

## Lonsec Listed Managed Portfolios - Balanced

### Portfolio performance - October 2023

	1 mth (%)	3 mth (%)	1 yr (% pa)	3 yr (% pa)	5 yr (% pa)	S.I. (% pa)
Portfolio Total Return*	-1.78	-4.30	2.20	3.06	4.72	6.33
Peer Group Benchmark**	-1.64	-3.92	2.64	3.49	3.70	5.36
Excess Return	-0.14	-0.38	-0.44	-0.43	1.02	0.97

Past performance is not a reliable indicator of future performance. Performance is calculated before taxes, model management 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 2010 is based on a notional portfolio. \*\*Peer Group Benchmark is based on the FE UT Peer Group Multi-Asset Indices.

### Market review

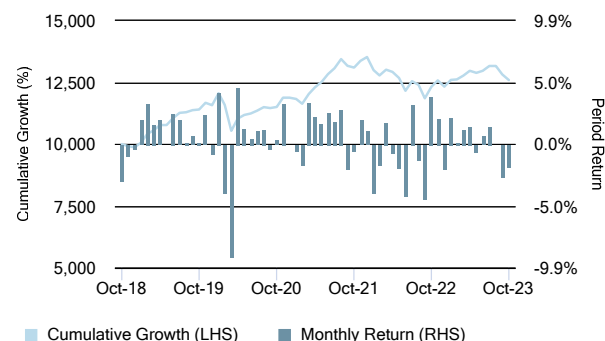
The Australian share market fell 4% in October, as all sectors apart from Utilities (+2%) posted negative returns. Apart from Utilities, the best performing sectors for the month were Materials (-1%), and Communication Services (-3%), while Information Technology (-8%), Healthcare (-7%) and Industrials (-6%) saw the largest declines.

Global equity markets were weaker in October (in local currency terms), with the US falling 2%, and European indices down around 4% across the UK, Germany and France. The Japanese Nikkei declined by 3%. The MSCI World ex Australia benchmark fell 1% in AUD terms, as the currency declined 1.5% against the US dollar.

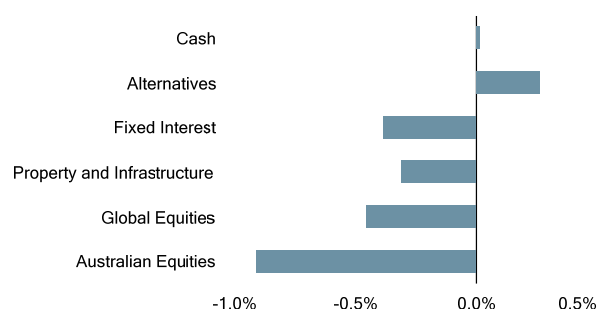
The 'higher for longer' interest rate environment and possibility of further rate hikes continued to create negative headwinds for listed real estate and infrastructure. Within REITs, the S&P/ASX 200 A-REIT Accumulation Index and the FTSE EPRA/NAREIT Developed Ex Australia Index (AUD Hedged) returned -6% and -5%, respectively over the month. The Global Infrastructure sector (as represented by the FTSE Global Core Infrastructure 50/50 Index (AUD Hedged)) finished 1% lower for October.

Although the RBA kept rates on hold for a fourth consecutive month, bond yields were dragged higher by stronger than expected Q3 inflation data, hawkish comments from the local central bank and concerns over US rates and debt issuance. 10-year yields rose 41bps for the month, ending October at 4.91%. US bond yields ended October higher, up 35 bps to 4.93%. Comments from Federal Reserve Chair Jerome Powell that suggested rates could be on hold for now eased upward pressure on yields, although the 10-year rate briefly passed 5% for the first time since 2007, before declining by month end. The domestic and global fixed interest indices declined over the month, with the Bloomberg AusBond Composite 0+ Years Index falling 1.9% and the Bloomberg Global Aggregate Index (AUD Hedged) falling 0.8%.

### Cumulative performance (5 years)



### Performance contribution



Performance contribution measures the absolute contribution of each constituent asset class to the total performance of the portfolio.

#### Top 3 contributors to performance %

Global X Physical Gold	0.26
VanEck Australian Subordinated Debt ETF	0.01
iShares Core Cash ETF	0.01

#### Bottom 3 contributors to performance %

Lonsec SMA - Core	-0.83
Vanguard Australian Property Securities Index ETF	-0.19
iShares Core Composite Bond ETF	-0.18

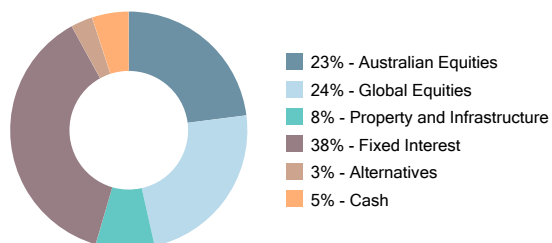
#### Portfolio changes %

iShares Core Composite Bond ETF	3%
Betashares Western Asset Australian Bond Fund (Managed Fund)	1%
Betashares Martin Currie Emerging Markets Fund (Managed Fund)	0.5%
VanEck FTSE Global Infrastructure (Hedged) ETF	-1%
Vanguard International Fixed Interest Index ETF (Hedged)	-1%
iShares Core Cash ETF	-1%
ActiveX Ardea Real Outcome Bond Fund (Managed Fund)	-1.5%

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

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## Asset allocation breakdown



## Portfolio Commentary

The portfolio returned -1.8% in October, slightly underperforming the peer group benchmark. All major asset classes generated negative returns for the month, as inflation, concerns over a 'higher for longer' interest rate environment and increasing Treasury debt issuance continued to affect both equity and bond markets. Longer term returns remain well above the portfolio's cash plus benchmark.

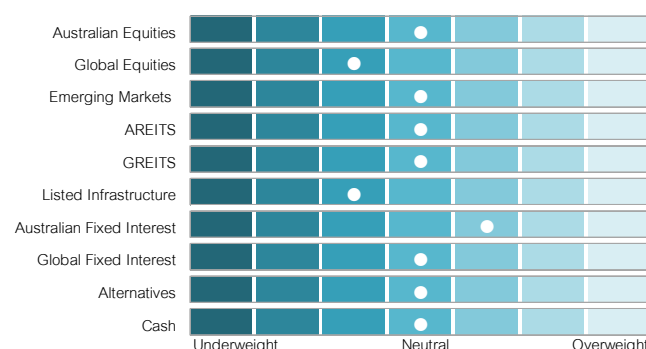
The portfolio's developed markets global equities allocations were mixed against the benchmark, led by the iShares Global Consumer Staples ETF which returned -0.3%. QUAL broadly matched the benchmark (-1%). Emerging markets exposures generated negative returns over October, with EMMG underperforming the benchmark (-2.9%).

The Vanguard AREIT ETF and active Resolution GREIT fell during October and returned -6.3% and -3.5% respectively over the month, while IFRA returned -1.6%. The overall portfolio allocation to real assets has been a key detractor to portfolio performance over the rolling year. In contrast, the GOLD ETF (+8.7%) performed strongly as gold prices rose during the month and is now up 22% for the past 12 months.

In Australian equities, the overall allocation returned -3.9% in October, lagging the benchmark by 16bps. This was primarily driven by the portfolio's exposure to Healthcare, with Resmed (RMD) continuing its decline in October on the back of ongoing concerns over the threat of weight loss drugs to the Group's CPAP business, despite a positive Q1 FY24 results release during the month. We believe this is a short-term overreaction, with the current share price offering a compelling valuation opportunity. CSL also fell during October, as investors remained cautious on product margins and competition from generic medicines. MVR returned -4% for the month.

The portfolio's fixed income allocations strongly outperformed over the month, driven by the shorter duration exposures, with the VanEck Australian Subordinated Debt ETF (+0.4%) generating a positive return over the month, versus a -0.8% return from the global bond benchmark.

## Dynamic Asset Allocation Positioning



## Outlook

We believe that we are at the beginning of the end of this economic cycle. However, the duration of this slowdown remains elusive as employment conditions remain robust. Historical US recessions have been as short as two months to as long as 18 months but have averaged ten months overall. As a result, we believe now is the time to be cautious but not outright bearish.

Interest rates will stay higher for longer. Short-term interest rates continue to be influenced by inflation that, in turn, is not falling fast enough because of factors outside Central Banks' control. For example, Reserve Bank of Australia (RBA) rate hikes will not mitigate the inflationary impact of strong immigration pushing up rental prices. For long term interest rates, the unsustainability of the US fiscal path remains a simmering issue, putting upward pressure on long-term interest rates.

Compensation to equity investors is poor for taking on equity risk at this point in the cycle. Equally poor expected earnings growth compounds the disadvantage to equity investors.

During the month we made changes to the portfolio's Dynamic Asset Allocation positioning, and some stock changes within the Australian equities portfolio. Refer to the relevant portfolio change reports for further details.

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## Portfolio at a glance

### Designed for

The portfolio is designed to provide investors with a balance of income and capital growth over the medium term through exposure across a range of asset classes by investing in listed securities.

### Investment objective

2.4% p.a. above cash

### Suggested minimum investment timeframe

5 years

### Investment strategy

The portfolio invests in a mix of income and growth assets, which may include Australian and global equities, property and infrastructure, fixed interest and income securities, alternative assets and cash.

### Investment universe

The portfolio invests across a diversified range of Australian equities, global equities, property and infrastructure, fixed interest assets alternative assets.

The portfolio can access such exposure through Australian Listed Securities including Exchange Traded Funds (ETFs), Exchange Traded Products (ETPs) such as Listed Investment Companies (LICs) and Listed Investment Trusts (LITs), Exchange Traded Bonds (XTBs) and Exchange Traded Hybrids, Separately Managed Accounts (SMAs) and cash.

### Target exposure

Growth assets	Defensive assets
60%	40%



### Platform availability

BT Panorama  
HUB24  
Macquarie Wrap  
Netwealth  
Praemium  
CFS Firstwrap  
AMP North

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