

Quarterly Investment Update

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December 2024

AAN Asset Management Pty Ltd

3rd February

Investor Letter

Dear Investor,

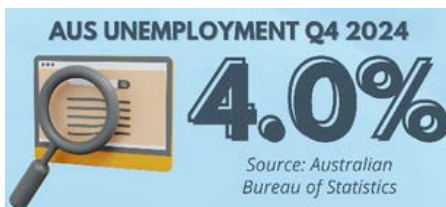
In Q4 2024, the global economy demonstrated a mixed performance, with advanced economies showing signs of stabilisation while emerging markets experienced uneven growth. Key factors influencing this quarter include a slowdown in global inflation, moderate interest rate adjustments by central banks, and a shift in commodity market dynamics.

“Courage taught me no matter how bad a crisis gets; any sound investment will eventually pay off.”
- Carlos Slim Helu

Australia’s economy showed signs of resilience in Q4 2024, despite ongoing global uncertainties. Economic growth was bolstered by strong performance in the services sector, recovering household consumption, and steady exports. Inflationary pressures eased, allowing the Reserve Bank of Australia (RBA) to maintain a neutral monetary policy stance. GDP growth for 2024 is estimated at 2.6%, consistent with the mid-year forecast, reflecting a balanced recovery across key sectors.

Highlights included September quarterly GDP of 0.6% seasonally adjusted, driven by robust domestic consumption and steady export volumes, particularly in iron ore and LNG. Headline inflation eased to 2.8% year-over-year, down from 4.1% in Q3. Declines in food contributed significantly to this moderation. While Energy saw extended and expanded Commonwealth Energy Bill Relief Fund rebates, and the introduction of State government rebates, applied from July 2024. Core inflation remained elevated at 3.5%, primarily due to persistent housing costs and service price increases.

Unemployment stabilised at 3.9%, with strong job creation in healthcare, education, and professional services. However, salaries and wages increased by 4.0% year-over-year, supporting household incomes but maintaining upward pressure on inflation. The current Australian situation has led the RBA to hold cash rates steady at 4.35%, signalling confidence in the economy’s ability to sustain growth without additional rate hikes. Inflation trends and labour market conditions are key inputs into future RBA rate decisions.



Australia’s economic performance in Q4 2024 continues to reflect a resilient and adaptive economy amidst global challenges. With inflation moderating and steady growth across key sectors, the outlook remains cautiously optimistic. However, policymakers and businesses must remain vigilant to emerging risks and structural challenges in the year ahead.

From a global perspective, inflation decelerated to an average of 4.2%, down from 4.8% in Q3. Declines in energy prices and easing supply chain pressures contributed to this trend. While core inflation remained sticky in several advanced economies, particularly the Eurozone and the United States, due to persistent wage growth, Central banks in these economies maintained a cautious approach. The Federal Reserve held interest rates steady, while the European Central Bank (ECB) implemented a minor rate cut to support growth. With some emerging market economies, notably in Latin America, cutting rates to stimulate domestic demand.

The U.S. economy demonstrated solid resilience in Q4 2024, achieving steady growth despite global headwinds. Strong consumer spending, a robust labour market, and a rebound in key sectors like technology and energy were major contributors. Inflationary pressures continued to ease, allowing the Federal Reserve to maintain its current interest rate stance. GDP growth for the quarter reached 2.2% annualised, signalling sustained economic momentum.

Europe, including the UK, faced a mixed quarter with modest growth supported by services and tourism, while manufacturing continued to struggle. Inflation showed signs of cooling, prompting central banks to reassess their policy stance. However, persistent geopolitical and energy challenges remained key concerns. The Eurozone recorded a GDP growth of 0.4% for the third quarter, while the UK grew at 0.1%. Services contributed positively, while manufacturing sectors continued to contract.

Asia and Emerging Markets experienced divergent outcomes in Q4 2024. While growth in China slowed amid property sector challenges, India maintained robust expansion. Several Latin American and African economies faced economic pressures due to weaker commodity prices and currency volatility, but select markets displayed resilience, driven by domestic reforms and stable demand. China's nominal GDP growth expanded by 5.4% year-on-year, boosted by a series of stimulus measures launched in September to boost recovery and regain confidence. India, in contrast, grew at 6.4%, driven by domestic consumption and infrastructure investments. China reported a modest inflation rate of 0.4%, while India's inflation hovered at 5.2%, driven by higher food prices. Emerging markets in Latin America saw declining inflation rates due to tighter monetary policies.

Investment Markets Commentary

The fourth quarter of 2024 witnessed a continuation of economic and market complexities shaped by diverging monetary policies, geopolitical tensions, and uneven economic recoveries. Global equity markets displayed mixed performance, with developed markets generally stabilising after a turbulent third quarter, while emerging markets faced headwinds from a strengthening U.S. dollar and capital outflows. Commodity prices remained volatile, driven by geopolitical risks and fluctuating demand, while inflationary pressures showed signs of easing in some regions.

USA

Equity markets saw modest gains, with the S&P 500 closing the quarter up by 4%. The technology and healthcare sectors led the charge, bolstered by strong corporate earnings and investor confidence in innovation-driven industries. Volatility in the markets eased, reflecting a balanced sentiment among investors as inflation risks receded and recession fears softened. However, markets are awaiting clarity on the Fed's future policy trajectory.

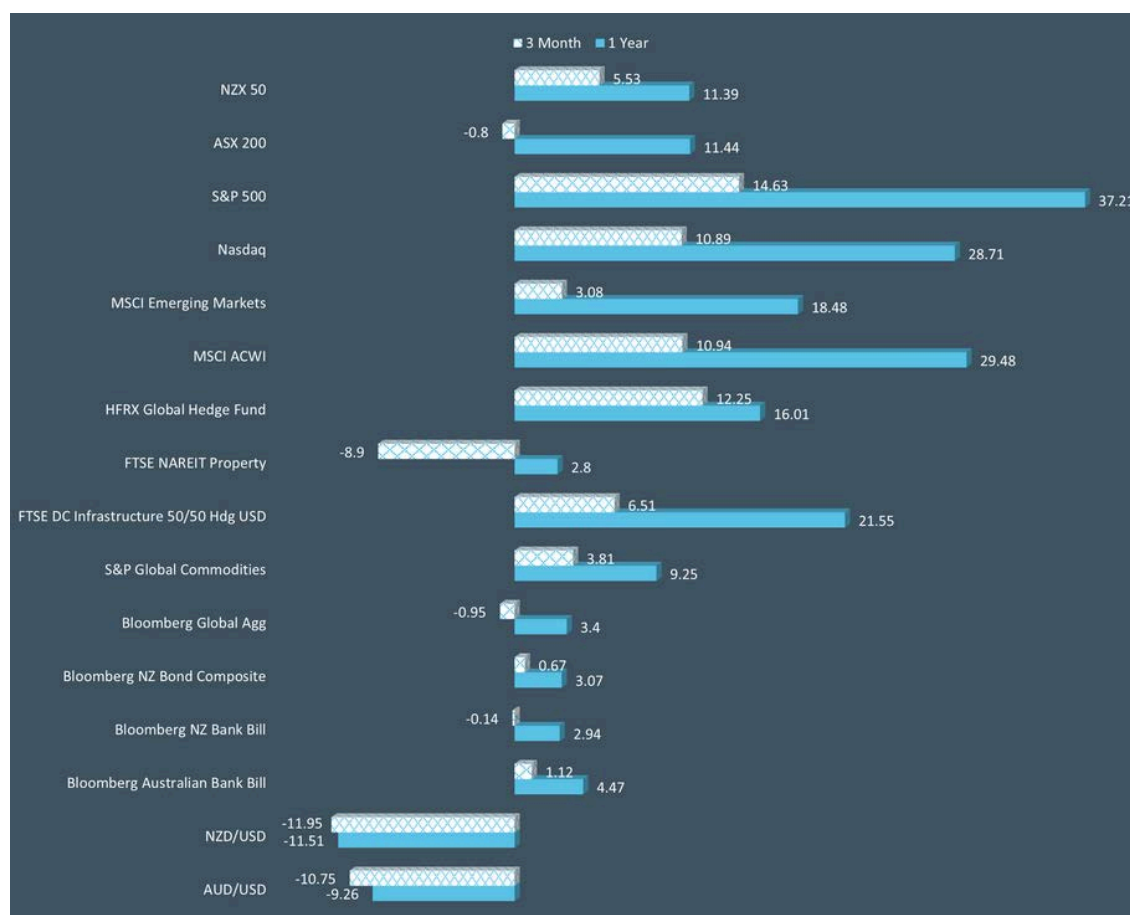
In fixed-income markets, bond yields remained stable, with the 10-year Treasury yield ending the quarter at 4.2%. This was driven by expectations of a potential rate cut in early 2025 as inflationary pressures abated. Corporate bond markets remained well supported, benefiting from improved credit conditions and investor demand for yield. Overall, the U.S. investment landscape in Q4 2024 reflected cautious optimism, with investors balancing growth opportunities against persistent macroeconomic uncertainties.

Australia

Equity markets showed moderate performance, with the ASX 200 falling -0.8% during the quarter with only consumer staples (+0.5%) and energy (+0.3%) delivering positive returns. Real estate was the worst performing sector, returning -7.0% over the mont

In fixed-income markets, Australian government bond yields stabilised, reflecting confidence in the RBA's measured approach to monetary policy. Corporate bond markets remained resilient, supported by solid fundamentals in key sectors such as resources and financials. Overall, Australia's investment markets in Q4 2024 presented a mixed picture, with strong export-driven sectors offsetting domestic economic headwinds, providing opportunities for selective, sector-focused investments.

The chart below shows the movement of markets over the quarter and for the 12 months, to 31 December 2024. Notably, most of the indices are positive for the year, except for both the NZD and AUD to USD relationship, which were negative for the quarter as well. The performance for the fourth quarter highlights a little more negativity.



Source: Research IP

Europe & UK

Equity markets in both regions were muted, reflecting tepid investor sentiment. The STOXX 600, representing broader European markets, edged up by just 1%, driven by modest gains in defensive sectors like utilities and healthcare. The UK's FTSE 100 ended the quarter flat, as a stronger pound and weak domestic demand weighed on export-driven companies. Investors showed caution, awaiting clearer signals on the economic trajectory and central bank policy in 2025.

Fixed-income markets in Europe and the UK remained steady, with government bond yields reflecting a cautious outlook. The ECB's and BoE's decisions to hold rates steadied market expectations, while corporate bond markets saw moderate activity, supported by improved credit conditions in select sectors. Overall, Q4 2024 highlighted the challenges faced by European and UK investment markets, as persistent inflation and slow growth continued to weigh on sentiment, leaving investors focused on defensive strategies and selective opportunities in resilient sectors.

Japan

Equity markets performed strongly, with the Nikkei 225 rising 5.3% over the quarter. Gains were led by the manufacturing and technology sectors, buoyed by a weaker yen, which enhanced export competitiveness. Japanese corporates benefited from robust demand for semiconductors, industrial machinery, and renewable energy technologies. Investor confidence also improved, driven by hopes that structural reforms and increased capital investment could sustain long-term growth momentum.

The yen depreciated further to 155 per U.S. dollar, marking its weakest levels in years. While this bolstered exports, it also increased the cost of imports, particularly energy, which remains a critical component of Japan's trade balance. Bond yields remained low, reflecting the Bank of Japan's accommodative stance and limited inflationary pressures. Overall, Japan's investment landscape in Q4 2024 highlighted the benefits of a favourable export environment while underscoring the challenges of sustaining domestic growth and tackling structural issues.

Emerging Markets

In Q3 2024, emerging markets showed mixed but generally positive performance, with equity and debt markets benefiting from global central bank actions. The Federal Reserve and other major central banks cut interest rates, which provided support for emerging market assets, especially in debt markets. Emerging market debt, particularly high-yield bonds, performed strongly, with a return of 6.1% for the quarter. Sectors such as real estate and telecommunications were among the best performers, while energy saw notable gains as well.

On the equity side, emerging markets saw some volatility, but overall, they benefitted from stimulus measures in key regions, particularly China. Chinese equities rallied strongly towards the end of the quarter following significant monetary and fiscal stimulus from the government. This boosted investor confidence and helped to lift other emerging market stocks, with Asia ex-Japan emerging as the top-performing region. Despite concerns about global economic health and muted commodity performance, emerging markets continued to show resilience and are expected to benefit from further policy easing and stabilising inflation.

Regards,
The AAN Asset Management Investment Committee

Economic Summary

Data from 1 Jan 2025

Australian unemployment

3.9% mid-quarter compared to 4.2% for the previous quarter.

3.9%

AUD/USD

62c compared to 69c at the end of the December.



Australian bonds

Australian bond yields at 4.36% by quarter end up 0.35 percentage points.

4.36%

Model performance

The AAN Index Growth Model was the best performing model for the quarter returning 3.55% and was the best performing model over 12 months returning 17.63%.



Annual inflation

US 2.7% NOVEMBER 2024 compared to 3.1% NOVEMBER 2023. AUS 2.1% OCTOBER 2024 compared to 4.9% OCTOBER 2023.



Equity markets

S&P500 returned +2.41% whilst the ASX200 returned -0.80% for the quarter.



Iron Ore price

Iron Ore \$104 USD/T +11.4% for the quarter.



Gold price

\$2625 USD/oz -1.1% for the quarter.



Oil price

Brent crude \$75 USD/bbl +3.9% for the quarter. West Texas Intermediate (WTI) crude \$72 USD/bbl +5.6% for the quarter.



Volatility Index

VIX ranged between 12 and 27 over the quarter.



US yield curve

US 10Y Treasury reached 4.6% by quarter end, with the US10Y/2Y spread at +0.33%.



AAN CORE - AC0001

As at 31 Dec 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

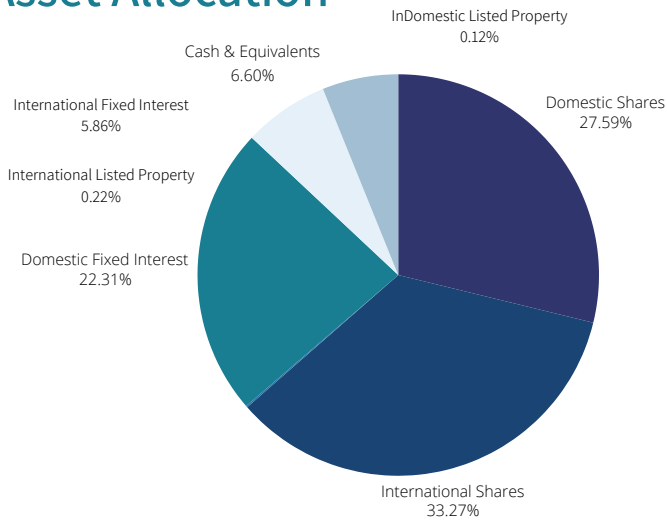
Investment description

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

Vanguard MSCI Index International Shares (HEDGED) ETF	7.59%
Perpetual Diversified Real Return W	7.42%
Franklin Global Growth A	7.42%
Vaneck Australian Equal Weight ETF	7.34%
Schroder Real Return Fund - WC	7.34%

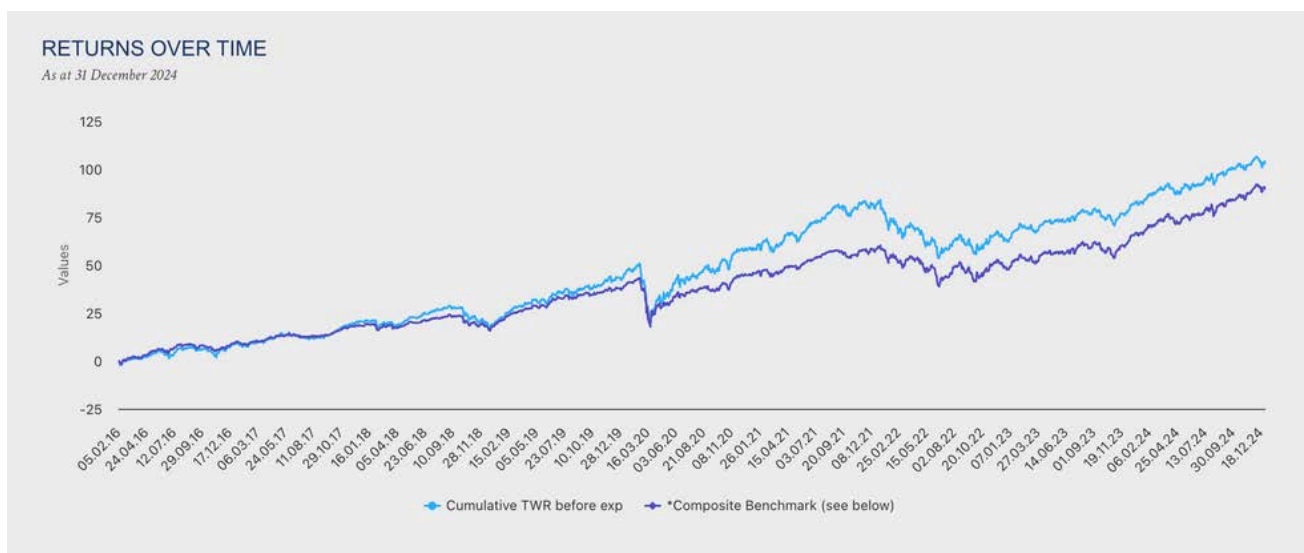
Top 5 holdings represent 37.11% of total fund

Performance

As at 31 Dec 2024

	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.	5 yrs p.a.	Since inception p.a.
Total Gross Return	-1.20%	0.90%	5.55%	10.71%	3.57%	7.36%	8.25%

Returns over time



The Model

The material change to the portfolio this quarter was the addition of the iShares Core Composite Bond ETF (IAF) to replace the Western Asset Australian Bond Fund. The Fund was removed due to SEC charged being laid against one of the Co-CIO's of Western Asset Management. This did not directly affect the Australian Bond Fund, however, the change is considered prudent while there are ongoing investigations. Other changes were limited to adjustments to benchmark allocations.

Notable Investments

Schroder Real Return Fund:

- The Fund delivered a quarterly gross return of 2.4% and an annual gross return of 11.8% for 2024. Performance was bolstered by strategic foreign currency positioning, particularly an overweight to the USD, alongside contributions from Australian credit, global equities, and securitised credit. The fund benefitted from put options during a late-year equity market sell-off. Inflation-linked bonds and global corporate credit detracted slightly due to rising yields but gains in shorter-maturity bonds and regional yield curve positioning helped mitigate losses. The fund's equity allocation peaked at 45% during the year, focusing on US and Japanese equities, before reducing to 37% amid heightened market risks. Credit exposure was scaled back to 31%, reflecting limited upside potential relative to equities, with a preference for investment-grade bonds in Europe and Australia.

Lazard Global Equity Franchise Fund:

- The Fund underperformed in Q4 2024, returning 0.14% (net of fees) compared to the MSCI World Index's 11.87%. The fund's performance was shaped by global interest rate policies, with the US Federal Reserve beginning a monetary easing cycle in September. However, hawkish statements and limited rate cuts in 2025 triggered a December sell-off in US stocks. Key contributors to performance included Fiserv, benefiting from strong organic growth and margin expansion, and Rentokil, which rebounded after weak organic growth concerns. Conversely, CVS Health faced challenges from legislative proposals and legal issues, while SES underperformed despite positive results and technological advancements.

Performance

The AAN Core model returned 0.89% (before fees) this quarter, bringing the rolling 12-month total to 10.71% (before fees).

Over the quarter, the largest contribution came from international shares (+1.55%), followed by domestic fixed interest (+0.23%), international fixed interest (+0.01%), domestic listed property (-0.27%), and domestic shares (-0.54%).

For the 12-month period, all asset classes have been positive; international shares (+17.44%), domestic listed property (+13.78%), domestic shares (+9.10%), domestic fixed interest (+6.17%), and international fixed interest (+5.15%).

Key Quarterly Contributors:

- VanEck MSCI International Quality ETF (0.61%)
- Franklin Global Growth (0.59%)
- Vanguard MSCI Index International Shs (Hedged) ETF (0.17%)

Key Quarterly Detractors:

- Perpetual Focus Australian Share (-0.36%)
- BHP Group Ltd (-0.25%)
- iShares Wholesale Australian Listed Property Index Fund (-0.22%)

AAN GROWTH - AC0002

As at 31 Dec 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

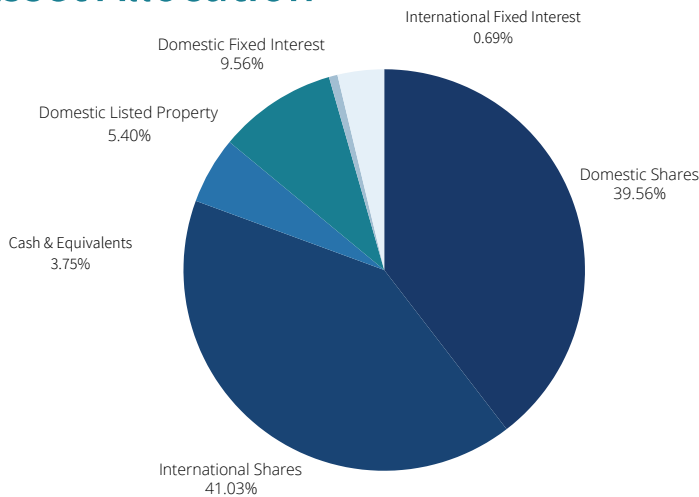
Investment description

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 Growth 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	10.52%
Franklin Global Growth A	9.22%
Vaneck MSCI International Quality ETF	9.11%
Lazard Global Equity Franchise	8.74%
Perpetual Focus Australian Share	8.70%

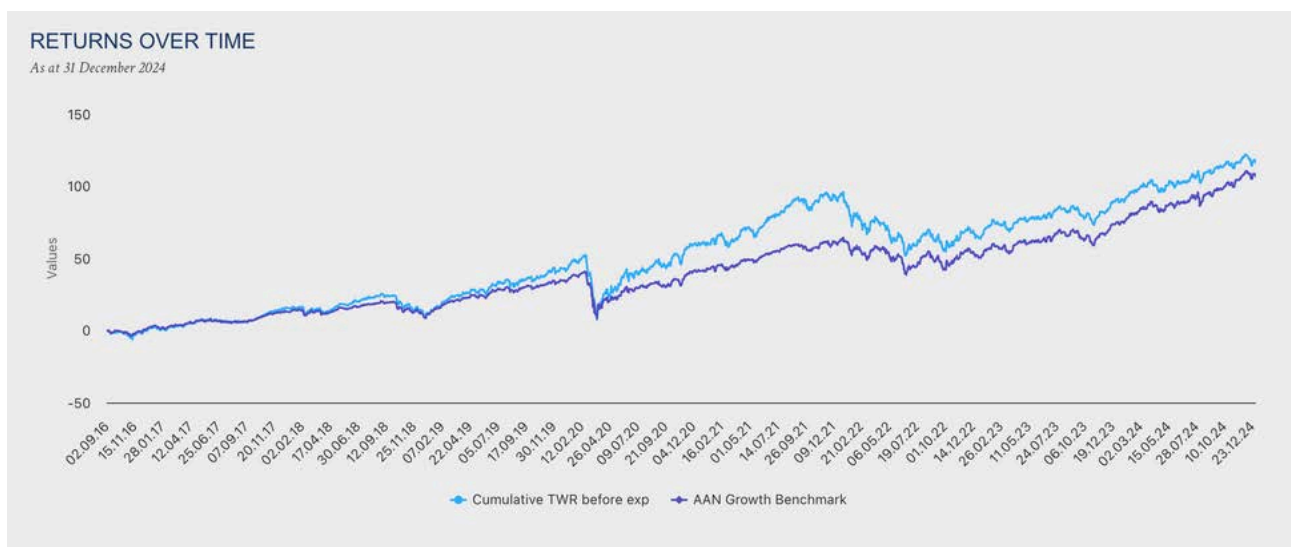
Top 5 holdings represent 46.29% of total fund

Performance

As at 31 Dec 2024

	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.	5 yrs p.a.	Since inception p.a.
Total Gross Return	-1.81%	0.91%	6.44%	13.17%	3.70%	8.89%	9.69%

Returns over time



The Model

The material change to the portfolio this quarter was the addition of the iShares Core Composite Bond ETF (IAF) to replace the Western Asset Australian Bond Fund. The Fund was removed due to SEC charged being laid against one of the Co-CIO's of Western Asset Management. This did not directly affect the Australian Bond Fund, however, the change is considered prudent while there are ongoing investigations. Other changes were limited to adjustments to benchmark allocations.

Notable Investments

VanEck MSCI International Quality ETF (QUAL):

- The ETF returned 8.51% in Q4 2024, underperforming the MSCI World ex Australia Index. The fund's performance benefited from overweight positions in Information Technology and Communication Services, but an overweight in Health Care detracted due to the sector's decline during the quarter. Growth stocks performed strongly, contributing to the fund's relative underperformance as QUAL focuses on quality metrics such as high return on equity and stable earnings growth. Top contributors included NVIDIA, Netflix, and Visa, driven by robust earnings and market sentiment. Conversely, the absence of high-performing stocks like Tesla and Amazon, which do not meet QUAL's quality criteria, negatively impacted returns.

Lazard Global Equity Franchise Fund:

- The Fund underperformed in Q4 2024, returning 0.14% (net of fees) compared to the MSCI World Index's 11.87%. The fund's performance was shaped by global interest rate policies, with the US Federal Reserve beginning a monetary easing cycle in September. However, hawkish statements and limited rate cuts in 2025 triggered a December sell-off in US stocks. Key contributors to performance included Fiserv, benefiting from strong organic growth and margin expansion, and Rentokil, which rebounded after weak organic growth concerns. Conversely, CVS Health faced challenges from legislative proposals and legal issues, while SES underperformed despite positive results and technological advancements.

Performance

The AAN Growth model returned 0.89% (before fees) for the quarter, bringing the rolling 12 month return to 13.17% (before fees).

Over the quarter, the largest contribution came from international shares (+2.09%), followed by domestic fixed interest (+0.05%), international fixed interest (-0.01%), domestic listed property (-0.39%), and domestic shares (-0.75%).

For the 12-month period, all asset classes have been positive; international shares (+18.48%), domestic listed property (+13.74%), domestic shares (+9.39%), domestic fixed interest (+6.60%), and international fixed interest (+5.84%).

Key Quarterly Contributors:

- VanEck MSCI International Quality ETF (0.73%)
- Franklin Global Growth (0.73%)
- Vanguard US Total Market Shares Index ETF AUD (0.28%)

Key Quarterly Detractors:

- Perpetual Focus Australian Share (-0.49%)
- BHP Group Ltd (-0.33%)
- iShares Wholesale Australian Listed Property Index Fund (-0.32%)

AAN Australian - AC0003

As at 31 Dec 2024

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

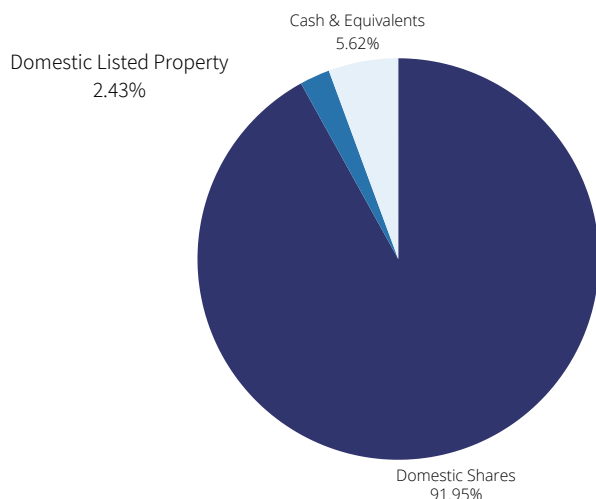
Investment description

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

VanEck Australian Equal Weight ETF	25.31%
Perpetual Focus Australian Share	22.68%
CSL Limited FPO	4.85%
Commonwealth Bank of Australia FPO	4.33%
National Australia Bank Limited FPO	3.58%

Top 5 holdings represent 60.75% of total fund

Performance

As at 31 Dec 2024

	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.	5 yrs p.a.	Since inception p.a.
Total Gross Return	-3.25%	-2.04%	4.33%	8.91%	2.43%	6.67%	8.20%

Returns over time

RETURNS OVER TIME

As at 31 December 2024



AAN Australian - AC0003

As at 31 Dec 2024

The Model

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

Notable Investments

DNR Capital High Conviction Portfolio:

- During the December 2024 quarter, the strategy underperformed the S&P/ASX 200 Total Return Index, which fell by 0.80%. The materials sector was the worst performer, driven by pressure on base and precious metals from a strong US dollar and disappointing economic signals from China. In contrast, Financials and Industrials delivered gains, with Computershare benefiting from expectations of prolonged higher interest rates and Transurban advancing due to positive tolling reform news in New South Wales. Key contributors to the portfolio's performance included Aristocrat Leisure, QBE Insurance, and Block Inc., while detractors included Commonwealth Bank of Australia (not held), James Hardie Industries, and SEEK. The portfolio activity included the addition of Block Inc. and the exit from ResMed.

VanEck Australian Equal Weight ETF (MVW):

- The ETF returned -1.03% for Q4 2024, slightly underperforming the S&P/ASX 200 Index by 0.23%. The fund's underweight exposure to financials, particularly banks like the Commonwealth Bank of Australia, detracted from relative performance as banks posted strong gains during the quarter. Conversely, the fund's underweight in Materials benefited from the sector's decline, with large miners like BHP Group seeing significant losses due to falling commodity prices and China's economic struggles. Notable contributors included Arcadium Lithium, which surged on takeover news, and Pro Medicus, which continued its growth in the U.S. healthcare market. However, declines in stocks like Mineral Resources and Pilbara Minerals

Performance

The AAN Australian model returned -2.04% (before fees) for the quarter and 8.91% (before fees) for the 12-month period.

For the 12-month period, all asset classes have been positive; domestic listed property (+16.33%) and domestic shares (+9.12%).

Key Quarterly Contributors:

- Commonwealth Bank of Australia (0.49%)
- Aristocrat Leisure Ltd (0.28%)
- QBE Insurance Group Ltd (0.2%)

Key Quarterly Detractors:

- Perpetual Focus Australian Share (-1.25%)
- BHP Group Ltd (-0.85%)
- James Hardie Industries PLC (-0.2%)

AAN Index Core - AC0004

As at 31 Dec 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

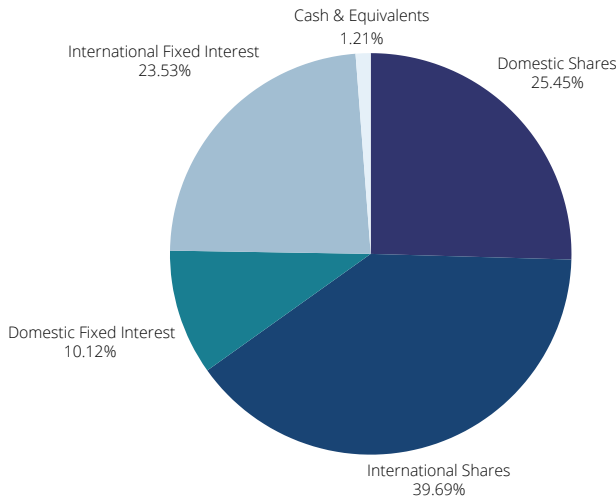
Investment description

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	25.45%
Vanguard Global Aggregate Bond Index (Hedged) ETF	23.53%
Vanguard US Total Market Shares Index ETF	14.10%
Vanguard MSCI Index International Shares (Hedged) ETF	11.47%
iShares Australian Bond Index	10.16%

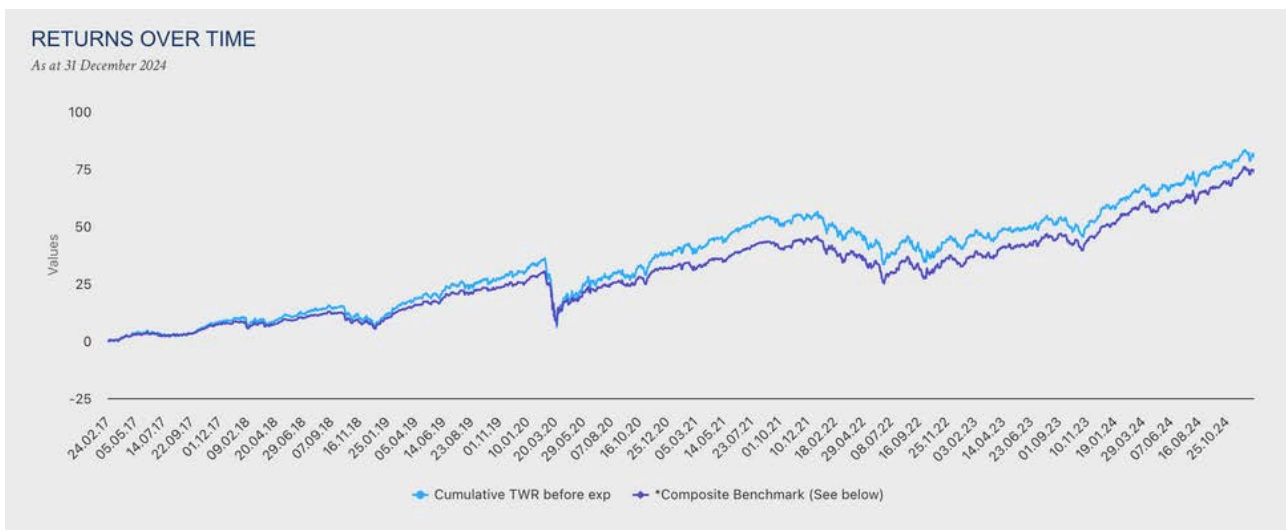
Top 5 holdings represent 84.71% of total fund

Performance

As at 31 Dec 2024

	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.	5 yrs p.a.	Since inception p.a.
Total Gross Return	-0.60%	2.26%	6.78%	13.16%	5.11%	6.86%	7.77%

Returns over time



AAN Index Core - AC0004

As at 31 Dec 2024

The Model

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

Notable Investments

The top contributing assets over 1 October 2024 to 31 December 2024 was the Vanguard US Total Market Shares Index ETF (+2.0%), Vanguard MSCI International Small Companies Index ETF (+0.39) and Vanguard MSCI Index International Shares (Hedged) ETF (+0.26%).

Performance

The AAN Index Core model returned 2.27% (before fees) over the quarter which brought the rolling 12-month period return to 13.16% (before fees).

Over the quarter, the largest contribution came from international shares (+2.89%), followed by domestic fixed interest (-0.03%), domestic shares (-0.21%), and international fixed interest (-0.36%).

For the 12-month period, all asset classes have been positive; international shares (+24.86%), domestic shares (+12.44%), domestic fixed interest (+2.78%), and international fixed interest (+1.35%).

Key Quarterly Contributors:

- Vanguard US Total Market Shares Index ETF AUD (2%)
- Vanguard MSCI International Small Cos Index ETF (0.39%)
- Vanguard MSCI Index International Shs (Hedged) ETF (0.26%)

Key Quarterly Detractors:

- Vanguard Global Aggregate Bond Index (Hedged) ETF (-0.36%)
- BetaShares Australia 200 ETF (-0.21%)
- iShares Australian Bond Index Fund (-0.03%)

AAN Index Growth - AC0005

As at 31 Dec 2024

The Model

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

Notable Investments

The top contributing assets over 1 October 2024 to 31 December 2024 was the Vanguard US Total Market Shares Index ETF (+2.76%), Vanguard MSCI International Small Companies Index ETF (+0.53) and Vanguard MSCI Index International Shares (Hedged) ETF (+0.36%).

Performance

The AAN Index Growth model returned 3.57% (before fees) this quarter, bringing the rolling 12-month return to 17.63% (before fees).

Over the quarter, the largest contribution came from international shares (3.99%), followed by domestic fixed interest (-0.01%), international fixed interest (-0.11%), and domestic shares (-0.28%).

For the 12-month period, all asset classes have been positive is international shares (+24.89%), domestic shares (+12.46%), domestic fixed interest (+2.78%), and international fixed interest (+1.34%).

Key Quarterly Contributors:

- Vanguard US Total Market Shares Index ETF AUD (2.76%)
- Vanguard MSCI International Small Cos Index ETF (0.53%)
- Vanguard MSCI Index International Shs (Hedged) ETF (0.36%)

Key Quarterly Detractors:

- BetaShares Australia 200 ETF (-0.28%)
- Vanguard Global Aggregate Bond Index (Hedged) ETF (-0.11%)
- iShares Australian Bond Index Fund (-0.01%)

AAN Sustainable Growth - AC0006

As at 31 Dec 2024

The Model

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

Notable Investments

AXA Sustainable Equity Strategy:

- The Fund gained value in November but underperformed its benchmark. Positive contributions came from underweight positions in materials and stock selection in consumer discretionary, including an overweight in Home Depot and the absence of PDD Holdings and Toyota. Strong performers in the industrial sector, such as Trane Technologies and Copart, also added value. However, underexposure to US banks, which performed strongly, and weak stock selection in Information Technology, particularly not holding high-beta names like Palantir and Shopify while being overweight in TSMC, weighed on performance.

Perpetual ESG Real Return Fund:

- In November, global markets were driven by divergent economic conditions and policy shifts. U.S. equities surged (+5.9%) following the presidential election, with expectations of pro-growth policies, resilient employment, and robust corporate earnings fuelling optimism. However, valuations remain elevated, limiting upside potential. European markets were mixed, as German equities rallied while French stocks declined due to sovereign debt concerns. Asian markets, including China, struggled with the prospect of U.S. tariffs and a strong U.S. dollar, while the Australian economy grappled with inflation and stagnant GDP growth despite record equity market highs. Across regions, the challenging macroeconomic backdrop, including rising fiscal deficits and mixed monetary policy signals, underscored the need for caution.
- In terms of positioning, the Perpetual ESG Real Return Fund maintains a cautious approach, focusing on quality companies with low valuations and attractive dividend yields. To mitigate downside risks, the fund incorporates protective strategies such as put options on major equity indices and currency hedges against tail risks in China. Fixed income exposure remains concentrated on short-dated U.S. government bonds, benefitting from high yields and potential rate cuts, alongside modest allocations to Australian and emerging market debt.

Performance

The AAN Sustainable Growth model returned 2.97% this quarter (before fees) whilst over 12 months the model returned 16.41% (before fees).

Over the quarter, the largest contribution came from international shares (+2.97%), followed by domestic shares (+0.13%), international fixed interest (-0.00%), domestic listed property (-0.08%).

For the 12-month period, all asset classes have been positive; international shares (+21.95%), followed by domestic shares (+14.65%), domestic listed property (+6.05%), and international fixed interest (+4.71%).

Key Quarterly Contributors:

- BetaShares Global Sustainability Leaders ETF (1.14%)
- AXA IM Sustainable Equity (1.06%)
- Stewart Investors Worldwide All Cap (0.6%)

Key Quarterly Detractors:

- Perpetual ESG Australian Share Fund (-0.14%)
- IDP Education Ltd (-0.06%)
- Seek Ltd (-0.06%)

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. If you want more information on the benchmarks used for each model please visit the AANAM website at www.aanam.com.au.

AAN Index Growth - AC0005

As at 31 Dec 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

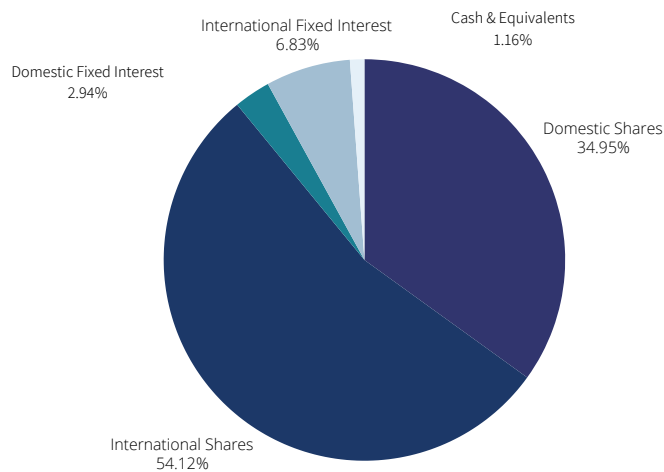
Investment description

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	34.95%
Vanguard US Total Market Shares Index ETF	19.35%
Vanguard MSCI Index International Shares (Hedged) ETF	15.55%
Vanguard All-world ex-US Shares Index ETF	7.75%
Vanguard Global Aggregate Bond Index (Hedged) ETF	6.83%

Top 5 holdings represent 84.43% of total fund

Performance

As at 31 Dec 2024

	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.	5 yrs p.a.	Since inception p.a.
Total Gross Return	-0.71%	3.55%	8.43%	17.63%	7.82%	9.66%	9.88%

Returns over time

RETURNS OVER TIME

As at 31 December 2024



AAN Sustainable Growth - AC0006

As at 31 Dec 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	

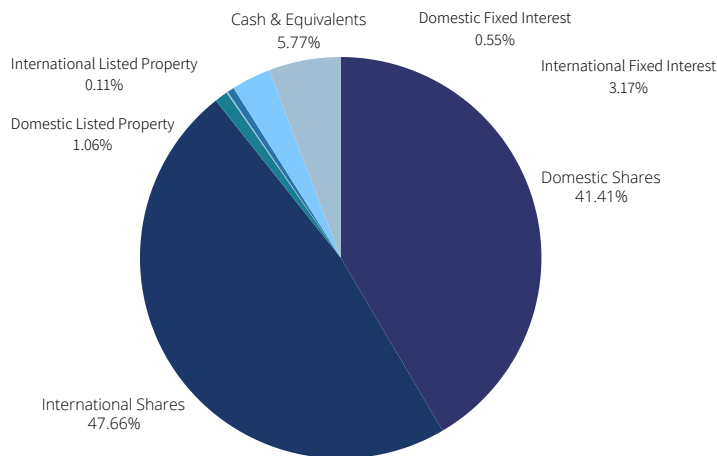
Investment description

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

AXA IM Sustainable Equity	11.50%
BetaShares Global Sustainability Leaders ETF	11.46%
Stewart Investors Worldwide Sustainability	11.23%
iShares Core MSCI World EX Aus ESG (AUD HED) ETF	10.96%
Perpetual ESG Australia Share	10.75%

Top 5 holdings represent 55.90% of total fund

Performance

As at 31 Dec 2024

	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.	5 yrs p.a.	Since inception p.a.
Total Gross Return	-1.16%	2.96%	7.64%	16.41%	5.46%	N/A	8.74%

Returns over time

