

# Lonsec Listed Managed Portfolios - High Growth

## Portfolio performance - December 2023

	1 mth (%)	3 mth (%)	1 yr (% pa)	3 yr (% pa)	5 yr (% pa)	S.I. (% pa)
Portfolio Total Return*	4.63	6.35	12.43	7.26	9.29	8.92
Peer Group Benchmark**	3.86	5.93	12.95	6.83	8.52	7.84
Excess Return	0.77	0.42	-0.52	0.43	0.77	1.08

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 ended the year on a high note, with the ASX200 benchmark gaining a remarkable 12.7% in November and December. The quarterly rally was driven by the rate sensitive sectors, including REITs (+16%), while Materials (+13%) and Banks (+10%) also outperformed. Energy (-9%) was the weakest performer as crude oil prices declined over the quarter.

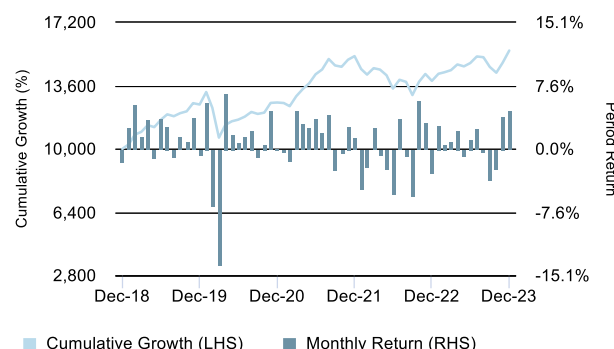
Global equities rose 5% over the quarter and 23% over calendar 2023. In contrast, the Japanese Nikkei was flat in local currency terms, and negative in USD terms as the yen strengthened into year end, due to the anticipated end of the Bank of Japan's yield curve control policy. Year to date returns were in positive territory in the major regions (US +20%, Europe +13% and Japan +24%).

Real assets enjoyed a strong month and quarter, with the prospect of 2024 rate cuts boosting these sectors after they underperformed for most of the year. Within REITs, the S&P/ASX 200 A-REIT Accumulation Index and the FTSE EPRA/NAREIT Developed Ex Australia Index (AUD Hedged) returned 17% and 13%, respectively over the quarter. The Global Infrastructure sector (as represented by the FTSE Global Core Infrastructure 50/50 Index (AUD Hedged)) finished 3% higher for December and 8% higher for the quarter.

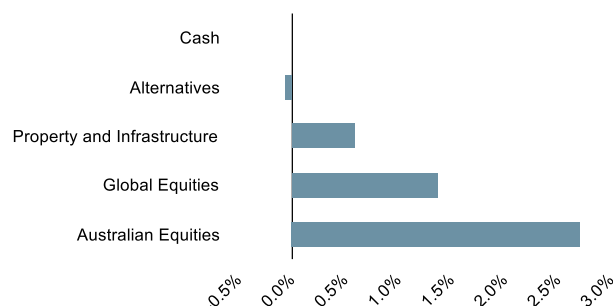
The RBA left rates on hold in its final meeting of 2023, although remained less dovish about rate cuts in 2024 compared to other central banks. Australian bond yields followed US yields lower over the month, with 10-year yields falling 45bps to 3.96%. US bond yields fell again in December, down 48bps, as markets reacted to Federal Reserve's flagging of potential rate cuts in the coming months.

The domestic and global fixed interest indices rose over the quarter, with markets starting to price in potential rates cuts in 2024. The Bloomberg AusBond Composite 0+ Years Index gained 3.8% for the quarter, while the Bloomberg Global Aggregate Index (AUD Hedged) rose 5.4%.

## 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

	%
Lonsec SMA - Core	2.25
Betashares Global Shares Currency Hedged ETF	0.50
VanEck Australian Resources ETF	0.46

### Bottom 3 contributors to performance

	%
Global X Physical Gold	-0.05
Vanguard FTSE Emerging Markets Shares ETF	0.00
Generic Cash	0.01

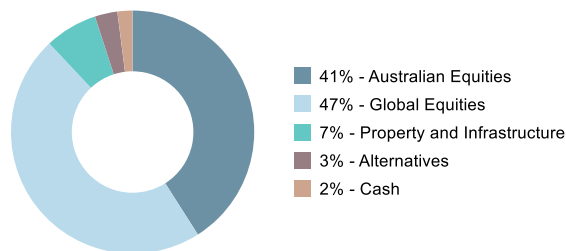
### Portfolio changes

	%
VanEck MSCI International Small Companies Quality ETF	4%
VanEck MSCI International Quality ETF	3.5%
VanEck Australian Resources ETF	2%
Betashares Global Shares Currency Hedged ETF	1%
Resolution Capital Global Property Securities Fund (Managed Fund)	-1%
VanEck FTSE Global Infrastructure (Hedged) ETF	-1%
iShares Global Consumer Staples ETF	-2%
Global X Physical Gold	-3%
iShares Global Healthcare ETF	-3.5%

**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 6.4% over the December quarter, as both equities and bonds rallied into year-end after indications from central banks that the end of the current rate hiking cycle is imminent, with markets starting to price in potential rates cuts in 2024. On the back of a strong Q4, rolling year absolute portfolio returns were positive.

Portfolio changes implemented over the second half of the year – Hedging within Global Equities, the addition of Global Small Caps and reducing the underweight exposure to banks and resources in Australian Equities - have all contributed positively to recent portfolio outperformance.

The portfolio's developed markets global equities allocation outperformed over the month, led by the Betashares Global Shares Currency Hedged ETF (+4%) and the Barrow Hanley Global Share Fund ETF (+2%). For the quarter, the top performer was the Betashares Global Shares Currency Hedged ETF (+9%).

Emerging markets exposures were mixed for December, as the active Betashares Martin Currie Emerging Markets ETF returned 2% and the passive Vanguard ETF was flat, compared to a benchmark return of 1%. Emerging markets ended the year up 9%, however underperformed developed markets.

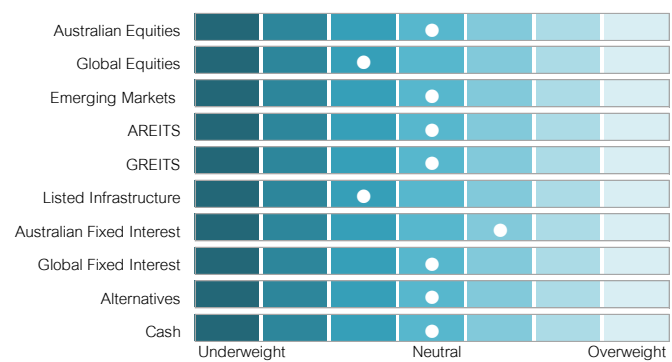
In December 2023, we introduced a small cap exposure to Global Equities in the Growth and High Growth risk profiles, through the addition of the VanEck International Small Companies Quality ETF (QSM), while reducing the overweight exposure to Global Healthcare and Consumer Staples sectors.

The Vanguard AREIT ETF and active Resolution GREIT rose in December and returned 15.7% and 15.1% respectively over the quarter, while IFRA returned 8.9%. The overall portfolio allocation to real assets has been a key detractor to portfolio performance over the rolling year, despite a very strong December quarter.

In Australian equities, the Core portfolio returned 6.4% over December, lagging the benchmark by 82bps. This was primarily driven by the portfolio's exposure to the rate sensitive businesses

including Insurance (SUN, QBE, SDF) and the underweight exposure to Banks and Resources. The resources sector outperformed in December (MVR 7.6%), but underperformed the market over the quarter, with base metals and Energy lagging the strong rally in iron ore over the period. The GOLD ETF was up 4% for the quarter but fell 2% over December.

## Dynamic Asset Allocation Positioning



## Outlook

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.

**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.

### Target 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.