Lonsec

Managed Portfolio Performance Update – September 2021

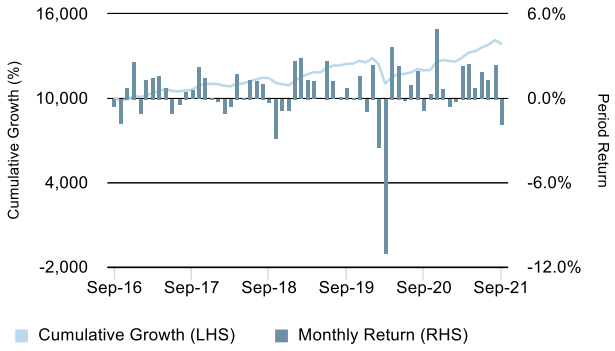
Lonsec Active (FirstChoice Managed Account Range: Balanced) - Pension

Portfolio performance - September 2021

	1 mth (%)	3 mth (%)	6 mth (%)	1 yr (% pa)	3 yr (% pa)	5 yr (% pa)
Portfolio Total Return*	-1.84	1.95	7.44	15.86	6.69	6.76
Peer Group Benchmark**	-1.32	1.28	5.62	14.94	6.35	6.43
Excess Return*	-0.52	0.67	1.82	0.92	0.34	0.33

*Performance prior to 1 October 2021 is based on a notional portfolio. Past performance is not a reliable indicator of future performance. Performance is calculated before taxes 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. **Peer Group Benchmark is based on the Financial Express UT Peer Group Multi-Asset Balanced Index.

Cumulative performance (5 years)



Market review

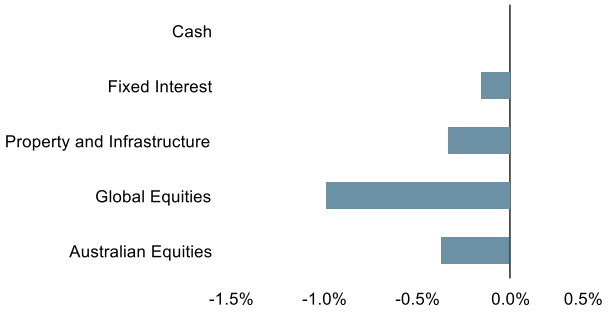
The Australian share market finished lower in September, ending an impressive 11-month run of gains, with the S&P/ASX 300 losing 1.9% for the month. The Energy sector benefitted from rising coal and oil prices, with the sector up 16.7% for the month. Materials, Health Care and Information Technology were the biggest drags on the Index falling 9.3%, 4.9% and 3.9% respectively.

September saw an evaporation to the gains made in global markets over the last three months, with developed and emerging markets receding by 3.1% and 2.8% in Australian Dollar terms respectively as measured by the MSCI AC World ex-Australia Index and MSCI Emerging Markets Index. This contraction in performance was primarily driven by fears of a global financial contagion stemming from the worlds most indebted company, Evergrande Group based in China.

The S&P/ASX 200 A-REIT Accumulation Index returned -2.2% in September, mainly fuelled by selling towards the month end. Global real estate equities (represented by the FTSE EPRA/NAREIT Developed Ex Australia Index (AUD Hedged) sold off during September, with the index closing 5.4% lower.

September saw a sharp reversal in the performance in Fixed Income markets, with the trend of decreasing yields coming to a halt. Increasing inflationary expectations, and growing fears that the current high levels of inflation may not be transitory, have driven yields upwards. Credit spreads also widened over the month which, combined with the changes to the risk-free rate, resulted in the Bloomberg AusBond Composite 0+ Yr Index falling -1.5% over the month. Globally, the story is very similar, as continued supply issues drive fears of protracted inflationary pressure, resulting in rising yields. As such, the Bloomberg Barclays Global Aggregate Index (AUD Hedged) Index fell -1.0% over the month.

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	%
CFS Perpetual Wholesale Diversified Income	0.00
Generic Cash	0.00
CFS FirstChoice Wholesale Pension - Schroder Wholesale Absolute Return Income	0.00

Bottom 3 contributors to performance	%
CFS FirstChoice Wholesale Pension - Magellan Wholesale Global Share Hedged	-0.30
CFS FC W Pen - T. Rowe Price Wholesale Global Equity	-0.26
CFS FC WS Pen -MFS Global Equity	-0.23

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

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.

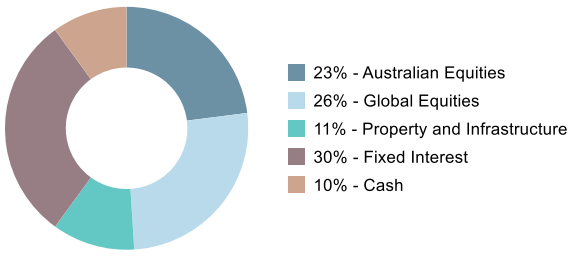
Lonsec

Managed Portfolio Performance Update – September 2021

Portfolio structure

Strategy/Asset class	Fund	%
Australian Equities		**23**
Market Exposure	Colonial First State FirstChoice IML Australian Share Fund Wholesale Pension	7
Market Exposure	CFS FC WS Pen -Fidelity Australian Equities	7
Market Exposure	FirstChoice Wholesale Pension - First Sentier Wholesale Concentrated Australian Share	6
Diversification & Growth	CFS FirstChoice WS Pension - Bennelong WS ex-20 Australian Equities	3
Global Equities		**26**
Market Exposure	CFS FC WS Pen -MFS Global Equity	7
Risk Control	FirstChoice WS Pens - Acadian WS Global Managed Volatility Equity	7
Market Exposure	CFS FirstChoice Wholesale Pension - Magellan Wholesale Global Share Hedged	6
Alpha	CFS FC W Pen - T. Rowe Price Wholesale Global Equity	6
Property and Infrastructure		**11**
Domestic Listed Property	CFS FC WS Pens - BT WS Property Investment	6
Global Listed Property	CFS FC W Pen-AMP Capital W Global Property Securities	2
Listed Infrastructure	CFS FC WS Pens - First Sentier Wholesale Gbl Listed Infrastructure Securities	3
Fixed Interest		**30**
Global Fixed Interest	FirstChoice WS Pens - PIMCO WS Global Bond	9
Income & Capital Stability	CFS FC WS Pen -Macquarie Income Opportunities	6
Income & Capital Stability	CFS Perpetual Wholesale Diversified Income	6
Global Fixed Interest	CFS FC W Pen-Colchester Wholesale Global Government Bond	6
Diversified Fixed Interest	CFS FirstChoice Wholesale Pension - Schroder Wholesale Absolute Return Income	3
Cash		**10**
	Generic Cash	10
Total		**100**

Asset allocation breakdown



Portfolio Commentary

The Portfolio returned -1.84% for the month of September, slightly underperforming the relevant peer group benchmark, however outperforming the internal strategic asset allocation benchmark. In what proved to be a challenging month for global financial markets, all asset classes produced negative absolute returns.

Manager selection was strong through the month across the board, particularly within both fixed interest and Australian equities. Of particular note from an equity perspective was the Investors Mutual Australian Share Fund, who's focus on quality and valuation drove strong relative returns. Within fixed income all strategies performed well, outperforming their respective benchmarks, as markets grappled with rising bond yields and continued inflation concerns.

Outlook

September proved to be a challenging month for financial markets as fears of a global financial contagion spread following the news Chinese based developer Evergrande, the worlds most indebted company, was renegotiating coupon repayments on US$300b of outstanding debt. Looking forward, the outlook for global growth remains somewhat negative with the US Fed announcing it will begin tapering asset purchases by the end of the year. This coincides with an already poor environment for global growth with rising energy prices and a global supply chain gridlock, not to mention the ever present spectre of the delta Covid variant.

Domestically, equity markets followed the lead of their global peers experiencing increased volatility albeit of a low base. News of increased vaccination rates and reopening plans, whilst a positive for many individuals and businesses, did little to quell broader macro and valuation concerns, both of which continue to be front of mind. The portfolio remains well diversified across asset classes and the quality and risk-control elements embedded within sectors, provide added comfort as we manage through what we expect may be a more volatile period.

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.

Lonsec

Portfolio at a glance

Designed for

The portfolio is designed to provide investors with a balance of income and capital growth over the medium to long term through exposure across a range of asset classes and by using several investment managers.

Investment objective

2.4% p.a. above cash

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 portfolio by asset class, investment strategy, fund manager and sources of return.

Investment universe

The portfolio invests across a diversified range of Australian equities, global equities, property and infrastructure, fixed interest assets and alternative assets.

Target exposure

Growth assets	Defensive assets
60%	40%



IMPORTANT NOTICE: This document is published by Lonsec Investment Solutions Pty Ltd ACN 608 837 583, a Corporate Authorised Representative (CAR 1236821) (LIS) of Lonsec Research Pty Ltd ABN 11 151 658 561 AFSL 421 445 (Lonsec Research). LIS creates the model portfolios it distributes using the investment research provided by Lonsec Research but LIS has not had any involvement in the investment research process for Lonsec Research. LIS and Lonsec Research are owned by Lonsec Holdings Pty Ltd ACN: 151 235 406. 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 manager or product issuer(s) 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 a fee for providing the model portfolios to financial services organisations and professionals. 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 and Lonsec Research and their representatives 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 Lonsec Research analyst(s).
Warnings: Past performance is not a reliable indicator of future performance. Returns are prepared and reported using model asset allocations, actual returns may vary depending on platform fees or allocations, and individual holdings. Any express or implied rating or advice presented in this document is limited to general advice 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 his or her financial circumstances or should seek independent financial advice on its appropriateness. If the financial 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. The information contained in this document is current as at the date of publication. Financial conclusions, ratings and advice are reasonably held at the time of publication 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 Research, 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.
Copyright © 2021 Lonsec Investment Solutions Pty Ltd ACN: 608 837 583 (LIS). This report may also contain third party supplied material that is subject to copyright. The same restrictions that apply to LIS copyrighted material, apply to such third party content.