ASSET MANAGEMENT

Quarterly Investment Update

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June 2024

AAN Asset Management Pty Ltd

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25 July 2024

ASSET MANAGEMENT

Investor Letter

Dear Investor,

We have passed the halfway point in 2024. The tightening of monetary policy in Australia has resulted in varied effects across different sectors. Households, particularly those with mortgages, are experiencing significant impacts due to higher interest rates, which have reduced their purchasing power and increased debt servicing costs. This financial strain has led to declining consumption growth, especially among low-income households. Despite these challenges, many households continue to service their debts on schedule, thanks to the resilience of the labour market. In contrast, larger businesses have benefitted from favourable wholesale funding conditions, while smaller businesses and those with higher leverage are facing more financial pressure. The market expects that business investment will soon slow down, although business debt growth is still above average even though borrowing costs have increased.

The broader implications of restrictive financial conditions include higher interest rates, incentivising households to save more and borrow less, leading to a decline in household credit growth. This is evident in various indicators, such as loan-to-value ratios and discharges to loan commitments. For businesses, the higher cost of debt is partly offset by strong nominal earnings and low leverage, although financial stress indicators show increased insolvencies, particularly among small businesses in construction and hospitality. Overall, these conditions are helping to balance demand with supply and contribute to declining inflation, which is essential for economic stability. The Reserve Bank of Australia (RBA) continues to monitor and adjust policies to ensure effective monetary policy, maintaining a cautious approach as it navigates the path towards economic stability

> *"I will tell you how to become rich. Close the doors. Be fearful when others are greedy. Be greedy when others are fearful"*
> *- Warren Buffett*

From a global perspective, 2024 is shaping up to be a significant year of elections, with Vladimir Putin's exacerbating the Ukrainian conflict and increasing fears among former Soviet nations. The recent UK elections and upcoming elections in the European Parliament, and US, are likely targets for Russian propaganda. The US faces a presidential race between two elderly candidates, presenting a dismal choice for voters (although the Democrats are now looking to endorse Kamala Harris).

Geopolitical tensions in the Middle East are escalating, further contributing to global uncertainty. The sharp rise in gold prices signals underlying concerns ignored by conventional asset markets, such as geopolitical risks and fiscal policies. With high global debt weighing on growth, a good investment strategy still includes diversification across global markets and asset classes. Although 2024 started strong, the remainder of the calendar year is expected to bring slower price increases and greater return divergence, necessitating caution.

At the beginning of the 2024 calendar year, the market expectation was a cyclical recession with a moderate economic contraction followed by growth. However, six months into the year, the market outlook has improved, leading to a more positive stance. By analysing leading economic indicators and insights from research analysts, it's clear that economies are holding up well, prompting an increased willingness take on risk. Despite this optimism, there remains uncertainty about whether central banks have successfully controlled inflation, prompting a cautious approach to future scenarios and their investment implications.

Over the second half of the year, three main themes are being monitored:

- The likelihood of a soft-landing scenario versus a 'mid-cycle' environment
- China's slow but improving stabilisation
- The overarching risks in the market.

Inflation is falling, but markets are resilient, suggesting a soft landing where growth stabilises around trend levels. However, the decision by central banks, particularly in Europe and the US, on rate cuts will significantly impact this trajectory. Europe's potential rate cuts and the US's persistent inflation and strong growth data, present challenges for central bankers, increasing the probability of a 'no landing' scenario where economies maintain current growth and inflation levels, potentially leading to further rate hikes.

Europe's economic recovery is firmly on track, driven by strong domestic demand and better-than-expected GDP growth in the euro area, supported by resilient labour markets that have bolstered household incomes and sentiment. Disinflation trends may lead to interest rate reductions by the European Central Bank (ECB), though inflation remains elevated in some regions, necessitating cautious monetary easing.

Fiscal policy must tackle tight labour markets and high public debt with more ambitious consolidation. Despite the recovery, Europe faces structural challenges like aging populations, climate change initiative costs, and low productivity.

In China, the focus is on controlled stabilisation amidst a property downturn, with growth shifting towards consumption and high-end manufacturing. Despite this shift, significant rate cuts from the People's Bank of China are not expected until the US Federal Reserve signals a clear pivot. China's annual growth rate forecast remains slightly below the official target due to insufficient policy commitment. Geopolitical concerns and the 'China plus one' trend are supporting diversification of supply chains, benefiting countries like Vietnam, Indonesia, and Mexico. Meanwhile, risks such as a potential rise in interest rates, the delayed threat of recession, geopolitical instability, and the disruptive impact of artificial intelligence on productivity and investment remain critical considerations for the market outlook.

Markets Summary

This year, over the half-year to 30 June 2024, market movements have included rises of 15% for the broad US market (S&P500), 18% for the technology-focused Nasdaq, 9% for Germany, the UK 6%, Japan 18%, and Australia 2%, while the French and Chinese markets declined slightly. The US market appears fully valued, but most others still appear attractively priced, especially small caps, if interest rates soon begin to decline.

Table 1 below shows how equity markets have moved around over the last five years. The table also includes the second quarter of 2024 and the 2024 year-to-date columns. The top number in each box is in Australian dollar terms and the bottom number if in the local currency, e.g. US = USD. (The reference portfolio is a JP Morgan Index portfolio and is not investible. The portfolio represents a balanced risk profile.)

							10-years '14 - '23	
2019	2020	2021	2022	2023	YTD	2Q '24	Ann.	Vol.
31.7% U.S. 31.5%	14.2% Asia ex JP 22.7%	36.6% U.S. 28.7%	-1.1% Australia -1.1%	25.5% U.S. 26.3%	17.8% U.S. 15.3%	4.8% Asia ex JP 8.0%	15.1% U.S. 12.0%	Small Cap 17.2%
24.8% Europe 24.6%	9.2% Small Cap 9.2%	24.1% Europe 23.3%	-8.4% Europe -8.0%	19.9% Europe 15.0%	12.3% Asia ex JP 12.9%	2.7% EM 6.3%	9.1% Portfolio 8.3%	U.S. 15.2%
24.0% Portfolio 23.7%	8.1% EM 19.5%	19.0% Portfolio 17.2%	-8.7% Japan -2.5%	19.3% Japan 28.3%	10.0% EM 11.2%	1.9% U.S. 4.3%	8.3% Japan 8.6%	Japan 14.7%
23.4% Australia 23.4%	7.9% U.S. 18.4%	17.2% Australia 17.2%	-8.8% Portfolio -9.5%	15.8% Portfolio 16.2%	8.8% Portfolio 9.8%	-0.7% Portfolio 1.5%	7.9% Australia 7.9%	Asia ex JP 14.6%
21.4% Small Cap 21.4%	4.2% Portfolio 8.6%	16.9% Small Cap 16.9%	-12.2% U.S. -18.1%	12.4% Australia 12.4%	8.7% Europe 9.8%	-1.1% Australia -1.1%	7.6% Europe 7.0%	Portfolio 14.6%
19.4% Japan 18.1%	3.0% Japan 7.4%	7.3% Japan 12.7%	-13.6% Asia ex JP -15.1%	9.6% EM 10.3%	7.6% Japan 20.1%	-1.4% Europe 1.2%	7.0% Asia ex JP 5.2%	Australia 14.1%
19.1% EM 18.5%	1.4% Australia 1.4%	3.8% EM 0.1%	-13.9% EM -15.2%	7.8% Small Cap 7.8%	4.2% Australia 4.2%	-4.5% Small Cap -4.5%	6.0% Small Cap 6.0%	EM 13.5%
18.7% Asia ex JP 18.2%	-3.5% Europe -1.7%	1.4% Asia ex JP -2.8%	-18.4% Small Cap -18.4%	5.7% Asia ex JP 6.8%	2.8% Small Cap 2.8%	-6.5% Japan 1.7%	5.9% EM 5.6%	Europe 13.2%

Table 1: Source J.P. Morgan Asset Management

USA

Wall Street's performance underscores the market's heavy reliance on the "Magnificent Seven"—NVIDIA, Microsoft, Apple, Amazon, Meta, Alphabet, and Tesla—which constitute approximately 30% of the S&P 500 and over 40% of the Nasdaq-100. These tech giants have reached new market-cap milestones, with Amazon exceeding $2 trillion and NVIDIA briefly becoming the world's most valuable company. In mid-June, the Fed maintained its benchmark interest rate at 5.25%–5.50% and adjusted its rate cut predictions, now expecting only one cut in 2024 due to persistent inflation. Despite cooling inflation, economic indicators such as retail sales and manufacturing remain weak, impacting Treasury yields, which fluctuated between 4.70% in April and 4.20% in mid-June.

The market-cap-weighted S&P 500 gained 3.9% over the quarter, achieving record highs nine times, while the equal-weight index dropped 3.1% from its first-quarter peak. This disparity is largely driven by artificial intelligence, which has propelled significant gains for tech giants like Nvidia and Apple. Only three sectors—information technology, communication services, and utilities—outperformed or matched the broader index. NVIDIA and other semiconductor stocks surged, while software and internet services lagged, with companies like Salesforce and Shopify experiencing declines. Utilities performed unexpectedly well, with stocks like Vistra among the top performers. Despite these gains, 60% of S&P 500 components ended the quarter in the red, reflecting underlying market fragility as evidenced by the declining advance-decline line in June.

Europe

Eurozone shares declined in Q2, driven by uncertainty from the announcement of parliamentary elections in France and diminished expectations for significant interest rate cuts. The information technology sector performed well, particularly semiconductor stocks, while the consumer discretionary sector saw declines due to weakness in automotive and luxury goods stocks. The European Central Bank cut interest rates by 25 basis points in June, but further cuts may be limited by persistent inflation, which rose to 2.6% in May from 2.4% in April. Forward-looking data, such as the flash HCOB composite purchasing managers' index, indicated a slowdown in the eurozone's economic recovery, dipping to 50.8 in June from 52.2 in May.

Political developments were a key focus, with European parliamentary elections leading to gains for right-wing nationalist parties, particularly in France, where President Macron's call for parliamentary elections caused French equities to underperform the broader eurozone index. Despite a notable 6.8% rise in European markets in Q1 2024, driven by easing inflation pressures and record highs in the Stoxx 600 index, the outlook remained cautious. Travel stocks led gains, while utilities saw declines. Economic data revealed mixed performance, with the UK having entered a technical recession in 2023, and Germany reporting slight employment increases. The technology sector in the eurozone, buoyed by AI-related optimism, led the charge, while utilities, consumer staples, and real estate lagged.

Japan

The Japanese equity market generated a positive return of 1.7% in yen terms for TOPIX Total Return over the quarter, but due to the yen's depreciation, the return in foreign currency terms turned negative. The yen's weakness was driven by a strong US dollar, supported by a robust US economy and expectations of prolonged high interest rates. The Bank of Japan (BOJ) took action in March, leading to a moderate rise in Japanese government bond (JGB) yields, which benefited financial stocks. Despite the BOJ's plans to reduce JGB purchases in July, the yen continued to weaken, raising concerns about its impact on inflation and consumer sentiment. Real-term wage growth remained negative, and consumer sentiment stagnated, though spending was boosted by a record number of inbound tourists. The earnings season concluded with stronger-than-expected results, with companies showing sales growth, pricing power, and cost control. Market sentiment was dampened by conservative earnings guidance, but initiatives focusing on capital policies led to a record amount of share buybacks and positive stock price reactions. The TOPIX Total Return index achieved an 18.1% return, driven by foreign investors' optimism about Japan's economic cycle, with the Nikkei 225 remains elevated having surpassed 40,000 yen in March 2024, this continues to be supported by the BOJ's significant policy actions and strong performance in the automotive and financial sectors.

Emerging Markets

MSCI Emerging market (EM) equities outperformed MSCI Developed market (DM) peers in Q2, driven by softer US macroeconomic data and a rebound in China. Turkey led the gains due to optimism about orthodox economic policies, while Taiwan saw double-digit returns fuelled by investor enthusiasm for technology stocks, particularly those related to artificial intelligence. South Africa's performance was boosted by the formation of a coalition "Government of National Unity" following the general elections, and India's equity market was supported by political developments, with Prime Minister Modi's party retaining its parliamentary majority. Emerging European markets like Hungary, the Czech Republic, and Poland also performed well. China's recovery in April and May, supported by positive government actions for the housing sector and reform rhetoric, further aided EM returns. However, Korea and energy-related markets like Kuwait, the UAE, Colombia, and Saudi Arabia underperformed. Brazil and Mexico saw the biggest losses due to central bank caution on interest rate cuts and political concerns, respectively. Despite these mixed performances, EM economies according to the International Monetary Fund (IMF), are projected to grow robustly, with a growth differential widening compared to developed markets, driven mainly by Asian countries amidst a favourable disinflation trend.

Australia

Australian investors have navigated a prolonged period of declining and ultra-low interest rates, with no rate hikes between November 2010 and May 2022. The recent rise in interest rates underscores the opportunity cost of capital and the importance of conservative capital structures. During the era of low rates, debt was seen as 'free,' encouraging borrowing for acquisitions and growth with little regard for financial risk. Now, with the end of 'free money,' the significance of robust balance sheets has returned. Corporate balance sheets in the ASX 200 are in good shape, suggesting that Australia's largest companies are well-prepared to handle economic challenges. The grocery, airline, and banking sectors, dominated by a few key players, provide stability for large-cap investors due to their lower risk of competitive disruption.

The S&P/ASX 200 Total Return Index rose by 1.0% in June, ending the month above its previous trading range. Forward earnings declined by 0.5% in June and are down 3.0% over the past year, contributing to the Australian market's underperformance relative to global peers. Despite these challenges, sectors and factors like technology, financials, and quality performed strongly in June, supported by the prospect of lower local interest rates and a stronger housing market, although concerns about China continue to impact resource stocks.

Regards,

The AAN Asset Management Investment Committee

Economic Summary

Data from 1 July 2024

Australian unemployment

4.0% mid-quarter compared to 3.7% for the previous quarter.

4.0%

AUD/USD

67c compared to 65c at the end of the March quarter.

Australian bonds

Australian bond yields at 4.43% by quarter end up 0.08 percentage points.

4.43%

Model performance

The AAN Index Growth Model was the best performing model for the quarter returning 0.53% and was also the best performing model over 12 months returning 15.08%.

Annual inflation

US 3.3% MAY 2024 compared to 4.1% MAY 2023. AUS 4.0% MAY 2024 compared to 5.5% MAY 2023.

Equity markets

S&P500 returned 4.28% whilst the ASX200 returned -1.1% for the quarter.

Iron Ore price

Iron Ore $107 USD/T +4.4% for the quarter.

Gold price

$2326 USD/oz +2.9% for the quarter.

Oil price

Brent crude $86 USD/bbl -2.0% for the quarter. West Texas Intermediate (WTI) crude $82 USD/bbl -1.6% for the quarter.

Volatility Index

VIX ranged between 12 and 19 over the quarter.

US yield curve

US 10Y Treasury reached 4.8% by quarter-end, with the US10Y/2Y spread at -0.01%.

AAN CORE - AC0001

As at 30 Jun 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

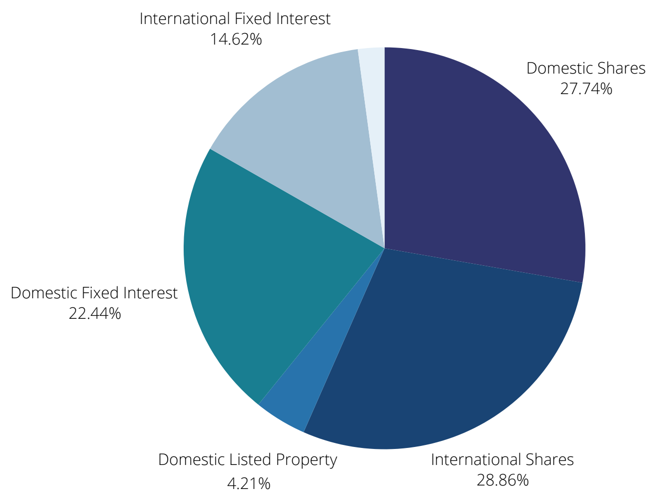
Investment description

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	14.62%
Vaneck MSCI Index International Quality ETF	7.91%
Vanguard MSCI Index International Shares (HEDGED) ETF	7.46%
Vaneck Australian Equal Weight ETF	7.26%
Perpetual Focus Australian Share	7.27%

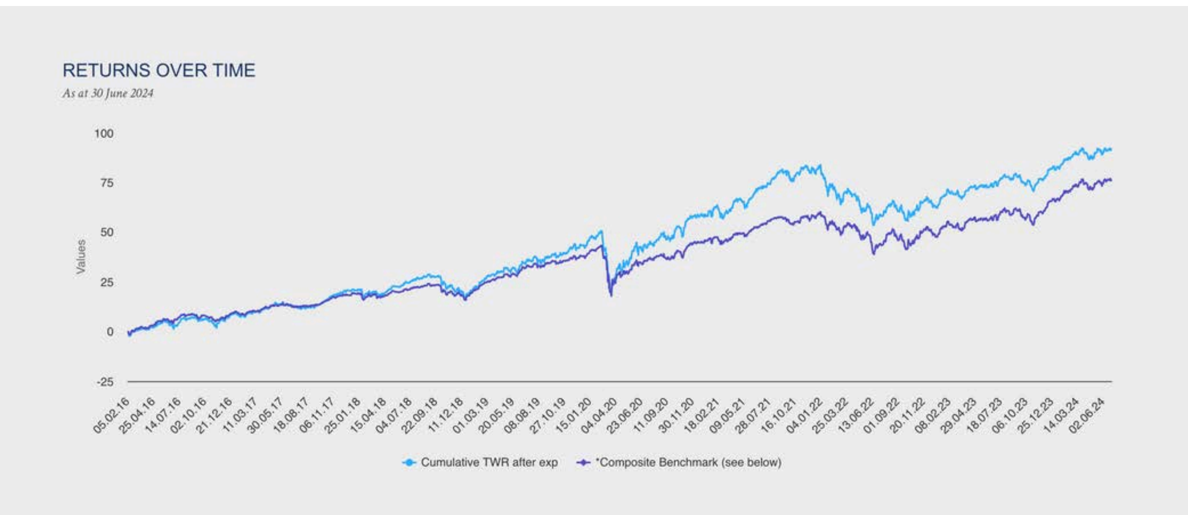
Top 5 holdings represent 44.52% of total fund

Performance

As at 30 Jun 2024

	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.	5 yrs p.a.	Since inception p.a.
Total Gross Return	1.15%	-0.34%	4.76%	9.52%	3.57%	7.40%	8.04%

Returns over time



AAN Core - AC0001

As at 30 Jun 2024

The Model

The material changes to the portfolio this quarter was the addition of the Western Asset Australian Bond Fund. Other changes were limited to adjustments to benchmark allocations.

Notable Investments

International Shares (Franklin Global Growth Fund):

- During the second quarter of 2024, the portfolio underperformed the index due to stock selection in IT and health care. MongoDB and Shopify in IT detracted from performance due to weaker fiscal guidance and disappointing revenue growth, respectively. Charles River Laboratories International in health care faced a downgrade amid revenue growth challenges, while Aptiv and Equinix also detracted, the latter due to allegations of misclassified capital spending. Inari Medical's stock was pressured, leading to an exit from the position. Conversely, strong first-quarter earnings from Tyler Technologies, HDFC Bank's post-election rebound, and gains from Planet Fitness, Onto Innovation, and Intuitive Surgical bolstered performance. Mercado Libre's robust first-quarter results also helped. Regionally, stock selection in emerging markets and Japan aided returns, while North America, the UK, and Europe pressured them. Looking forward, AI-related spending is expected to drive market advances, with a focus on high-quality companies in cybersecurity, e-commerce, medical technology, cloud computing, and automation.

Fixed Interest (Yarra Enhanced Income Fund):

- The fund returned 1.61% (net basis, including franking) over the quarter, outperforming its benchmark by 54 bps. Over the past 12 months, the Fund returned 9.74% (net basis, including franking), outperforming the RBA Cash Rate by 547 bps. Strong demand in primary and secondary markets led to spread compression, with Tier 1 and Tier 2 securities performing best as major bank debt prices rose. Carry contributed significantly, benefiting from high yields on floating rate securities. The Fund was active in primary and secondary markets, increasing duration exposure through senior corporate fixed deals and participating in NAB and Suncorp Tier 1 deals, continuously seeking the best risk-adjusted returns.

Performance

The AAN Core model returned -0.34% (before fees) this quarter, bringing the rolling 12-month total to 9.52% (before fees).

Over the quarter, domestic fixed interest (+0.36%) had the largest positive contribution to the portfolio.

Domestic listed property (-0.26%), International shares (-0.19%), Domestic shares (-0.14%), and International fixed interest (-0.07%) have detracted from the portfolio.

For the 12-month period, all asset classes have been positive, domestic fixed interest (4.93%), International shares (13.51%), Domestic shares (10.42%), International fixed interest (3.97%) and Domestic listed property (22.60%). Cash was neutral at 0.00%.

Key Contributors:

- VanEck MSCI International Quality ETF +0.37%
- Vanguard MSCI Index International Shares (Hedged) ETF +0.26%
- Western Asset AUS BD A +0.1%

Key Detractors:

- Lazard Global Equity Franchise - (-0.56%)
- Franklin Global Growth - (-0.07%)
- Vanguard Australian Property Securities Index ETF - (-0.22%)

AAN GROWTH - AC0002

As at 30 Jun 2024

Investment Manager	AAN Asset Management Pty Ltd
Model Code	AC0002
Investment Fee	0.47% p.a.
Performance Fee	Nil
Less AAN Client Model Fee Discount	0.22% p.a.
Commencement	02 Sept 2016
ICR and Transaction Cost	0.54% p.a.
Indicative No. of Holdings	Unlimited

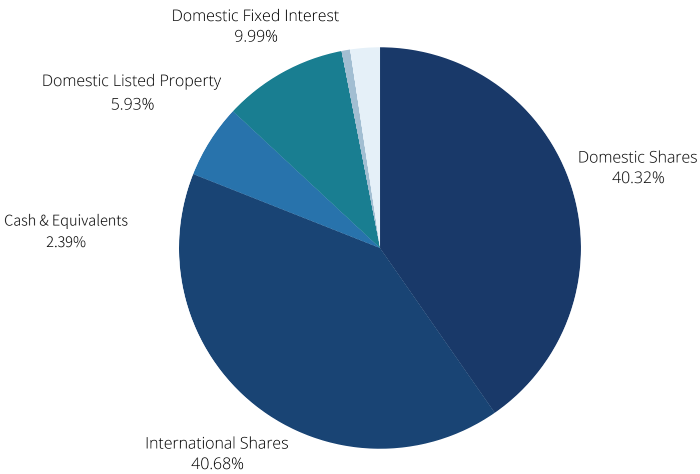
Investment description

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

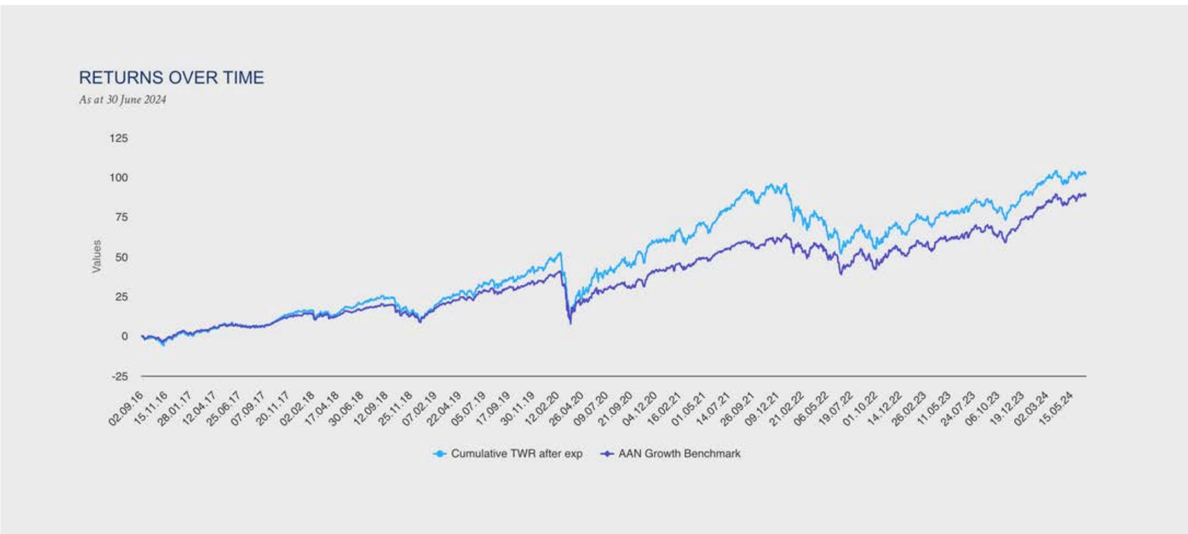
Vanguard MSCI Index International Shares (Hedged) ETF	10.83%
Perpetual Focus Australian Share	9.71%
Vaneck MSCI International Quality ETF	9.43%
VanEck Australian Equal Weight ETF	9.37%
Franklin Global Growth A	8.34%

Top 5 holdings represent 47.68% of total fund

Performance

As at 30 Jun 2024	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.	5 yrs p.a.	Since inception p.a.
Total Gross Return	1.59%	-0.64%	6.17%	12.07%	4.19%	9.15%	9.44%

Returns over time



AAN Growth - AC0002

As at 30 Jun 2024

ASSET MANAGEMENT

The Model

The material changes to the portfolio this quarter was the addition of the Western Asset Australian Bond Fund. Other changes were limited to adjustments to benchmark allocations.

Notable Investments

International Shares (Lazard Global Equity Franchise Fund):

- Relative underperformance in the portfolio was influenced by the extraordinary rally in AI, which was driven by seven mega-cap stocks that we did not hold, contributing over 60% of the MSCI World Index gains since January. Additionally, a rebound in US banks after the March 2023 banking crisis negatively impacted performance due to our structural underweight in this sector. Specific stock detractors included CVS Health, Dentsply, Henry Schein, SES, Omnicom, and National Grid. However, the fundamental performance of our portfolio has been strong, with over 80% of holdings exceeding guidance or consensus earnings in the last three quarters. Future market expectations for our stocks are robust, with forecasted consensus earnings growth exceeding 40% over the next three years. In Q2 2024, 85% of our stocks have a lower FY25E rating (EV/EBIT) compared to March 31, 2024, 70% had consensus upgrades to operating income (FY25E), and 63% had both an EBIT upgrade and a decline in FY25 EV/EBIT.
- Portfolio Positioning: The portfolio is defensively positioned, with over two-thirds in defensive stocks and one-third in monopolistic infrastructure, marking the highest allocation in its history. It trades at significant discounts to the market in terms of PE and EBIT multiples while maintaining large premiums in return on assets and free cash flow generation.

DNR Capital:

- The S&P/ASX 200 Total Return Index rose by 1.01% during the period, with Financials (+5.1%) leading the sectors, driven by strong performances from the big four banks (CBA +6.6%, NAB +6.8%). Consumer Staples (+4.6%) also outperformed due to a relief rally among grocery retailers (Woolworths +6.9%, Coles +3.7%). Conversely, Materials (-6.5%) was the worst performing sector, impacted by global economic weakness affecting commodities (BHP -4.1%, Fortescue -13.5%). Energy (-1.6%) also lagged due to weakening refining margins and coal prices (Ampol -6.9%, Whitehaven Coal -5.1%). Key contributors included Aristocrat Leisure, which continued its strong performance post-1H24 results, and CSL, which benefited from positive momentum in plasma collections. Detractors included the absence of Commonwealth Bank of Australia, which outperformed without specific news, and underperformance from SEEK due to weaker job advertisement numbers and Lendlease following a downgrade to FY24 earnings due to a delayed ACCC decision on a business sale.

Performance

The AAN Growth model returned -0.64% (before fees) for the quarter, bringing the rolling 12 month return to 12.07% (before fees).

Over the quarter, only the domestic fixed interest (+0.16%) has the largest contribution.

Domestic listed property (-0.37%), Domestic shares (-0.21%), International shares (-0.14%), and International fixed interest (-0.03%) have been detracted from the portfolio.

For the 12-month period, all asset classes have been positive, domestic fixed interest (4.93%), International shares (13.51%), Domestic shares (10.42%), International fixed interest (3.97%) and Domestic listed property (22.60%). Cash was neutral at 0.00%.

Key Contributors:

- VanEck MSCI International Quality ETF +0.44%
- Vanguard MSCI Index International Shares (Hedged) ETF +0.38%
- National Australia Bank Ltd. +0.12%

Key Detractors:

- Lazard Global Equity Franchise - (-0.7%)
- Vanguard Australian Property Securities Index ETF - (-0.32%)
- Franklin Global Growth - (-0.3%)

AAN Australian - AC0003

As at 30 Jun 2024

ASSET MANAGEMENT

Investment Manager	AAN Asset Management Pty Ltd
Model Code	AC0003
Investment Fee	0.55% p.a.
Performance Fee	Nil
Less AAN Client Model Fee Discount	0.19% p.a.
Commencement	30 Jan 2017
ICR and Transaction Cost	0.22% p.a.
Indicative No. of Holdings	Unlimited

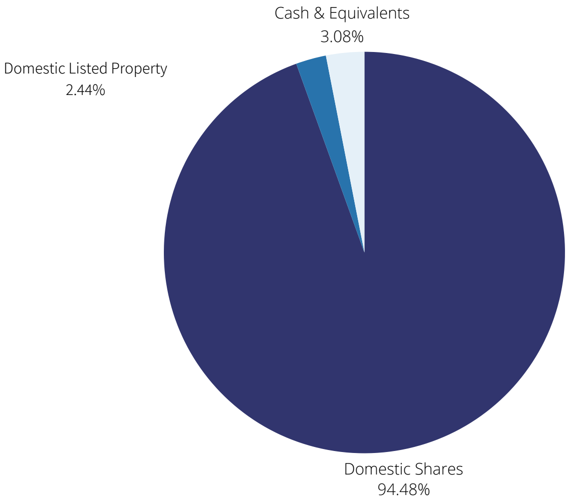
Investment description

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

Perpetual Focus Australian Share	24.92%
VanEck Australian Equal Weight ETF	24.05%
BHP Group Limited FPO	5.70%
CSL Limited FPO	5.17%
National Australia Bank Limited FPO	3.84%

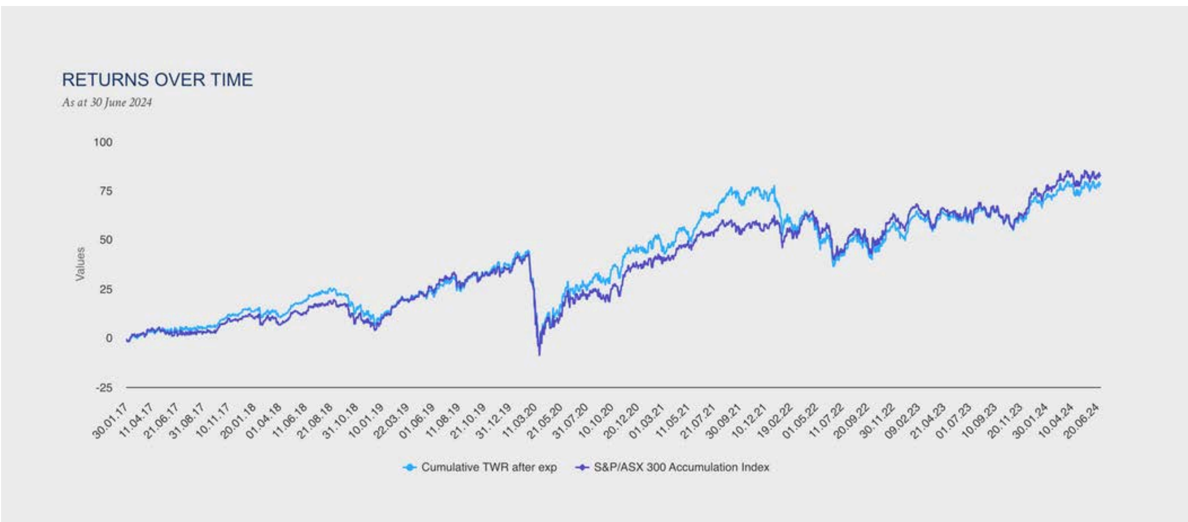
Top 5 holdings represent 63.68% of total fund

Performance

As at 30 Jun 2024

	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.	5 yrs p.a.	Since inception p.a.
Total Gross Return	1.43%%	-0.66%	4.16%	10.31%	3.01%	7.13%	8.11%

Returns over time



AAN Australian - AC0003

As at 30 Jun 2024

ASSET MANAGEMENT

The Model

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

Notable Investments

Perpetual Focus Fund:

- The overweight position in IAG significantly contributed to monthly performance, with the stock rising 6.58%. IAG benefited from rising insurance premiums and higher investment returns due to increased interest rates. Improved insurance margins and new reinsurance agreements with Berkshire Hathaway and Canada Life further reduced earnings volatility risk. Additionally, Suncorp's focus on cost efficiencies highlighted potential operational improvements for IAG. Healius also performed well, gaining 18.11% as new CEO Paul Anderson made operational improvements and aimed for a net cash position. The rationalization of Healius's portfolio and a recalibration of its pathology operating model present further upside potential.
- Conversely, Iluka Resources detracted from performance, falling 8.39% due to volatile rare earth pricing and funding uncertainties for its rare earths refinery. Despite its strong balance sheet and valuable stake in Deterra Royalties, market uncertainty over capex funding remains. A2 Milk also detracted, down 4.38% in June but up 38.45% for the year. A recent visit to China reinforced confidence in A2's strong brand and market expansion, despite macroeconomic challenges. With a robust balance sheet and significant cash reserves, A2 Milk is well-positioned for strategic opportunities.

DNR Capital:

- The S&P/ASX 200 Total Return Index rose by 1.01% during the period, with Financials (+5.1%) leading the sectors, driven by strong performances from the big four banks (CBA +6.6%, NAB +6.8%). Consumer Staples (+4.6%) also outperformed due to a relief rally among grocery retailers (Woolworths +6.9%, Coles +3.7%). Conversely, Materials (-6.5%) was the worst performing sector, impacted by global economic weakness affecting commodities (BHP -4.1%, Fortescue -13.5%). Energy (-1.6%) also lagged due to weakening refining margins and coal prices (Ampol -6.9%, Whitehaven Coal -5.1%). Key contributors included Aristocrat Leisure, which continued its strong performance post-1H24 results, and CSL, which benefited from positive momentum in plasma collections. Detractors included the absence of Commonwealth Bank of Australia, which outperformed without specific news, and underperformance from SEEK due to weaker job advertisement numbers and Lendlease following a downgrade to FY24 earnings due to a delayed ACCC decision on a business sale.

Performance

The AAN Australian model returned -0.66% (before fees) for the quarter and 10.31% (before fees) for the 12-month period.

Key Contributors:

- National Australia Bank Ltd. +0.31%
- Aristocrat Leisure Limited +0.25%
- Commonwealth Bank of Australia +0.22%

Key Detractors:

- VanEck Australian Equal Weight ETF- (-0.75%)
- BHP Group Ltd - (-0.22%)
- Seek Ltd - (-0.18%)

AAN Index Core - AC0004

ASSET MANAGEMENT

As at 30 Jun 2024

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 and Transaction Cost	0.20% p.a.
Indicative No. of Holdings	Up to 25

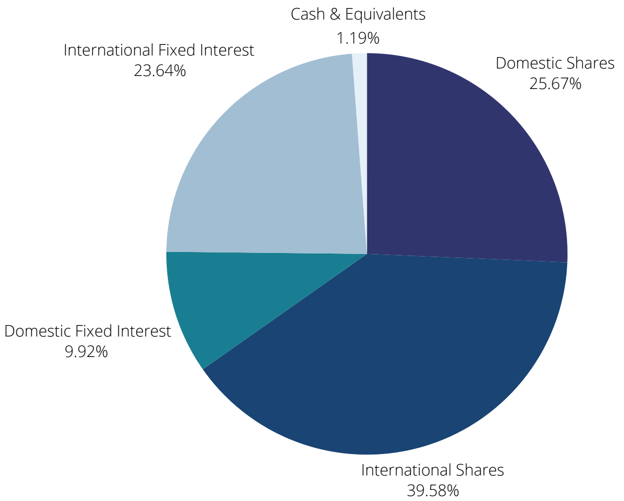
Investment description

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

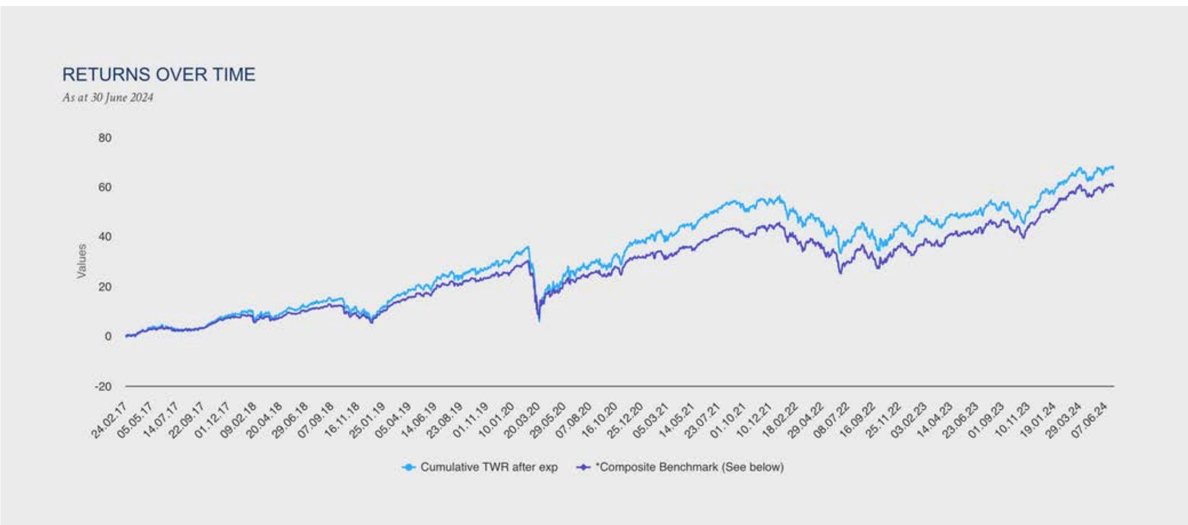
Betashares Australia 200 ETF	25.67%
Vanguard Global Aggregate Bond Index (Hedged) ETF	23.64%
Vanguard US Total Market Shares Index ETF	13.83%
Vanguard MSCI Index International Shares (Hedged) ETF	11.89%
iShares Australian Bond Index	9.92%

Top 5 holdings represent 84.95% of total fund

Performance

As at 30 Jun 2024	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.	5 yrs p.a.	Since inception p.a.
Total Gross Return	1.72%	0.29%	5.80%	11.71%	4.02%	6.46%	7.32%

Returns over time



AAN Index Core - AC0004

As at 30 Jun 2024

ASSET MANAGEMENT

The Model

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

Notable Investments

The top contributing asset over the quarter was the Vanguard MSCI International Shares Hedged ETF (+0.41%), and the Vanguard US Total Market Shares Index ETF AUD (+0.35%).

Performance

The AAN Index Core model returned 0.29% (before fees) over the quarter which brought the rolling 12-month period return to 11.71% (before fees).

Over the quarter, International shares (+0.65%) had the largest positive contribution to performance.

Domestic shares (-0.26%), Domestic fixed interest (-0.09%), and International fixed interest (-0.02%) all detracted from the portfolio.

For the 12-month period, International shares (19.32%) International fixed interest (2.53%), Domestic fixed interest (3.46%), and Domestic shares (12.51%) all contributed to performance. Cash was neutral at 0.00%.

Key Contributors:

- Vanguard MSCI Index International Shares (Hedged) ETF +0.41%
- Vanguard US Total Market Shares Index AUD ETF +0.35%
- Vanguard FTSE Emerging Markets Shares AUD ETF +0.13%

Key Detractor:

- BetaShares Australia 200 ETF - (-0.26%)
- Vanguard MSCI International Small Cos Index ETF (-0.2%)
- iShares Australian Bond Index (-0.09%)

AAN Index Growth - AC0005

As at 30 Jun 2024

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 and Transaction Cost	0.17% p.a.
Indicative No. of Holdings	Up to 25

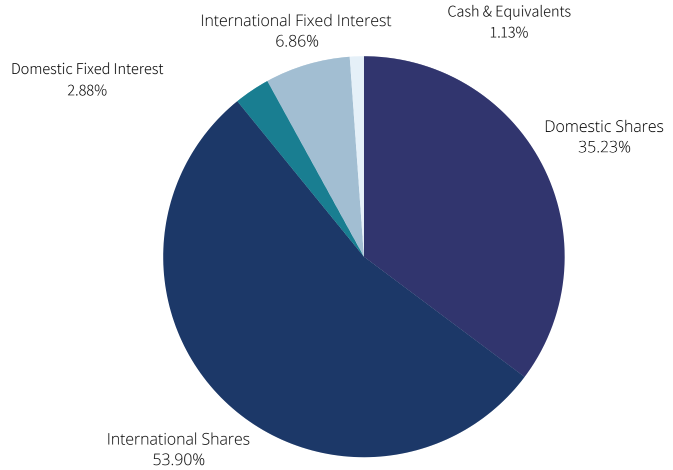
Investment description

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

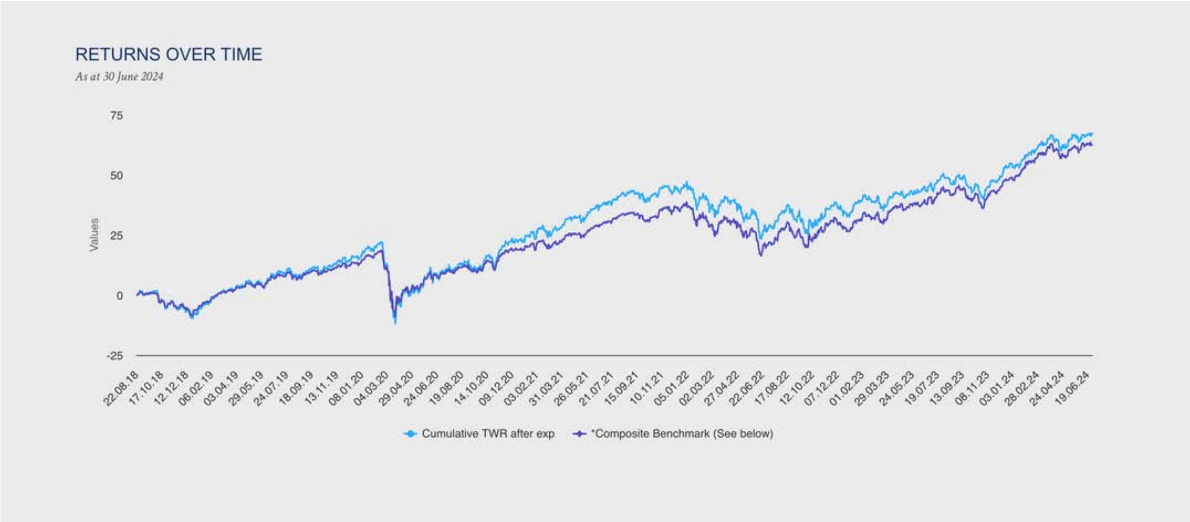
BetaShares Australia 200 ETF	35.23%
Vanguard US Total Market Shares Index ETF	18.95%
Vanguard MSCI Index International Shares (Hedged) ETF	16.10%
Vanguard All-world ex-US Shares Index ETF	7.70%
Vanguard Global Aggregate Bond Index (Hedged) ETF	6.86%

Top 5 holdings represent 84.84% of total fund

Performance

As at 30 Jun 2024	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.	5 yrs p.a.	Since inception p.a.
Total Gross Return	1.97%	0.53%	8.26%	15.08%	6.66%	9.19%	9.18%

Returns over time



AAN Index Growth - AC0005

As at 30 Jun 2024

ASSET MANAGEMENT

The Model

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

Notable Investments

The top contributing asset over the quarter was the Vanguard MSCI International Shares Hedged ETF (+0.56%), and the Vanguard US Total Market Shares Index ETF AUD (+0.49%).

Performance

The AAN Index Growth model returned 0.53% (before fees) this quarter, bringing the rolling 12 month return to 15.08% (before fees).

Over the quarter, International shares (+0.9%) had the largest positive contribution to performance.

Domestic shares (-0.35%), Domestic fixed interest (-0.02%), and International fixed interest (0%) detracted from the portfolio.

For the 12-month period, International shares (19.35%) International fixed interest (2.52%), Domestic fixed interest (3.45%), and Domestic shares (12.53%) all contributed to performance. Cash was neutral at 0.00%.

Key Contributors:

- Vanguard MSCI Index International Shares (Hedged) ETF 0.56%
- Vanguard US Total Market Shares Index AUD ETF 0.49%
- Vanguard FTSE Emerging Markets Shares AUD ETF 0.18%

Key Detractor:

- BetaShares Australia 200 ETF (-0.35%)
- Vanguard MSCI International Small Cos Index ETF (-0.27%)
- Vanguard All-World ex-US Shares Index ETF (-0.05%)

AAN Sustainable Growth - AC0006

As at 30 Jun 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	

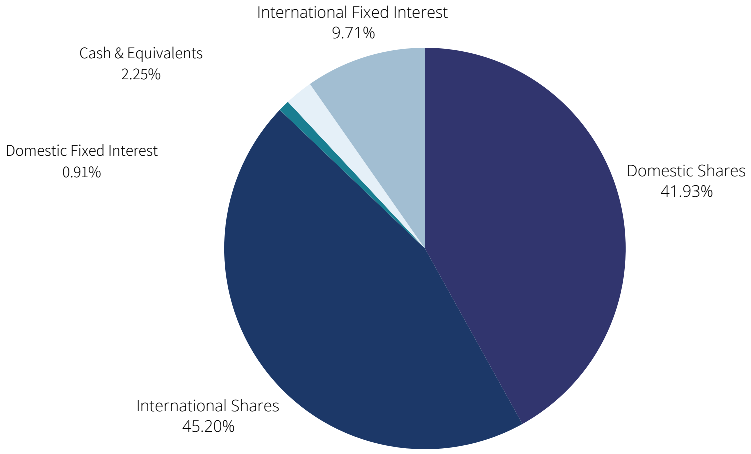
Investment description

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

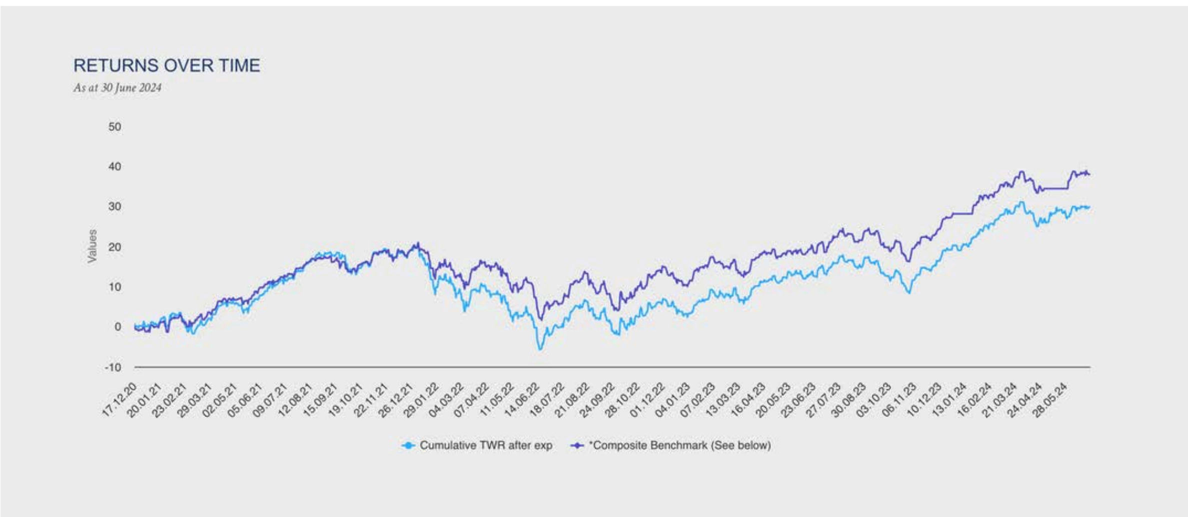
iShares Core MSCI Word Ex Aus ESG (AUD HED) ETF	11.65%
AXA IM Sustainable Equity	11.30%
Betashares Global Sustainability Leaders ETF	11.28%
Alphinity Sustainable Share	11.15%
Stewart Investors Worldwide Sustainability	10.98%

Top 5 holdings represent 56.36% of total fund

Performance

As at 30 Jun 2024	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.	5 yrs p.a.	Since inception p.a.
Total Gross Return	1.88%	0.97%	7.92%	13.17%	5.16%	N/A	7.64%

Returns over time



AAN Sustainable Growth - AC0006

ASSET MANAGEMENT

As at 30 Jun 2024

The Model

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

Notable Investments

Domestic Shares (Alphinity):

- The Fund slightly outperformed the market in the June Quarter, boosted by strong performances from insurer Suncorp and industrial property developer Goodman Group, and benefited from not owning Fortescue Metals and Woodside Energy. These gains were partially offset by positions in James Hardie, Brambles, and the absence of Aristocrat Leisure. Despite high inflation in May, the upcoming full-survey June quarter number, crucial for Reserve Bank decisions, may drive rate hikes if it confirms an upward trend, potentially impacting economic growth. Meanwhile, upcoming tax cuts may offset rate increases. The portfolio remains balanced ahead of the August reporting season, focusing on identifying positive earnings stories. Additions include Life360 for its growth potential and Capstone Copper for its exposure to base metals, while Lifestyle Properties and IDP Education were exited. Conviction in earnings is reinforced by meetings with companies globally, maintaining an overweight position in insurers and increasing exposure to Health Care (Resmed) and Technology (Xero). The portfolio holds a few materials, industrial, and utilities stocks, adjusting positions based on conviction in their earnings potential.

Perpetual ESG Real Return Fund:

- The Fund returned -0.4% (net) in the June quarter and 2.3% (net) over the past 12 months. Positive contributions came from global equity allocations, particularly US large-cap tech stocks, which saw price gains driven by rising expected earnings and favourable valuations. The Fund's cash exposure, especially in US Dollars, also contributed due to its high running yield. However, global stock selection alpha negatively impacted performance as growth-style equity sectors outperformed traditional value sectors. Concerns arose over the sustainability of the market rally, heavily reliant on a few US tech stocks with high valuation multiples. Modest exposure to Australian equities and marginal underperformance of fixed interest exposures, due to concerns about prolonged high US rates, also detracted from performance.

Performance

The AAN Sustainable Growth model returned -0.97% this quarter (before fees) whilst over 12 months the model returned 13.17% (before fees).

Over the quarter, International shares (+0.05%) has the largest positive contribution to performance.

Domestic shares (-0.89%), Domestic listed property (-0.01%), and International fixed interest (-0.04%) detracted from the portfolio.

For the 12-month period, positive contributions came from International shares (16.44%), & Domestic shares (12.76%), and International fixed interest (-1.17%) & Domestic listed property detracted by (-1.17%). Cash was neutral at 0.00%.

Key Contributors:

- iShares Core MSCI World xAus ESG Leaders (AUDH) ETF +0.5%
- National Australia Bank Ltd. +0.1%
- AXA IM Sustainable Equity +0.07%

Key Detractors:

- Perpetual ESG Australia Share (-0.43%)
- Stewart Investors Worldwide Sustainability (-0.41%)
- iShares Core MSCI Australia ESG ETF (-0.38%)

Disclaimer

General Advice Warning

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