

## Lonsec Sustainable 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*	4.37	6.48	10.46	3.88	-	3.93
Peer Group Benchmark**	3.29	5.05	8.83	3.76	-	3.92
Excess Return	1.08	1.43	1.63	0.12	-	0.01

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 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).

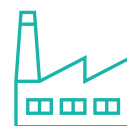
The S&P/ASX 300 A-REIT Accumulation index finished the year strongly during December, with the index finishing 11.4% higher. Global real estate equities (represented by the FTSE EPRA/NAREIT Developed Ex Australia Index (AUD Hedged)) also performed well, advancing 8.3% for the month. The Global Infrastructure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

### Sustainable impact\*

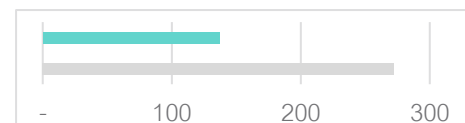
As at September 2023

■ Lonsec Sustainable Balanced ■ Proxy Benchmark



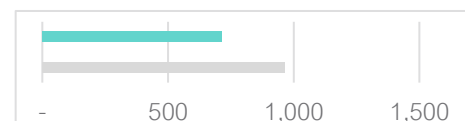
#### Carbon Efficiency

Tonnes of Scope 1 & 2 carbon emissions<sup>1</sup> per \$1m revenue



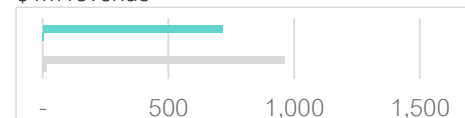
#### Waste Efficiency

Tonnes of waste generated per \$1m revenue



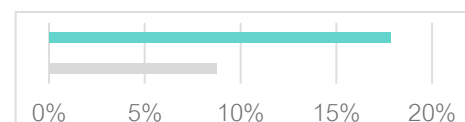
#### Water Efficiency

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



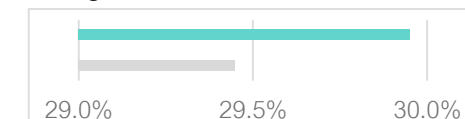
#### Environmental Good

Portfolio revenues allocated to environmental solutions defined by the UN SDGs



#### Gender Equality

Percentage of women in boards and top management



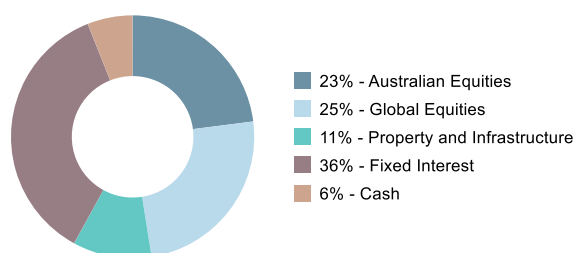
<sup>1</sup> Scope 1 covers emissions from sources that an organisation owns or controls directly. Scope 2 are emissions that a company causes indirectly when the energy it purchases and uses is produced.

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

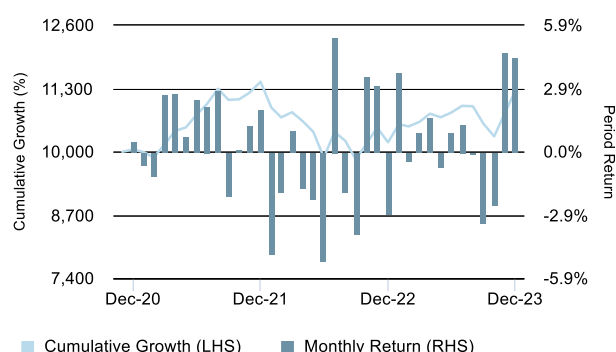
**We strongly recommend that potential investors read the product disclosure statement or investment statement.**

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### Asset allocation breakdown



### Cumulative performance (5 years)



#### Top 3 contributors to performance

	%
Alphinity Sustainable Share Fund	0.47
Ausbil Active Sustainable Equity	0.43
iShares Core MSCI Australia ESG ETF	0.42

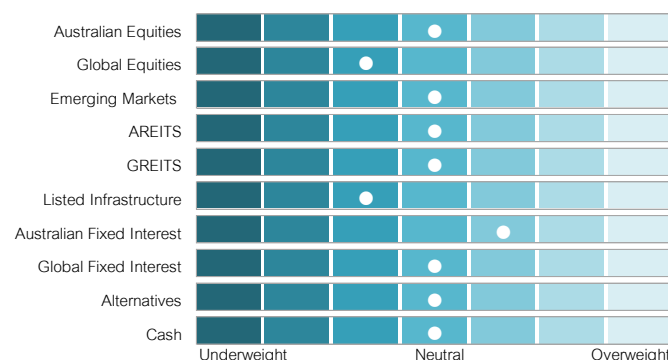
#### Bottom 3 contributors to performance

	%
iShares Core Cash ETF	0.01
Bloomberg AusBond Bank Bill Index AUD	0.01
State Street Climate ESG International Equity Fund	0.10

#### Portfolio changes

	%
Nanuk New World Fund (Currency Hedged)	6%
AXA IM Sustainable Equity Fund	-6%

### Dynamic Asset Allocation Positioning



### Portfolio Commentary

The portfolio returned 4.37% for the month of December, 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, in a month where growth assets rallied strongly.

Manager selection contributed to relative returns for the month, as underperformance within domestic equities and global listed property was offset by outperformance across the remaining asset classes. The strongest relative returns were generated by the recently added Nanuk New World Fund (Currency Hedged), which outperformed the unhedged benchmark on the back of a strengthening AUD. Other strong performers included the Impax Sustainable Leaders Fund and the Pengana WHEB Sustainable Impact Fund, the latter of which benefited from its Resource Efficiency and Health themes. The top performing fixed income fund was the PIMCO ESG Global Bond Fund.

The top detractor from performance in December was the VanEck Australian Property ETF, which underperformed the AREIT benchmark as the sector rallied strongly over the month. The Australian Ethical Australian Shares Fund also underperformed, due to Materials and Health Care exposures.

### 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.

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## 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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