



VMAPS

Ventura Dimensional Models Quarterly Adviser Report

September 2022

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Quarterly Market Review

THEMES FOR THE QUARTER

- Mixed Quarter for Global Shares, With Strong USD a Dominant Influence
- Developed Markets Positive in AUD & NZD Terms; Emerging Markets Negative
- Global Bonds Post Third Straight Losing Quarter; Term & Credit Negative
- Headlines Dominated by Inflation News & Central Bank Rate Hikes
- IMF Downgrades Global Growth Outlook as Financial Conditions Tighten
- Equity Rally from July to mid-August Gave Way to Drawdown in September
- Despite September Losses, Australian and NZ Shares Post Modest Q3 Gains
- Value Positive in Australia & EM; Small Caps Negative in Australia; Mixed Elsewhere
- Energy the Top Sector for the Quarter; Real Estate and Utilities the Worst
- USD Stages Broad Rally; Sparking Intervention by Bank of Japan late in Q3



Click on each tab below for more information about the last quarter.

Global Markets Summary

World Indices Wrap Up

Note: This account of economic and market themes is designed as a tool for advisors for talking about the general environment of the quarter, not as an explanation for our trusts' performance over this period.



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GLOBAL MARKETS SUMMARY

Global stocks were mixed, while bonds fell for a third consecutive quarter to 30 September. Dominating headlines was inflation news, central bank action to rein it in, a rising US dollar and worries about economic growth.

Sentiment shifted during the quarter. A nascent recovery in risk appetites from July to mid-August gave way to renewed selling in September when US consumer price data dented prior expectations that inflation was turning lower.

Developed markets ended the quarter positive for unhedged Australian and New Zealand investors, but emerging markets suffered a fifth straight quarterly decline.

Most of the media's attention was on inflation and central banks' response. After hitting a 41-year high above 9%, US inflation had retreated to 8.3% by August, but remained above forecasts. UK inflation topped 10%, while Australian and NZ headline inflation rates were above 6% and 7% respectively in the year to June.

Central bankers, meeting in August, pledged forceful action to combat inflation, though emphasised that, like the rest of the markets, they were data-dependent.

The US Federal Reserve led the way in tightening monetary policy, with three successive 75bps rate rises during the quarter. The European Central Bank upped rates by 125bps in two meetings, the Bank of England by 100bps.

The Reserve Bank of Australia raised its cash rate in three moves of 50bps in the September quarter, though stepped down to 25bps at the start of Q4. The Reserve Bank of NZ maintained a pace of 50bps hikes in July, August and October.

After downgrading its forecasts for global economic growth in July, the International Monetary Fund cited downside risks to its outlook from tighter financial conditions, the strengthening US dollar, higher inflation and geopolitical uncertainties arising from the ongoing conflict in Ukraine.

The combination of the higher US currency, global growth concerns and China's ongoing slowdown were the backdrop for a retreat in commodity prices in the quarter, with crude oil falling from around \$US120 to \$80 a barrel.

The broad-based rise in the USD also sparked intervention by the Bank of Japan in September to support the Japanese Yen for the first time in 24 years. A week later, the Bank of England intervened to support Gilts after the UK Government proposed unfunded tax cuts, triggering heavy bond selling.

The global bond market, as measured by the Bloomberg Global Aggregate Bond Index, posted its third consecutive losing quarter with both term and credit premiums negative for the period. US Treasury 10-year yields reached a 12-year high above 4% in late September.

The strength in the USD and resulting weakness in both the AUD and NZD cushioned offshore equity losses for unhedged investors in Australia and NZ.

While September was a negative month for equities overall, both the Australian and NZ markets still ended in positive territory for the quarter. In Australia, energy was the standout sector, while real estate and utilities were the worst performers. Air NZ and A2 Milk were two of the standout stocks in NZ.

There was no consistent pattern in the premiums. Value was positive in Australia and emerging markets, but negative in other developed markets. Small caps were negative in Australia and mixed elsewhere.

MARKET MOVEMENTS

Quarter End

CASH AND BONDS

	Australian Cash	0.42%
	Australian Bond Market	-0.64%
	Global Bond Market	-3.78%

STOCKS

	Australia	0.45%
	Developed Unhedged	0.35%
	Emerging Unhedged	-5.42%
	REITs Unhedged	-5.06%
	Hedging Premium	-5.53%

Performance is shown in AUD. Past performance is not indicative of future results. Australian Cash—Bloomberg AusBond Bank Bill Index, Australian Bonds—Bloomberg AusBond Composite 0+ Yr Index, Global Bonds—Bloomberg Global Aggregate Bond Index (hedged to AUD), Australian Stocks—S&P/ASX 300 Index (Total Return), Developed Stocks—MSCI World ex Australia Index (net div., AUD), Emerging Stocks—MSCI Emerging Markets Index (net div., AUD), REIT Stocks—S&P Developed REIT Index (net div., AUD), Hedging Premium—MSCI World ex Australia Index (net div., hedged to AUD) minus MSCI World ex Australia Index (net div., AUD).

Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio.



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WHAT DOMINATED THE NEWS

The following news summary is not intended to explain the markets' performance in the quarter, but to provide some perspective about what dominated headlines:

Select Headlines

JULY

- Former Japanese Prime Minister Shinzo Abe Assassinated at Campaign Event
- Boris Johnston Quits as UK Prime Minister, Dragged Down by Scandals
- IMF Downgrades Global Growth Outlook, Cites Downside Risks
- US Annual Inflation Rate Hits 9.1%, Highest Since 1981
- European Central Bank Raises Interest Rates for First Time in 11 Years
- US Federal Reserve Delivers Second Successive 75bps Rate Hike
- Australian Inflation Spikes to 21-Year High of 6.1%, Peak Still to Come

AUGUST

- China Conducts Military Exercises Around Taiwan in Protest at US Speaker Visit
- RBA Hikes Cash Rate by 50bps to 1.85% in Fourth Move in Four Months
- Stocks Stage Relief Rally as US Inflation Eases in July from 9.1% to 8.5%
- Britain's Annual Inflation Rate Jumps to 10.1%, Highest Since 1982
- World's Central Bankers, at Jackson Hole, Pledge Tough Action on Inflation
- Top Russian Diplomat Dismisses Chances of Ukraine Peace Deal
- Euro Falls Below Parity with US Dollar to Lowest Level in Two Decades

SEPTEMBER

- RBA Hikes Cash Rate to Seven-Year High of 2.35%; Signals More to Come
- Liz Truss Appointed UK PM After Winning Conservative Leadership Poll
- Queen Elizabeth II Dies After 70 Year Reign; Charles III Becomes King
- Amid Persistent Inflation, US Fed Raises Key Rate by 75bps for Third Month
- Bank of Japan Intervenes to Support the Yen for First Time Since 1998
- Bank of England Intervenes in Gilts as UK Govt Tax Cut Plan Triggers Selling
- Far-Right Leader and Eurosceptic Giorgia Meloni Wins Italian Election



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GLOBAL MARKETS SUMMARY (CONT'D)

FIGURE 1
INVESTMENT CLIMATE GLOBAL EQUITIES

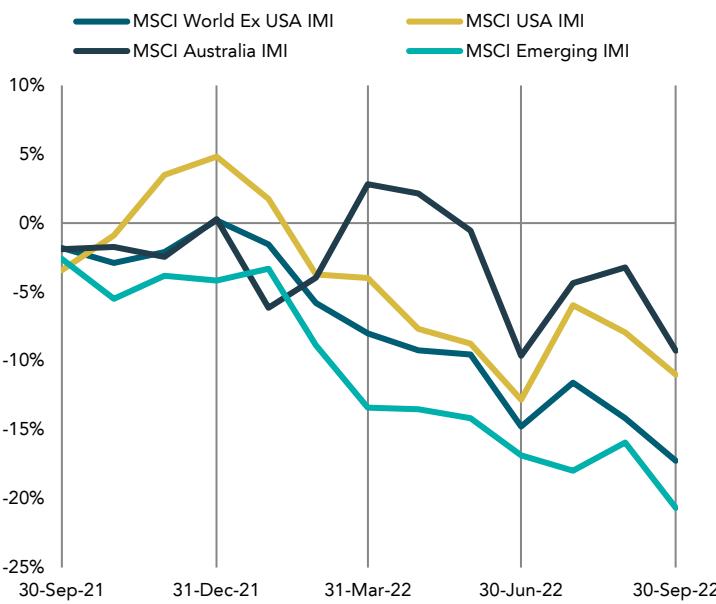


FIGURE 2
INVESTMENT CLIMATE AUSTRALIAN SECTORS

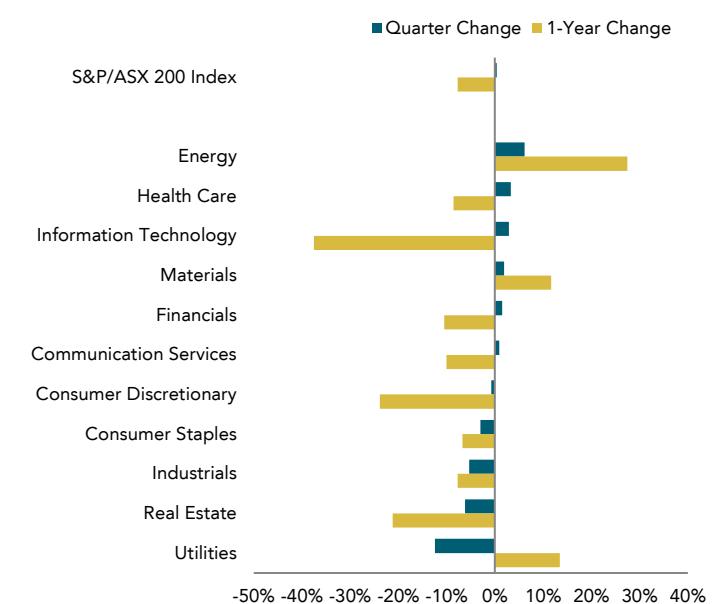


FIGURE 3
INVESTMENT CLIMATE DEVELOPED MARKET COUNTRIES

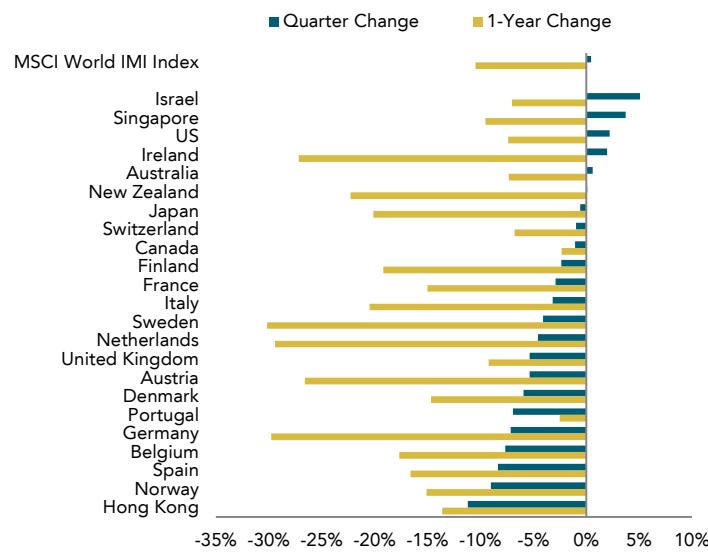


FIGURE 4
INVESTMENT CLIMATE FIXED INTEREST

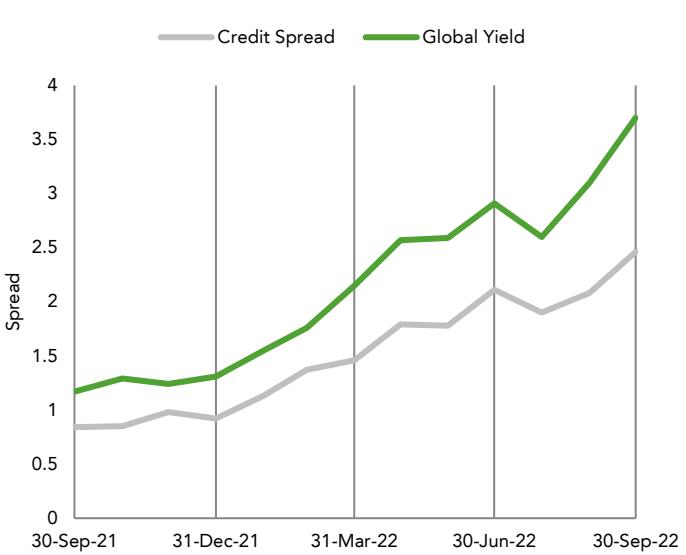


Fig 1. Performance is shown in AUD and is based on the MSCI World ex USA IMI Index (net div.), MSCI USA IMI Index (net div.), MSCI Australia IMI Index (net div.), and MSCI Emerging Markets IMI Index (net div.). Past performance is not indicative of future results. MSCI data © MSCI 2022, all rights reserved. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio.

Fig 2. Performance is shown in AUD and is based on the S&P/ASX 200 Index. Past performance is not indicative of future results. S&P/ASX data © 2022 S&P Dow Jones Indices LLC, a division of S&P Global, all rights reserved. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio.

Fig 3. Countries added to the index throughout the year only show returns for their period of inclusion. Performance is shown in AUD and is based on the MSCI World IMI Index. Past performance is not indicative of future results. MSCI data © MSCI 2022, all rights reserved. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio.

Fig 4. Credit Spread is defined as Bloomberg Global Aggregate Corporate Yield to Worst minus Bloomberg Global Aggregate Treasuries Yield to Worst. Global Yield is defined as Bloomberg Global Aggregate Yield to Worst. Past performance is not indicative of future results. Data provided by Bloomberg. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio.



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WORLD INDICES WRAP UP

FIXED INTEREST

	QTR	1 Year
Bloomberg AusBond Bank Bill Index	0.42%	0.52%
Bloomberg AusBond Composite 0+ Yr Index	-0.64%	-11.36%
Bloomberg Global Aggregate Bond Index (hedged to AUD)	-3.78%	-12.81%

AUSTRALIAN EQUITIES

	QTR	1 Year
S&P/ASX 300 Index (Total Return)	0.45%	-8.00%
S&P/ASX Small Ordinaries Index (Total Return)	-0.47%	-22.56%
S&P Australia BMI Value Index (gross div.) S&P	0.25%	-5.64%
Australia BMI Growth Index (gross div.)	1.25%	-10.94%

GLOBAL EQUITIES

	QTR	1 Year
MSCI World ex Australia Index (net div., AUD)	0.35%	-9.79%
MSCI World ex Australia Index (net div., hedged to AUD)	-5.18%	-17.51%
Hedging Premium	-5.53%	-7.71%
MSCI World ex Australia Small Cap Index (net div., AUD)	1.23%	-15.82%
MSCI World ex Australia Value Index (net div., AUD)	-0.81%	-1.91%
MSCI Emerging Markets Index (net div., AUD)	-5.42%	-19.24%

REAL ESTATE

	QTR	1 Year
S&P/ASX 300 A-REIT Index (Total Return)	-6.89%	-21.13%
S&P Developed REIT Index (net div., AUD)	-5.06%	-10.89%

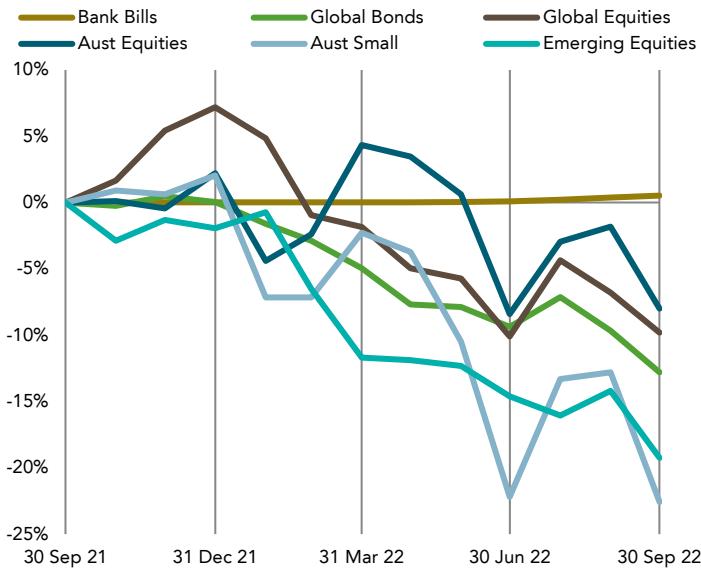
WORLD MARKETS

	QTR	1 Year
S&P 500 Index	1.73%	-5.03%
MSCI United Kingdom Index (net div.) MSCI	-4.56%	-3.47%
Europe ex UK Index (net div.)	-3.68%	-18.90%
Japan Nikkei 225 Average Index (price-only)	-1.35%	-23.73%
Shanghai Stock Exchange Composite Index	-10.15%	-13.22%

CURRENCIES (RELATIVE TO AUD)

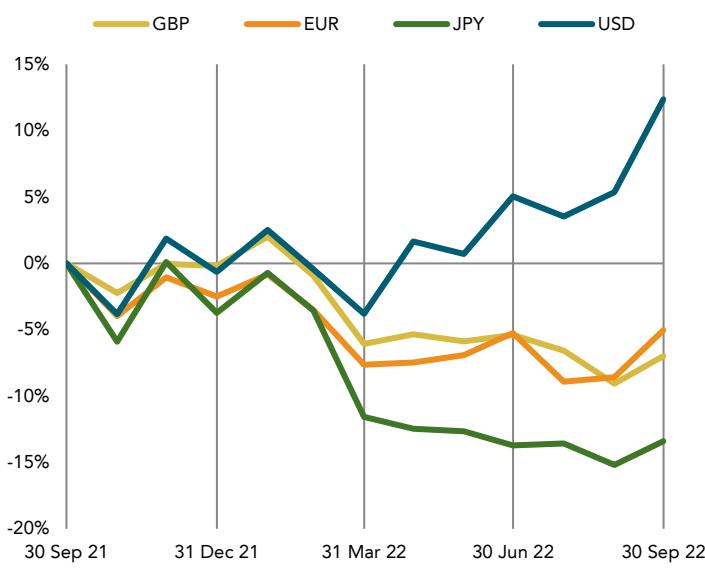
	QTR	1 Year
British Pound	-1.69%	-6.99%
Euro	0.22%	-5.03%
Japanese Yen	0.38%	-13.40%
United States Dollar	6.95%	12.35%

MARKET RETURNS



Source: Bank Bills – Bloomberg AusBond Bank Bill Index, Global Bonds – Bloomberg Global Aggregate Bond Index (hedged to AUD), Global Equities – MSCI World ex Australia Index (net div., AUD), Aust Equities – S&P/ASX 300 Index (Total Return), Aust Small – S&P/ASX Small Ordinaries Index (Total Return), Emerging Equities – MSCI Emerging Markets Index (net div., AUD).

CURRENCY RETURNS (Relative to AUD)





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For performance of Dimensional's Wholesale Trusts in the quarter,
please see the individual fact sheets.

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