerous headwinds that still lay ahead but given the risk of a sentiment driven rally, we have looked to add back some growth exposure to the models.





Model Changes

Portfolio Name Sterling abrdn CPI + 2.0% Portfolio

Portfolio Change	Liquidate Healthcare Exposure	-2.10%
Rationale	Removing healthcare but maintaining min vol to reflect a still cautious outlook.	
Portfolio Change	Add to Global Equities	+2.10%
Rationale	Adding to global equities to balance defensive positioning with more growth exposure.	

Portfolio Name Sterling abrdn CPI + 3.5% Portfolio

Portfolio Change	Liquidate Healthcare Exposure	-3.40%
Rationale	Removing healthcare but maintaining min vol to reflect a still cautious outlook.	
Portfolio Change	Add to Global Equities	+3.40%
Rationale	Adding to global equities to balance defensive positioning with more growth exposure.	





Portfolio Name Sterling abrdn CPI + 5.0% Portfolio

Portfolio Change	Liquidate Healthcare Exposure	-4.30%
Rationale	Removing healthcare but maintaining min vol to reflect a still cautious outlook.	
Portfolio Change	Add to Global Equities	+4.30%
Rationale	Adding to global equities to balance defensive positioning with more growth exposure.	

Important information

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