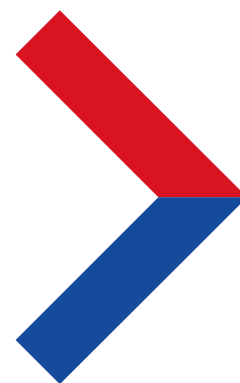


# CFS multi-sector funds

## December Quarter 2024 update

- [FirstChoice](#)
- [Enhanced Index](#)
- [Index](#)



## Economic update

[Hear CFS CIO, Jonathan Armitage, discuss the recent movements in global financial markets.](#)

December marked a disappointing end to an otherwise good year for investors, with performance mixed across asset classes over the quarter. Global Shares finished the quarter slightly higher, largely supported by US equities, which rallied in November on the back of proposed deregulation and tax cuts following the Republican victory. However,

the momentum was short lived, and December saw a reversal of gains as the Fed tempered expectations for further rate cuts. Emerging markets underperformed developed counterparts, due to anticipation of more protectionist policies in the US. Global Bonds posted losses amid raising concerns over the US fiscal deficit and potential inflationary risks. Listed real assets suffered against the backdrop of rising yields.

Performance to 31 Dec 2024	3 Months	6 Months	1 Year
<b>Defensive assets</b>			
Cash	1.10%	2.20%	4.50%
Australian Bonds	-0.30%	2.80%	2.90%
Global Bonds	-1.20%	2.70%	2.20%
<b>Growth assets</b>			
Australian Share	-0.80%	6.90%	11.40%
Global Share (Unhedged)	11.20%	14.10%	30.10%
Global Shares (Hedged)	1.30%	6.00%	20.00%
Emerging Markets	3.10%	7.90%	18.70%
Global Listed Property	-7.90%	5.40%	2.20%
Global Listed Infrastructure	-3.80%	8.90%	10.70%

**Source:** Colonial First State Research and Performance. Annualised performance for periods over 12 months. Benchmark performance in AUD terms is shown for: Bloomberg AusBond Bank Bill Index; Bloomberg AusBond Composite 0+ Yr Index; Bloomberg Global Aggregate AUD Hedged; S&P/ASX 300 Accumulation Index; MSCI ACWI Ex-Aus Index Special Tax Net AUD Unhedged; MSCI ACWI Ex-Aus Index Special Tax Net AUD Hedged, MSCI Emerging Markets (AUD), FTSE EPRA/NAREIT Dev ex Aus Rental Index AUD Hdg Net and FTSE Dev Core Infrastructure Index AUD Hdg Net.

Tables and charts in this document, all figures shown are before fees and taxes as of 31 December 2024.

**Source:** Colonial First State Research and Performance.

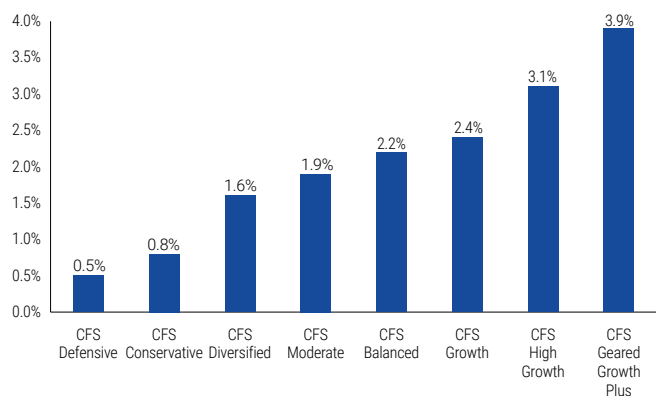
# FirstChoice update

[Access the CFS suite of multi-asset investment options.](#)

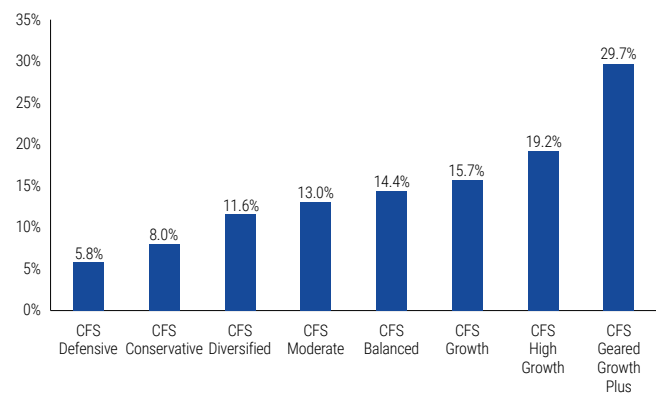
Over the 3 months to 31 December 2024, all the funds delivered positive absolute returns, underpinned by strong returns from Global Shares and Global Small Caps. The Geared Growth option delivered a strong return of 3.9%, outperforming its benchmark by 1.8% over the quarter. During this time, the portfolios with the higher allocations to growth assets (namely, the Balanced, Growth and High Growth options) performed relatively better.

Over the one-year period to 31 December 2024, the CFS Multi-Manager Multi-Sector options posted strong returns, with the Diversified, Moderate, Balanced, Growth, High Growth and Geared Growth options all delivering high double-digit returns. Figures 1 and 2 show the absolute performance of the CFS options over the quarter and 1-year periods.

**Figure 1: Performance (gross return) for the 3 months to 31 December 2024**



**Figure 2: Performance (gross return) for the 1 year to 31 December 2024**



## Case study CFS Balanced

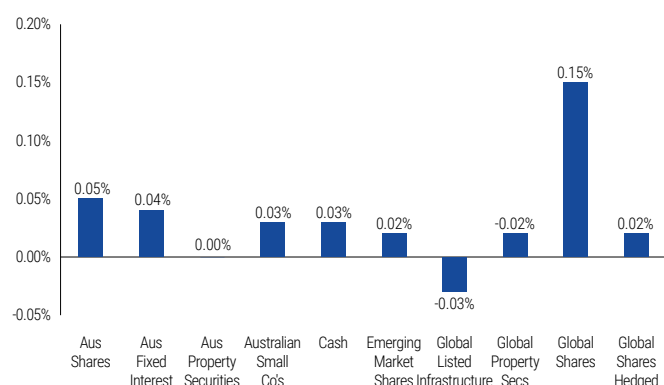
The CFS Balanced portfolio, which invests in a diverse range of sectors, delivered a return of 2.2% over the December quarter, outperforming its composite benchmark by 0.3%.

Over the quarter, most building blocks contributed to the portfolio's outperformance, led by allocations to Global Shares, Global Small Caps and Global Credit portfolios. The CFS Global Shares portfolio delivered 12.4% and outperformed its benchmark (MSCI All Country World ex Australia Net Index) by 1.2% in Q4. Performance over the quarter was led by manager WCM. The manager benefited predominantly from stock selection in the IT sectors, with an overweight position in AppLovin the most significant contributor as the company gave a positive update to market on profits and revenue.

The RQI Global Developed Small Cap Value strategy returned 8.2% during the December quarter. Within the Global Small Caps benchmark, Financials and Information Technology rallied and the portfolio also benefited from the overweight position to Financials and strong stock selection within the Utilities sector. The largest stock level contributor was the overweight to CI Financial Corp.

Over the quarter, the CFS Credit Fund outperformed its benchmark (Bloomberg Global Aggregate Corporate AUD Hedged Index) by 2.10%, with both underlying managers, Loomis Sayles and Oaktree outperforming. Loomis Sayles's performance was driven by asset allocation within investment-grade spread sectors, including overweight positions to Utility and Technology sectors. Oaktree's performance was driven by investments in structured credit and senior loans; with the shorter duration nature of these exposures providing attractive coupon income against interest rate volatility.

**Figure 3: CFS Balanced attribution by asset class for the 3 months to 31 December 2024**



**Source:** Colonial First State Research and Performance. Past performance is no indication of future performance. Figures shown are before fees and taxes, as of 31 December 2024.

**Top ten security holdings for the CFS Balanced portfolio as of December end 2024**

Top 10 Security Holdings	Portfolio Weight
BHP Group Ltd [BHP_AU]	1.5%
Commonwealth Bank of Australia [CBA_AU]	1.5%
Apple Inc [AAPL_US]	1.3%
Microsoft Corp [MSFT_US]	1.3%
NVIDIA Corp [NVDA_US]	1.3%
CSL Ltd [CSL_AU]	1.1%
Taiwan Semiconductor Manufacturing Co Ltd [2330_TW]	1.0%
National Australia Bank Ltd [NAB_AU]	1.0%
Westpac Banking Corp [WBC_AU]	0.8%
Meta Platforms Inc [META_US]	0.8%

## Australian Shares

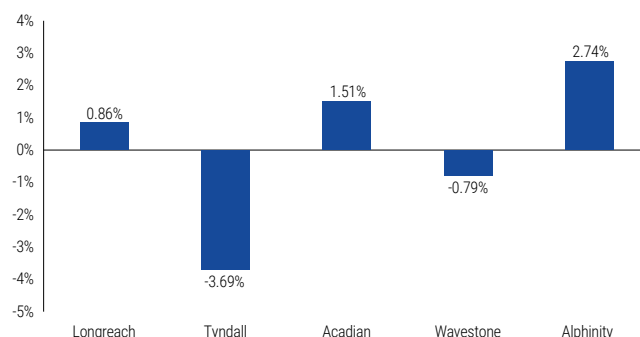
Over the December quarter, the S&P/ASX 300 Accumulation index delivered a return of -0.81%. Materials which includes resources and Real Estate were the worst performing sectors impacting by elevated bond yields and falling commodity prices, whilst Financials led by banks was the strongest performing sector.

The CFS Australian Share portfolio delivered a return of -0.50%, outperforming the benchmark by 0.31% over the quarter. Three of the five managers outperformed the benchmark over the quarter.

Alphinity, up 2.74% relative to the benchmark, was the strongest performing manager over the quarter. Stock selection drove the outperformance, with overweight positions in Aristocrat Leisure, Block and QANTAS the largest contributors.

Tyndall, (down 3.69% relative to the benchmark), was the weakest performing manager over the quarter. Stock selection and an overweight to the Materials sector was the biggest detractors to relative performance, with overweight positions in Newmont and Iluka Resources detracting most.

**Figure 4: CFS Australian Share performance (before fees) for 3 months to 31 December 2024**



## Global Shares

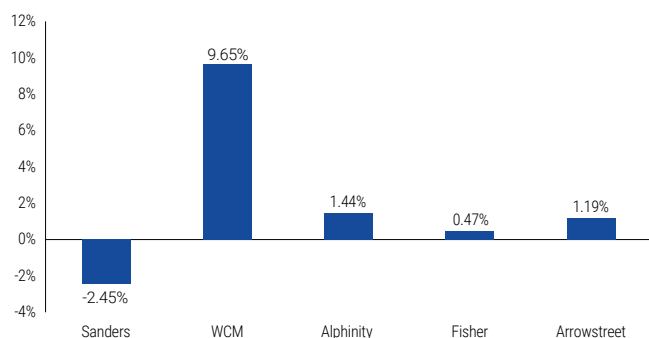
Over the December quarter, the MSCI All Country World ex Australia Net Index gained 11.15%. Within the benchmark, sectors with exposure to AI were the best performing sectors with Consumer Discretionary (18.23%), Communication Services (17.49%) and Information Technology (16.87%) were the best performing sectors. Materials (-4.00%) and Health Care (-0.759) were the weakest performing sectors.

The CFS Global Share portfolio outperformed the benchmark by 1.23% during the quarter. Over one year, the portfolio has outperformed the benchmark by 4.45%.

WCM (up 9.65% relative to the benchmark) was the best performing manager over the quarter. The manager benefited from predominantly from stock selection in the IT sectors, with an overweight position in AppLovin the most significant contributor as the company gave a positive update to market on profits and revenue.

Sanders (down -2.45% relative to the benchmark) was the weakest performing manager. Stock selection and positioning within Health Care and IT detracted the most from relative performance. Overweights to HCA Healthcare and Elevance Health detracted as well as not holding Tesla and NVIDIA.

**Figure 5: CFS Global Share performance (before fees) for 3 months to 31 December 2024**



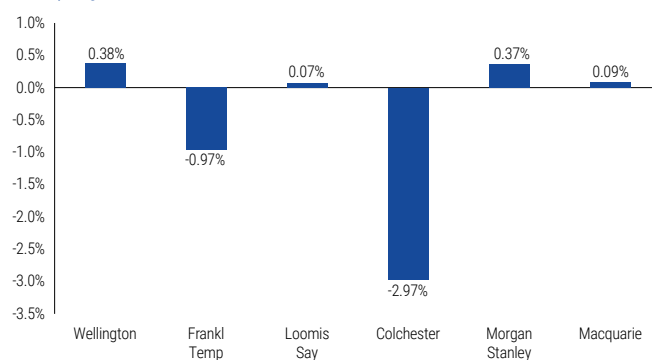
## Fixed Interest

During the December 2024 quarter, the CFS Fixed Interest portfolio delivered a -0.93% return, underperforming the benchmark (comprised of 50% Bloomberg Global Aggregate AUD Hedged and 50% Bloomberg AusBond Composite 0+ Yr Index) which returned -0.74%, by 0.19%.

Increased concerns regarding inflation, growth and fiscal sustainability led to heightened bond market volatility over the quarter, with global fixed interest markets delivering negative total returns over this period.

Against this backdrop, the CFS Fixed Interest portfolio underperformed its benchmark. The biggest detractor from returns was the portfolio's sovereign bond manager Colchester which delivered gross excess returns of -2.97% over the quarter. Colchester's performance was driven by its bond positions, including overweights to Mexico and Colombia and underweight position to China. Colchester's active currency positions also detracted from performance with short positions in US Dollar, Euro and Israeli Shekel generating losses. Colchester's negative performance was offset to some extent by positive returns from Wellington and Morgan Stanley, which delivered gross excess returns of 0.38% and 0.37% respectively.

**Figure 6: CFS Fixed Interest performance (before fees) by manager for 3 months to 31 December 2024**



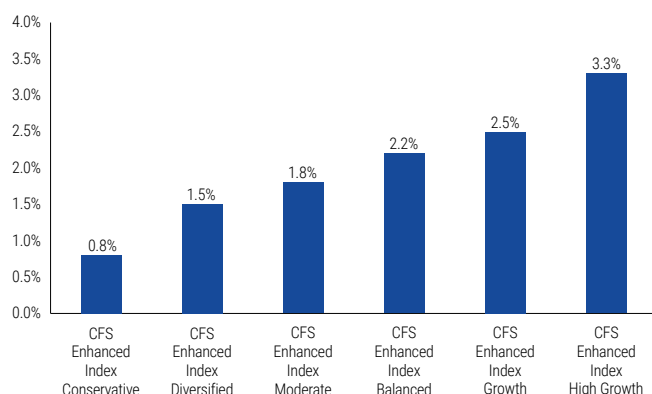
## CFS Enhanced Index update

### [Access the CFS suite of Enhanced Index investment options.](#)

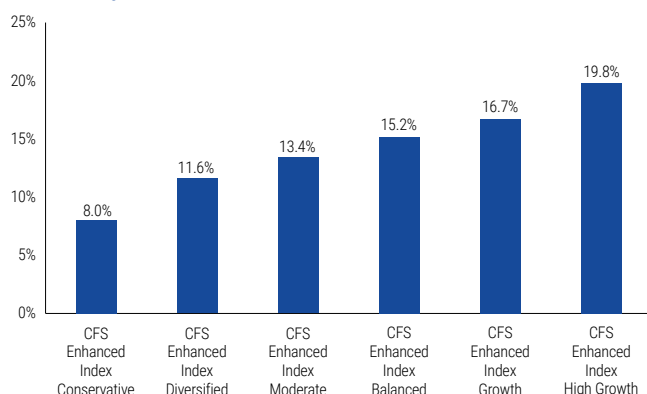
Over the 3 months to 31 December 2024, all funds in the Enhanced Index series delivered positive returns, underpinned by strong returns across most asset classes. During this time, the portfolios with the higher allocations to growth assets performed relatively better.

Over the one-year period, all Enhanced Index options posted strong double-digit returns. Figures 7 and 8 show the absolute performance of the Enhanced Index options over the quarter and 1-year periods.

**Figure 7: Performance (gross return) for 3 months to 31 December 2024**



**Figure 8: Performance (gross return) for the 1 year to 31 December 2024**



### Case Study

#### Enhanced Index Balanced

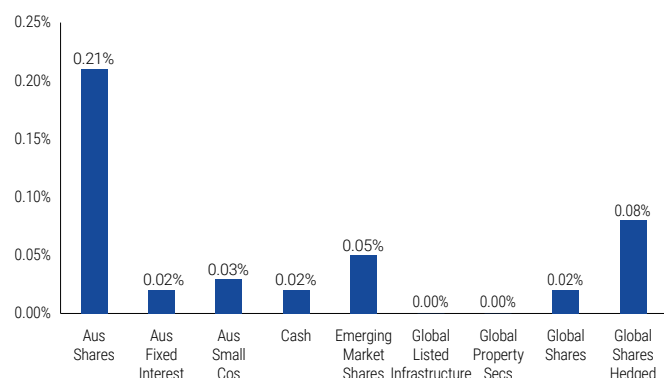
The CFS Enhanced Index Balanced portfolio, which invests in a diverse range of sectors, delivered a return of 2.2% over the December quarter, outperforming its composite benchmark by 0.4%.

Over the quarter, most building blocks contributed to the portfolio's outperformance, led by allocations to Australian Shares, Global Shares and Global Small Caps portfolios. The Global Share fund returned 11.7% during the quarter, benefitted from the alpha model. In terms of alpha insights, the alpha model generated positive performance across multiple insight buckets including fundamental value, quality and momentum. The model also worked well across all regions especially Emerging Markets, where relative value-based insights were particularly strong. On a country basis, the largest contributor was the underweight to US. From a sector perspective, the largest contributor was the overweight to Information Technology. The largest stock level contributor was the overweight to F5 Inc.

The Australian Share portfolio outperformed ASX300 by 1.1% during the quarter, driven by the alpha model and strong stock selection. In terms of alpha insights, fundamental momentum, market sentiment and firm management insights were rewarded. The model worked well across Financials, Energy and Consumer Discretionary. From a sector perspective, the largest contributor was the overweight to Financials. The largest stock level contributor was the overweight to Qantas Airways Limited.

The RQI Global Developed Small Cap Value strategy returned 8.2% during the December quarter. Within the Global Small Caps benchmark, Financials and Information Technology rallied and the portfolio also benefited from the overweight position to Financials and strong stock selection within the Utilities sector. The largest stock level contributor was the overweight to CI Financial Corp.

**Figure 9: CFS Enhanced Index Balanced attribution by asset class for the 3 months to 31 December 2024**



**Source:** Colonial First State Research and Performance. Past performance is no indication of future performance. Figures shown are before fees and taxes, as of 31 December 2024.

**Top ten holdings for the CFS Enhanced Index Balanced portfolio as at December end 2024**

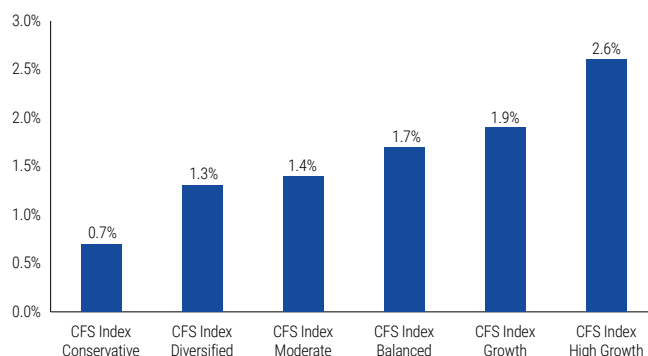
Top 10 Security Holdings	Portfolio Weight
Commonwealth Bank of Australia [CBA_AU]	2.2%
BHP Group Ltd [BHP_AU]	1.8%
Apple Inc [AAPL_US]	1.5%
NVIDIA Corp [NVDA_US]	1.3%
Microsoft Corp [MSFT_US]	1.1%
CSL Ltd [CSL_AU]	1.0%
National Australia Bank Ltd [NAB_AU]	0.9%
Amazon.com Inc [AMZN_US]	0.8%
Taiwan Semiconductor Manufacturing Co Ltd [2330_TW]	0.8%
Westpac Banking Corp [WBC_AU]	0.8%

## Index update

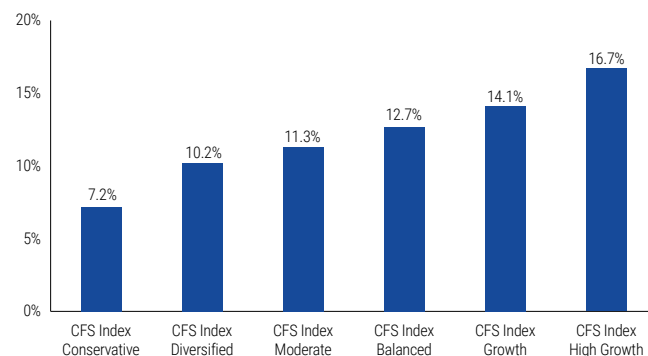
[Access the CFS suite of Index investment options.](#)

Over the 3 months to 31 December 2024, all funds in the CFS Multi-Sector Index series delivered positive returns, underpinned by strong returns across most asset classes. Over the one-year period, all the CFS Multi-Sector Index options posted strong double-digit returns. Figures 10 and 11 show the absolute performance of the Index options over the quarter and 1-year periods.

**Figure 10: Performance (gross return) for 3 months to 31 December 2024**



**Figure 11: Performance (gross return) for the 1 year to 31 December 2024**



**Source:** Colonial First State Research and Performance. Past performance is no indication of future performance. Figures shown are before fees and taxes, as of 31 December 2024.



## Case Study

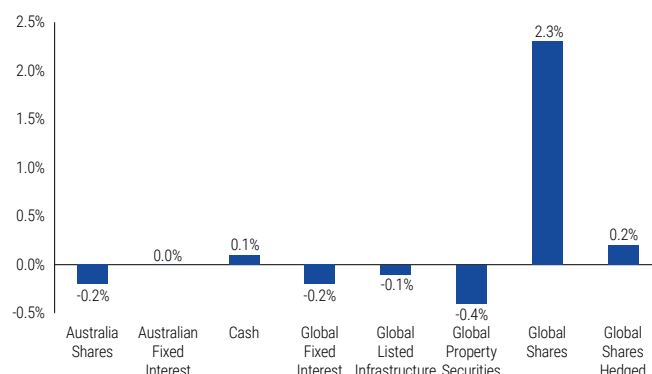
### CFS Index Balanced

CFS Index Balanced delivered a return of 1.7% over the December quarter, performing in line with its composite benchmark. Top drivers to the portfolio's absolute return over the quarter were the allocations to Global Shares hedged and unhedged, returning 11.2% and 1.2% respectively.

Within Global Equities, U.S. markets further decoupled with the rest of the world, trading up modestly, while most other regions traded down. US Equities generally viewed the election result positively as the incoming administration policies are expected to favour deregulation and corporate tax cuts. On the other hand, many European and Asian markets fell on the prospect of a more hostile trade and tariff environment. The best performing sectors during the quarter were communication and consumer discretionary, while health care and materials were the worst performers.

The Australian share market traded lower over the December quarter. During this period, the Reserve Bank of Australia has kept the cash rate unchanged and with inflation largely under control. While the local market did follow some of the enthusiasm emanating from the US, it did not witness the same level of price appreciation in the tech sector, which traded largely flat over the quarter. The slump in iron ore prices and the slowdown in China continues to weigh down on Australian miners. Overall, the quarter saw mixed performance across sectors within the S&P/ASX 300, with Information Technology, REITs and Materials leading the gains.

**Figure 12: CFS Index Balanced contribution by asset class for 3 months to 31 December 2024**



**Source:** Colonial First State Research and Performance. Past performance is no indication of future performance. Figures shown are before fees and taxes, as of 31 December 2024.

### Top ten holdings for the CFS Index Balanced portfolio as at December end 2024

Top 10 Security Holdings	Portfolio Weight
Commonwealth Bank of Australia [CBA_AU]	2.6%
BHP Group Ltd [BHP_AU]	2.1%
Apple Inc [AAPL_US]	1.7%
NVIDIA Corp [NVDA_US]	1.5%
CSL Ltd [CSL_AU]	1.4%
Microsoft Corp [MSFT_US]	1.3%
National Australia Bank Ltd [NAB_AU]	1.2%
Westpac Banking Corp [WBC_AU]	1.1%
Amazon.com Inc [AMZN_US]	0.9%
ANZ Group Holdings Ltd [ANZ_AU]	0.9%

## Find out more

To find out more about these funds, please contact your local [Business Development Manager](#), call Adviser Services on **13 18 36** (8:30am to 6pm Sydney time) or visit [cfs.com.au/investments](https://cfs.com.au/investments)

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