Lonsec Retirement Managed Portfolios - Balanced

Portfolio performance - December 2023

	1 mth (%)	3 mth (%)	1 yr (% pa)	3 yr (% pa)	5 yr (% pa)	S.I. (% pa)
Portfolio Total Return*	3.22	4.85	8.98	5.37	5.83	7.22
Peer Group Benchmark**	3.29	5.05	8.83	3.76	5.44	6.42
Excess Return	-0.07	-0.20	0.15	1.61	0.39	0.80
Portfolio Income Return	0.77	0.88	4.22	4.39	4.49	4.72
Excess Above Income Objective	-	-	0.22	0.39	0.49	0.72

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

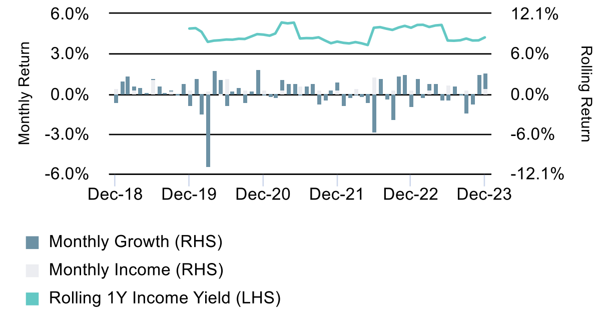
The Australian market had a strong month in December, finishing 7.2% higher with all 11 sectors posting positive returns. Investors also see potential for rate cuts from central banks in 2024, and these factors contributed to the monthly return. Leading the market higher were Property (11.5%), Healthcare (9.8%) and Materials (8.8%), while Energy and, Utilities were laggards.

Global equity markets rallied into the end of the year on easing inflation data. Developed markets continued to outperform emerging markets returning 1.8% (MSCI World Ex-Australia Index (AUD)) versus a 1.0% return according to the MSCI Emerging Markets Index (AUD).

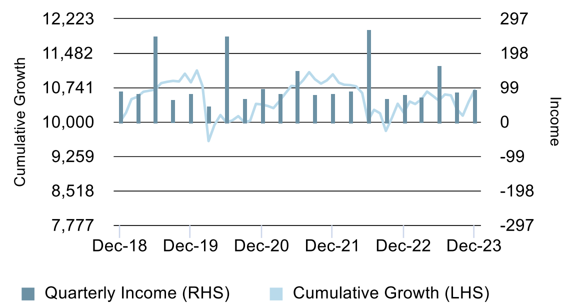
The S&P/ASX 300 A-REIT Accumulation index finished the year strongly during December, with the index finishing 11.4% higher. Global real estate equities (represented by the FTSE EPRA/NAREIT Developed Ex Australia Index (AUD Hedged)) also performed well, advancing 8.3% for the month. The Global Infrastructure sector (as represented by the FTSE Global Core Infrastructure 50/50 Index (AUD Hedged)) finished 3.3% higher for the month.

The RBA kept the cash rate on hold at 4.35% in its final meeting of 2023, although remained less dovish about rate cuts in 2024 compared to other central banks. The Australian 2-Year Bond yield edged down by 40bps, while the 10-Year yield fell by 45bps as investors digested the mixed signals of a steady cash rate against potential inflation concerns. The Bloomberg AusBond Composite 0+ Yr Index benefited in December returning a robust 2.7% and 5.1% over calendar year. In the global bond markets, most developed government bond yields were swept up in the dovish Fed Governors speech and the surprise reveal of three rate cuts in the second half of 2024. As a result, the Bloomberg Global Aggregate TR Index (AUD Hedged) returned 3.0% and for the year to December, the bond index was up 5.3%.

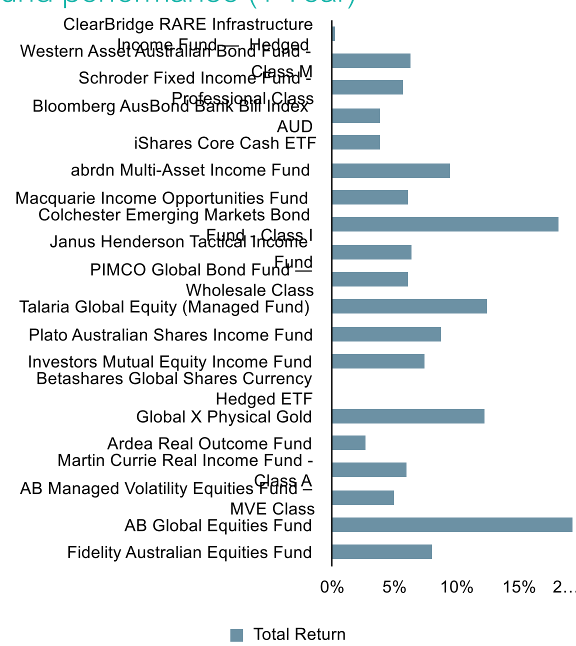
Income/growth breakdown (5 years)



Cumulative performance



Fund performance (1 Year)



Portfolio Commentary

The portfolio returned 3.22% in the month of December, marginally underperforming 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) added to returns, as the asset class ended the month 7.2% higher and outperformed global equities.

Manager selection detracted from relative returns for the month as strong performance within alternatives was offset by weaker performance in domestic and global equities. The embedded defensive exposures in our Australian equity allocations detracted in an environment where the market rose strongly and more growth-oriented strategies performed well.

The Betashares Global Shares Currency Hedged ETF was the top contributor, up 4.2% for the month on the back of a strengthening AUD, outperforming the unhedged benchmark.

On the Australian equities side, the AB Managed Volatility Fund underperformed for the month on the back of its Materials and Financials exposures. The IML Equity Income Fund also underperformed, driven by continuing high iron ore prices, as well as disappointing performances from key stocks. Within real assets, the Clearbridge RARE Infrastructure Income Fund and Legg Mason Martin Currie Real Income Fund delivered strong absolute returns but underperformed their benchmarks.

The fixed income managers were mixed against their benchmarks, led by the PIMCO Global Bond Fund and Schroder Fixed Income Fund. The Janus Henderson Tactical Income Fund and Macquarie Income Opportunities Fund underperformed for the month, after a period of strong performance while yields rose. The Ardea Real Outcome Fund lagged its benchmark.

The alternatives exposures within the portfolio added to returns over the month. The top contributor was the abrdn Multi-Asset Income Fund, followed by the Colchester Emerging Markets Bond Fund. The GOLD ETF (-1.7%) fell as gold prices declined during the month, but remains up 12% for the past 12 months.

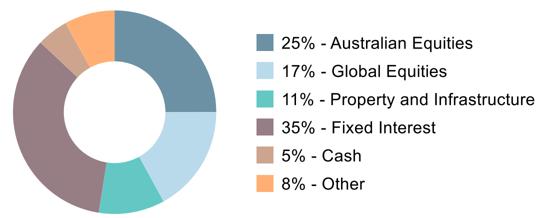
Outlook

We believe that a soft landing is decidedly more optimistic at this point of the cycle, and we are reflecting this in our portfolios. We agree with the market that central banks are likely to ease their monetary policies, but not at the rates currently shown by market pricing. Persistent inflation will temper central bank actions. Unless there is any unexpected inflation surprise, policy rates have probably peaked in most developed markets.

On the horizon, keep an eye on the Australian dollar as it has recently weakened again, observe any policy changes from the Chinese government to inject more meaningful stimulus into its economy, a change in the scope and magnitude of fighting in the Ukraine and Israel, and developments in the US presidential primaries.

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

Asset allocation breakdown



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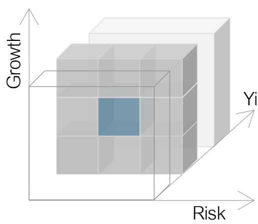
Portfolio at a glance

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 moderate level of capital growth, with a focus on managing for risks such as market and inflation risk.

Retirement Portfolio Balanced



- Consistent income
- Some growth
- Focus on capital stability

Portfolio income objective

4.0% p.a.

Suggested minimum investment timeframe

4 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
60%	40%

Platform availability

AMP MyNorth
BT Panorama
HUB24
Macquarie Wrap
Netwealth