

# Lonsec Sustainable Managed Portfolios - Balanced

## Portfolio performance – October 2021

	1 mth (%)	3 mth (%)	6 mth (%)	1 yr (% pa)	3 yr (% pa)	5 yr (% pa)
Portfolio Total Return	0.12	0.85	6.25	-	-	-
Peer Group Benchmark*	-0.05	-0.03	3.66	-	-	-
Excess Return	0.17	0.88	2.59	-	-	-

Past performance is not a reliable indicator of future performance. Performance is calculated before taxes and platform fees and are net of underlying investment management fees. For full details of fees, please refer to the relevant platform provider. Performance is notional in nature and the actual performance of individual portfolios may differ to the performance of the Managed Portfolios. Totals presented in this report may not sum due to rounding. \*Performance prior to 1 December 2020 is based on a notional portfolio. \*\*Peer Group Benchmark is based on the Financial Express UT Peer Group Multi-Asset Indices.

## Market review

A late selloff for the Australian share market led to modest overall returns for the month, with the S&P/ASX 300 gaining 0.1%. Information Technology was the standout sector, gaining 2.1% for the month, with Health Care (+1%) and Financials (+0.8%) also contributing positively. Momentum and growth were the only factors to provide a positive return for the month with a gain of 0.6% and 0.1% respectively. Quality was the largest detractor with a decline of 1.3%.

Global markets saw a recovery in performance during October following a volatile prior month, with developed markets returning 1.7% as measured by the MSCI AC World ex-Australia Index. Asian and emerging markets continue to face pressure, with the MSCI Emerging Markets Index detracting - 2.9% over the month in Australian dollar terms.

The S&P/ASX 200 A-REIT Index finished 0.4% higher in October. Global real estate equities (represented by the FTSE EPRA/NAREIT Developed Ex Australia Index (AUD Hedged)) advanced strongly, finishing 5.8% higher. Nationally, the housing market once again advanced further, showing considerable strength, with the CoreLogic 5 city aggregate recording a 1.4% increase for the month.

Australian Fixed Interest markets were hit hard in October, with the bulk of the losses being driven by a sharp increase in the 2 and 3 year Australian Government Bond yields at the end of the month. Increases in yields drove a return of -3.6% for the Bloomberg AusBond Composite 0+ Yr Index over the course of October, though credit spreads remained relatively static. Returns were much more muted internationally, with the Bloomberg Barclays Global Aggregate Index (AUD Hedged) returning -0.3% in October, though currency fluctuations resulted in a return of -4.1% for the unhedged variant.

## Sustainable impact

Year ending December 2020



### Total Greenhouse Gas emissions\*

53% lower than the benchmark^



### More women on boards

More women on boards and management teams

A \$100,000 investment in the Lonsec Sustainable Portfolios will avoid an estimated 185 Metric Tonnes of Total Greenhouse Gases p.a. ^^

This is equivalent to:



### Greenhouse Gas Emissions from

40 passenger vehicles driven for one year



### CO2 Emissions from

31.3 homes' electricity use for one year



### Carbon Sequestered

3,059 tree seedlings grown for 10 years

Source: Bloomberg, EPA, Lonsec. These figures refer to the past. Past performance is not a reliable indicator of future performance.

\* Total GHG Emissions is defined as the total of company Scope 1 and Scope 2 emissions. Greenhouse Gases are defined as those gases which contribute to the trapping of heat in the Earth's atmosphere and they include Carbon Dioxide (CO2), Methane, and Nitrous Oxide.

^ The Benchmark is the Lonsec Strategic Asset Allocation (SAA) Growth benchmark. Based on Lonsec Sustainable Managed Portfolio - Growth shareholdings as at 31 December 2020.

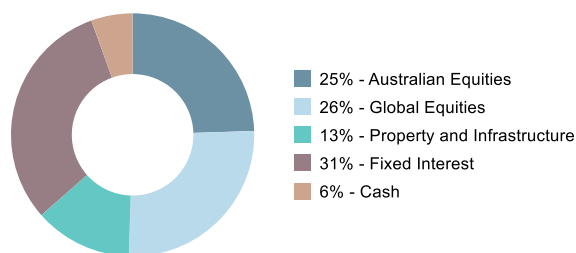
^^ Compared to investing in a passive (index) growth portfolio using Lonsec's SAA benchmark weights.

**We strongly recommend that potential investors read the product disclosure statement or investment statement.**

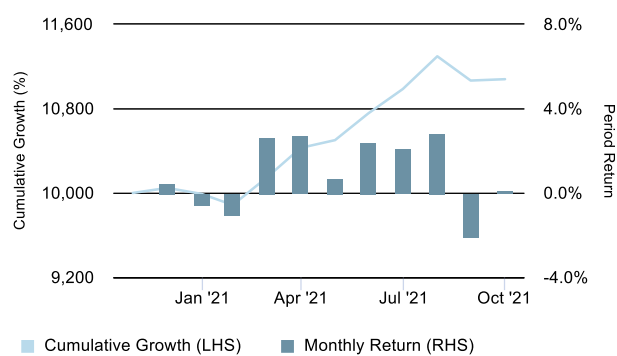
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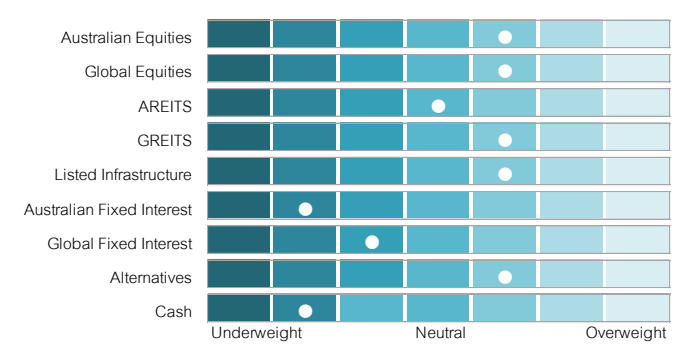
### Asset allocation breakdown



### Cumulative performance (5 years)



### Dynamic Asset Allocation Positioning



### Top 3 contributors to performance

	%
Resolution Capital Global Property Securities Fund	0.22
ATLAS Infrastructure Australian Feeder Fund AUD Hedged Class	0.11
AXA IM Sustainable Equity Fund	0.09

### Bottom 3 contributors to performance

	%
Pendal Sustainable Australian Fixed Interest Fund	-0.31
BetaShares Global Sustainability Leaders ETF	-0.08
Australian Ethical Australian Shares Fund (Wholesale)	-0.06

### Portfolio changes

	%
Janus Henderson Tactical Income Fund	7%
Bloomberg AusBond Bank Bill Index AUD	1%
ATLAS Infrastructure Australian Feeder Fund AUD Hedged Class	0.5%
Resolution Capital Global Property Securities Fund	0.5%
BetaShares Australian Sustainability Leaders ETF	-0.5%
Ausbil Active Sustainable Equity	-0.5%
Australian Ethical Australian Shares Fund (Wholesale)	-0.5%
Alphinity Sustainable Share Fund	-1%
Altius Sustainable Bond Fund	-6.5%

### Portfolio Commentary

The Portfolio returned 0.12% in October, outperforming both the internal benchmark as well as the peer group benchmark. Returns from Dynamic Asset Allocation (DAA) were strong, with the underweight position in Australian fixed interest adding the most value. The overweight position in real assets also contributed positively. During the month, we took some profits and slightly trimmed our exposure to Australian equities, adding to our real assets and cash exposures.

Manager selection was also positive. Most of the value add came from the fixed income sector, where the strategies with the most flexibility around duration (Janus Henderson Tactical Income) provided the most protection from volatile bond markets. From an equities perspective, Australian equity managers in general added value with the exception of the Australian Ethical Australian Shares Fund. Global equity managers, notably the BetaShares Global Sustainability Leaders ETF, detracted from performance.

The Altius Sustainable Bond Fund was downgraded to 'Investment Grade' falling below the minimum quality rating and subsequently replaced with the Janus Henderson Tactical Income Fund.

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## Outlook

We believe the global economic recovery remains largely intact, however it does appear to be slowing, and the slightly more defensive tone in our risk positioning adopted last month we think is prudent, as central banks start to think about removing policy stimulus. Cyclical indicators remain reasonably robust globally, however business and consumer confidence in the US have softened and parts of Europe are headed for further lock-downs as they enter the winter season. Inflation is turning out to be more persistent than anticipated, particularly in the US where non-re-opening components of inflation are trending higher. We believe this environment continues to favor growth assets, with returns on defensive assets (bonds and cash) likely to be limited. We remain well diversified and expect volatility to continue to be a feature of markets over the coming months.

## Portfolio at a glance

### Designed for

The portfolio is designed to provide investors with a diversified portfolio encompassing ESG and sustainable investment principles to generate growth with some income over the medium term.

### Sustainable objectives

1. To outperform the strategic benchmark.
2. Make a positive contribution to the key environmental and social challenges facing society, as measured by the UN's Sustainable Development Goals.

### Suggested minimum investment timeframe

5 years

### Investment strategy

The portfolio aims to minimise its exposure to sectors and industries widely considered harmful to society or the environment including tobacco, alcohol, gambling, weapons, adult entertainment, uranium and coal mining. They will also actively seek out investment opportunities that have a positive impact on society and the environment through impact investing.

### Investment universe

The portfolio invests across a diversified range of Australian equities, global equities, property and infrastructure, fixed interest assets and alternative assets. The portfolio can access such exposures through managed funds and Australian listed securities such as exchange traded funds (ETFs), Exchange Traded Products (ETPs), managed portfolios and cash.

### Target exposure

Growth assets	Defensive assets
60%	40%



### Platform availability

HUB24  
Netwealth  
Macquarie

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