

Lonsec Active (FirstChoice Managed Account Range: Defensive) - Super

Portfolio performance - October 2021

	1 mth (%)	3 mth (%)	6 mth (%)	1 yr (% pa)	3 yr (% pa)	5 yr (% pa)
Portfolio Total Return*	-0.33	-0.16	2.01	5.63	4.47	4.06
Peer Group Benchmark**	-0.47	-0.53	1.40	5.33	4.01	3.60
Excess Return*	0.14	0.37	0.61	0.30	0.46	0.46

*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 is net of admin fees, investment fees and indirect costs. 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 Cautious Index.

Market review

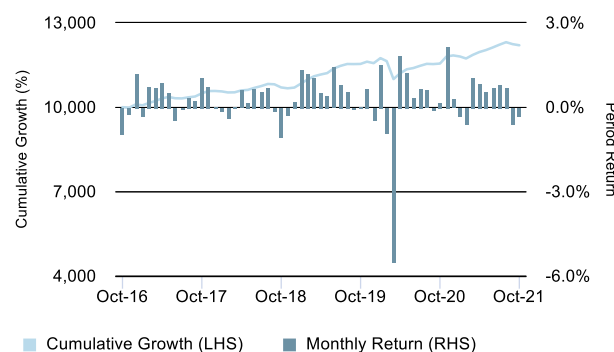
A late selloff for the Australian share market led to modest overall returns for the month, with the S&P/ASX 300 gaining 0.1%. Information Technology was the standout sector, gaining 2.1% for the month, with Health Care (+1%) and Financials (+0.8%) also contributing positively. Momentum and growth were the only factors to provide a positive return for the month with a gain of 0.6% and 0.1% respectively. Quality was the largest detractor with a decline of 1.3%.

Global markets saw a recovery in performance during October following a volatile prior month, with developed markets returning 1.7% as measured by the MSCI AC World ex-Australia Index. Asian and emerging markets continue to face pressure, with the MSCI Emerging Markets Index detracting -2.9% over the month in Australian dollar terms.

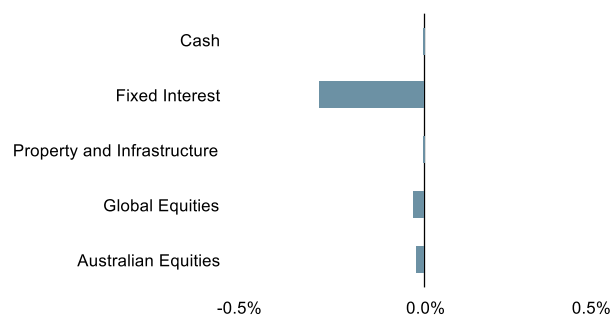
The S&P/ASX 200 A-REIT Index finished 0.4% higher in October. Global real estate equities (represented by the FTSE EPRA/NAREIT Developed Ex Australia Index (AUD Hedged)) advanced strongly, finishing 5.8% higher. Nationally, the housing market once again advanced further, showing considerable strength, with the CoreLogic 5 city aggregate recording a 1.4% increase for the month.

Australian Fixed Interest markets were hit hard in October, with the bulk of the losses being driven by a sharp increase in the 2 and 3 year Australian Government Bond yields at the end of the month. Increases in yields drove a return of -3.6% for the Bloomberg AusBond Composite 0+ Yr Index over the course of October, though credit spreads remained relatively static. Returns were much more muted internationally, with the Bloomberg Barclays Global Aggregate Index (AUD Hedged) returning -0.3% in October, though currency fluctuations resulted in a return of -4.1% for the unhedged variant.

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	%
CFS FirstChoice MFS Wholesale Global Equity Super	0.00
Generic Cash	0.00
CFS FC WS PersSuper - Pandal WS Property Investment	0.00

Bottom 3 contributors to performance	%
CFS FC WS Super -Macquarie Income Opportunities	-0.09
CFS FC W PSup-Colchester Wholesale Global Government Bond	-0.07
CFS FC W PSup-PIMCO Wholesale Global Bond	-0.06

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

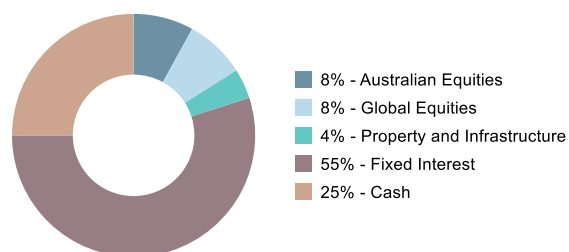
We strongly recommend that potential investors read the product disclosure statement or investment statement.

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Portfolio structure

Strategy/Asset class	Fund	%
Australian Equities		8
Market Exposure	CFS FirstChoice Investors Mutual Wholesale Australian Share PersSuper	4
Market Exposure	CFS FirstChoice Fidelity Wholesale Australian Equities PersSuper	4
Global Equities		8
Market Exposure	CFS FirstChoice MFS Wholesale Global Equity Super	4
Risk Control	FirstChoice WS Pers Super - Acadian WS Global Managed Volatility Equity	4
Property and Infrastructure		4
Domestic Listed Property	CFS FC WS PersSuper - Pandal WS Property Investment	4
Fixed Interest		55
Global Fixed Interest	CFS FC W PSUP-PIMCO Wholesale Global Bond	13
Income & Capital Stability	CFS FC WS Super -Macquarie Income Opportunities	12
Income & Capital Stability	CFS FirstChoice PSUP Perpetual Wholesale Diversified Income	11
Global Fixed Interest	CFS FC W PSUP-Colchester Wholesale Global Government Bond	10
Diversified Fixed Interest	CFS FirstChoice Wholesale Personal Super - Schroder Wholesale Absolute Return Income	9
Cash		25
	Generic Cash	25
Total		100

Asset allocation breakdown



Portfolio Commentary

The Portfolio returned -0.33% for the month of October, outperforming both the relevant peer group benchmark and internal strategic asset allocation benchmark. Fixed Interest was the largest negative contributor in absolute terms as interest rates sold off strongly on inflation concerns.

Portfolio positioning was strong within fixed income. In particular, the underweight to Australian fixed interest and conservative short duration strategies added value. Real assets such as global listed infrastructure and global property also added significant value in absolute terms.

Outlook

Inflation data and interest rates continue to be front of mind for investors following a month in which Australian fixed interest markets were hit hard, giving back -3.55%. Despite the sharp selloff being a largely Australian phenomenon, global attentions now turn to the timing and magnitude of the central bank response. Despite the stable rhetoric from policymakers, markets continue to price in earlier than expected rate hikes.

Similarly in equity markets, the inflation surprise dented investor sentiment in the Australian share market as expectations are mounting that the RBA will need to tighten much earlier than previously forecast. The prospect of higher rates will likely challenge equity valuations, particularly the growth segment of the market, which have risen based on ultra-loose monetary and fiscal policy. 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.

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Portfolio at a glance

Designed for

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

Investment objective

0.8% p.a. above cash

Suggested minimum investment timeframe

2 years

Investment strategy

The portfolio seeks to generate income and some 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
20%	80%



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