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Lonsec Retirement Managed Portfolios - Growth

Portfolio performance - October 2023

	1 mth (%)	3 mth (%)	1 yr (% pa)	3 yr (% pa)	5 yr (% pa)	S.I. (% pa)
Portfolio Total Return*	-1.87	-4.38	4.64	6.31	5.03	7.45
Peer Group Benchmark**	-2.11	-4.81	3.35	5.25	4.85	7.12
Excess Return	0.24	0.43	1.29	1.06	0.18	0.33
Portfolio Income Return	0.01	0.70	4.04	4.53	4.66	4.85
Excess Above Income Objective			0.04	0.53	0.66	0.85

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 2013 is based on a notional portfolio. **Peer Group Benchmark is based on the FE UT Peer Group Multi-Asset Indices.
Inception date June 2013

Market review

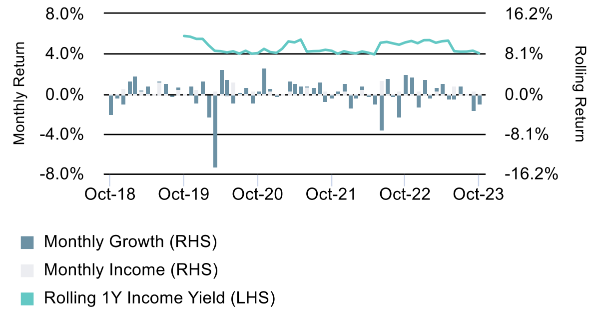
The Australian sharemarket continued its decline in October finishing the month lower by 3.8% with heavy falls in Information Technology, Health Care and Industrials. 10 of the 11 sectors finished in the red, with Utilities finishing October as the only bright spot in the market. Several factors contributed 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.

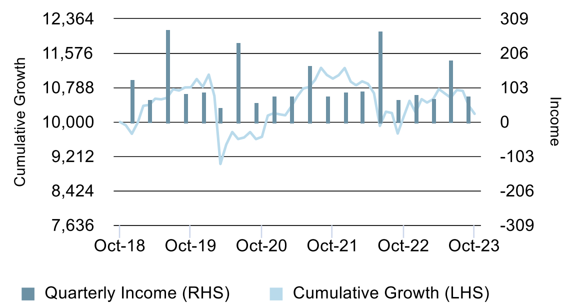
Domestically the A-REIT index (represented by the S&P/ASX 200 A-REIT Accumulation Index) ended the month –5.8% lower. Global REITS (represented by the FTSE EPRA/NAREIT Developed Ex Australia Index (AUD Hedged)) slightly outperformed the local REIT index, albeit still experiencing a significant drawdown 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.

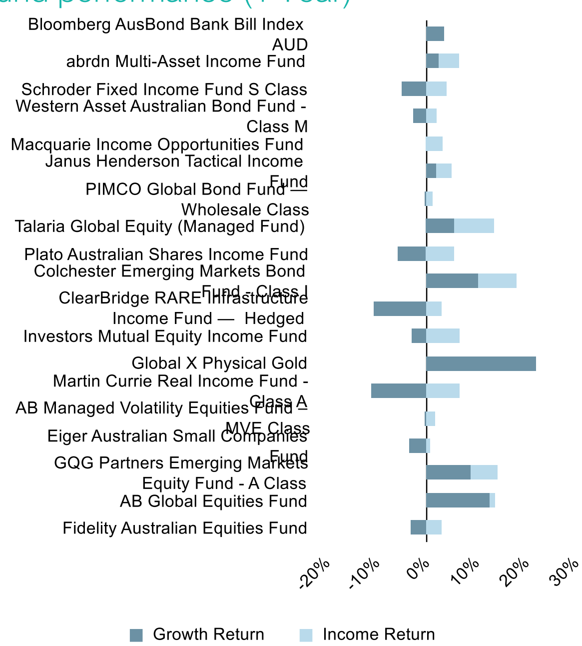
Income/growth breakdown (5 years)



Cumulative performance



Fund performance (1 Year)



Portfolio Commentary

The portfolio returned -1.87% in the month of October, outperforming the peer group benchmark. The 12-month performance remains above the peer group benchmark, with the embedded risk control in the portfolio protecting retirees from the worst of the market volatility throughout the year. The structural overweight to Australian equities (to capture the benefits of franking credits) detracted from returns, as the asset class ended the month 3.8% lower, and underperformed global equities.

Manager selection was positive for the month as select fund managers across all asset classes added to relative returns. The embedded defensive exposures in our Australian equity allocations contributed in an environment where few sectors posted positive returns, and where interest rate sensitive sectors and companies were punished by the market. The AB Managed Volatility Fund was the top contributor, driven by overweights to Spark NZ, Rio Tinto and Medibank. The IML Equity Income Fund also benefited from its exposures to Telstra, Medibank and Aurizon. On the global equity side, the Talaria Global Equity Fund outperformed the global equity benchmark by 0.8%, with the Fund's holding in Sodexo adding the most to relative returns. Within real assets, the Clearbridge RARE Infrastructure Income Fund outperformed its benchmark.

The fixed income managers broadly added to relative returns, led by the Janus Henderson Tactical Income Fund, as the Fund's overweight to credit outperformed in a month where rising rates hurt duration exposures, followed by the Macquarie Income Opportunities Fund.

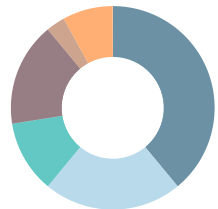
The alternatives exposures within the portfolio added to returns over the month. The top contributor was the GOLD ETF, which was up 8.7% for the month as gold prices rose in the face of market volatility. The ETF is now up 22% over the past 12 months. The Colchester Emerging Markets Bond Fund also outperformed the benchmark.

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.

Asset allocation breakdown



Portfolio changes	%
Western Asset Australian Bond Fund - Class M	2%
Schroder Fixed Income Fund S Class	2%
Janus Henderson Tactical Income Fund	-1%
Schroder Fixed Income Fund	-3%

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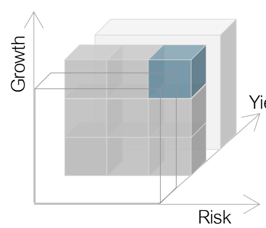
Portfolio at a glance

The Retirement Managed Portfolios are objectives-based portfolios focused on delivering a sustainable level of income in retirement, as well as generating capital growth. These portfolios have been constructed to provide advisers flexibility in terms of meeting retirees' income and capital objectives, which will vary depending on individual circumstances and lifestyle goals.

Designed for

The portfolio is designed for investors focused on income and a a high level of capital growth, with a focus on managing for risks such as market and inflation risk.

Retirement Portfolio Growth



- Consistent income
- Higher growth
- Capital variability

Portfolio income objective

4.0% p.a.

Suggested minimum investment timeframe

5 years

Investment strategy

The portfolio seeks to generate competitive income and capital returns with lower downside risk than the market. This is achieved by diversifying the portfolios by asset class, investment strategy, fund managers and sources of return.

The objectives-based nature of the portfolios means that they have a greater focus on absolute rather than relative performance. They are designed to reduce risks that are particularly relevant to retirees, such as capital drawdown risk, which can materially impact the longevity of a retirement portfolio, particularly in the early stages of transitioning from superannuation to pension phase of investing.

Investment universe

The portfolio invests across a diversified range of Australian equities, global equities, property and infrastructure, and fixed interest assets. The portfolios may also invest in alternative assets. The portfolios can invest in managed funds, listed securities, managed portfolios, Exchange Traded Funds (ETFs) and cash.

Target exposure

Growth assets	Defensive assets
80%	20%

Platform availability

AMP MyNorth
BT Panorama
HUB24
Macquarie Wrap
Netwealth