

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

Portfolio performance - May 2022

	1 mth (%)	3 mth (%)	6 mth (%)	1 yr (% pa)	3 yr (% pa)	5 yr (% pa)
Portfolio Total Return*	-2.72	-3.59	-8.37	-2.93	4.35	5.28
Peer Group Benchmark**	-1.49	-1.61	-3.86	0.31	5.90	5.93
Excess Return*	-1.23	-1.98	-4.51	-3.24	-1.55	-0.65

*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 FE UT Peer Group Multi-Asset Growth Index.

Market review

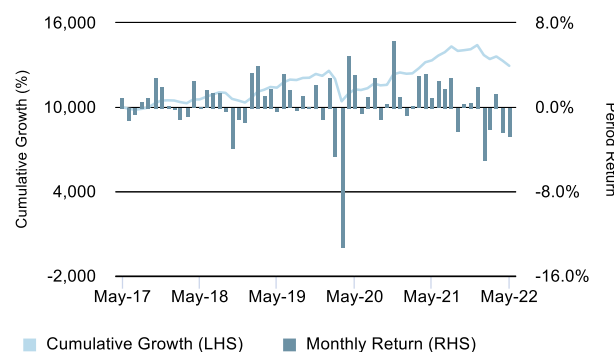
The Australian share market finished May 2022 with the S&P/ASX 300 falling sharply by -2.8% and ten out of eleven sectors finishing lower. Specifically, the Materials sector was the only positive contributor for the month (+0.1%). The Property (-8.7%) and Information Technology (-8.7%) sectors led the sell-off as persistently higher inflationary figures, geopolitical tensions and tapering fears suppressed equities.

Downward velocity in global markets continued over the month of May as the war in Ukraine endures, inflation continues to escalate and Covid restrictions in China persist. Developed markets marginally fell by -0.8% by month end as measured by the MSCI World ex Australia NR Index AUD. Emerging markets performed similarly to the previous period with the MSCI Emerging Markets NR Index AUD falling by -0.5%.

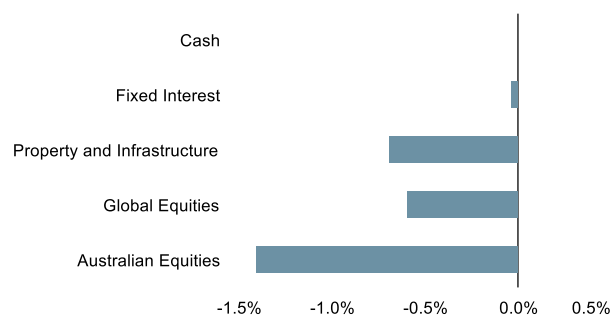
Local and Global REITs sold off during May. Domestically, the S&P/ASX 200 A-REIT Accumulation Index ended the month -8.7% lower, falling -14.7% on a total return basis YTD. Global REITs as measured by the FTSE EPRA/NAREIT Developed NR Index (AUD Hedged) outperformed the local REITs index, albeit still experiencing a drawdown of -4.6% during the month. Domestically, infrastructure (represented by the S&P/ASX Infrastructure Index) continued its divergence from A-REITs, returning 1.2% in May and 16.9% YTD.

May saw a continued rise in bond yields, following The Reserve Bank of Australia raising the cash rate on May 3rd by 25bps to a 0.35% cash rate. Over the month, the Australian 2 Year Government Bonds increased by 2bps while Australian 10 Year Government Bonds rose by 22bps. Credit spreads continued to widen throughout May, resulting in the Bloomberg AusBond Composite 0+ Yr Index falling -0.9% over the month. Globally, tightening cycles continued in an attempt to control inflation with the Bloomberg Global Aggregate Index (AUD Hedged) falling -0.2% over the month.

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 - First Sentier Wholesale Gbl Listed Infrastructure Securities	0.05
CFS FC W Pen-Colchester Wholesale Global Government Bond	0.00
Generic Cash	0.00

Bottom 3 contributors to performance

	%
CFS FC W Pen-Pendal Wholesale Property Investment	-0.60
CFS First Sentier Wholesale Australian Small Companies	-0.40
CFS FC W Pen-Bennelong Wholesale Ex-20 Australian Equities	-0.33

Portfolio changes

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

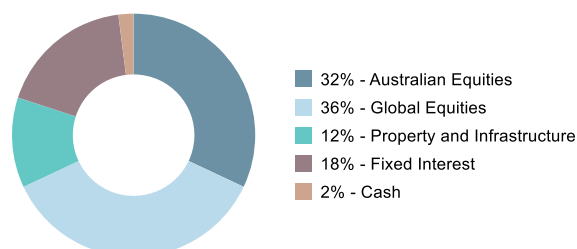
We strongly recommend that potential investors read the product disclosure statement or investment statement.

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.

Portfolio structure

Strategy/Asset class	Fund	%
Australian Equities		32
Market Exposure	Colonial First State FirstChoice IML Australian Share Fund Wholesale Pension	8
Market Exposure	CFS FC WS Pen -Fidelity Australian Equities	7
Market Exposure	FirstChoice Wholesale Pension - First Sentier Wholesale Concentrated Australian Share	7
Diversification & Growth	CFS FirstChoice WS Pension - Bennelong WS ex-20 Australian Equities	4
Diversification & Growth	CFS FC W Pen - First Sentier Wholesale Australian Small Companies	6
Global Equities		36
Market Exposure	CFS FC WS Pen -MFS Global Equity	10
Risk Control	FirstChoice WS Pens - Acadian WS Global Managed Volatility Equity	9
Market Exposure	CFS FirstChoice Wholesale Pension - Magellan Wholesale Global Share Hedged	9
Alpha	CFS FC W Pen - T. Rowe Price Wholesale Global Equity	8
Property and Infrastructure		12
Domestic Listed Property	CFS FC WS Pens - BT WS Property Investment	7
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		18
Global Fixed Interest	FirstChoice WS Pens - PIMCO WS Global Bond	5
Income & Capital Stability	CFS FC WS Pen -Macquarie Income Opportunities	4
Income & Capital Stability	CFS Perpetual Wholesale Diversified Income	4
Global Fixed Interest	CFS FC W Pen-Colchester Wholesale Global Government Bond	5
Cash		2
	Generic Cash	2
Total		100

Asset allocation breakdown



Portfolio Commentary

The Portfolio returned -2.72% over the month of May, underperforming the relevant peer group benchmark. The Australian Equities, Property and Infrastructure, Global Equities and Fixed Interest allocations all detracted from portfolio performance over the month as market volatility prevailed. The major detractors to portfolio performance during the market sell off in May were the CFS First Choice Wholesale Pension Pandal Wholesale Property Investment, the CFS First Sentier Wholesale Australian Small Companies Fund; and the CFS First Choice Wholesale Pension Bennelong Wholesale Ex-20 Australian Equities Fund.

In contrast the main contributor to performance was the CFS First Choice Wholesale Pension First Sentier Wholesale Global Listed Infrastructure Securities.

Outlook

Lonsec expects financial markets to remain volatile, with persistent and increasing near term inflationary outcomes leading to expectations of not only additional but larger interest rate hikes by central banks in an effort to get inflation back within their long-term targeted range. As a result, financial market sentiment has shifted on concerns that these central bank monetary policy actions may now impact economic growth over the medium term.

In early June, the RBA lifted Australian cash rates for the second time since 2010 by 0.50% to 0.85%. The board's commentary noted that, "Inflation in Australia has increased significantly" and went on to say they expect to take further monetary policy steps in coming months to tackle these current inflationary pressures. That even central banks can be surprised by macroeconomic developments is a stark reminder that investors should not aim to "predict the future", but rather remain well-diversified and prepared for a range of possible conditions and outcomes. This in turn requires a difficult balance between defence (focused on capital preservation) and offence (focused on growth to keep ahead of inflation).

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.

Portfolio at a glance

Designed for

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

Investment objective

3.2% p.a. above cash

Suggested minimum investment timeframe

6 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
80%	20%



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 © 2022 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.