

Lonsec Sustainable Managed Portfolios - Balanced

Portfolio performance – November 2023

	1 mth (%)	3 mth (%)	1 yr (% pa)	3 yr (% pa)	5 yr (% pa)	S.I. (% pa)
Portfolio Total Return*	4.59	-1.32	2.82	2.57		2.57
Peer Group Benchmark**	3.40	-0.58	3.23	2.91		2.91
Excess Return	1.19	-0.74	-0.41	-0.34		-0.34

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. *Inception date December 2020. **Peer Group Benchmark is based on the FE UT Peer Group Multi-Asset Indices.

Market review

The Australian sharemarket rebounded in November finishing the month 5.1% higher. Leading the market upward were Health Care (11.7%) and Real Estate (11.0%). Most sectors finished the month positive, with the exception of Consumer Staples, Energy and Utilities. Markets were supported by indications of inflation slowing at a decent pace and interest rate potentially peaking, finishing the month with the strongest return for the index since January. Energy stocks were hit by the significant drop in oil prices over the month, partly due to the Chinese economy continuing to struggles.

Global equity markets gained in November, rebounding from October lows. Developed markets outperformed emerging market counterparts returning 4.4% (MSCI World Ex-Australia Index (AUD)) versus a 3.1% return according to the MSCI Emerging Markets Index (AUD). US markets also gained. The S&P500 finished up 9.1% and the Nasdaq up 10.8% as the Federal Reserve showed signs of ending rate hikes.

The S&P/ASX 200 A-REIT Accumulation index advanced during November, with the index finishing the month 11.0% higher. Global real estate equities (represented by the FTSE EPRA/NAREIT Developed Ex Australia Index (AUD Hedged)) also finished strongly, advancing 9.0% for the month. The Global Infrastructure sector (as represented by the FTSE Global Core Infrastructure 50/50 NR Index (AUD Hedged)) finished 6.4% higher.

After four months of rate hike respite, the RBA lifted the official cash rate by 25 basis points to 4.35% following latest inflation data and economic indicators. Over the course of the month, bond yields fell steadily with Australian 2- and 10- Year Bond yields falling by 35bps and 52bps respectively. The Australian bond market, as measured by the Bloomberg AusBond Composite 0+ Yr Index, rose 2.97%. November brought a large recovery in global bond markets as well, with the Bloomberg Global Aggregate Index (AUD) returning 3.2% over October.

Sustainable impact*

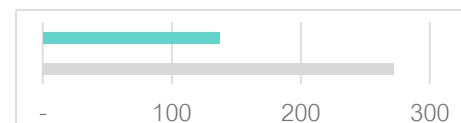
As at September 2023

■ Lonsec Sustainable Balanced ■ Proxy Benchmark



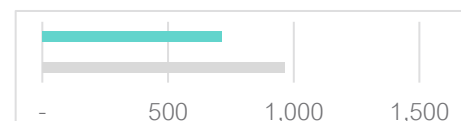
Carbon Efficiency

Tonnes of Scope 1 & 2 carbon emissions¹ per \$1m revenue



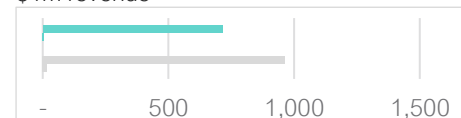
Waste Efficiency

Tonnes of waste generated per \$1m revenue



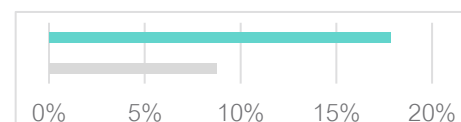
Water Efficiency

Thousand cubic metres fresh water used per \$1m revenue



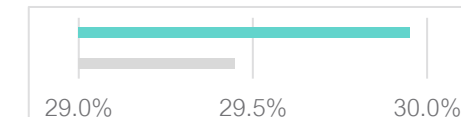
Environmental Good

Portfolio revenues allocated to environmental solutions defined by the UN SDGs



Gender Equality

Percentage of women in boards and top management



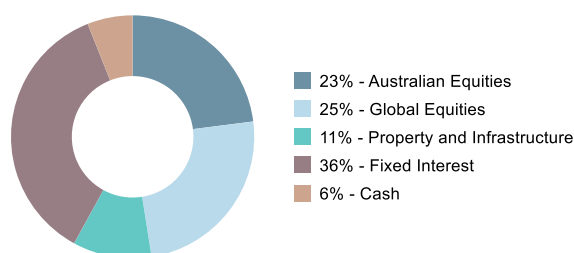
¹ Scope 1 covers emissions from sources that an organisation owns or controls directly. Scope 2 are emissions that a company causes indirectly when the energy it purchases and uses is produced.

* Source: Impact Cubed. Proxy benchmark and portfolio data based on Lonsec's Strategic Asset Allocation, excluding cash & fixed income.

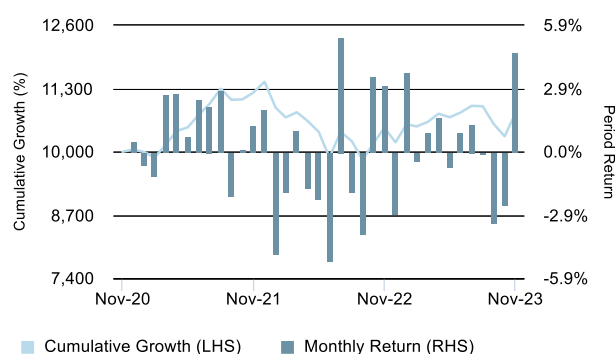
We strongly recommend that potential investors read the product disclosure statement or investment statement.

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 This report supersedes all prior reports.

Asset allocation breakdown



Cumulative performance (5 years)



Top 3 contributors to performance

	%
Generation Wholesale Global Share Fund	0.42
Ausbil Active Sustainable Equity	0.39
iShares Core MSCI Australia ESG ETF	0.35

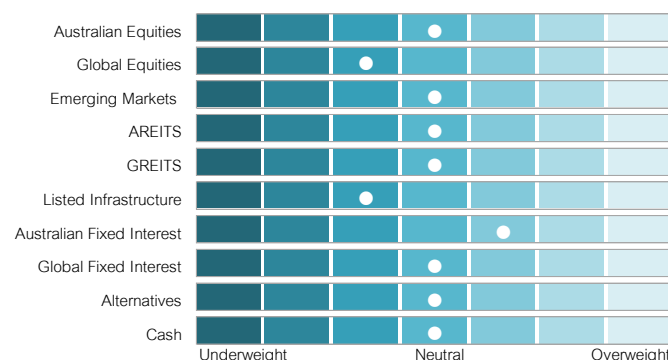
Bottom 3 contributors to performance

	%
Bloomberg AusBond Bank Bill Index AUD	0.01
iShares Core Cash ETF	0.01
Janus Henderson Tactical Income Fund	0.11

Portfolio changes

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

Dynamic Asset Allocation Positioning



Portfolio Commentary

The portfolio returned 4.59% for the month of November, strongly outperforming the peer group benchmark. Dynamic asset allocation (DAA) had a slight negative impact on performance, as the slightly underweight positions in global equities and global listed infrastructure were offset by the slight overweight to Australian fixed income.

Manager selection contributed to relative returns for the month, as select managers across all asset classes outperformed their respective benchmarks. The strongest relative returns were generated by the Generation Wholesale Global Share Fund, which outperformed by 4.9%, followed by the Pengana WHEB Sustainable Impact Fund, which benefited from holdings in its Health and Resource Efficiency themes. The Ausbil Active Sustainable Equity Fund and iShares Core MSCI Australia ESG Leaders ETF outperformed their benchmarks by 2.0% and 1.9% respectively. The top performing fixed income fund was the PIMCO ESG Global Bond Fund.

The top detractor from performance in November was the Janus Henderson Tactical Income Fund, which underperformed its benchmark after a period of strong performance while yields rose. The ATLAS Infrastructure Australian Feeder Fund also underperformed for the month.

Outlook

We believe that macroeconomic conditions continue to decelerate, consistent with our ongoing thesis that we have entered the end of this cycle. However, beyond just trying to identify the point where we will begin to shift our portfolios into more of a defensive posture, we note that the cycle is impacting different groups, regions and even stocks, differently. Without a consensus or majority of factors moving negatively and few signs that this "muddle through" situation breaks into a definitive trend, we continue to hold a cautious but not bearish stance on markets.

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.

Portfolio objectives

To deliver a balance of capital growth and income over the medium term, through exposure across a range of asset classes and strategies that incorporate ESG and sustainable principles within their investment processes.

The portfolio aims to balance the need to deliver a mix of income and growth while creating impact by making an above benchmark contribution to the United Nation's Sustainable Development Goals (UN SDGs) agenda.

Cash +2.4% p.a.

Suggested minimum investment timeframe

5 years

Investment strategy

By incorporating ESG factors into its investment decision making, Lonsec aims to reduce the risks associated with the impacts of ESG issues and generate more sustainable, long-term returns for its investors. Consequently, ESG considerations are heavily embedded in Lonsec's investment selection process. Lonsec's proprietary Sustainability Score or 'Bee Score' assists Lonsec in identifying funds that deliver a net positive impact.

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

HUB24
Netwealth
Macquarie
BT Panorama

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