

AAN Sustainable Growth - AC0006

As at 31 Mar 2024

Investment Manager	AAN Asset Management Pty Ltd
Model Code	AC0006
Investment Fee	0.40% p.a.
Performance Fee	Nil
Less AAN Client Model Fee Discount	0.21% p.a.
Commencement	17 Dec 2020
ICR and Transaction Cost	0.59% p.a.
Indicative No. of Holdings	

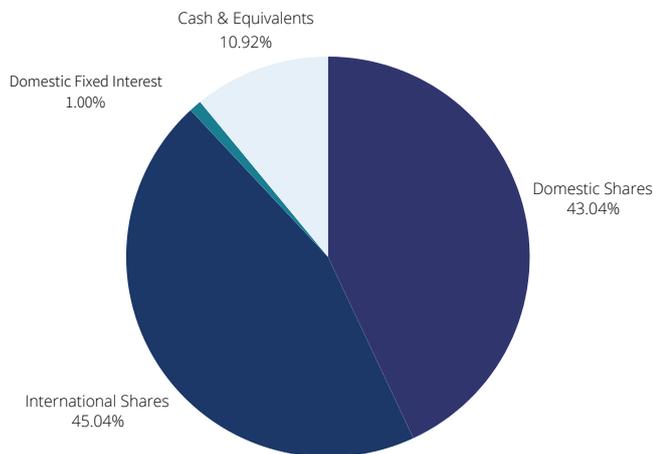
Investment description

The model caters for investors seeking a portfolio of predominantly growth assets that aligns with their preference for sustainable investments with potential for making a positive contribution to society. The model has a strategic allocation of 90% to growth assets and 10% to defensive assets via investing in managed funds, ETFs and/or Australian equity model portfolios, that will each employ their own sustainable investment approach. The overall model is managed according to the manager's Sustainable Investment Policy which seeks to avoid tobacco and tobacco products, gambling, alcohol, pornography, armaments manufacture or distribution, high impact fossil fuels and predatory lending. A company with a minor or indirect exposure to one of the sectors will not be automatically excluded, although may be subject to ongoing review by the manager.

Investment objective

The AAN Sustainable Growth Model has an objective to outperform CPI by 4% p.a before fees over rolling 7-year periods, through investing in a diversified portfolio of growth and income assets that meet the manager's ESG requirements.

Asset Allocation



Top 5 holdings

Betashares Global Sustainability Leaders ETF	11.42%
Perpetual ESG Australia Share	11.37%
iShares Core MSCI World Ex Aus ESG (AUD HED) ETF	11.30%
iShares Core MSCI Australia ESG ETF	11.23%
Stewart Investors Worldwide Sustainability	11.19%

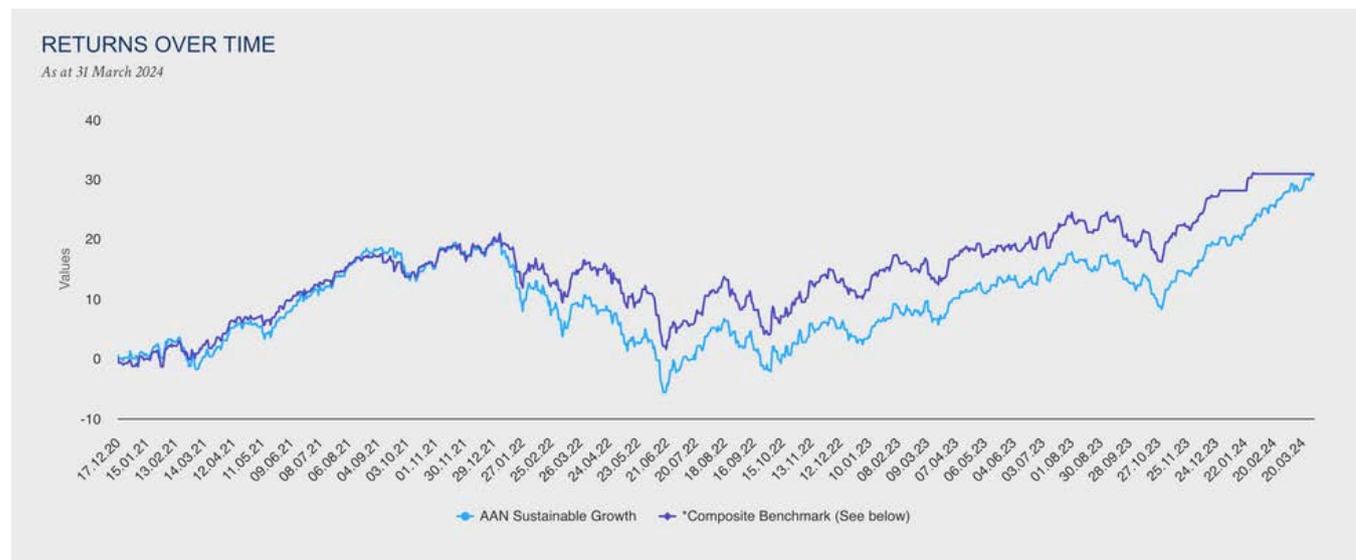
Top 5 holdings represent 56.51% of total fund

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	2.85%	8.98%	16.36%	19.70%	8.67%	N/A	8.57%

Returns over time



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The Model

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

Notable Investments

Domestic Shares (Alphinity):

- In the March quarter, the Fund outperformed the ASX300 benchmark by 0.8% post-fees, bolstered by a robust reporting season. Key contributors to returns included companies like Goodman Group, QBE, Brambles, and CAR Group, while the absence of Fortescue Metals in the portfolio also provided support. However, notable detractors during the period included Rio Tinto, BHP, Woolworths, and Lifestyle Communities. As the market's one-year forward earnings multiple slightly exceeded its long-term average, the focus shifted towards delivering earnings. The fund's strategy of identifying quality, undervalued companies experiencing positive earnings revisions proved beneficial during the reporting season, though some disappointments were encountered. Adjustments were made to the portfolio based on updated convictions, gradually transitioning from a defensive stance to a more balanced position with increased exposure to growth and cyclical names.
- Sector overweight positions remained in insurance and industrials, driven by individual stock stories rather than sector-specific views. The fund slightly increased its overweight position in healthcare while further reducing exposure to banks due to perceived sectoral overvaluation. Underweight positions were maintained in resources and consumer discretionary sectors, with attention paid to developments in China and cautious adjustments made accordingly. Overall, the fund's positioning reflects a nuanced approach to sectoral allocations, balancing bottom-up stock selection with broader market trends and economic outlooks.

Real Returns (Perpetual):

- In terms of performance, the Perpetual ESG Real Return Fund reported a modest net return of 0.6% in February 2024, culminating in a 1.5% return over the past 12 months. This performance is attributed to strategic asset allocation and the effective integration of ESG criteria which helped navigate a complex investment landscape marked by variable corporate earnings and economic signals. The fund's performance reflects both the challenges and opportunities presented by a volatile market environment, influenced by factors such as shifts in U.S. Federal Reserve policies and global economic conditions.
- Looking ahead, the fund maintains a cautious stance due to the persistent uncertainties in global markets, including high equity valuations and speculative earnings growth expectations. It focuses on high-quality markets and firms with strong financial health to navigate potential market corrections effectively. The fund continues to adapt its strategies to safeguard investments against downside risks while exploring growth opportunities through a prudent and responsive investment approach.

Performance

The AAN Sustainable Growth model returned 8.98% this quarter (before fees) whilst over 12 months the model returned 19.7% (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 (+5.07%), followed by domestic equities (+3.53%), with smaller contribution from cash (+0.17%), and domestic listed property (+0.05%).

For the 12-month period, all asset classes were positive contributors, led by international shares (+11.23%), followed by domestic shares (+8.02%), domestic listed property (+5.08%), and cash (+1.49%).

Key Contributors:

- BetaShares Global Sustainability Leaders ETF +1.92%
- iShares Core MSCI WorldxAus ESG Leaders (AUDH) ETF +1.26%
- AXA IM Sustainable Equity +1.24%

Key Detractors:

- Lendlease Group -0.05%
- Seek Ltd -0.03%
- IDP Education Ltd -0.03%

AAN Sustainable Growth Disclaimer

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: 42.5% S&P/ASX 300 TR Index || 5% Bloomberg AusBond Composite Index || 42.5% MSCI World Index (AUD) || 5% Bloomberg Barclays Global Aggregate TR Hedged AUD || 5% FTSE EPRA Nareit Developed TR Hedged AUD. 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.