

AAN CORE - AC0001

As at 31 Mar 2024

Investment Manager	AAN Asset Management Pty Ltd
Model Code	AC0001
Investment Fee	0.43% p.a.
Performance Fee	Nil
Less AAN Client Model Fee Discount	0.24% p.a.
Commencement	05 Feb 2016
ICR and Transaction Cost	0.61% p.a.
Indicative No. of Holdings	Unlimited

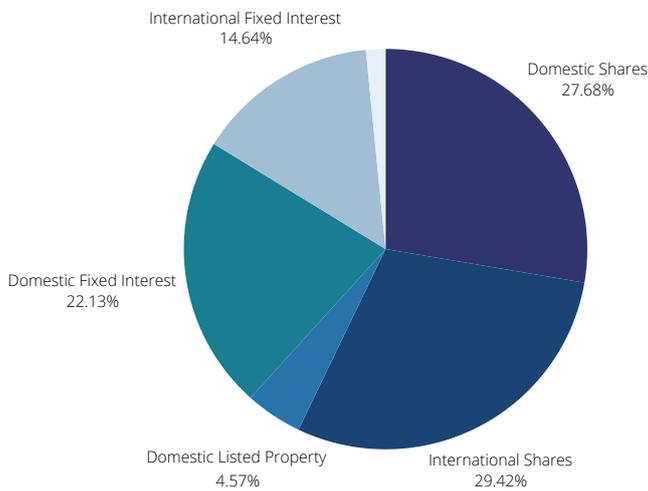
Investment description

The Core portfolio is an actively managed portfolio providing a diversified exposure with a neutral tilt towards growth asset classes (65%) relative to defensive asset classes (35%). The portfolio is constructed using a multi-manager approach which seeks to incorporate a blend of investment styles. The portfolio will generally be reweighted to its strategic weights quarterly and may employ a blend of active and passive investment styles based on market conditions. Investment exposure is obtained through a combination of direct equities, exchange traded products and/or managed funds.

Investment objective

The Core portfolio's investment objective is to outperform CPI by 3.0% p.a before fees over rolling 5-year periods.

Asset Allocation



Top 5 holdings

Perpetual Diversified Real Return W	14.64%
Vaneck MSCI Index International Quality ETF	7.81%
Vaneck Australian Equal Weight ETF	7.60%
Vanguard MSCI Index International Shares (HEDGED) ETF	7.46%
Perpetual Focus Australian Share	7.30%

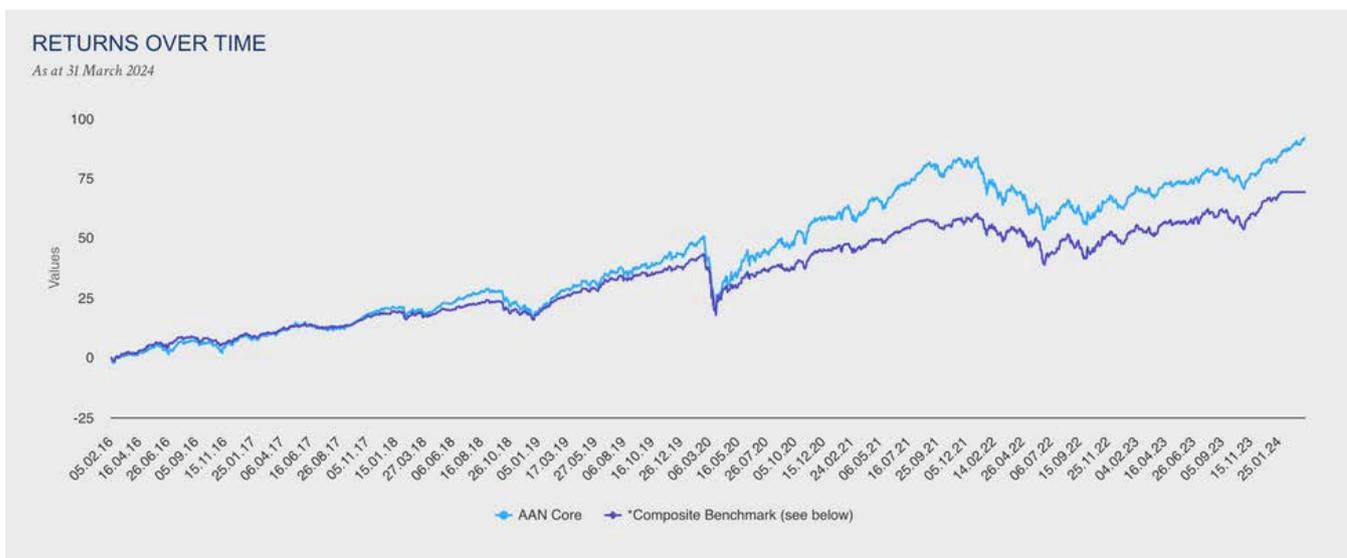
Top 5 holdings represent 44.81% of total fund

Performance

As at 31 Mar 2024

	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.	5 yrs p.a.	Since inception p.a.
Total Gross Return	1.92%	5.12%	9.93%	12.80%	6.06%	8.32%	8.34%

Returns over time



The Model

There were no material changes to the portfolio this quarter other than reweighting back to benchmark allocations.

Notable Investments

International Shares (Lazard Global Equity Franchise Fund):

- Global equities saw significant gains in the first quarter of 2024, driven by robust earnings reports, growth prospects tied to artificial intelligence, and optimism regarding economic soft landings in certain regions. Franklin Global Growth Fund returned 3.52%, underperforming its benchmark. Detractors included stocks like Inari and Humana in healthcare, and Zscaler in information technology, while contributors included Intuitive Surgical and Manhattan Associates. Over the 12-month period ending March 31, 2024, the fund returned 15.38%. Sector allocation remains driven by bottom-up security selection, with recent detractors including Paycom Software and Aptiv in industrials, while MongoDB, Zscaler, and Shopify contributed positively to technology.
- Despite underperformance in the short term, the fund's focus on pure play companies down the market cap spectrum and strong free cash flow generation underpins its long-term outlook. With expectations for a broader market rally and a focus on companies supported by strong secular growth drivers, diversified across industries, the fund remains poised to capture potential returns over the long term. The emphasis on strong competitive positioning and ongoing adjustments to portfolio weightings reflect a commitment to navigating market dynamics while staying true to the fund's investment principles.

Fixed Interest (Yarra Capital):

- The Yarra Enhanced Income Fund demonstrated robust performance over the recent quarter, yielding a return of 2.04% net, including franking credits, which surpassed its benchmark by 97 basis points. Over a 12-month period, the fund has achieved an 8.47% return, significantly outperforming the RBA Cash Rate by 433 basis points. This success is attributed to strong demand in both primary and secondary markets, particularly in Tier 2 securities and corporate subordinated debt, which have shown exceptional returns. The fund's allocation to floating rate securities has also paid off, offering substantial income returns as the RBA maintained interest rates at 4.35%.
- In broader market trends, the fixed income sector saw a strong start in the first quarter of 2024 despite ongoing expectations of interest rate cuts in most developed markets which have yet to materialize, except for the Swiss National Bank. Domestically, the Reserve Bank of Australia (RBA) has maintained a steady interest rate of 4.35% with no immediate indications of future cuts, moving towards a more neutral stance. Meanwhile, credit spreads have continued to tighten despite high issuance volumes, with Australian credit spreads remaining attractive compared to USD and EUR spreads. This reflects stronger domestic fundamentals and the high quality of AUD corporates, suggesting a potential further tightening in credit and hybrid spreads in the near future.

Performance

The AAN Core model returned 5.12% (before fees) this quarter, bringing the rolling 12 month total return to 12.8% (before fees).

Over the quarter, no asset classes detracted from the portfolio. All asset classes made positive contributions to the portfolio. The largest contribution came from international equities (+2.54%), followed by domestic equities (+1.28%) and domestic listed property (+0.65%).

For the 12-month period, all asset classes were positive contributors, led by domestic listed property (+15.53%), international shares (+8.86%) and domestic shares (+4.29%), followed by international fixed interest (+2.39%) and domestic fixed interest (+1.00%).

Key Contributors:

- VanEck MSCI International Quality ETF +1.20%
- Vanguard MSCI Index International Shares (Hedged) ETF +0.72%
- Vanguard Australian Property Securities Index ETF +0.56%

Key Detractors:

- BHP Group Ltd -0.21
- Domino's Pizza Enterprises Ltd -0.07%
- Rio Tinto Ltd -0.04%

General Advice Warning

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Performance is based on a model portfolio and is gross of investment management and administration fees, but net of transaction costs. The total return performance figures quoted are historical and do not allow for the effects of income tax or inflation. Total returns assume the reinvestment of all portfolio income. Past performance is not a reliable indicator of future performance. Portfolio holdings may not be representative of current or future recommendations for the portfolio. The securities listed may not represent all of the recommended portfolio's holdings.

*Total net returns represent past performance only. Past performance is not a reliable indicator of future performance. Returns of the Fund can be volatile and in some periods may be negative. The return of capital is not guaranteed. *Composite Benchmark: 30% S&P/ASX 300 TR Index || 30% MSCI World Index (AUD) || 5% FTSE EPRA Nareit Developed TR Hedged AUD || 17% Bloomberg AusBond Composite Index || 5% Bloomberg Barclays Global Aggregate TR Hedged AUD || 13% RBA Cash Rate. This Model Portfolio is subject to the risk of stock market fluctuations. Investors accessing the Model Portfolio through a master trust or wrap account will also bear any fees charged by the operator of such master trust or wrap account. Any apparent discrepancies in the numbers are due to rounding. Management costs and buy/sell spread are current as at the date of publication of this website. These fees may be subject to change in the future. Total returns (net) have been calculated using exit prices and take into account the applicable buy/sell spread and are net of AANAM's management costs, transactional and operational costs and assumes reinvestment of distributions. No allowance has been made for tax. Returns of more than one year are annualised. The return of capital is not guaranteed. If you want more information on the benchmarks used for each model please visit the AANAM website at www.aanam.com.au.