ASSET MANAGEMENT

Quarterly Investment Update

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December 2022

AAN Asset Management Pty Ltd

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ASSET MANAGEMENT

Investor Letter

Dear Investor,

The December quarter saw a weaker USD (-5.5% against the AUD), lower unemployment in Australia, higher commodity prices, higher inflation rates in Australia (and incredibly high compared to a year earlier), a positive quarter for equity markets but volatile, higher Australian 10-year government bond yields, and an inversion of the US 2Y-10Y bond yield spread.

Significant events during the last quarter of 2022:

- A hit to UK fiscal integrity following the 'mini budget' in late September. The unfunded tax cuts announced caused turmoil in the UK bond market and to the sterling. The swift sell-off of 30-year bonds negatively impacted defined benefit schemes and the mortgage market. The pound fell immediately following the announcement as investors and traders had doubts about the government's plans. The Bank of England stepped into purchase the bonds and stop the rise in yields. Prime Minister Truss duly sacked Chancellor Kwasi Kwarteng, before the new Chancellor Jeremy Hunt reversed most of the tax measures. Truss subsequently resigned on the 20th of October after only 45 days in office, the shortest-serving prime minister in history.
- The Bank of Japan (BoJ) jolted markets in December by adjusting their yield curve control program. Since 2016, the BoJ has applied a policy framework to keep the 10-year bond yield at 0%, with an allowable range of +/- 0.25% applied from 2021. That allowable range was widened to +/- 0.50% in December, a fine-tuning of ultra-loose monetary policy. The 10-year bond yield moved higher, finishing the year at 0.4%.
- The 20th National Party Congress meeting was held in China in October. Xi Jinping was selected for a third term, breaking the previous rule of only two consecutive terms allowed as leader. A key outcome of the meeting was likely tighter state control of the economy and markets. Towards the end of the quarter Chinese authorities signalled an easing of Covid controls and travel restrictions.

Looking at 2022 as a whole, it was one for the ages across the economic and investment environment. Etta James describes what some investors may have been feeling in 2022:

Life is bad
Gloom and misery everywhere
Stormy weather, stormy weather
And I just can't get my poor self together
Oh, I'm weary all of the time
The time, so weary all of the time

Capital preservation through 2022 was incredibly difficult for diversified investors. There weren't many places to hide. Of the twelve asset class returns shown in Figure 1, only commodities and cash were positive in 2022. This was the first time in about 150 years that there was a simultaneous double-digit fall in both bond and equity markets.

Figure 1: Calendar year returns for various asset classes.

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
36.9	30.7	13.6	12.8	33.9	4.9	39.5	48.9	40.4	26.0
32.4	22.0	10.9	12.0	31.0	1.9	31.5	19.5	32.4	1.3
26.2	19.4	9.8	11.8	22.0	-0.5	30.4	18.4	28.7	-1.1
20.2	17.6	2.6	11.4	21.8	-0.7	26.9	14.8	27.5	-1.1
19.0	13.7	2.3	10.1	20.4	-0.8	26.9	13.9	21.4	-4.4
16.5	9.9	1.8	9.7	14.9	-1.2	25.9	9.2	18.6	-12.0
6.7	5.6	1.4	8.8	11.8	-2.8	23.4	6.8	17.2	-15.2
3.8	5.6	-2.7	7.7	7.4	-4.4	18.5	1.4	3.7	-15.6
2.9	2.7	-3.2	7.3	6.0	-6.7	17.6	0.4	0.1	-16.3
-1.2	0.6	-3.6	2.5	5.8	-7.2	8.6	-5.2	0.0	-18.1
-2.2	-0.6	-5.4	2.1	1.8	-9.7	6.8	-16.7	-0.4	-18.6
-2.6	-33.1	-32.9	2.1	1.0	-13.8	1.5	-23.7	-4.7	-32.4

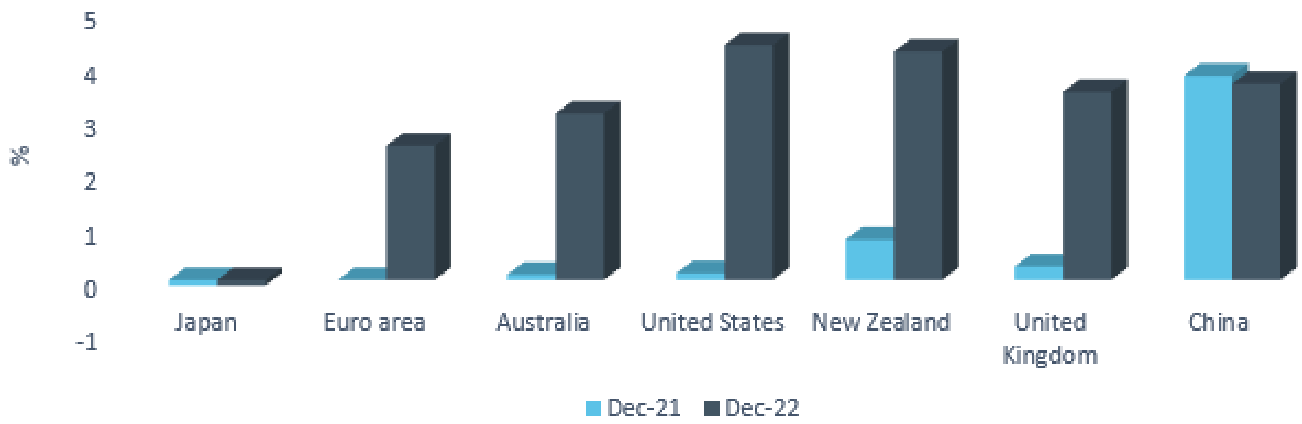
Bloomberg Australian Bank Bill	FTSE NAREIT Property	NASDAQ
Bloomberg Global Agg. Bonds	HFRX Global Hedge Fund	S&P 500
S&P Global Commodities	MSCI ACWI	ASX 200
FTSE DC Infrastructure 50/50 Hdg USD	MSCI Emerging Markets	NZX 50

Source: FE Analytics

The almost forgotten phenomenon of inflation was the dominant theme and driver of markets through 2022. Annual inflation in Australia reached 7.3% by the end of September, compared to 3% a year earlier. More than double! In the US, headline inflation reached 9.1% mid-year before subsiding to 6.5% by December. UK inflation peaked at 11.1% in October but was down to 10.7% by November. Inflation in the Euro area also peaked in October, reaching 10.6%, before preliminary data showed it falling to 9.2% by December.

Global inflation was exacerbated by the Russian invasion of Ukraine in February. The negative impact to commodities and supply chains flowed through to energy and food prices. This was on the back of already strained supply chains after Covid shutdowns through 2020 and 2021. The response from central banks saw the fastest increase in rates in decades. Figure 2 compares central banks rates to a year earlier, with China being the clear outlier.

Figure 2: Central bank rates December 2021 versus December 2022.



Source: Research IP, FE Analytics

Ten-year government bond yields soared accordingly on the back of elevated inflation figures. Figure 3 shows the magnitude of the yield increases, with all 10-year yields higher by at least 2-3 times compared to a year earlier.

Figure 3: 10-year government bond yields, December 2021 versus December 2022.

	Dec-21	Dec-22	Increase
USD	1.5	3.9	2.4
AUD	1.6	4.1	2.4
NZD	2.3	4.6	2.3
GER	-0.2	2.6	2.7
GBP	1.0	3.7	2.7
JPY	0.1	0.4	0.3
CAD	1.5	3.3	1.9

Source: Research IP, FE Analytics

The rise in yields had a devastating effect on risk assets, particularly those with longer dated cash flows (see NASDAQ returns in Figure 1, down over 32% for the year). How did those FAANG stocks go? Meta (Facebook) -64%, Amazon -50%, Apple -27%, Netflix -51%, and Alphabet (Google) -39%. A surge in correlation between bonds and equities meant that many portfolios didn't reap the benefits of diversification.

To summarise the outlook for 2023 in one sentence; global economies and financial markets are walking a tightrope. The most important risk will be the actual path of inflation and the response from central banks. The main question is whether central banks can increase interest rates to a point that will cool down the economy and lower consumer expenditure, whilst at the same time limiting job losses.

The US Fed is forecasting more hikes for 2023 (which is also a broader theme for other developed markets), though in smaller increments compared to last year. Inflation is forecast to fall but it is likely to stay above the target range, meaning tight monetary policy should persist through the year. History suggests that once inflation moves above 5% it can take several years to move back to 2%. Contrary to this, futures markets are pricing in cuts to the Fed funds rate. This suggests the damage to economic growth will become more apparent through the year, consequently forcing central banks to ease off the rate hikes.

A recession is on the cards in the US, though markets are not totally convinced with some expecting ‘subpar’ economic growth rather than a definite decline in growth. Europe has a higher chance of a recession due to the ongoing concerns around energy and food security. Australia and other economies around the globe are not immune, though China has the potential to provide a source of growth if the re-opening of their economy goes smoothly.

A cautious investment approach is recommended. Diversity of expert opinion and a broad overview of the global environment will be necessary to navigate the risks this year.

The following is a list of key risks (not exhaustive and not all mutually exclusive) to keep an eye on through 2023:

1. Central bank rhetoric and action – go too high on rates and the economic damage will be too great, go too low and inflation may remain elevated alongside questionable credibility. Quantitative tightening approach is crucial
2. Geopolitical uncertainty – Ukraine/Russian war ongoing, a more fragmented world with differing economic blocs, US-China relationship.
3. Energy – net-zero and renewable energy, energy security, European energy crisis, another energy shock when uncertainty is already high would have more devastating consequences, energy will continue to be an economic and geopolitical pinch point
4. Macroeconomic indicators – core inflation, wage inflation, unemployment, consumer expenditure and housing costs
5. Corporate earnings and analyst expectations.

Today’s problem is inflation. Tomorrow’s problem is an economic slowdown. Nina Simone sang it in the 60s (or the Animals if you’re an Eric Burdon fan), and central bankers will be preaching it in the 2023:

I'm just a soul whose intentions are good
Oh Lord, please don't let me be misunderstood

Kind Regards,

The AAN Investment Committee

Economic Summary

Data from 9th Jan 2023

Australian unemployment

3.4% compared to 3.6% for the previous quarter.

3.4%

AUD/USD

68c compared to 64c at the end of the September quarter.

Australian bonds

Australian bond yields increased by 0.14 percentage points to reach 4.05% by quarter end.

4.05%

Model performance

The AAN Australian Model was best performing over the quarter with a 8.39% return, and the AAN Growth Model is the best performing model over five years with a return of 7.36% p.a.

Annual inflation

US 7.1% November 2022 compared to 6.8% November 2021. AUS 7.3% Q3 2022 compared to 3% Q3 2021.

Equity markets

S&P500 returned +7.6% whilst the ASX200 returned 9.4% for the quarter.

Iron Ore price

Iron Ore $118 USD/T +19.9% for the quarter.

Gold price

$1,824 USD/oz +9.8% for the quarter.

Oil price

Brent crude $86 USD/bbl +2% for the quarter. West Texas Intermediate (WTI) crude $80 USD/bbl +2% for the quarter.

Volatility Index

VIX ranged between 19 and 33 over the quarter.

US yield curve

US 10Y Treasury reached 3.9% by quarter-end, with the US10Y/2Y spread at -0.55%.

AAN CORE - AC0001

As at 31 December 2022

Investment Manager	AAN Asset Management Pty Ltd
Model Code	AC0001
Investment Fee	0.48% p.a.
Performance Fee	Nil
Less AAN Client Model Fee Discount	0.18% p.a.
Commencement	05 Feb 2016
ICR	0.45% p.a.
Indicative No. of Holdings	Unlimited

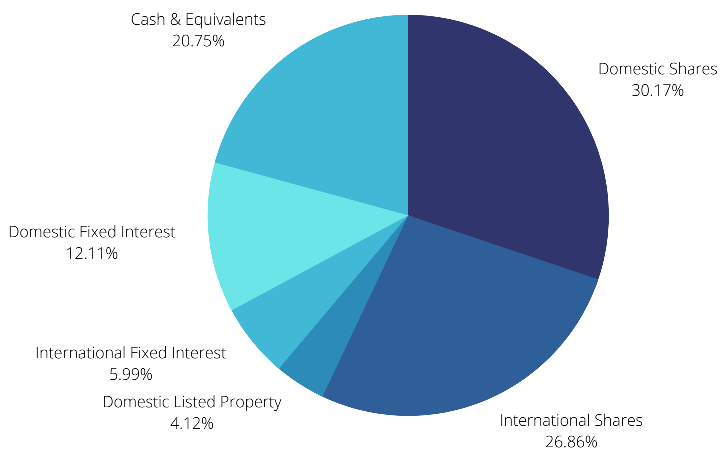
Investment description

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

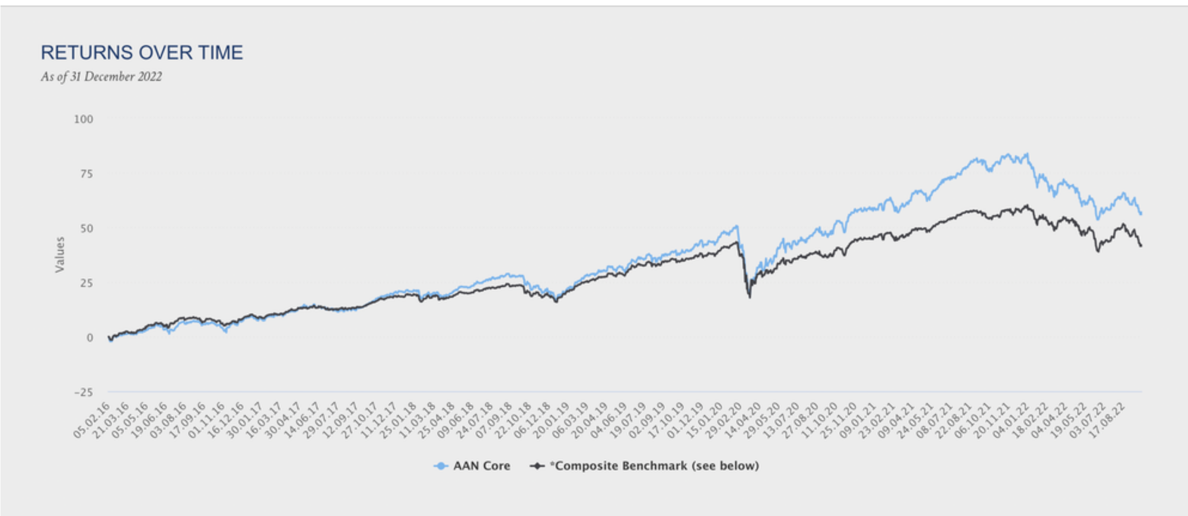
Perpetual Diversified Real Return W	19.33%
Vaneck Australian Equal Weight ETF	7.88%
Lazard Global Equity Franchise	6.96%
Vanguard MSCI Index International Shares (Hedged) ETF	6.71%
Vaneck MSCIInternational Quality ETF	6.61%

Top 5 holdings represent 47.49% of total fund

Performance

As at 31 December 2022	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.	5 yrs p.a.	Since inception p.a.
Total Gross Return	-2.45%	4.33%	4.09%	-10.80%	4.63%	6.21%	7.30%

Returns over time



AAN Core - AC0001

As at 31 December 2022

The Model

There were no material changes to the portfolio this quarter other than reweighting back to benchmark allocations. Research on a new equity allocation is currently being undertaken.

Notable Investments

International Shares (Franklin Global Growth Fund):

- US-based network security company Zscaler, Inc. weighed on results in the IT sector. Zscaler's shares have been under pressure amidst the slower growth seen in public clouds, with many cloud-related technology companies having reported smaller-than-expected earnings beats and provided cautious comments on the macro environment.
- US-based bank SVB Financial Group's shares declined over the period, hampering results in the Financials sector. Although the company reported an increase in third-quarter earnings versus the prior year, investors were alarmed by SVB's lowering of its 2022 outlook for deposits, net interest income and profit margin.

Select factors contributed to relative performance, particularly stock selection in the Consumer Discretionary (US-based fitness club chain Planet Fitness) and Real Estate (US-based data centre operator Equinix) sectors.

Domestic fixed interest (Ardea Real Outcome Fund):

- The main driver of the negative return over the quarter was a reversal of outsized gains in November due to the structural long positions the fund holds to interest rate options. This was off the back of historically high interest rate market volatility, while markets braced for a continuation of one of the most aggressive and synchronised rate hike cycles on record.
- Markets saw bond yields falling amid signs that inflation momentum is slowing. Despite continuing macro uncertainty, the market perceived that future rate hikes would not be as aggressive, causing volatility to fall sharply. The decline in volatility was among the largest one month falls in a decade.

Performance

The AAN Core model returned 4.33% (before fees) this quarter, bringing the rolling 12-month total to -10.80% (before fees).

Each asset class made positive contributions to the portfolio over the quarter. The best performing asset class in absolute terms was domestic listed property, followed by domestic shares and international shares. Within this, key holdings included Fisher & Paykel Healthcare (+32% absolute return), Domino's Pizza (+28%), and Hub24 (+27%).

For the calendar year, only domestic fixed interest (+0.95%) made a positive return, due to sound performances from the Ardea Real Outcome Fund (0.95%) and the BetaShares Australian Bank Senior Floating Rate Bond (0.99%). The Perpetual Diversified Real Return Fund also performed well (+0.36%). International shares (-19.4%) and domestic shares (-15.6%) were the worst performers. The outstanding performer for the year was BHP (+53%).

Key Contributors:

- VanEck Australian Equal Weight ETF +0.78%
- BHP Group +0.54%
- Lazard Global Equity Franchise +0.44%

Key Detractors:

- James Hardie Industries -0.10%
- BWX Limited -0.06%
- Baby Bunting Group -0.05%

AAN GROWTH - AC0002

ASSET MANAGEMENT

As at 31 December 2022

Investment Manager	AAN Asset Management Pty Ltd
Model Code	AC0002
Investment Fee	0.52% p.a.
Performance Fee	Nil
Less AAN Client Model Fee Discount	0.15% p.a.
Commencement	02 Sept 2016
ICR	0.29% p.a.
Indicative No. of Holdings	Unlimited

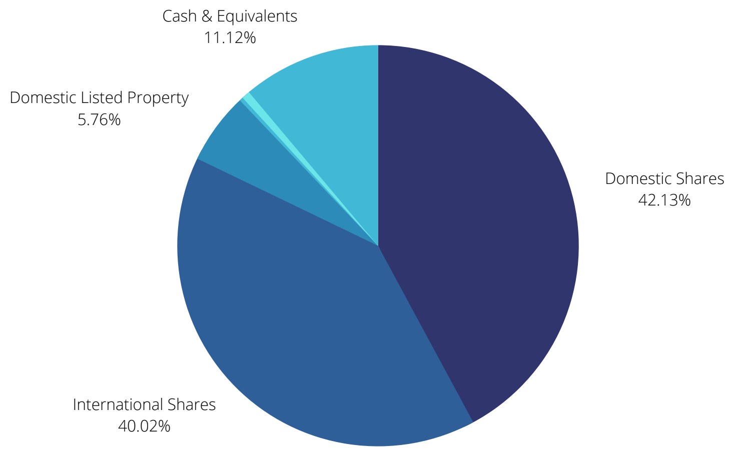
Investment description

The Growth portfolio is an actively managed portfolio providing a diversified exposure with a focus on growth asset classes (90%) relative to defensive asset classes (10%). 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 Growths portfolio's investment objective is to outperform CPI by 4.0% p.a before fees over rolling 7-year periods.

Asset Allocation



Top 5 holdings

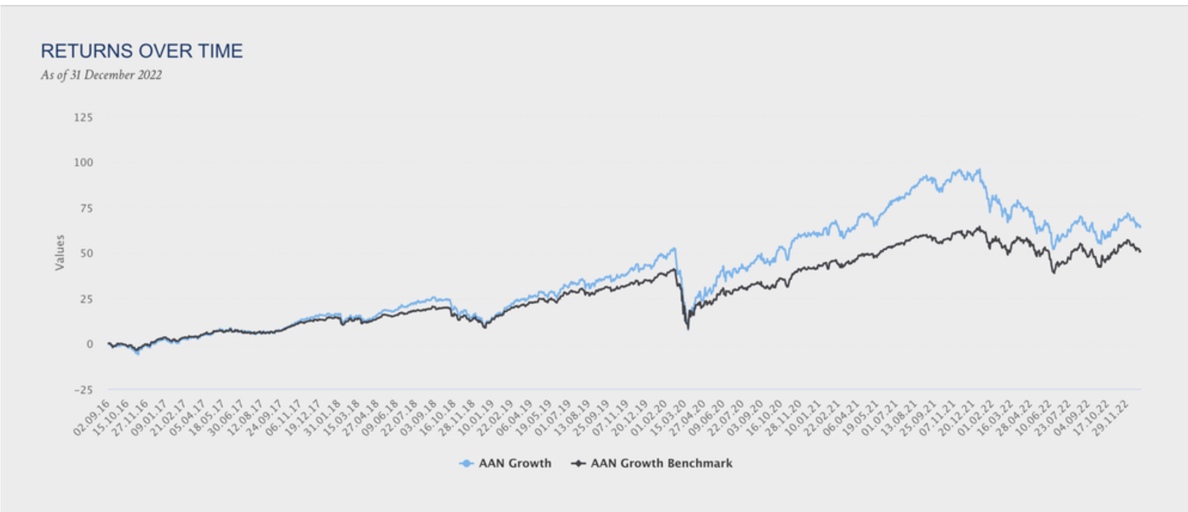
Vanguard MSCI Index International Shares (Hedged) ETF	10.23%
Vaneck Australian Equal Weight ETF	10.07%
Perpetual Diversified Real Return W	9.54%
Lazard Global Equity Franchise	9.03%
Vaneck MSCI International Quality ETF	8.58%

Top 5 holdings represent 47.45% of total fund

Performance

As at 31 December 2022	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.	5 yrs p.a.	Since inception p.a.
Total Gross Return	-3.38%	5.97%	5.42%	-15.18%	5.21%	7.36%	8.17%

Returns over time



AAN Growth - AC0002

As at 31 December 2022

ASSET MANAGEMENT

The Model

There were no material changes to the portfolio this quarter other than reweighting back to benchmark allocations. Research on a new equity allocation is currently being undertaken.

Notable Investments

International Shares (Vanguard MSCI Index International Shares (Hedged) ETF):

- The bounce in global equity returns through the quarter was enhanced by the hedging within the Vanguard ETF. The AUD strengthened against the USD by 5.5% for the three-month period. Approximately 70% of the fund is allocated to the US market.

International Shares (Franklin Global Growth Fund):

- Over the course of Q4, there were 2 new positions added, and one exited. IDEXX Laboratories (Animal Health, United States) was added. In terms of quality, the manager sees IDEXX as a high-quality business that has formidable competitive advantages and enjoys high profit margins and ROIC (return on invested capital). The company also has a strong balance sheet with low leverage, based on the manager's analysis.
- Paycom Software Inc (HR Software, United States) was also added. The company offers a fully integrated, self-developed platform for payroll and HRIS (human resources information system) needs. The manager believe Paycom's fully integrated, proprietary system improves customer experience, leading to industry-leading retention rates.
- Floor & Decor Holdings Inc (Home Improvement Retail, United States) was exited. The manager decided to exit the position because the store economics being above pre-recession trend suggests a demand pull forward that the manager believes company management's outlook is ignoring.

Bennelong Australian Equities Fund:

- The fund's underperformance versus the benchmark was driven by some de-ratings in the global oriented growth companies, an earnings miss for James Hardie, and an underweight position in the resources and banks sectors. CSL, ResMed, Endeavour, and ARB were detractors.
- The manager added four new stocks to the fund over the quarter: Mineral Resources, Steadfast Group, Seek, and Domain. Exposure was added to BHP Group, whilst Aristocrat was down weighted. Reliance Worldwide, Star Group, City Chic, and BWX Limited were exited.

Performance

The AAN Growth model returned 5.97% (before fees) for the quarter, bringing the rolling 12 month return to -15.18% (before fees).

The only asset class to perform negatively through the quarter was domestic fixed interest. The best performing asset class in absolute terms was domestic listed property, followed by domestic shares and international shares. Within this, key holdings included Fisher & Paykel Healthcare (+32% absolute return), Domino's Pizza (+29%), and Hub24 (+27%).

For the calendar year, the Perpetual Diversified Real Return Fund performed well (+0.36%). Domestic listed property (-22%) and international shares (-18.5%) were the worst performers. The outstanding performer for the year was BHP (+53%).

Key Contributors:

- VanEck Australian Equal Weight ETF +1.02%
- BHP Group +0.70%
- Vanguard MSCI Intl Shares (Hdg) ETF +0.65%

Key Detractors:

- James Hardie Industries -0.13%
- BWX Limited -0.07%
- Baby Bunting Group -0.06%

AAN Australian - AC0003

As at 31 December 2022

Investment Manager	AAN Asset Management Pty Ltd
Model Code	AC0003
Investment Fee	0.65% p.a.
Performance Fee	Nil
Minimum Initial Investment	No fixed minimum
Commencement	30 Jan 2017
ICR	0.10% p.a.
Indicative No. of Holdings	Unlimited

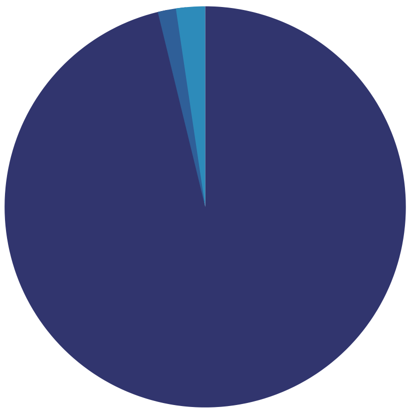
Investment description

The AAN Australian model provides exposure to an actively managed portfolio of Australian equities. The portfolio is constructed using a multi-manager approach which seeks to reduce style bias 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 AAN Australian Model's investment objective is to outperform the S&P/ASX 300 Accumulation Index before fees over rolling 7-year periods.

Asset Allocation



Top 5 holdings

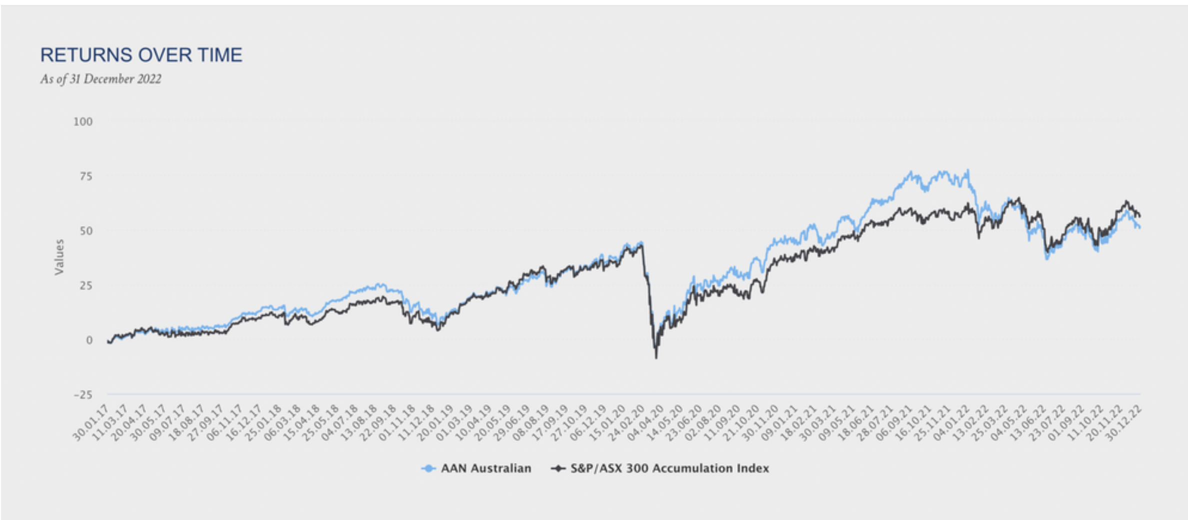
VanEck Vectors Australia Equal Weight ETF	25.17%
BHP Group Limited FPO	12.00%
CSL Limited FPO	9.03%
Commonwealth Bank of Australia FPO	7.17%
National Australia Bank Limited FPO	3.67%

Top 5 holdings represent 57.04% of total fund

Performance

As at 31 December 2022	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.	5 yrs p.a.	Since inception p.a.
Total Gross Return	-3.81%	7.61%	8.39%	-12.87%	3.85%	5.75%	7.26%

Returns over time



AAN Australian - AC0003

As at 31 December 2022

ASSET MANAGEMENT

The Model

There were no material changes to the portfolio this quarter other than reweighting back to benchmark allocations. Research on a new equity allocation is currently being undertaken.

Notable Investments

VanEck Australian Equal Weight ETF:

- The VanEck ETF benefitted from a broad bounce in equity markets over the quarter, with the Australian equity market being one of the better performers compared to other global markets. The ETF holds 84 companies, with approximately 64% being large cap (>$5bn) and the remaining mid cap ($1bn-$5bn). The largest sector weightings are financials (~19%), materials (~18%) and industrials (~12%). The VanEck ETF makes up approximately 25% of the portfolio.

James Hardie Industries:

- This was the biggest detractor through the quarter. Management downgraded its guidance for FY23 sighting significant changes in the housing market outlook. The dividend was also forfeited in favour of a buyback instead.

Bennelong Australian Equities Fund:

- The significant move in bond yields, a record move by historic standards, led to a large de-rating in high price-earnings ratio sectors and stocks globally, almost regardless of quality. The Bennelong portfolio is focused on these higher quality companies with strong medium and long-term growth prospects, so this de-rating impacted a number of the companies in the portfolio. The fund's underperformance versus the benchmark was also driven by an earnings miss for James Hardie and an underweight position in the resources and banks sectors. CSL, ResMed, Endeavour, and ARB were detractors.
- The manager added four new stocks to the fund over the quarter: Mineral Resources, Steadfast Group, Seek, and Domain. Exposure was added to BHP Group, whilst Aristocrat was down weighted. Reliance Worldwide, Star Group, City Chic, and BWX Limited were exited.

Performance

The model returned 7.61% (before fees) for the quarter and -12.87% (before fees) for the 12-month period.

In absolute terms, the best performing stocks through the quarter were Fisher & Paykel Healthcare (+32% absolute return), Domino's Pizza (+29%), Hub24 (+27%), Rio Tinto (+25%), and Newcrest Mining (+22%).

For the calendar year, the outstanding performer in absolute terms was BHP (+53%). Other notable performers were CBA (+8.8%), Fortescue Metals (+7%), Steadfast Group (+4.9%) and Telstra (+4.6%).

Key Contributors:

- VanEck Australian Equal Weight ETF +2.6%
- BHP Group +1.8%
- CBA +0.89%

Key Detractors:

- James Hardie Industries -0.33%
- BWX Limited -0.17%
- Baby Bunting Group -0.17%

AAN Index Core - AC0004

ASSET MANAGEMENT

As at 31 December 2022

Investment Manager	AAN Asset Management Pty Ltd
Model Code	AC0004
Investment Fee	0.30% p.a.
Performance Fee	Nil
Minimum Initial Investment	No fixed minimum
Commencement	24 Feb 2017
ICR	0.16% p.a.
Indicative No. of Holdings	Up to 25

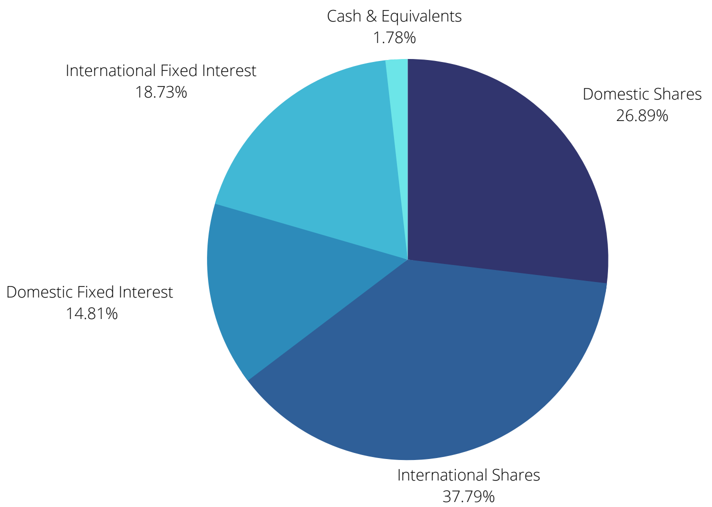
Investment description

The Index Core portfolio is an actively managed diversified portfolio which obtains exposure using a blend of passive ETFs listed on the ASX and index based managed funds. The portfolio is constructed with a strategic growth exposure of 65% and defensive exposure of 35%. The portfolio will generally be reweighted to its strategic weights quarterly.

Investment objective

The Index Core portfolio's investment objective is to outperform CPI by 2.50% p.a before fees over rolling 5-year periods.

Asset Allocation



Top 5 holdings

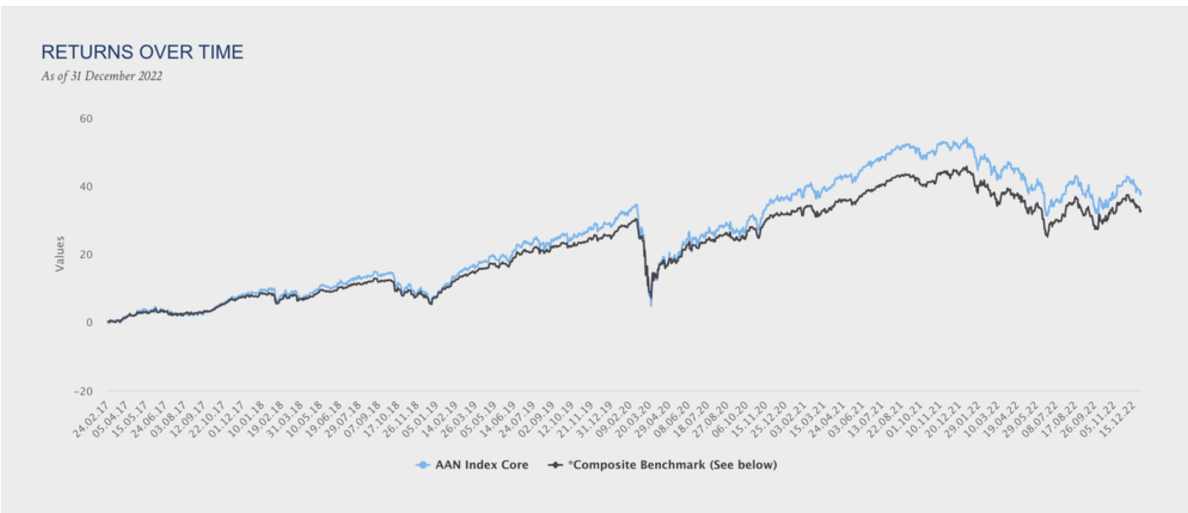
Betashares Australia 200 ETF	26.89%
Vanguard Global Aggregate Bond Index (Hedged) ETF	18.73%
iShares Australian Bond Index Fund	14.81%
Vanguard US Total Market Shares Index ETF	12.36%
Vanguard MSCI Index International Shares (Hedged) ETF	11.44%

Top 5 holdings represent 84.23% of total fund

Performance

As at 31 December 2022	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.	5 yrs p.a.	Since inception p.a.
Total Gross Return	-2.35%	4.53%	3.30%	-9.27%	2.87%	5.28%	6.00%

Returns over time



AAN Index Core - AC0004

As at 31 December 2022

The Model

Previously agreed changes made to the underlying allocation to Vanguard funds were actioned at the very start of the quarter. The International Fixed Interest ETF and International Credit Securities Index ETF were removed and replaced with the Global Aggregate Bond ETF. A higher weighting to iShares Australian Bond Index Fund was also actioned in early October. Minor adjustments were also made to Vanguard and BetaShares within the equity allocation.

Notable Investments

The best performer in absolute terms over the quarter was the Vanguard All-World ex-US Shares ETF (+10.4%), followed by the BetaShares Australia 200 ETF (+9.6%). The only negative performance for the quarter came via the allocation to the iShares Australian Bond Index (-0.10%). All other holdings performed positively. International shares make up ~38% of the portfolio, with ~27% in Australian shares, and ~35% in fixed interest.

Over the 12-month period the key performer was the allocation to BetaShares Australia 200 ETF with an absolute return of 0.98% which was a positive contribution of 0.3% to the total portfolio. All other asset classes performed negatively, with domestic fixed interest (-10.2% absolute return) and international fixed interest (-13.1%) almost down as much as international shares (-13.5%) for the year.

Performance

The AAN Index Core model returned 4.53% (before fees) over the quarter which brought the rolling 12-month period return to -9.27% (before fees).

Key Contributors:

- BetaShares Australia 200 ETF +2.55%
- Vanguard MSCI Intl Shares (Hdg) ETF +0.74%
- Vanguard All-World ex-US Shares Index +0.6%

Key Detractors:

- iShares Australian Bond Index -0.01%

AAN Index Growth - AC0005

As at 31 December 2022

Investment Manager	AAN Asset Management Pty Ltd
Model Code	AC0005
Investment Fee	0.30% p.a.
Performance Fee	Nil
Minimum Initial Investment	No fixed minimum
Commencement	22 Aug 2018
ICR	0.14% p.a.
Indicative No. of Holdings	Up to 25

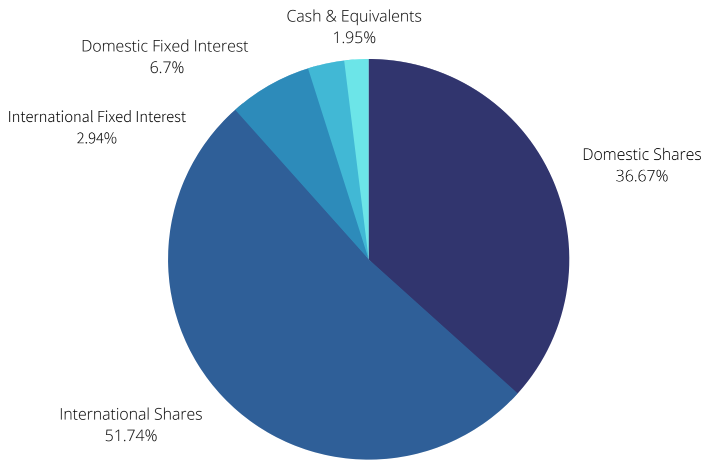
Investment description

The Index Growth portfolio is an actively managed diversified portfolio which obtains exposure by using a blend of passive ETFs listed on the ASX and index based managed funds. The portfolio is constructed with a higher emphasis on growth exposure (90%) relative to defensive exposure (10%). The portfolio will generally be reweighted to its strategic weights quarterly.

Investment objective

The Index Growth portfolio's investment objective is to outperform CPI by 3.5% p.a before fees over rolling 5-year periods.

Asset Allocation



Top 5 holdings

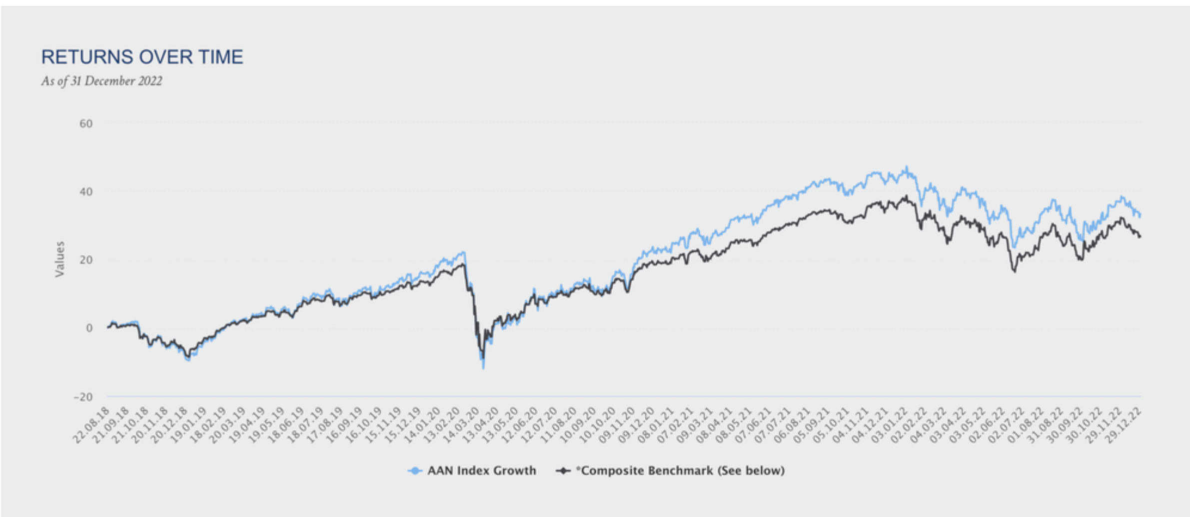
BetaShares Australia 200 ETF	36.67%
Vanguard US Total Market Shares Index ETF	17.06%
Vanguard MSCI Index International Shares (Hedged) ETF	15.42%
Vanguard All-world ex-US Shares Index ETF	8.02%
Shares Australian Bond Index	6.70%

Top 5 holdings represent 83.87% of total fund

Performance

As at 31 December 2022	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.	5 yrs p.a.	Since inception p.a.
Total Gross Return	-2.66%	6.05%	5.38%	-8.28%	5.09%	N/A	6.80%

Returns over time



AAN Index Growth - AC0005

As at 31 December 2022

The Model

CPreviously agreed changes made to the underlying allocation to Vanguard funds were actioned at the very start of the quarter. The International Fixed Interest ETF was removed and replaced with the Global Aggregate Bond ETF. A higher weighting to iShares Australian Bond Index Fund was also actioned in early October. Minor adjustments were also made to Vanguard and BetaShares within the equity allocation.

Notable Investments

The best performer in absolute terms over the quarter was the Vanguard All-World ex-US Shares ETF (+10.4%), followed by the BetaShares Australia 200 ETF (+9.6%). The only negative performance for the quarter came via the allocation to the iShares Australian Bond Index (-0.22%). All other holdings performed positively. International shares make up ~52% of the portfolio, with ~37% in Australian shares, and ~10% in fixed interest.

Over the 12-month period the key performer was the allocation to BetaShares Australia 200 ETF with an absolute return of 0.97% which was a positive contribution of 0.36% to the total portfolio. All other asset classes performed negatively, with domestic fixed interest (-10.4% absolute return) and international fixed interest (-11.6%) almost down as much as international shares (-13.8%) for the year.

Performance

The AAN Index Growth model returned 6.05% (before fees) this quarter, bringing the rolling 12 month return to -8.28% (before fees).

Key Contributors:

- BetaShares Australia 200 ETF +3.48%
- Vanguard MSCI Intl Shares (Hdg) ETF +0.97%
- Vanguard All-World ex-US Shares Index +0.84%

Key Detractors:

- iShares Australian Bond Index -0.02%

AAN Sustainable Growth - AC0006

As at 31 December 2022

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	0.14% p.a.
Commencement	17 Dec 2020
ICR	0.52% p.a.
Indicative No. of Holdings	

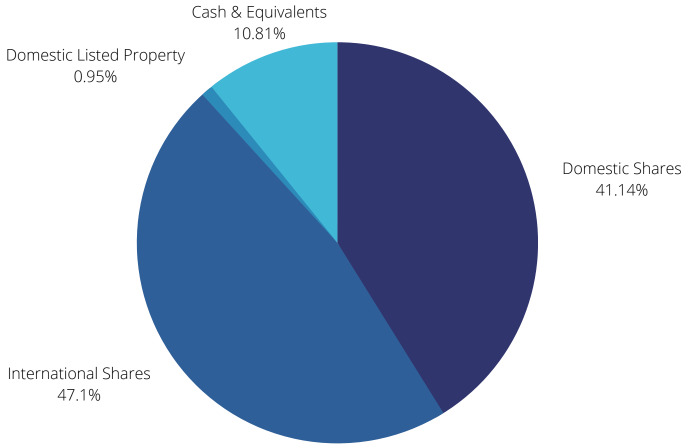
Investment description

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

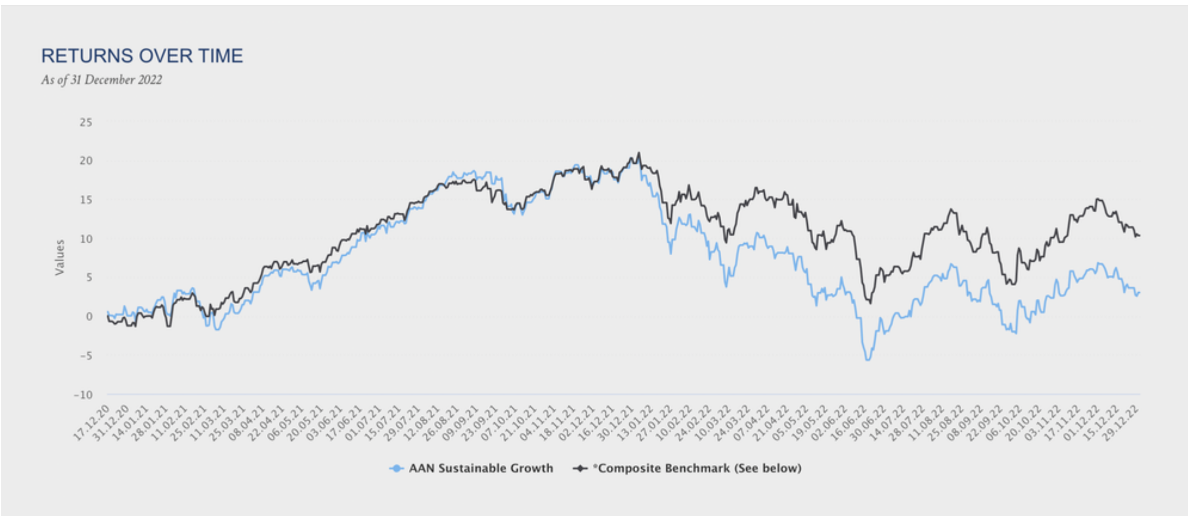
Alphinity Sustainable Share	15.18%
Stewart Investors Worldwide Sustainability Fund	15.17%
Betashares Global Sustainable Leaders ETF	15.08%
Betashares Australian Sustainability Leaders ETF	14.69%
Vanguard Ethically Conscious International Shares Index ETF	14.48%

Top 5 holdings represent 74.6% of total fund

Performance

As at 31 December 2022	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.	5 yrs p.a.	Since inception p.a.
Total Gross Return	-2.66%	5.11%	5.45%	-13.88%	N/A	N/A	1.46%

Returns over time



AAN Sustainable Growth - AC0006

As at 31 December 2022

The Model

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

Notable Investments

Australian Ethical:

- The fund recorded a gross return of +5.2% in the December quarter, underperforming the benchmark ASX 200 Accumulation Index's return of +9.4%. The majority of the difference related to the Materials sector, which the fund has minimal exposure to. The major iron ore producers (BHP/Rio Tinto/Fortescue, which the fund doesn't own) were buoyed by the China re-opening thematic, while the fund's exposure to lithium was also a headwind as spot prices for raw materials began to decline off record highs. Information Technology stocks also dragged on performance, with EML Payments (now exited) impacted by additional regulatory oversight, while Pexa was weighed down by Link Administration announcing an in-specie distribution to its shareholders of its 39% holding in Pexa. Fisher & Paykel Healthcare (FPH) and Suncorp (SUN) were the main contributors. Domain (DHG) and Pilbara Minerals (PLS) were the main detractors. The fund continues to have significant exposure to key growth thematics in information technology, healthcare, and renewables. These sectors account for almost 40% weighting in the fund, compared to ~15% in the ASX 200 index.

Alphinity Sustainable Shares:

- Portfolio positions that contributed well to performance were from a mix of sectors: Lifestyle Communities (Property), BHP Group (Materials) and QBE (Insurance). Not owning a number of underperforming companies also contributed well, including James Hardie Industries and Pilbara Minerals (Materials). Positions that cost performance included Medibank Private, which was impacted by data hacking; Bubs Australia, which encountered difficult trading conditions in China; and Woolworths, which is finding its NZ operations problematic. Not owning Rio Tinto or Fortescue Metals was opportunity cost, as was not owning takeover target Origin Energy.

Performance

The AAN Sustainable Growth model returned 5.11% this quarter (before fees) whilst over 12 months the model returned -13.88% (before fees).

The bulk of the positive portfolio return over the quarter was driven by the allocation to domestic and international shares. Both asset classes contributed about 2.5% to the overall portfolio return.

For the 12-month period, all asset classes contributed negatively to portfolio performance. There were a few securities which managed to stay above water over this period though including Helia Group, IAG, Meridian Energy, NAB, NIB, Suncorp, and Westpac.

Key Contributors:

- Alphinity Sustainable Share +1.3%
- BetaShares Global Sustainability Leaders +1.04%
- Stewart Investors Worldwide Sustainability +1.01%
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Key Detractors:

- Domain Holdings Australia -0.13%
- Pilbara Minerals -0.11%
- Healius Limited -0.1%

Disclaimer

General Advice Warning

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