Lonsec

Managed Portfolio Performance Update – November 2021

Lonsec Sustainable Managed Portfolios - Balanced

Portfolio performance – November 2021

	1 mth (%)	3 mth (%)	6 mth (%)	1 yr (% pa)	3 yr (% pa)	5 yr (% pa)
Portfolio Total Return	1.25	-0.70	6.82	-	-	-
Peer Group Benchmark*	0.35	-1.02	2.99	-	-	-
Excess Return	0.90	0.32	3.83	-	-	-

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

The Australian share market declined for a third consecutive month with the S&P/ASX 300 falling -0.5% despite seven out of the eleven sectors in the Index finishing higher. Materials was the standout sector producing a return of 6.3%, whilst Communication Services (+5.2%) and Consumer Staples (4.5%) also contributed positively. Heavy declines in the Financials (-7%) and Energy (-8.3%) sectors weighed on the Index.

After a strong recovery in global markets the month ended in volatility with the worst one-day decline of the year for the DJIA following news of the spread of the new Omicron Covid-19 variant. November saw a contrast in global equity performance across regions, with emerging markets climbing 1.6% in Australian dollar terms, as measured by the MSCI Emerging Markets NR Index, while developed markets fell - 1.6%, represented by the MSCI World ex Australia NR Index (AUD Hedged).

The S&P/ASX 200 A-REIT Accumulation index advanced strongly during November, finishing the month 4.5% higher. Global real estate equities (represented by the FTSE EPRA/NAREIT Developed Ex Australia Index (AUD Hedged)) finished down -1.5% for the month, after its very strong October performance. November was relatively quiet across the A-REITs sector while Nareit cited the Omicron Variant as the potential cause for the pullback in G-REITs.

Australian Fixed Income markets rebounded in November, following the large selloff at the short end in late October. Yields fell substantially across the Australian Government Bonds curve over the month. Australian credit spreads continued to widen over the course of the month, with the Bloomberg AusBond Composite 0+ Yr Index ending the month with a strong result of 2.1%. As the October selloff was a uniquely Australian phenomenon, so too was the correction after the fact. In global markets, the Bloomberg Barclays Global Aggregate Index (AUD Hedged) Index returned 0.7% over the month.

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

C02 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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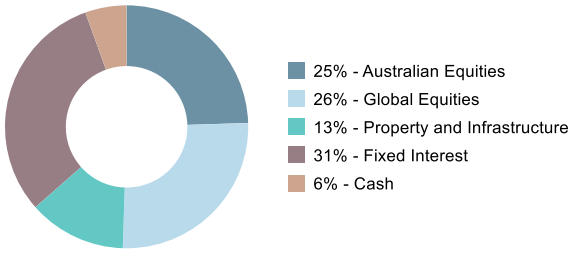
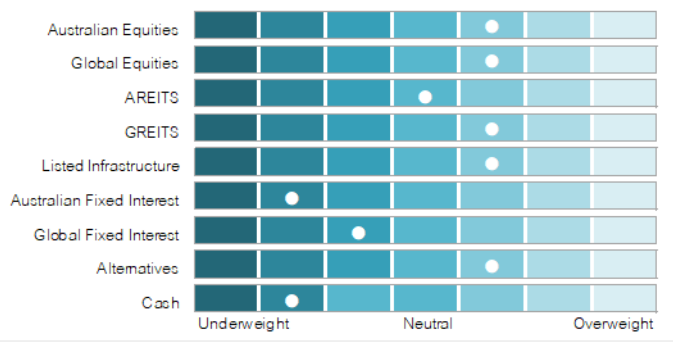
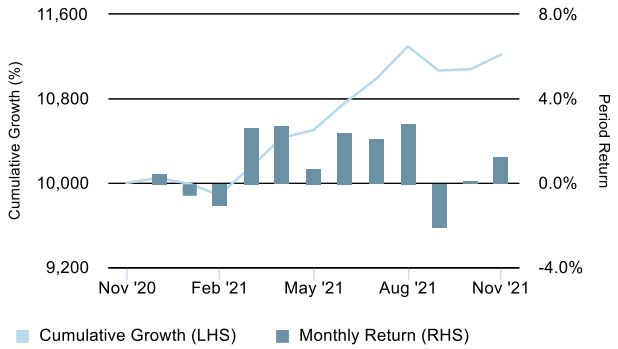
Asset allocation breakdown



Dynamic Asset Allocation Positioning



Cumulative performance (5 years)



Bottom 3 contributors to performance	%
Australian Ethical Australian Shares Fund (Wholesale)	-0.20
ATLAS Infrastructure Australian Feeder Fund AUD Hedged Class	-0.08
Ausbil Active Sustainable Equity	-0.05

Top 3 contributors to performance	%
BetaShares Global Sustainability Leaders ETF	0.49
AXA IM Sustainable Equity Fund	0.31
Impax Sustainable Leaders Fund	0.22

Portfolio changes	%
There were no changes to the portfolio for the past 1 month	

Portfolio Commentary

The Portfolio returned 1.25% in November, comfortably outperforming the peer group benchmark, but below the internal benchmark. Dynamic Asset Allocation (DAA) was a negative contributor for the month, with the underweight position in Australian fixed interest detracting the most value as the benchmark index recovered much of the previous months' losses. The overweight position in risk assets also detracted value, although was partially offset by our risk hedges including the unhedged global equity position which added value as the Australian dollar weakened over the month.

Manager selection was broadly flat with positive security selection in global equities offset by weaker performance from the fixed income managers. From an equities perspective, BetaShares Global Sustainability Leaders ETF was the standout performer, benefiting from the strong performance within the information technology sector. Australian Ethical Australian Shares Fund gave back some performance over the month, underperforming the benchmark by 3%.

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Outlook

Volatility in markets is expected to continue as the economic cycle moderates from high levels and policy support begins to be withdrawn. The emerging Omicron variant of Covid-19 and more persistent inflation prints coming out of the US further cloud the outlook for the upcoming holiday period.
Diversification and active management are key to maintaining our overweight position in risk assets at this point in the cycle. We see opportunity in real assets and some emerging markets where valuations are more attractive than global equities. Fixed income assets for the most part remain unattractive, with yields expected to rise further from here. We maintain our underweight position in fixed income, and within that, short duration positioning.

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

BT Panorama
HUB24
Macquarie
Netwealth

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