

Lonsec Listed Managed Portfolios - High Growth

Portfolio performance - October 2023

	1 mth (%)	3 mth (%)	1 yr (% pa)	3 yr (% pa)	5 yr (% pa)	S.I. (% pa)
Portfolio Total Return*	-2.25	-6.06	3.75	5.92	6.77	8.33
Peer Group Benchmark**	-2.46	-5.37	4.89	7.22	5.96	7.26
Excess Return	0.21	-0.69	-1.14	-1.30	0.81	1.07

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

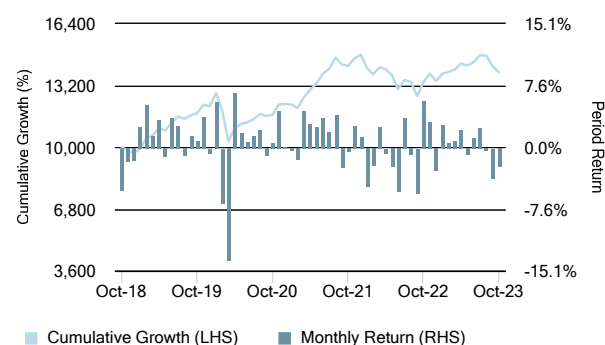
The Australian share market fell 4% in October, as all sectors apart from Utilities (+2%) posted negative returns. Apart from Utilities, the best performing sectors for the month were Materials (-1%), and Communication Services (-3%), while Information Technology (-8%), Healthcare (-7%) and Industrials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

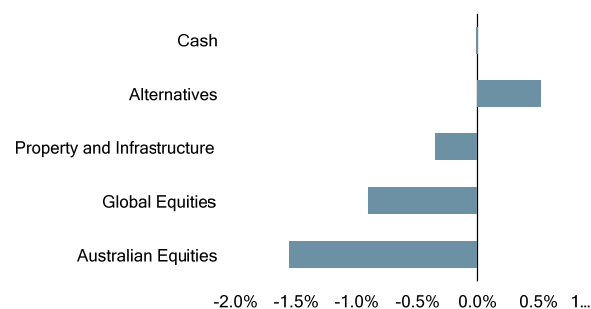
The 'higher for longer' interest rate environment and possibility of further rate hikes continued to create negative headwinds for listed real estate and infrastructure. Within REITs, the S&P/ASX 200 A-REIT Accumulation Index and the FTSE EPRA/NAREIT Developed Ex Australia Index (AUD Hedged) returned -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	0.52
Generic Cash	0.01
iShares Global Consumer Staples ETF	-0.01

Bottom 3 contributors to performance

	%
Lonsec SMA - Core	-1.38
Vanguard MSCI Index International Shares ETF	-0.23
Vanguard Australian Property Securities Index ETF	-0.19

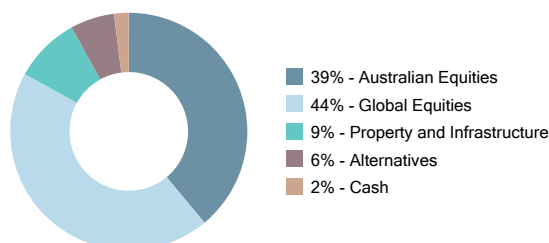
Portfolio changes

	%
Barrow Hanley Global Share Fund (Managed Fund)	1%
Vanguard FTSE Emerging Markets Shares ETF	1%
VanEck FTSE Global Infrastructure (Hedged) ETF	-2%

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

Lonsec Investment Solutions Pty Ltd • ACN 608 837 583 • A Corporate Authorised Representative (CAR 1236821) of Lonsec Research Pty Ltd
 • ABN 11 151 658 561 • AFSL 421 445 • This information must be read in conjunction with the Warning, Disclaimer, and disclosure at the end of this document.
 This report supersedes all prior reports.

Asset allocation breakdown



Portfolio Commentary

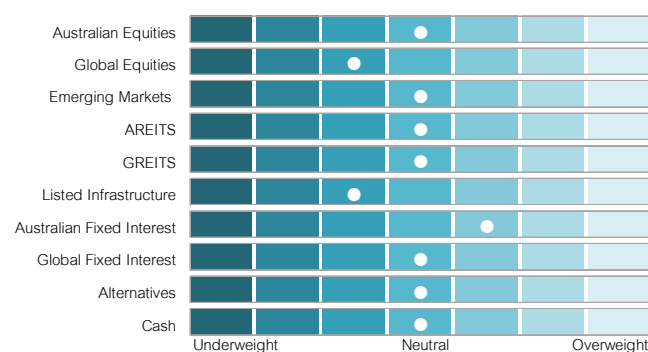
The portfolio returned -2.3% in October, outperforming the peer group benchmark. All major asset classes generated negative returns for the month, as inflation, concerns over a 'higher for longer' interest rate environment and increasing Treasury debt issuance continued to affect both equity and bond markets. Longer term returns remain well above the portfolio's cash plus benchmark.

The portfolio's developed markets global equities allocation outperformed the benchmark in October, 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, broadly in line with the benchmark. The portfolio's healthcare exposures have been the primary drivers of underperformance this year. The broader healthcare sector has been the weakest performing sector on ASX in 2023 (-18.1%), in part driven by ongoing concerns over the threat of weight loss drugs on the future earnings prospects of businesses like CSL and RMD. We believe this is a short-term overreaction, with current valuations magnifying the potential threat.

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.

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

Lonsec Investment Solutions Pty Ltd • ACN 608 837 583 • A Corporate Authorised Representative (CAR 1236821) of Lonsec Research Pty Ltd
 • ABN 11 151 658 561 • AFSL 421 445 • This information must be read in conjunction with the Warning, Disclaimer, and disclosure at the end of this document.
 This report supersedes all prior reports.

Portfolio at a glance

Designed for

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

Investment objective

4.0% p.a. above cash

Suggested minimum investment timeframe

7 years

Investment strategy

The portfolio invests predominantly in 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.

Total exposure

Growth assets	Defensive assets
98%	2%

Platform availability

BT Panorama
HUB24
Macquarie Wrap
Netwealth
Praemium
CFS Firstwrap
AMP North

Important Notice: This document is published by Lonsec Investment Solutions Pty Ltd (LIS) ACN: 608 837 583, a corporate authorised representative (CAR number: 1236821) of Lonsec Research Pty Ltd ABN: 11 151 658 561 AFSL: 421 445 (Lonsec Research). LIS and Lonsec Research are owned by Lonsec Holdings Pty Ltd ACN: 151 235 406. LIS creates the model portfolios it distributes using the investment research provided by Lonsec Research but has not had any involvement in the investment research process for Lonsec Research. Please read the following before making any investment decision about any financial product mentioned in this document.

Disclosure at the date of publication: Lonsec Research receives a fee from the relevant fund managers or product issuers for researching financial products (using objective criteria) which may be referred to in this document. Lonsec Research may also receive a fee from the fund manager or product issuer (s) for subscribing to research content and other Lonsec Research services. LIS receives fees for providing investment consulting advice, approved product lists, model portfolios to financial services professionals and other advice to clients. LIS' and Lonsec Research's fees are not linked to the financial product rating(s) outcome or the inclusion of the financial product(s) in model portfolios. LIS, Lonsec Research and/or their associates may hold any financial product(s) referred to in this document, but details of these holdings are not known to the analyst(s).

Warnings: Past performance is not a reliable indicator of future performance. Any express or implied rating or advice presented in this document is limited to "general advice" (as defined in the Corporations Act 2001 (Cth)) and based solely on consideration of the investment merits of the financial product(s) alone, without taking into account the investment objectives, financial situation and particular needs ("financial circumstances") of any particular person. Before making an investment decision based on the rating or advice, the reader must consider whether it is personally appropriate in light of their financial circumstances or should seek independent financial advice on its appropriateness. If the advice relates to the acquisition or possible acquisition of a particular financial product, the reader should obtain and consider the Investment Statement or the Product Disclosure Statement for each financial product before making any decision about whether to acquire the financial product.

Disclaimer: LIS provides this document for the exclusive use of its clients. It is not intended for use by a retail client or a member of the public and should not be used or relied upon by any other person. No representation, warranty or undertaking is given or made in relation to the accuracy or completeness of the information presented in this document, which is drawn from public information not verified by LIS. Financial conclusions, ratings and advice are given on reasonable grounds held at the time of completion (refer to the date of this document) but subject to change without notice. LIS assumes no obligation to update this document following publication. Except for any liability which cannot be excluded, LIS and Lonsec, their directors, officers, employees and agents disclaim all liability for any error or inaccuracy in, misstatement or omission from, this document or any loss or damage suffered by the reader or any other person as a consequence of relying upon it.

This document is subject to copyright of LIS. Except for the temporary copy held in a computer's cache and a single permanent copy for your personal reference or other than as permitted under the Copyright Act 1968 (Cth), no part of this document may, in any form or by any means (electronic, mechanical, micro-copying, photocopying, recording or otherwise), be reproduced, stored or transmitted without the prior written permission of LIS.

This document may also contain third party supplied material that is subject to copyright. Any such material is the intellectual property of that third party or its content providers. The same restrictions applying above to LIS copyrighted material, applies to such third-party content.

Copyright © 2023 Lonsec Investment Solutions Pty Ltd