Lonsec

Managed Portfolio Performance Update – October 2023

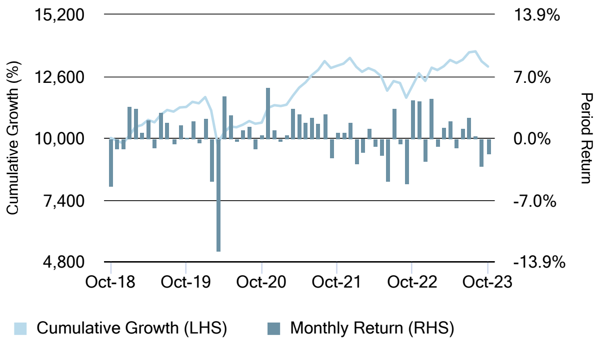
Lonsec Multi-Asset Managed Portfolios - High Growth

Portfolio performance - October 2023

	1 mth (%)	3 mth (%)	1 yr (% pa)	3 yr (% pa)	5 yr (% pa)	S.I. (% pa)
Portfolio Total Return*	-1.65	-4.37	6.52	6.92	5.40	6.40
Peer Group Benchmark**	-2.46	-5.37	4.89	7.22	5.96	5.75
Excess Return	0.81	1.00	1.63	-0.30	-0.56	0.65

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 June 2005 is based on a notional portfolio. **Peer Group Benchmark is based on the FE UT Peer Group Multi-Asset Indices.

Cumulative performance (5 years)



Market review

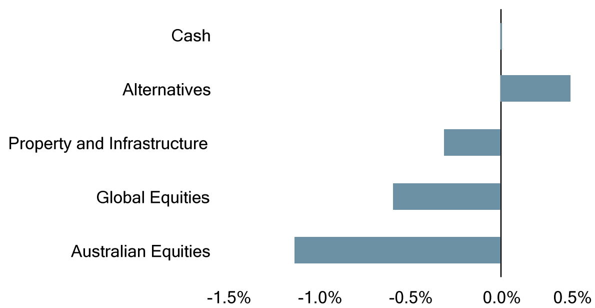
The Australian sharemarket continued its decline in October finishing the month lower by 3.8% with heavy falls in Information Technology, Health Care and Industrials. 10 of the 11 sectors finished in the red, with Utilities finishing October as the only bright spot in the market. Several factors contributed to the drag on returns, including stubborn inflation, rising bond yields, tentative company earnings outlooks and ongoing geo-political tension in the Middle East.

Global equities had another negative month across the board, developed markets outperformed emerging markets counterparts returning -1.0% (MSCI World Ex-Australia Index (AUD)) versus a -2.0% return according to the MSCI Emerging Markets Index (AUD). US equities also declined following the Federal Reserve's stance of a "restrictive" policy until inflation seems to ease.

Domestically the A-REIT index (represented by the S&P/ASX 200 A-REIT Accumulation Index) ended the month –5.8% lower. Global REITS (represented by the FTSE EPRA/NAREIT Developed Ex Australia Index (AUD Hedged)) slightly outperformed the local REIT index, albeit still experiencing a significant drawdown of –4.4% during the month. Australian infrastructure finished lower through October, with the S&P/ASX Infrastructure Index TR returning –3.1% for the month.

Michele Bullock has kept the cash rate at 4.10% in her first meeting as Governor of the RBA. The month saw bond yields rise, with Australian 10- and 2- Year Government Bond yield rising by 44bps and 37bps respectively. Unsurprisingly the Bloomberg AusBond Composite 0+ Yr Index returned -1.85%. The US Federal Reserve, who is observing resilient growth, delivered a "hawkish hold" at its meeting on the 1st of November. In contrast, in Europe and the UK, the respective central banks recognise that inflation is proving sticky in its decline. Higher yields have led to mark to market losses in fixed income markets, with the Bloomberg Global Aggregate Index (AUD) returning -0.8% over October.

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	0.48
GQG Partners Global Equity Fund - A Class	0.04
Bloomberg AusBond Bank Bill Index AUD	0.01

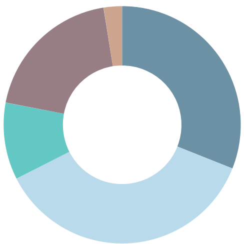
Bottom 3 contributors to performance	%
CC Redwheel Global Emerging Markets Fund	-0.50
Fidelity Australian Equities Fund	-0.35
Perpetual Share Plus Long-Short Fund - Class S Units	-0.23

Portfolio changes	%
CC Redwheel Global Emerging Markets Fund	0.5%
ATLAS Infrastructure Australian Feeder Fund AUD Hedged Class	-0.5%

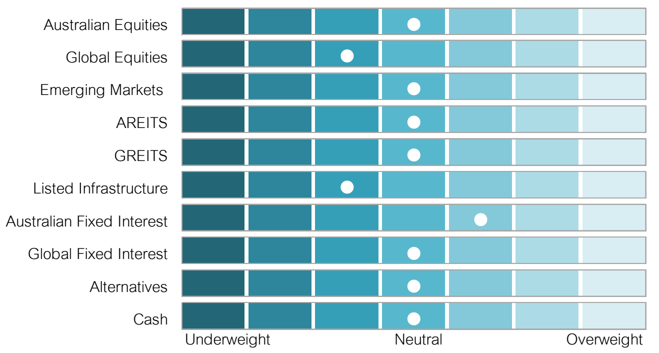
Lonsec

Managed Portfolio Performance Update – October 2023

Asset allocation breakdown



Dynamic Asset Allocation Positioning



Portfolio Commentary

Over the 12 months to October, the portfolio delivered solid absolute returns of 6.52% and outperformed the peer group benchmark by 1.63% in a challenging market environment where inflation, concerns over a 'higher for longer' interest rate environment and increasing Treasury debt issuance affected both equity and bond markets.

For the month of October itself, the portfolio returned -1.65%, outperforming the peer group benchmark. Dynamic asset allocation (DAA) was a positive for the month, as the slightly underweight positions in global equities and global listed infrastructure added to relative returns. Manager selection was a strong positive contributor for the month, due to very strong performance from the GOLD ETF within the alternatives allocation, mitigated by mixed relative returns in the remaining asset classes.

At a fund level, the top contributor was the GOLD ETF, which was up 8.7% for the month as gold prices rose in the face of market volatility. The ETF is now up 22% over the past 12 months. Other strong contributors included the GQG Partners Global Equity Fund, which benefited from its US tech stock exposures, although the Ironbark Royal London Diversified Global Share Fund Antipodes Global Fund also outperformed the benchmark. The AB Managed Volatility Equities Fund was the top performing Australian equities manager, and within property and infrastructure, all managers outperformed their assigned benchmarks.

In terms of detractors, the Bennelong ex-20 Australian Equities Fund underperformed for the month, as did the Eiger Australian Small Companies Fund and Fidelity Australian Equities Fund within Australian equities. Within alternatives, the Janus Henderson Global Multi-Strategy Fund, Fulcrum Diversified Investments Fund and Partners Group Global Multi-Asset Fund detracted from relative returns. The CC Redwheel Global Emerging Markets Fund underperformed its benchmark for the month

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 some changes to fund allocations, to reflect Lonsec's latest Dynamic Asset Allocation positioning.

Lonsec

Portfolio at a glance

Designed for

The portfolio is designed to provide investors primarily with capital growth over the medium to long term through exposure across a range of asset classes and by using several investment managers.

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 as well as property and infrastructure. The portfolio is designed to reduce overall portfolio risk by spreading investments across a number of specialist managers with complementary investment management styles.

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 invest in managed funds, Exchange Traded Funds (ETFs) and cash.

Target exposure

Growth assets	Defensive assets
98%	2%

Platform availability

BT Panorama
HUB24
Netwealth