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Managed Portfolio Performance Update – May 2022

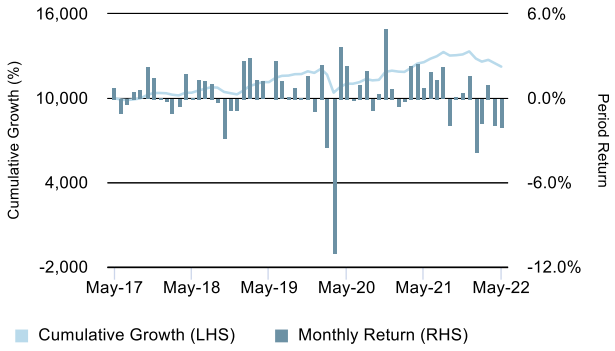
Lonsec Active (FirstChoice Managed Account Range: Balanced) - Pension

Portfolio performance - May 2022

	1 mth (%)	3 mth (%)	6 mth (%)	1 yr (% pa)	3 yr (% pa)	5 yr (% pa)
Portfolio Total Return*	-1.96	-2.82	-6.63	-2.53	3.19	4.12
Peer Group Benchmark**	-1.20	-2.07	-3.96	-1.09	4.19	4.54
Excess Return*	-0.76	-0.75	-2.67	-1.44	-1.00	-0.42

*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 Balanced Index.

Cumulative performance (5 years)



Market review

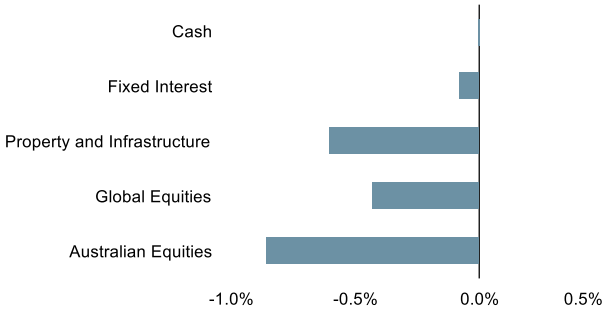
The Australian share market finished May 2022 with the S&P/ASX 300 falling sharply by -2.8% and ten out of eleven sectors finishing lower. Specifically, the Materials sector was the only positive contributor for the month (+0.1%). The Property (-8.7%) and Information Technology (-8.7%) sectors led the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

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	-0.52
CFS First Sentier Wholesale Concentrated Australian Share	-0.26
CFS FC W Pen-Bennelong Wholesale Ex-20 Australian Equities	-0.25

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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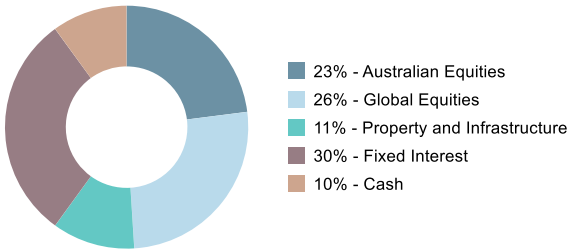
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Portfolio structure

Strategy/Asset class	Fund	%
Australian Equities		**23**
Market Exposure	CFS FC W Pn-Investors Mutual Wholesale Australian Share	7
Market Exposure	CFS FC WS Pen -Fidelity Australian Equities	7
Market Exposure	CFS First Sentier Wholesale Concentrated Australian Share	6
Diversification & Growth	CFS FC W Pen-Bennelong Wholesale 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 Pn-T.Rowe Price Wholesale Global Equity	6
Property and Infrastructure		**11**
Domestic Listed Property	CFS FC W Pen-Pendal Wholesale Property Investment	6
Global Listed Property	CFS FC W Pen-AMP Capital Wholesale Global Property Sec	2
Listed Infrastructure	CFS FC WS Pens - First Sentier Wholesale Gbl Listed Infrastructure Securities	3
Fixed Interest		**30**
Global Fixed Interest	CFS FC W Pn-PIMCO Wholesale Global Bond	9
Income & Capital Stability	CFS FC W Pn-Macquarie Wholesale 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 -1.96% 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 Pendal Wholesale Property Investment, the CFS First Sentier Wholesale Concentrated Australian Share 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).

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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

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%



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