

Quarterly Investment Update

Contents

- Investor letter & update
- AAN Core Model
- AAN Growth Model
- AAN Australian Model
- AAN Index Core Model
- AAN Index Growth Model
- AAN Sustainable Growth Model

June 2022

AAN Asset Management Pty Ltd

Investor Letter

Dear Investor,

The first half of 2022 was characterised by the harsh reality of elevated inflation and the combative stance taken by central banks around the globe. Already elevated inflation indicators moved higher, causing central banks to hike interest rates further than markets expected. Slower economic growth and recession fears are now front of mind.

All asset classes except cash saw significant falls over the three-month period. Year-to-date returns for some markets were the worst seen in recent times. For example, the S&P 500 had its worst half year since 1970.

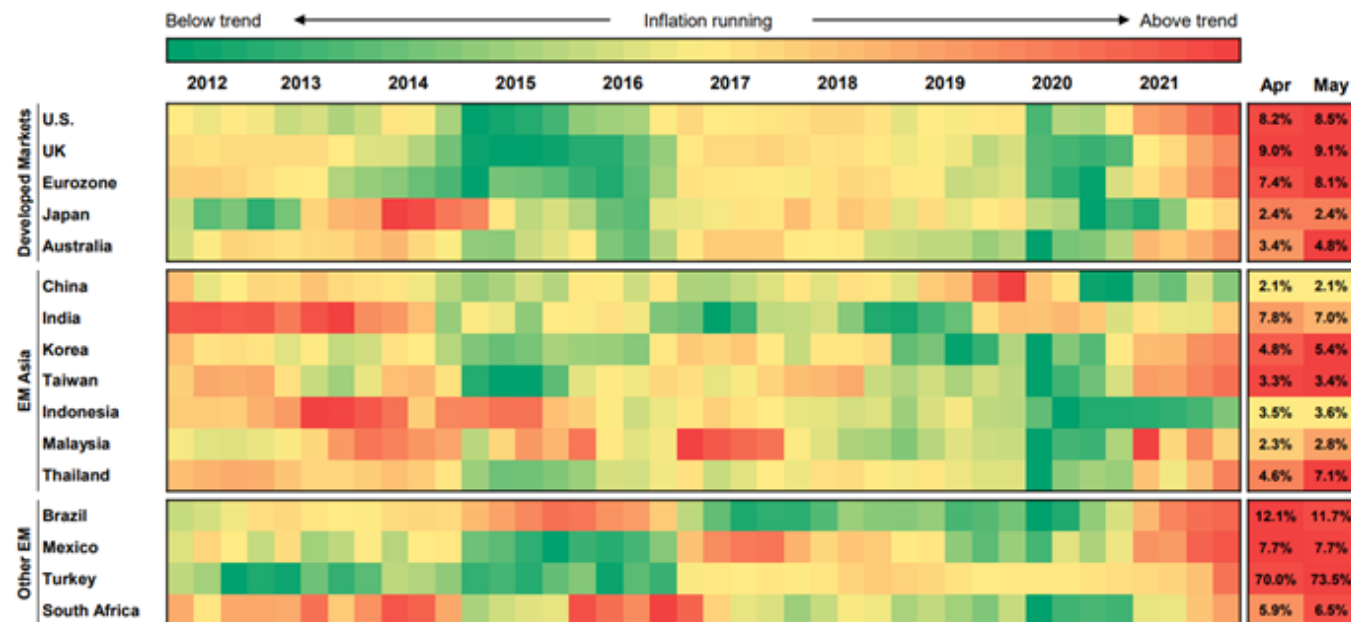
Changes to the AAN Core and AAN Growth models were actioned this quarter. The exposure to the Hyperion High Conviction Large Cap strategy was exited completely; further allocations were made to the Blackrock Index Top 20 Model following the investment in the March quarter. Post 30 June the Lazard Global Franchise Fund was added to the models. Within AAN Growth, the June quarter was the first full quarter following a 10% allocation to Perpetual Diversified Real Return (DRRF) and 10% to AAN Index Growth (which replaced a 20% allocation to AAN Index Core).

The Perpetual ESG Diversified Real Return Fund was added to the AAN Sustainable Growth model during the quarter, replacing the allocations to the Australian Ethical Fixed Interest and the Vanguard Ethically Conscious Global Agg Bond Fund.

A least regret policy was taken by central banks over the quarter. Hawkish mindsets were seen across major central banks, resulting in larger than expected increases to key cash rates amidst inflation rates not seen this high in decades, see Figure 1. The speed of central bank liquidity withdrawals is increasing. Inflation indicators are even more important at present, with central banks ready to tame inflation at the expense of economic growth, queue stagflation and recession concerns.

Figure 1: Global Inflation Heatmap

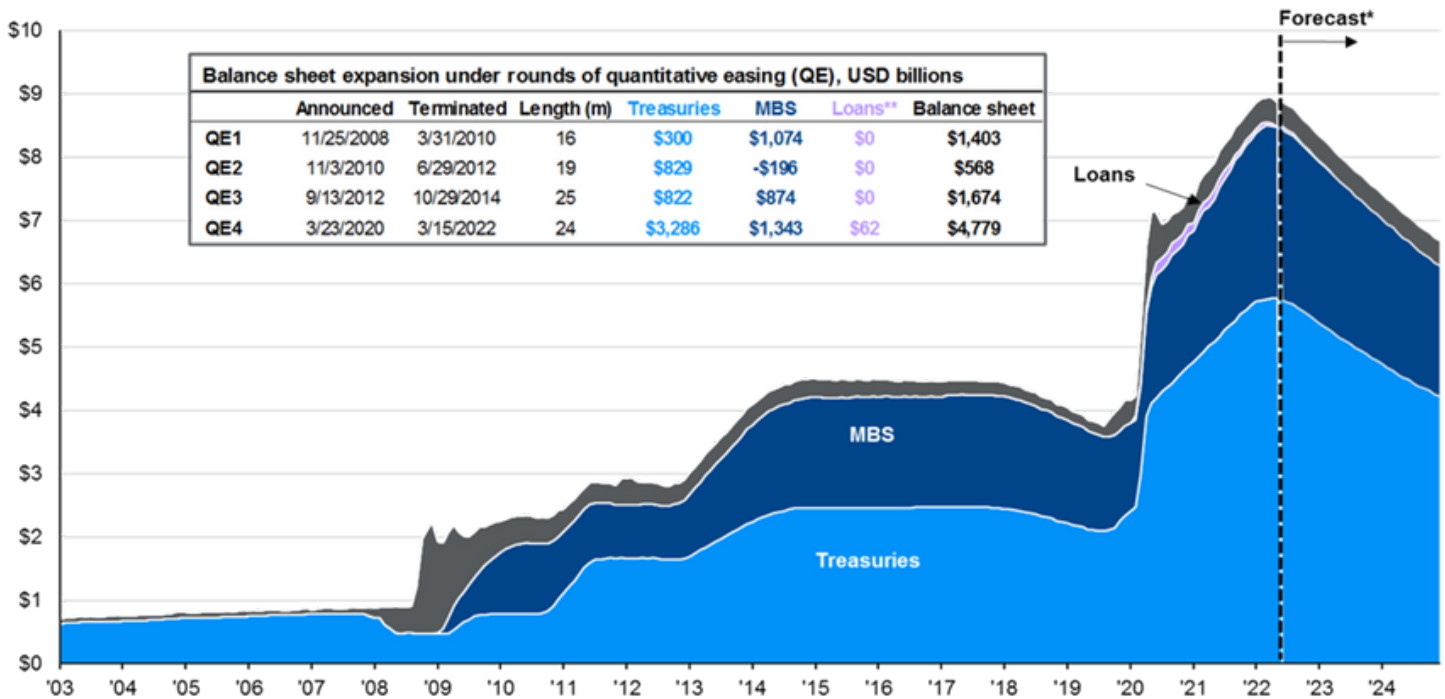
Headline consumer prices
Year-over-year, quarterly



Source: Department of Statistics Malaysia, DGBAS, Eurostat, FactSet, Goskomstat of Russia, IBGE, India Ministry of Statistics & Programme Implementation, INEGI, J.P. Morgan Economic Research, Korean National Statistical Office, Melbourne Institute, Ministry of Commerce Thailand, Ministry of Internal Affairs & Communications Japan, National Bureau of Statistics China, Office for National Statistics UK, Statistics Indonesia, Statistics Institute Turkey, Statistics South Africa, U.S. Department of Labor, J.P. Morgan Asset Management. Quarterly averages, with the exception of the two most recent figures, which are single month readings, are shown. Colours are based on z-score of year-over-year inflation rate relative to each country's own 10-year history where red (green) indicates inflation above (below) long-run trend. EM represents emerging markets. Guide to the Markets – Australia. Data as of 30 June 2022.

In mid-June the Federal Open Market Committee (FOMC) increased the target range for the Federal Funds rate by 75bp to a 1.5% - 1.75% range. Further, quantitative tightening started during the quarter, with a total of US\$47.5bn assets removed from the balance sheet. This was made up of US\$30bn Treasuries and US\$17.5bn mortgage-backed securities (MBS). To give some context, Figure 2 below shows the progress and magnitude of quantitative easing since 2003.

Figure 2: US Federal Reserve QE and QT



On the other side of the Atlantic, the European Central Bank ended net asset purchases under various programs at the end of the quarter. The asset purchase programmes had been in place since October 2014. Cumulatively, the stock of bonds stood at over €3.4tn by the end of June 2022. President of the ECB, Christine Lagarde, also indicated they will raise policy rates for the first time in 11 years in July. Lagarde cited wage inflation and lingering global supply chain disruptions as headwinds to lower inflation. The outlook for energy and commodities is uncertain due to the ongoing Russia-Ukraine war. Inflation could persist for longer than expected.

A theme within supply chains has been a move to focus on 'surety' given Russia-Ukraine war, rather than the most efficient, low-cost solution which has been one of the drivers of globalisation. The theme could be characterised as a move from 'just-in-time' to 'just-in-case'. Geopolitics suggests the world is shifting back to geographic blocs.

Given the various sanctions against Russia, an interesting geopolitical perspective within this is the validity of US Treasuries being used as reserve currency holdings by different sovereign states. If the US is placing sanctions on Russian holdings of US Treasuries, then what does it mean for other Eastern countries holding US Treasuries? The Treasuries aren't as 'risk-free' as they used to be.

Figure 3: AUD/USD exchange rate



In Australia, the RBA increased the cash rate by another 50bps to 1.35%. This was above market expectations. Guidance was provided indicating further hikes, "size and timing of future interest rate increases will be guided by the incoming data and the Board's assessment of the outlook for inflation and the labour market".

The AUD/USD depreciated from 74.9c at the end of Q1 2022 to 69c by the end of June 2022, see Figure 3. The move below 70c was a 10% move from the long-term average, meaning the Investment Committee officially moved to active monitoring of the currency. A move down to 64c would trigger the IC to consider increasing hedging.

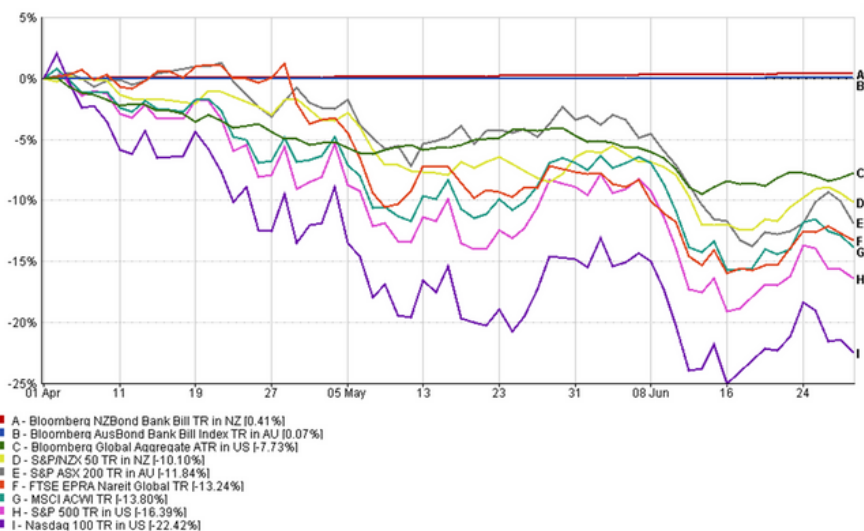
A major risk to keep front of mind is a potential central bank error. Does monetary policy have the same impact on supply-driven inflation versus demand-driven inflation? Empirical evidence suggests monetary policy is more effective at taming demand-driven inflation. Central banks must understand the make-up of inflation. For example, how much is derived from excess demand, and how much is derived from supply chain disruptions?

Central banks won't have the safety of Quantitative Easing (QE) this time around. The ability of central banks to support lower rates with QE is less likely because of the extraordinary amounts of existing debt. Future growth will be harder to attain because, by definition, borrowing means that consumption is brought forward in time. Credit worthiness should be a focus as interest rates rise.

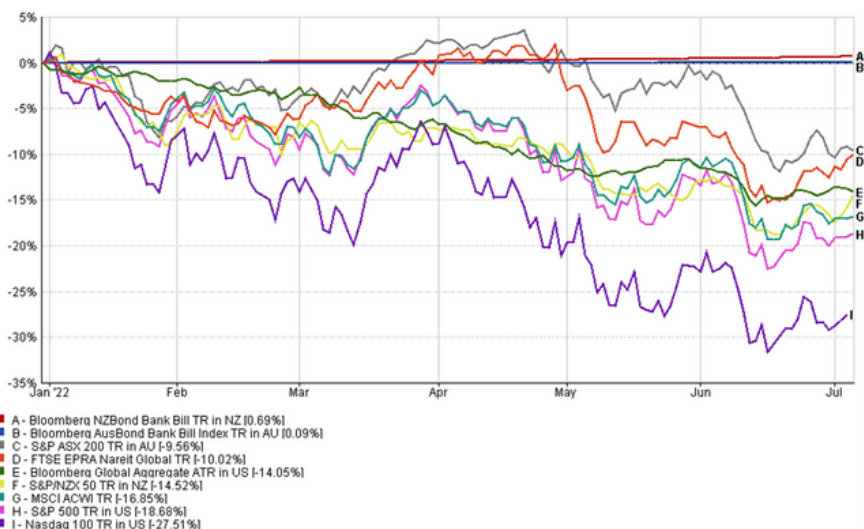
Central banks effectively distorted true price discovery with QE. Investors in fixed interest should evaluate the return 'of' capital, not just the return 'on' capital.

It was difficult to avoid falls in major investment markets through the June quarter. All asset classes except cash saw significant falls over the three-month period, see Figure 4. Combined with the falls in markets in the March quarter, year-to-date returns for some markets were the worst seen in recent times. The S&P 500 had its worst half year since 1970. The Bloomberg Global Aggregate bond index had its worst decline ever (-14%), the next worst decline was back in 1999 when the index was down ~6%. Commodity prices were lower towards the end of the quarter, flowing through to resource stocks, and thus pulling the ASX 200 return downward in June.

Figure 4: Major Indices - June Quarter Returns and YTD Returns



01/04/2022 - 30/06/2022 Data from FE fundinfo 2022



31/12/2021 - 06/07/2022 Data from FE fundinfo 2022

Bad news in the past has been good news for markets, as it meant that central banks would force interest rates low, which was good for asset prices. This time though, inflation has bolted, central banks can't employ QE and push interest rates lower thus supporting asset prices (China being an exception at present). Can inflation be reined in without jeopardising economic growth?

The key question looking forward is, how long will it take before elevated levels of inflation come back down to generally accepted levels which are closer to central bank targets? Continued pressure on higher interest rates from rising food and energy costs will chip away at consumer confidence. Purchasing manager indices and business confidence surveys are pointing to the downside risks. There is unlikely to be much let up in policy tightening for the rest of 2022, central banks are front loading interest rate hikes. Long bond yields haven't stabilised, but once they do this will allow for equity valuation support. Company margins and earnings will be challenged. Keep an eye on earnings downgrades.

Regards,
AAN Investment Committee

Economic Summary

6th July 2022

Unemployment rate

3.9% in May 2022, same as April but down from 4.2% in January 2022.

4%

S&P500 & ASX200

S&P500 returned -16.4% whilst the ASX200 returned -5.8% for the quarter.



Australian dollar

AUD/USD 69c, down from 74.9c at the end of Q1 2022.



Iron Ore price

Iron Ore \$122 USD/T -20% for the quarter.



Australian bonds

Australian bond yields increased by 0.9% to reach 3.69% by quarter end.

3.69%

Gold price

Gold \$2,618AUD/oz +1.1% for the quarter.



Model performance

Over the last three to six months the Index Core and Index Growth outperformed active managers, albeit each model posted a negative return.



Oil price

Brent crude \$109 USD/bbl +7% for the quarter. West Texas Intermediate (WTI) crude \$105 USD/bbl +7% for the quarter.



Volatility Index

VIX ranged between 19 and 35 over the quarter.



Inflation measures

US annual inflation up from 8.3% to 8.6% to May; Australian annual inflation up 3.5% to 5.1% to March 2022.



US 10Y, 10Y/2Y

US 10Y Treasury reached 2.97% by quarter-end, with the US10Y/2Y spread at 0.05%.



AAN CORE - AC0001

As at 30 June 2022

Investment Manager	AAN Asset Management Pty Ltd
Model Code	AC0001
Investment Fee	0.48% p.a.
Performance Fee	Nil
Minimum Initial Investment	No fixed minimum
Commencement	05 Feb 2016
ICR	0.45% p.a.
Indicative No. of Holdings	Unlimited

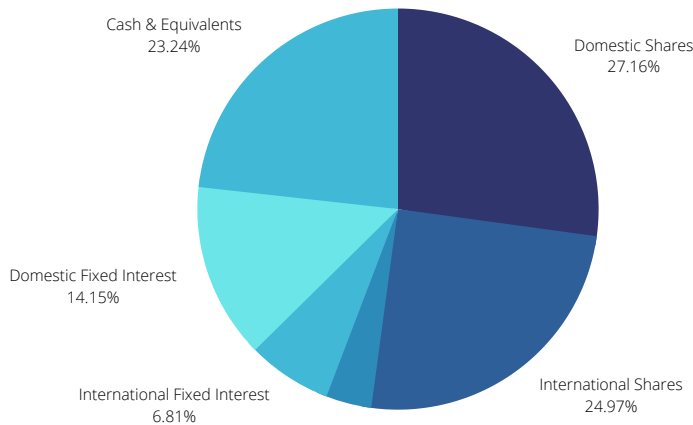
Investment description

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	21.77%
Vaneck MSCI International Quality ETF	8.62%
Franklin Global Growth W	8.12%
Vaneck Australian Equal Weight ETF	7.37%
Ardea Real Outcome Fund	7.17%

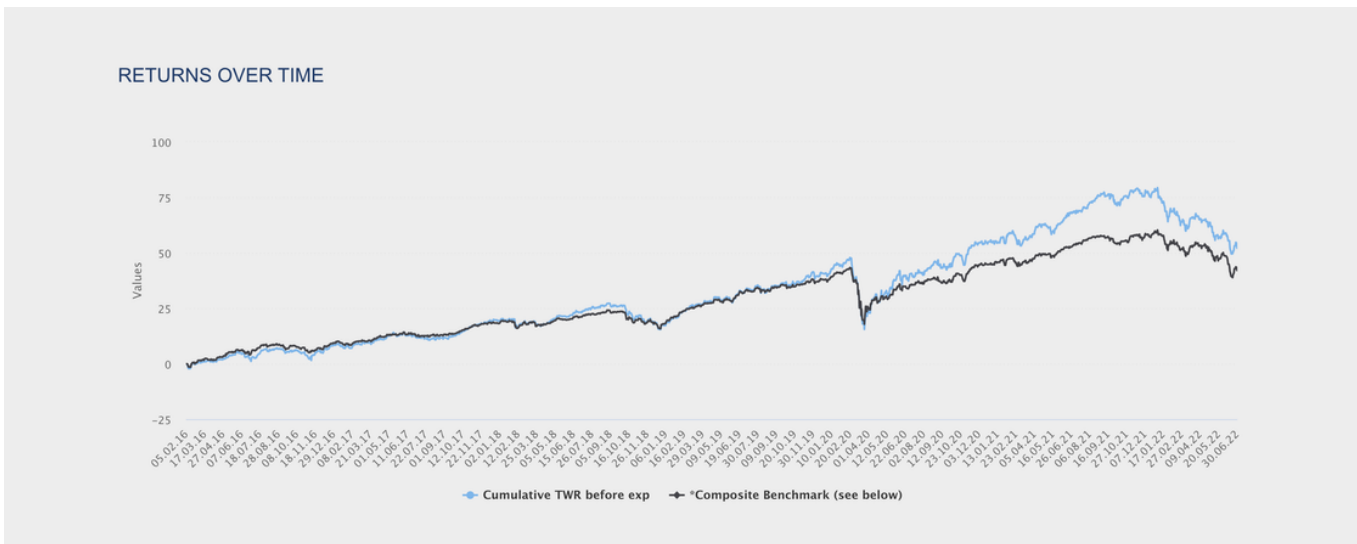
Top 5 holdings represent 53.05% of total fund

Performance

As at 30 June 2022

	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.	5 yrs p.a.	Since inception p.a.
Total Gross Return	-4.42%	-9.00%	-14.54%	-9.71%	4.88%	6.35%	6.77%

Returns over time



As at 30 June 2022

The Model

The exposure to the Hyperion High Conviction Large Cap strategy was exited completely; further allocations were made to the Blackrock Index Top 20 Model following the investment in the March quarter. Post 30 June the Lazard Global Franchise Fund was added to the model.

Notable Investments

Domestic Shares (Bennelong)

No new stocks were added or exited other than Woodside Energy.

- WDS (Woodside Energy) fully sold out. A relatively small exposure to Woodside came via the merger of BHP's oil and gas portfolio with Woodside Energy Group Limited (Woodside) via the completion of an all-stock merger.
- Domino's (DMP) position reduced. Input cost inflation are likely to impact margins/earnings, along with persistent demand challenges in Japan pose some risk to the earnings outlook.
- Car Sales (CAR) added to the position in late May. The business is expanding seeing growth opportunities and it has both a dominant market position and pricing power. It is arguably in a stronger position today than was the case three odd years ago, due to the strength of dealer relationships in Australia. They can (and do) now sell to dealerships and make more on this than they do in a similar customer/individual buyer transaction. The US market continues to provide a good opportunity of growth, more so in the non-auto part of the market – RV power sports / trucks and equipment, where they are a leader. This segment of the US market is less sophisticated than in Australia, thus CAR are well positioned for their service and systems to add good value and to respectively grow revenues and market share. This is not new for the business, it was similarly done a few years ago in South Korea, successfully.

Perpetual Diversified Real Return Fund

The Fund's performance was resilient in the context of another strongly negative quarter for equity and fixed income markets. The elevated cash allocation, together with defensive strategies in equity and currency markets and long held bias towards value sectors and securities continued to mitigate the impact of falling equities, widening credit spreads and rising bond yields. The Fund's equity allocation was the most significant detractor from return as major developed equity markets fell across the board. Stock selection within Australian and global equities was positive, offsetting a portion of the negative market return. The Fund's bias towards value and quality was rewarded as long-term bond yields rose and growth sectors and securities fell sharply. The Fund's S&P 500 put options were also significant contributors as the US underperformed all major equity markets. The Fund's allocation to Australian listed property detracted from performance as the Real Estate Investment Trust sector fell sharply over the quarter. Foreign currency returns were strongly positive over the quarter as the US dollar (USD) appreciated against peers. A call option on the USD vs the Chinese Yuan (CNH) also contributed significantly to performance.

Performance

The AAN Core model returned -9.00% (before expenses) this quarter, bringing the rolling 12 month total to -9.71%.

Only domestic fixed interest made a positive return over the quarter. The main detractions in terms of dollars were domestic and international shares given these assets make up over half the portfolio. Domestic listed property was the worst performing asset class, but only makes up ~4% of the portfolio. International fixed interest and cash/cash equivalents performed slightly negatively given the increase in yields over the quarter.

Key Contributors:

- Commercial & professional service domestic shares +9.8%
- Transportation domestic shares +8.5%
- Domestic fixed interest +0.6%

Key Detractors:

- Bank domestic shares -21.7%
- Software & services domestic shares -20.6%
- International shares -12.9%

AAN GROWTH - AC0002

As at 30 June 2022

Investment Manager	AAN Asset Management Pty Ltd
Model Code	AC0002
Investment Fee	0.52% p.a.
Performance Fee	Nil
Minimum Initial Investment	No fixed minimum
Commencement	02 Sept 2016
ICR	0.29% p.a.
Indicative No. of Holdings	Unlimited

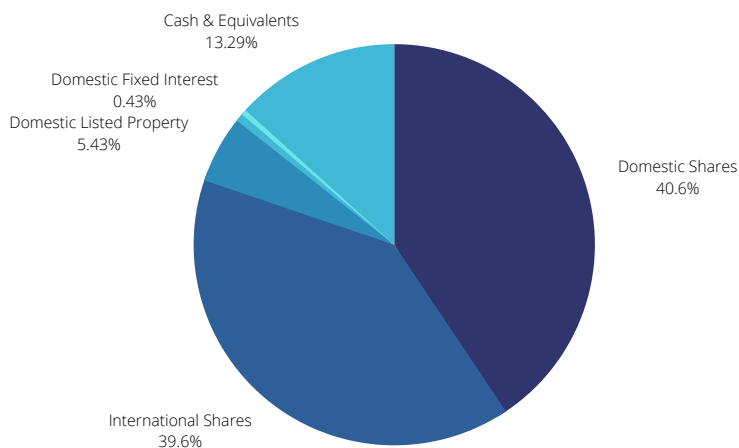
Investment description

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

Vaneck MSCI International Quality ETF	11.49%
Perpetual Diversified Real Return W	11.41%
Franklin Global Growth W	11.11%
Vaneck Australia Equal Weight ETF	10.00%
Vanguard MSCI Index International Shared (Hedged) ETF	9.85%

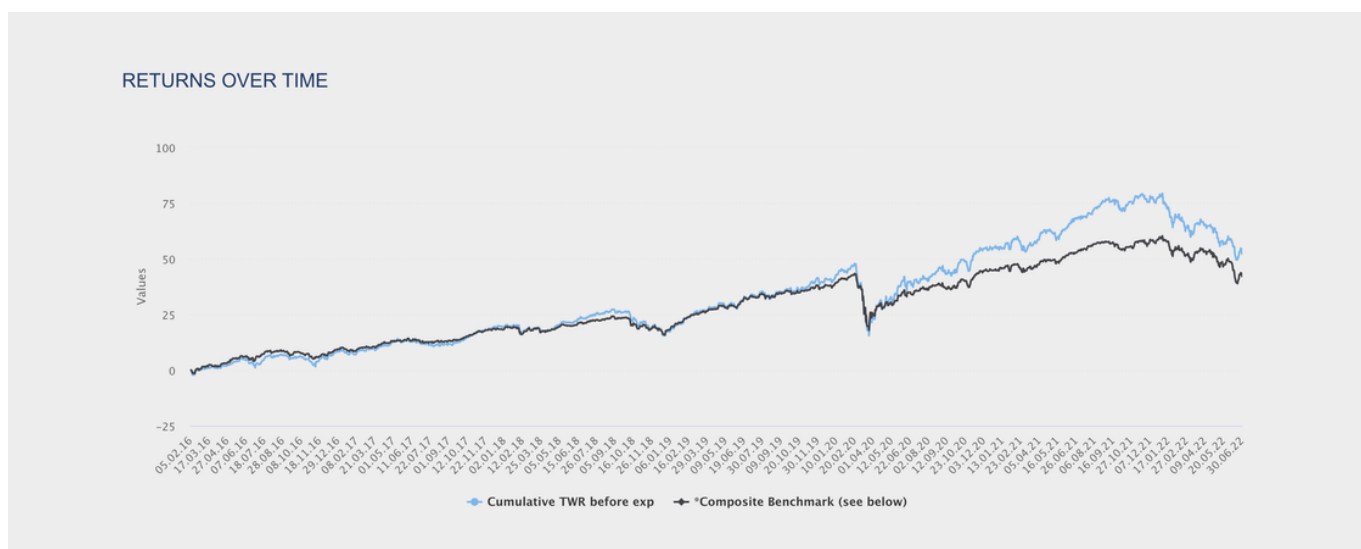
Top 5 holdings represent 53.86% of total fund

Performance

As at 30 June 2022

	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.	5 yrs p.a.	Since inception p.a.
Total Gross Return	-6.24%	-12.65%	-19.80%	-13.38%	5.55%	7.43%	7.34%

Returns over time



As at 30 June 2022

The Model

The exposure to the Hyperion High Conviction Large Cap strategy was exited completely; further allocations were made to the Blackrock Index Top 20 Model following the investment in the March quarter. The June quarter was the first full quarter following a 10% allocation to Perpetual DRRF and 10% to AAN Index Growth (which replaced a 20% allocation to AAN Index Core). Post 30 June the Lazard Global Franchise Fund was added to the model.

Notable Investments

Domestic Shares (Bennelong)

No new stocks were added or exited other than Woodside Energy.

- BHP position reduced in late May. In the mining and materials sector, holding BHP essentially gives exposure to nearly everything in this space. Think of it as an ETF on resources, gaining exposure to coal, iron ore, nickel, gas and copper. Bennelong only favour low cost producers within the resources sector who can withstand sharp price changes (ie. lower commodity prices and still maintain profitability) and BHP fits this category. Due to the lack of quality producers outside of the large cap names, Bennelong don't hold any other names in this space.
- ARB added to the holding across May and June. Conviction in the company remains sound, Bennelong took advantage of significant price weakness. ARB had earnings upgrades this year and they are incredibly well valued for their growth ahead. The company has been sold off due to a period of market rotation and broader sell off in higher price-earnings ratio (P/E) stocks – and not on the underlying fundamentals of their business.
- The Consumer Discretionary sector. An overweight continues to be held to the Consumer Discretionary sector. This, however, is not a top down or specific thematic related call – it is the outcome of building a portfolio of bottom-up stocks that reflect the company characteristics Bennelong seek. It is a far from generic sector. The companies categorised to this sector are very different in their nature and in also very different in terms of the products they offer and the sectors in which they operate and compete. Categorised within this sector are companies including IDP Education, Breville, Aristocrat, Corporate Travel and ARB Corp.

Perpetual Diversified Real Return Fund

The Fund's performance was resilient in the context of another strongly negative quarter for equity and fixed income markets. The elevated cash allocation, together with defensive strategies in equity and currency markets and long held bias towards value sectors and securities continued to mitigate the impact of falling equities, widening credit spreads and rising bond yields. The Fund's equity allocation was the most significant detractor from return as major developed equity markets fell across the board. Stock selection within Australian and global equities was positive, offsetting a portion of the negative market return. The Fund's bias towards value and quality was rewarded as long-term bond yields rose and growth sectors and securities fell sharply. The Fund's S&P 500 put options were also significant contributors as the US underperformed all major equity markets. The Fund's allocation to Australian listed property detracted from performance as the Real Estate Investment Trust sector fell sharply over the quarter. Foreign currency returns were strongly positive over the quarter as the US dollar (USD) appreciated against peers. A call option on the USD vs the Chinese Yuan (CNH) also contributed significantly to performance.

Performance

The AAN Growth model returned -12.65% (before expenses) for the quarter, bringing the rolling 12 month return to -13.38%.

Each asset class detracted from performance over the quarter. Exposure to a few sectors within the domestic share allocation provided some relief (commercial & professional services, transportation, and pharmaceutical, biotech & life sciences). The main detractors were from international shares, domestic listed property, banks, materials and software & services. Materials shares provided a strong income component which added value.

Key Contributors:

- Commercial & professional services domestic shares +9.8%
- Transportation domestic shares +8.5%
- Pharmaceutical, biotech & life sciences domestic shares +0.4%

Key Detractors:

- International shares -12.7%
- Domestic listed property -17.8%
- Bank domestic shares -21.7%

AAN Australian - AC0003

As at 30 June 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	0.1% p.a.
Indicative No. of Holdings	Unlimited

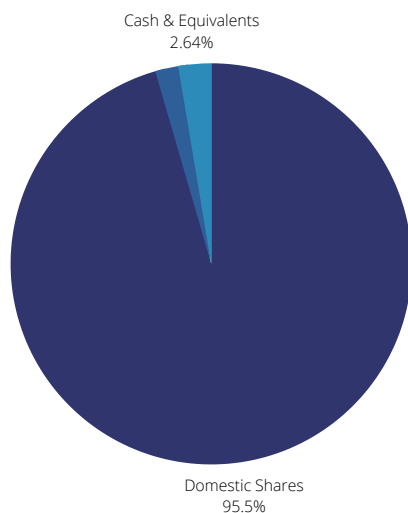
Investment description

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	25.91%
BHP Group Limited FPO	10.31%
CSL Limited FPO	8.94%
Commonwealth Bank of Australia FPO	6.55%
National Australia Bank Limited FPO	3.53%

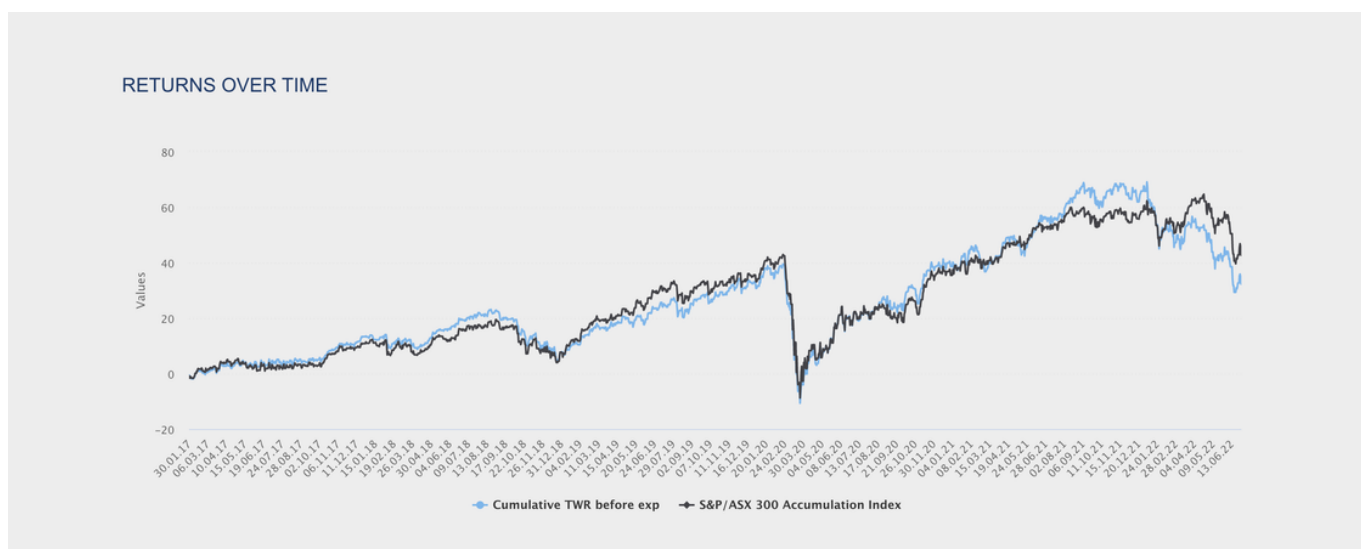
Top 5 holdings represent 55.24% of total fund

Performance

As at 30 June 2022

	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.	5 yrs p.a.	Since inception p.a.
Total Gross Return	-7.83%	-15.05%	-20.18%	-15.26%	2.46%	4.95%	5.30%

Returns over time



AAN Australian - AC0003

As at 30 June 2022

The Model

There were no material changes to the portfolio this quarter other than some minor rebalancing across holdings.

Notable Investments

The model invests in low cost Australian Index ETFs as well as high conviction fund managers. The Vaneck Vectors Australian Equal weight ETF (MVW) (26%) is the largest direct holding. BHP (10.3%) and CSL (8.9%) are the next largest holdings.

Within the portfolio's total return during the quarter, capital returns were approximately -16.6%, but the income return provided some relief with approximately 1.7% across the portfolio. The majority of this was from the 16% allocation to materials, which provided an income return of 9.5%. Other notable sectors contributing to the income return were transportation (1.8%), banks (2%), automobiles & components (1.4%), and diversified financials (1.4%).

Within the Bennelong managed fund, an overweight continues to be held to the Consumer Discretionary sector. This, however, is not a top down or specific thematic related call – it is the outcome of building a portfolio of bottom-up stocks that reflect the company characteristics Bennelong seek. It is a far from generic sector. The companies categorised to this sector are very different in their nature and also very different in terms of the products they offer and the sectors in which they operate and compete. Categorised within this sector are companies including IDP Education (1.6% of model portfolio), Breville (1.2%), Aristocrat (2.9%), Corporate Travel (0.8%) and ARB Corp (1.3%).

Performance

The model returned -15.05% (before fees) for the quarter and -15.26% for the 12 month period.

Exposure to a few sectors within the domestic share allocation provided some relief (commercial & professional services, transportation, and pharmaceutical, biotech & life sciences). The main detractors were from banks, materials and software & services. Materials shares provided a strong income component which added value.

Key Contributors:

- Commercial & professional services domestic shares +9.8%
- Transportation domestic shares +8.5%
- Pharmaceutical, biotech & life sciences domestic shares +0.4%

Key Detractors:

- Bank domestic shares -21.7%
- Materials domestic shares -13.3%
- Software & services domestic shares -20.6%

AAN Index Core - AC0004

As at 30 June 2022

Investment Manager	AAN Asset Management Pty Ltd
Model Code	AC0004
Investment Fee	0.3% 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

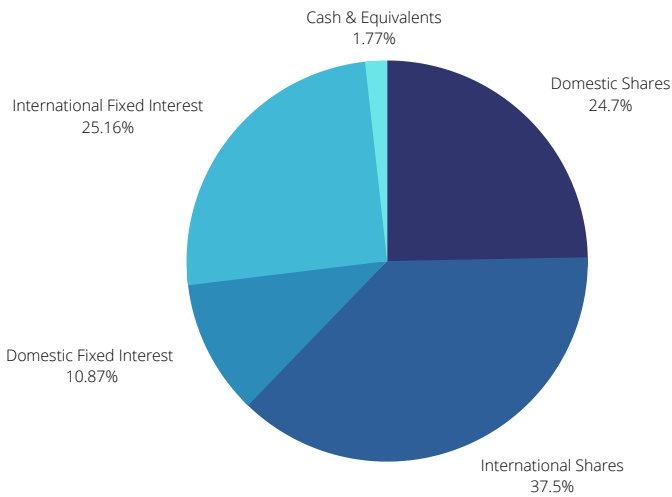
Investment description

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	24.70%
Vanguard International Fixed Interest Index (Hedged) ETF	16.48%
Vanguard US Total Market Shared Index ETFF	12.54%
Ishares Australian Bond Index	10.87%
Vanquard MSCI Index International Shares (Hedged) ETF	9.26%

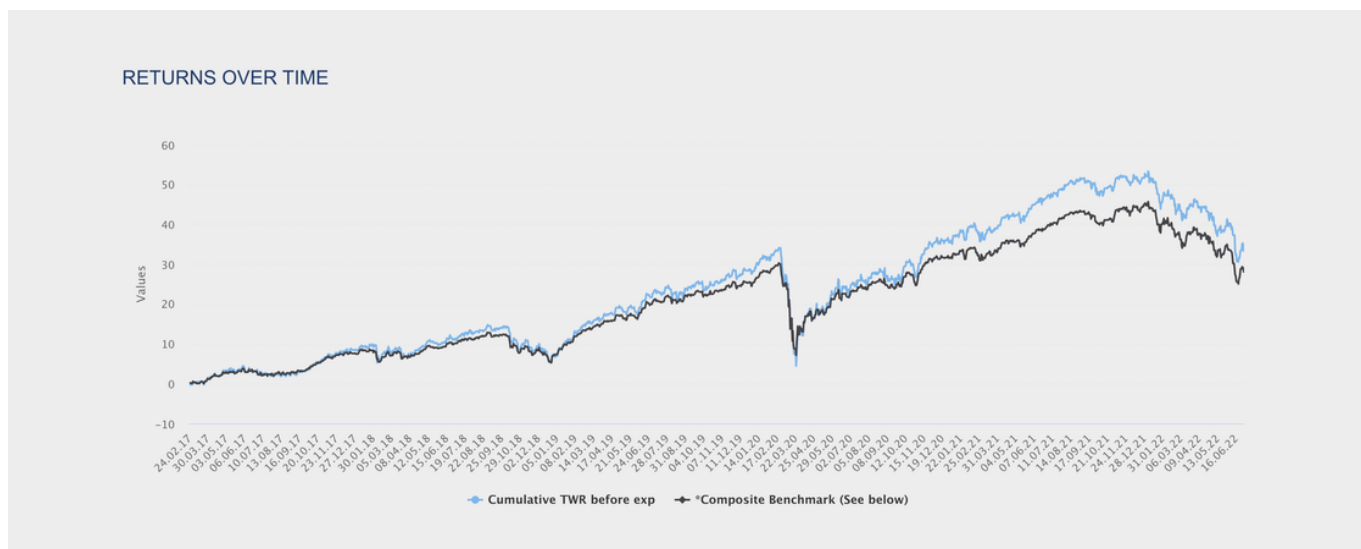
Top 5 holdings represent 73.85% of total fund

Performance

As at 30 June 2022

	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.	5 yrs p.a.	Since inception p.a.
Total Gross Return	-5.18%	-8.87%	-12.32%	-9.20%	3.09%	5.43%	5.52%

Returns over time



AAN Index Core - AC0004

As at 30 June 2022

The Model

There were no material changes to the portfolio this quarter other than some minor rebalancing across holdings.

Notable Investments

Each asset class detracted from performance over the quarter.

The model invests in a series of low cost ETFs with Betashares Australia 200 ETF representing the largest holding of 25%. Vanguard International Fixed Interest (Hedged) ETF is the next largest holding at 16.5%, followed by Vanguard US Total Market Shares ETF at 12.5%.

Performance

The AAN Index Core model returned -8.87% (before expenses) over the quarter which brought the rolling 12 month period return to -9.20%.

Each asset class detracted from performance over the quarter. The key driver of this negative performance was the allocation to international shares (-10.9%), and domestic shares (-11.7%). Domestic fixed interest fared the best with a return of -3.9% through the iShares Australian Bond Index, followed by international fixed interest (-5.3%) via Vanguard's International Credit Securities Index and International Fixed Interest Index. Fixed interest makes up approximately 36% of the portfolio.

AAN Index Growth - AC0005

As at 30 June 2022

Investment Manager	AAN Asset Management Pty Ltd
Model Code	AC0005
Investment Fee	0.3% 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

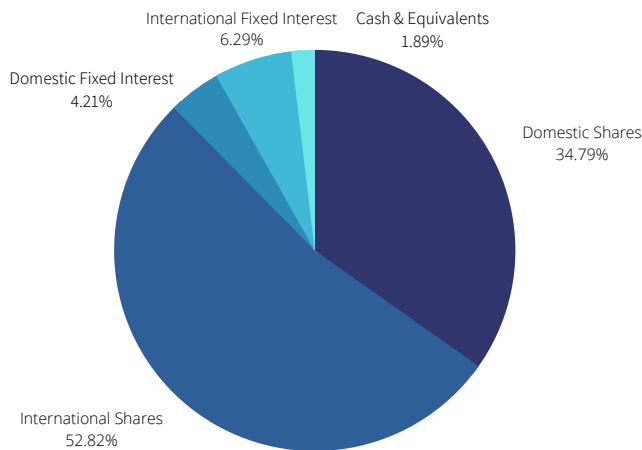
Investment description

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	34.79%
Vanguard US Total Market Shares Index ETF	16.75%
Vanguard MSCI Index International Shares (HEDGED) ETF	15.00%
Vanguard All-world EX-US Shares Index ETF	9.40%
Vanguard MSCI International Small Companies Index ETF	6.32%

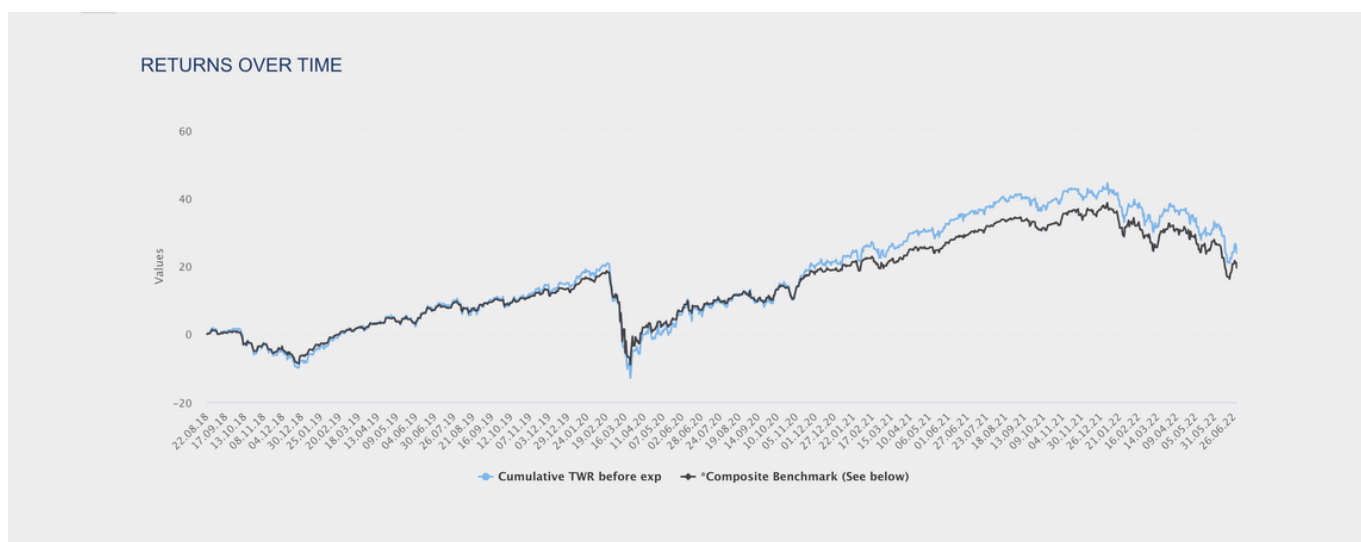
Top 5 holdings represent 82.26% of total fund

Performance

As at 30 June 2022

	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.	5 yrs p.a.	Since inception p.a.
Total Gross Return	-6.43%	-10.51%	-13.17%	-8.76%	4.95%	N/A	5.72%

Returns over time



AAN Index Growth - AC0005

As at 30 June 2022

The Model

There were no material changes to the portfolio this quarter other than some minor rebalancing across holdings.

Notable Investments

Each asset class detracted from performance over the quarter.

The model invests in a series of low cost investments with Betashares Australia 200 ETF representing the largest holding of 35%. Vanguard US Total Market Shares ETF is the next largest exposure at 16.8%, followed by Vanguard MSCI Index Int (hdg) at 15%.

The model has less than 10% invested in Fixed Interest investments via the iShares Australian Bond Index fund (4.2%) and Vanguard International Fixed Interest Index (Hedged) ETF (6.3%). Cash holdings made up 1.7% of the portfolio as at 30 June.

Performance

The AAN Index Growth model returned -10.51% (before expenses) this quarter, bringing the rolling 12 month return to -8.76%.

Each asset class detracted from performance over the quarter. The key driver of this negative performance was the allocation to international shares (-11.1%), and domestic shares (-11.7%). Domestic fixed interest fared the best with a return of -3.9% through the iShares Australian Bond Index, followed by international fixed interest (-4.7%) via Vanguard's International Credit Securities Index and International Fixed Interest Index. Fixed interest makes up approximately 10.5% of the portfolio.

AAN Sustainable Growth - AC0006

As at 30 June 2022

Investment Manager	AAN Asset Management Pty Ltd
Model Code	AC0006
Investment Fee	0.4% p.a.
Performance Fee	Nil
Minimum Initial Investment	No fixed minimum
Commencement	17 Dec 2020
ICR	0.52% p.a.
Indicative No. of Holdings	

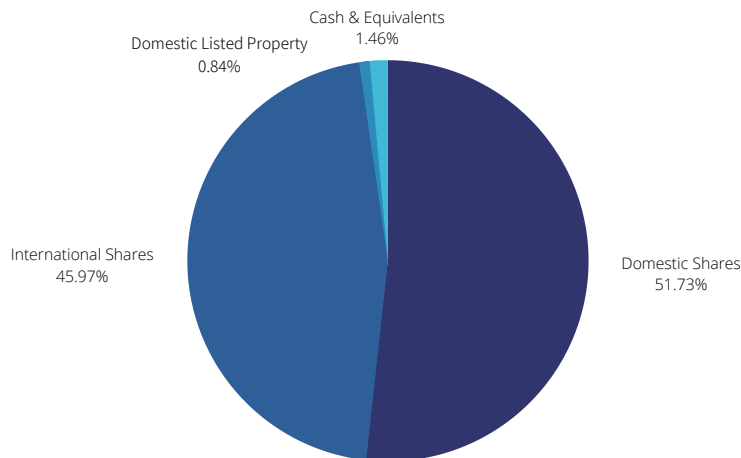
Investment description

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	14.86%
Vanguard Ethically Conscious Internatinal Shares Index ETF	14.69%
Stewart Investors Worldwide Sustnby	14.69%
Betashares Australian Sustainability Leaders ETF	14.67%
Betashares Global Sustainability Leaders ETF	14.57%

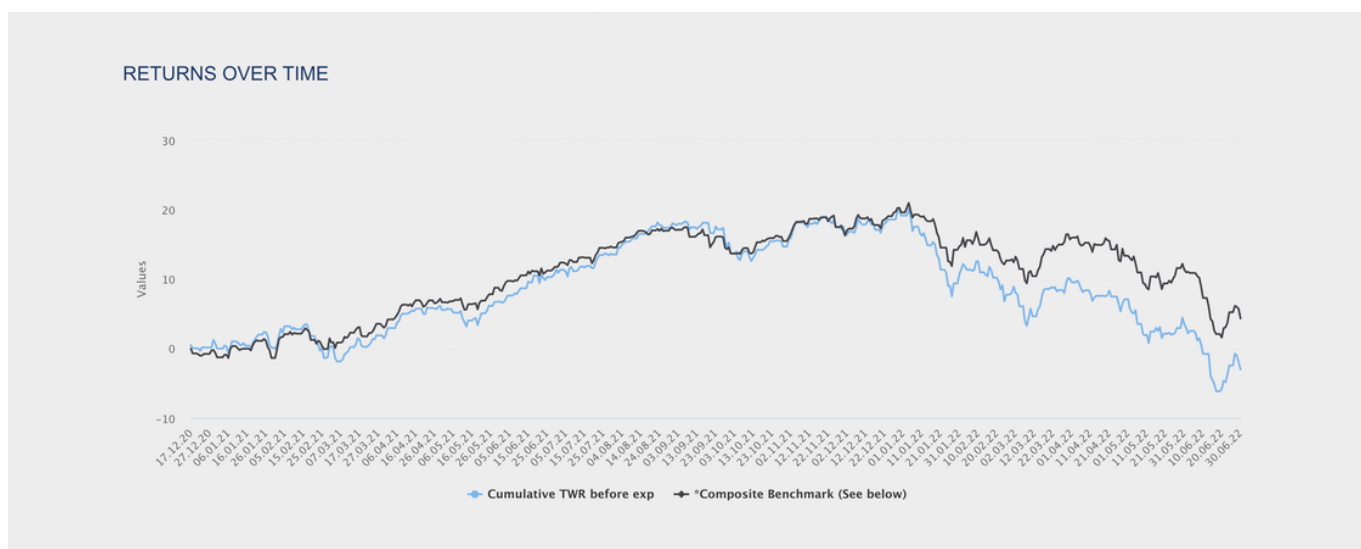
Top 5 holdings represent 73.48% of total fund

Performance

As at 30 June 2022

	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.	5 yrs p.a.	Since inception p.a.
Total Gross Return	-6.26%	-11.83%	-18.56%	-12.88%	N/A	N/A	-1.94%

Returns over time



AAN Sustainable Growth - AC0006

As at 30 June 2022

The Model

The Perpetual ESG Diversified Real Return Fund was added during the quarter (~11% weighting). The Australian Ethical Fixed Interest and the Vanguard Ethically Conscious Global Agg Bond Fund were removed from the model.

Notable Investments

There were no new additions or divestments in the domestic shares portfolio (managed by Australian Ethical) during the quarter. During the quarter Australian Ethical upgraded the weightings in Domain (DHG), Contact Energy (CEN), G8 Education (GEM), EML Payments (EML), Fisher & Paykel Healthcare (FPH), and Pexa Group (PXA), while reducing weightings in Graincorp (GNC), Westpac (WBC), and Cochlear (COH). The Australian Ethical portfolio continues to have significant exposure to key growth thematic in information technology, healthcare, and renewables. These sectors account for almost 40% weighting in the portfolio, compared to ~15% in the ASX 200 index.

GrainCorp (GNC)

GrainCorp was one of the portfolio's top contributors to performance, returning 12% over the June quarter. GNC is the leading bulk grain handling company in Australia, with a network of high quality infrastructure assets utilised to store, handle and connect grain to customers domestically and worldwide. In April the company announced a material upgrade to FY22 earnings guidance in a year that is already proving to be one of its best on record. GNC is experiencing a rare alignment of factors all working in its favour, including favourable planting conditions and bumper crops due to East Coast rains, high global demand for Australian grain and oilseeds (partially driven by the war in Ukraine), and strong margins on its exports. Additionally, the outlook for FY23 looks set to be another strong one as soil conditions remain conducive to another substantial crop. The free cashflow generation gives GNC significant flexibility to pursue additional growth opportunities.

NIB Holdings (NHF)

NIB Holdings was another positive contributor to the portfolio's performance in a challenging period, returning 16% over the quarter. NHF is a leading provider of private health insurance in Australia and New Zealand, while also offering inbound traveller health insurance and travel insurance. NHF provided a positive update at the annual Macquarie Conference in early May, indicating that it expects policyholder growth to be slightly higher in FY23 (3-4%), with strong recovery occurring in international inbound, as well as travel insurance as broader travel markets began to reopen post Covid lockdowns. Net margins are also expected to be higher in the short term (above long-term target of 6-7%) as Covid affected businesses recover.

Perpetual ESG Real Return Fund

The Fund's performance was resilient in the context of another strongly negative quarter for equity and fixed income markets. The elevated cash allocation, together with defensive strategies in equity and currency markets continued to mitigate the impact of falling equities, widening credit spreads and rising bond yields. The Fund's equity allocation was the most significant detractor from return as major developed equity markets fell across the board. This was partially offset by direct portfolio protection positions. The Fund's S&P 500 put options were significant contributors as the US underperformed all major equity markets. The Fund's allocation to Australian listed property detracted from performance as the Real Estate Investment Trust sector fell sharply over the quarter. The Fund's commodity exposures detracted from performance as materials prices fell. Foreign currency returns were strongly positive over the quarter as the US dollar (USD) appreciated against peers. A call option on the USD vs the Chinese Yuan (CNH) also contributed significantly to performance.

Performance

The AAN Sustainable Growth model returned -11.83% this quarter (before expenses) whilst over 12 months the model returned -12.88%. Both international shares and domestic shares made double digit negative returns over the June quarter. Given these asset classes make up over 96% of the portfolio, there was little room to hide in a tumultuous quarter in markets. Overweights to information technology and healthcare detracted from performance within the allocation to domestic shares via Australian Ethical, as did the underweight to the energy sector.

Key Contributors:

- GrainCorp (GNC) +0.1%
- NIB Holdings (NHF) +0.05%

Key Detractors:

- Stewart Investors Worldwide Sustainability Fund -13.2%
- Alphinity Sustainable Share Fund -12.5%
- Betashares Australian Sustainability Leaders -12%

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.