

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

Portfolio performance - December 2021

	1 mth (%)	3 mth (%)	6 mth (%)	1 yr (% pa)	3 yr (% pa)	5 yr (% pa)
Portfolio Total Return*	1.11	1.42	2.73	7.31	6.94	5.48
Peer Group Benchmark**	1.00	1.10	1.97	5.60	5.81	4.40
Excess Return*	0.11	0.32	0.76	1.71	1.13	1.08

*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

The Australian share market closed out December 2021 with the S&P/ASX 200 gaining 2.75% with eight out of the eleven sectors within the Index finishing higher. Specifically, Utilities was the standout sector with a return of 7.9%. A heavy decline in the Information Technology sector (-5.3%) failed to stop the broader 'Santa Rally' to close out the year. The local miners were bolstered by the iron ore price recovery given the optimism around Chinese demand for the commodity in the intermediate term alongside the expectations for potential further stimulus measures within China's economy. The Utilities sector pared back some heavy yearly losses and investors looked for some defensive exposure.

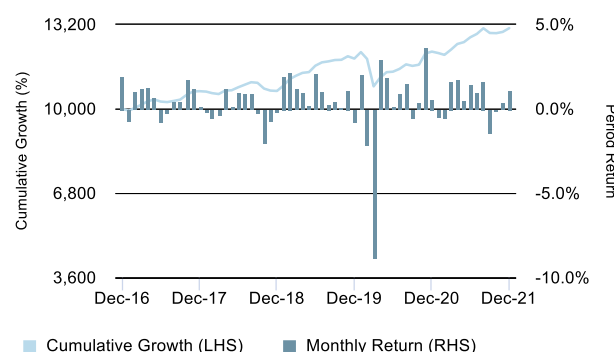
Following a disappointing end to November, global markets closed out 2021 strongly posting an annual return of 29.6% in Australian dollar terms. Developed markets closed 1.7% higher by month end, trailed by Emerging and Asian markets declining by -0.7% and -1.1% respectively. Markets struggled to build momentum early in the month of December as the emerging and enigmatic Omicron variant of the COVID-19 virus continued its spread across the globe.

The S&P/ASX 200 A-REIT Accumulation index finished 2021 with strength, advancing 4.9% in the month of December and closing out 2021 with a 26.1% gain. Global real estate equities (represented by the FTSE EPRA/NAREIT Developed Ex Australia Index (AUD Hedged)) also finished strongly, achieving a 6.1% gain for the same month, and totalling 30.2% for the year.

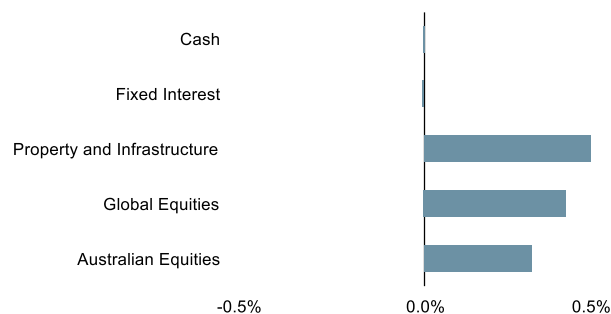
Fixed income December was a relatively muted month for Australian Fixed Income markets, while inflation has continued to dominate the discourse Australian yields have remained relatively static. In its December meeting, the US Federal Reserve adopted a more hawkish approach and announced a more rapid taper of their bond purchases and alluded to the possibility of interest rate hikes later in the year. This prompted an increase in US yields across the entire spectrum of maturities with market participants

pricing in three rate hikes for the year. This drove overall returns of -0.4 for the Bloomberg Barclays Global Aggregate Index (AUD Hedged), with the unhedged variant returning -2.6.

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 FC WS Pens - BT WS Property Investment	0.30
CFS FirstChoice Wholesale Pension - Magellan Wholesale Global Share Hedged	0.21
CFS FC WS Pen -Fidelity Australian Equities	0.17

Bottom 3 contributors to performance %

CFS FC W Pen - T. Rowe Price Wholesale Global Equity	-0.12
CFS FC W Pen-Colchester Wholesale Global Government Bond	-0.04
FirstChoice WS Pens - PIMCO WS Global Bond	-0.01

Portfolio changes %

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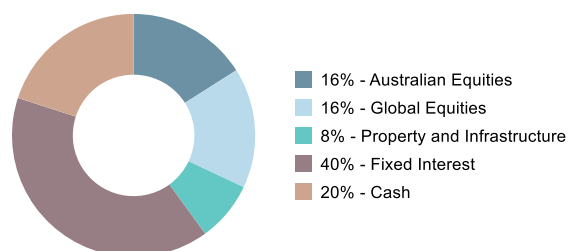
We strongly recommend that potential investors read the product disclosure statement or investment statement.

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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 outperformed the peer group benchmark for the month. Growth assets contributed positively to performance led by exposure to real assets, such as the A-REITs exposure (CFS FC WS Pens - BT WS Property Investment), which performed strongly during the month. Absolute returns from equities were positive however we did note material dispersion in returns between managers. TRowe Price underperformed the market largely due to their exposure to the technology sector which lagged the broader market, MFS outperformed the market due to some strong returns from individual stock selection. Returns from fixed interest slightly negative as volatility in bond yield continued during the month.

Outlook

Our expectation is that we will see an increase in market volatility as the market processes the prospect of higher inflation and the possibility of rate rises. We have also observed growing dispersion between the performance of stocks, sectors and regions which we expect will continue during the year. In such an environment individual security selection will become increasingly important. The portfolio is diversified in terms of its sector allocations and underlying manager exposures which should assist the portfolios in navigating periods of higher volatility. For example within the fixed interest part of the portfolio we have included managers such as the Macquarie Income Opportunities Fund which has a lower exposure to government bonds and duration (interest rate risk) which should assist the portfolio should we see interest rates go up.

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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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