

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

Portfolio performance - October 2021

	1 mth (%)	3 mth (%)	6 mth (%)	1 yr (% pa)	3 yr (% pa)	5 yr (% pa)
Portfolio Total Return*	-0.06	0.31	3.38	10.35	6.16	5.66
Peer Group Benchmark**	-0.52	-0.74	2.02	7.44	4.97	4.31
Excess Return*	0.46	1.05	1.36	2.91	1.19	1.35

*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 Moderate Index.

Market review

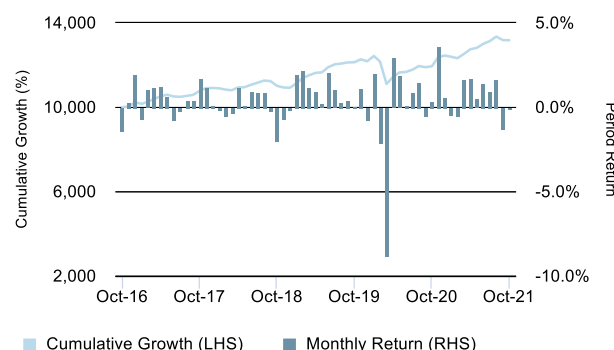
A late selloff for the Australian share market led to modest overall returns for the month, with the S&P/ASX 300 gaining 0.1%. Information Technology was the standout sector, gaining 2.1% for the month, with Health Care (+1%) and Financials (+0.8%) also contributing positively. Momentum and growth were 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.

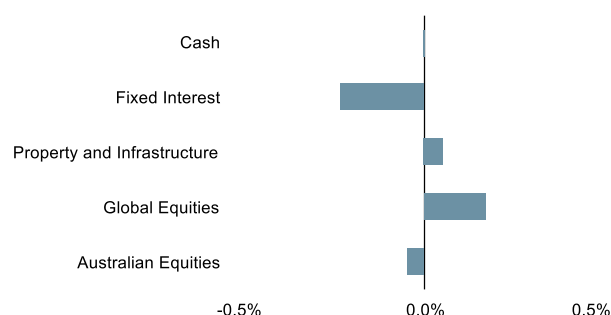
The S&P/ASX 200 A-REIT Index finished 0.4% higher in October. Global real estate equities (represented by the FTSE EPRA/NAREIT Developed Ex Australia Index (AUD Hedged)) advanced strongly, finishing 5.8% higher. Nationally, the housing market once again advanced further, showing considerable strength, 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 Wholesale Pension - Magellan Wholesale Global Share Hedged	0.19
CFS FC WS Pens - First Sentier Wholesale Gbl Listed Infrastructure Securities	0.05
CFS FC W Pen - T. Rowe Price Wholesale Global Equity	0.00

Bottom 3 contributors to performance %

CFS FC WS Pen -Macquarie Income Opportunities	-0.07
CFS FC W Pen-Colchester Wholesale Global Government Bond	-0.06
FirstChoice WS Pens - PIMCO WS Global Bond	-0.05

Portfolio changes %

There were no changes to the portfolio for the past 1 month	
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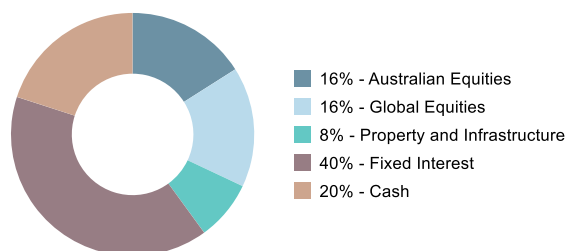
We strongly recommend that potential investors read the product disclosure statement or investment statement.

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Portfolio structure

Strategy/Asset class	Fund	%
Australian Equities		16
Market Exposure	Colonial First State FirstChoice IML Australian Share Fund Wholesale Pension	6
Market Exposure	CFS FC WS Pen -Fidelity Australian Equities	5
Market Exposure	FirstChoice Wholesale Pension - First Sentier Wholesale Concentrated Australian Share	5
Global Equities		16
Market Exposure	CFS FC WS Pen -MFS Global Equity	4
Risk Control	FirstChoice WS Pens - Acadian WS Global Managed Volatility Equity	4
Market Exposure	CFS FirstChoice Wholesale Pension - Magellan Wholesale Global Share Hedged	4
Alpha	CFS FC W Pen - T. Rowe Price Wholesale Global Equity	4
Property and Infrastructure		8
Domestic Listed Property	CFS FC WS Pens - BT WS Property Investment	6
Listed Infrastructure	CFS FC WS Pens - First Sentier Wholesale Gbl Listed Infrastructure Securities	2
Fixed Interest		40
Global Fixed Interest	FirstChoice WS Pens - PIMCO WS Global Bond	10
Income & Capital Stability	CFS FC WS Pen -Macquarie Income Opportunities	8
Income & Capital Stability	CFS Perpetual Wholesale Diversified Income	8
Global Fixed Interest	CFS FC W Pen-Colchester Wholesale Global Government Bond	8
Diversified Fixed Interest	CFS FirstChoice Wholesale Pension - Schroder Wholesale Absolute Return Income	6
Cash		20
	Generic Cash	20
Total		100

Asset allocation breakdown



Portfolio Commentary

The Portfolio returned -0.06% 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. From an equity perspective the Magellan Global Fund was the top performer, with the hedged version of the trust adding to the strong underlying investment returns. 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 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

1.6% p.a. above cash

Suggested minimum investment timeframe

3 years

Investment strategy

The portfolio seeks to generate a balance of 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
40%	60%



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