ASSET MANAGEMENT

Quarterly Investment Update

Contents

March 2023

AAN Asset Management Pty Ltd

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Investor Letter

Dear Investor,

Despite uncertainty in markets, stemming from the banking sector, investment returns were positive across most asset classes for the first quarter of 2023.

The major catalyst for volatility over the quarter stemmed from the collapse of Silicon Valley Bank (SVB) and Signature Bank in the US. The risks faced by these banks were known and ultimately came down to the imprudent maturity mismatching of assets and liabilities within a rising interest rate environment.

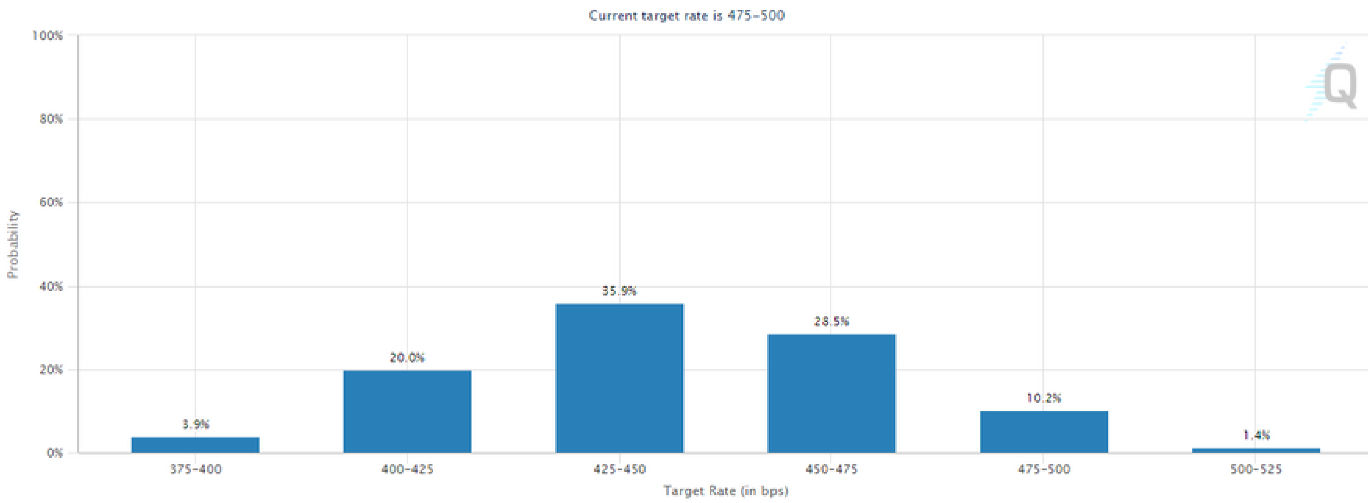
Through periods of financial instability emotion can get the best of investors, causing panic, and accelerating undesirable outcomes. Significant redemptions on term deposits, in a short space of time, meant these banks had to sell debt securities at a significant loss (given rapid increases in interest rates) to satisfy the redemption requests. US bank regulators identified the potential contagion risks to the broader market early and decided to guarantee investors' term deposits stem the potential losses.

Credit Suisse in Europe also ran into strife, though this followed years of scandals, losses, and changes to the management team which caused clients to withdraw billions from the bank. In mid-March UBS bought Credit Suisse for approximately 3 billion CHF (almost US$3.3 billion).

A consequence to the above mentioned issues, is there is now expected to be a greater focus on restoring bank capital ratios, with more acute regulatory oversight, whilst also having to contend with higher funding costs. This will put greater pressure on bank profits, which will likely have a flow on effect through to other sectors, as banks will not be able to facilitate lending as freely, which typically has a slowing effect on economic growth. This is on top of an already tight credit environment.

Adjustments to economic growth and monetary policy forecasts followed as the quarter ended. The Fed ultimately made two hikes of 25 bps during the quarter to reach 4.75%-5.00%. Post quarter-end the market was pricing only an 11.6% chance of the US Fed rate being 4.75%-5.00% or higher (see the far right of Figure 1 below). This was a significant change from only one month earlier, where the market was pricing in a 75.8% chance.

Figure 1: Target Rate Probabilities for 13 December 2023 Fed Meeting, calculated in April



Source: CME FedWatch Tool

The Reserve Bank of Australia (RBA) decided to maintain the cash rate at 3.60% at the April meeting, but there is still a good chance of a 0.25 percentage point (pp) increase in the May meeting. The Governor's guidance softened to indicate a possible further tightening of monetary policy "may well be needed" instead of saying it "will be needed". The RBA paused to assess the impact of the shift in policy stance and will assess the global economy, household spending trends, inflation, and the labour market outlook. Weakness in productivity growth is of concern for the RBA, and they will need to consider recent surging population growth (through larger than normal immigration) and wage growth, in their deliberations. The next Board meeting is in May. The Board is currently expecting inflation to return to the 2-3% target zone by mid-2025, highlighting the current patient approach.

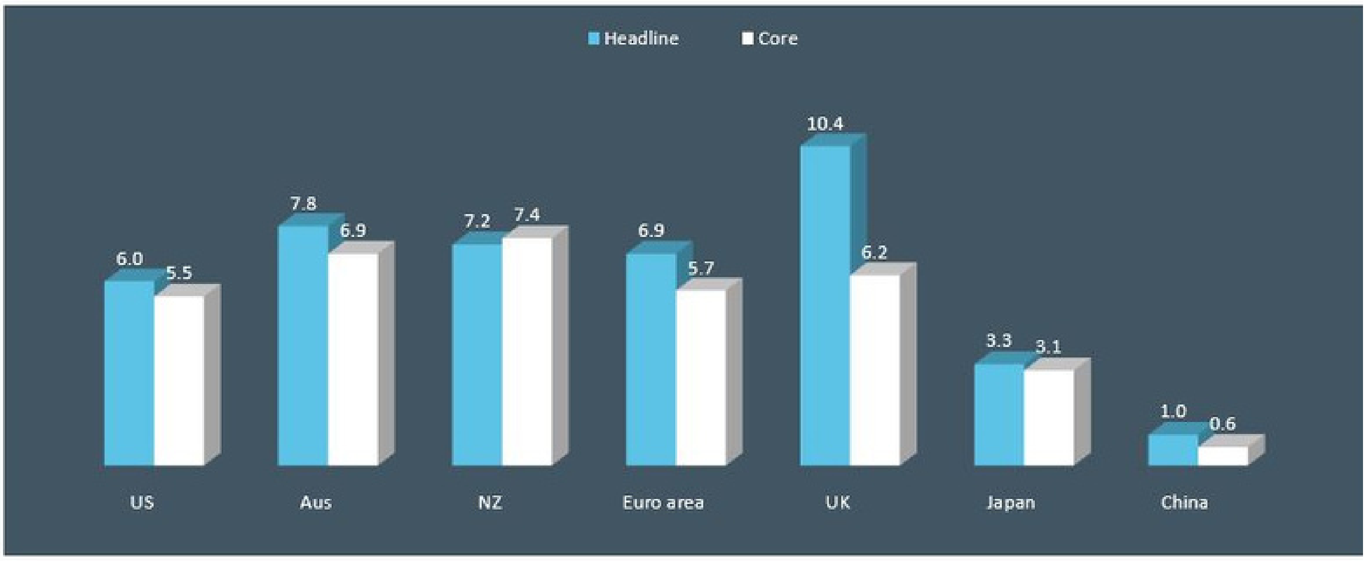
Conversely, across the Tasman the Reserve Bank of New Zealand (RBNZ) raised the cash rate by 0.50pp, which was more than what was anticipated. The RBNZ is taking a firm stance on inflation. Due to persistent high inflation, the RBNZ will likely continue to prioritise tightening monetary policy for the foreseeable future. Another increase is expected in May where the terminal rate could end up at 5.5%.

Central bank hikes continued in Europe (two 0.50pp hikes) and the UK (0.50pp then 0.25pp) during the quarter where inflation remains elevated (Figure 2). Inflation in Europe fell, but by less than expected, whilst headline inflation in the UK continued higher, moving from 10.1% to 10.4%.

The Bank of Canada raised its interest rates by 0.25pp, but immediately signalled a halt to any further increases.

Meanwhile, despite a rise in core inflation, the Bank of Japan did not make any changes to its policy of controlling the yield curve. The appointment of a new governor by the Bank of Japan is being evaluated by the markets for any impact on monetary policy, particularly regarding the management of the yield curve.

Figure 2: Annual inflation rates by quarter-end



Source: Trading Economics

After a challenging year in 2022, ongoing global uncertainty and further tightening from central banks, risk asset markets across the world saw substantial positive returns during the first quarter of 2023 (Figure 3).

Regarding equity markets, whilst the headline return was positive for the quarter, a look underneath the bonnet suggests the returns were primarily driven by only a few sectors. A good comparison to demonstrate this is the return of the equal weighted S&P 500 (2.9%) against the usual market cap index (7.5%), where returns from heavyweights Apple (25%), Meta (75%), Microsoft (19%), Nvidia (90%) and Tesla (65%) pushed the market cap index higher. Over the one-year period, notably, the only positive equity market was the ASX 200.

Figure 3: Investment returns over three months and one year to 31 March

Source: FE Analytics

What's next?

Caution is recommended, with the path of inflation being the major risk to financial markets. The outlook for inflation is still uncertain and varies across economies. Central banks are getting closer to the top of the rate hike cycle, some closer than others. Rates are likely to stay elevated to tackle the stickier inflation components and ensure inflation doesn't become more engrained into expectations. Goods inflation has receded somewhat; however services inflation is stickier, given it is less sensitive to supply chains easing and monetary policy decisions.

In a tight interest rate environment, it remains prudent to be aware of the bottom-up risks as demonstrated within the banking sector through the quarter. Macro factors have driven much of the returns over the past year, though as the first quarter of 2023 shows, pressure is building at the corporate level with not-so-favourable outcomes for investors starting to reveal themselves. The risk of defaults is increasing and corporate earnings are under pressure.

At the asset class level, higher rates now mean that cash and fixed interest offer a more attractive option in a diversified portfolio. Regarding the latter, it will be important to consider credit quality and liquidity.

A focus on investment fundamentals, ongoing due diligence, and regular portfolio reviews is necessary as we move through what will likely be a sustained period of market stress and volatility in 2023.

Kind Regards,

The AAN Investment Committee

Economic Summary

Data from 3 April 2023

Australian unemployment

3.5% mid-quarter compared to 3.5% for the previous quarter.

3.5%

Equity markets

S&P500 returned +7.5% whilst the ASX200 returned 3.5% for the quarter.

AUD/USD

67c compared to 68c at the end of the December quarter.

Iron Ore price

Iron Ore $127 USD/T +8.1% for the quarter.

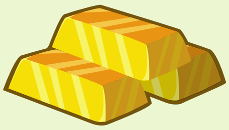
Australian bonds

Australian bond yields down by 0.81 percentage points to reach 3.24% by quarter end.

3.24%

Gold price

$1,970 USD/oz +8.0% for the quarter.



Oil price

Brent crude $80 USD/bbl -7.0% for the quarter. West Texas Intermediate (WTI) crude $76 USD/bbl -5.9% for the quarter.

Model performance

The AAN Sustainable Growth Model was the best performing model over the quarter with a 5.99% return, and the AAN Growth Model is the best performing model over five years with a return of 9.10% p.a.

Volatility Index

VIX ranged between 18 and 29 over the quarter.

Annual inflation

US 6% FEB 2023 compared to 7.9% FEB 2022. AUS 7.8% Q4 2022 compared to 3.5% Q4 2021.

US yield curve

US 10Y Treasury reached 3.5% by quarter-end, with the US10Y/2Y spread at -0.57%.

AAN CORE - AC0001

As at 31 March 2023

Investment Manager	AAN Asset Management Pty Ltd
Model Code	AC0001
Investment Fee	0.48% p.a.
Performance Fee	Nil
Less AAN Client Model Fee Discount	0.24% p.a.
Commencement	05 Feb 2016
ICR	0.44% p.a.
Indicative No. of Holdings	Unlimited

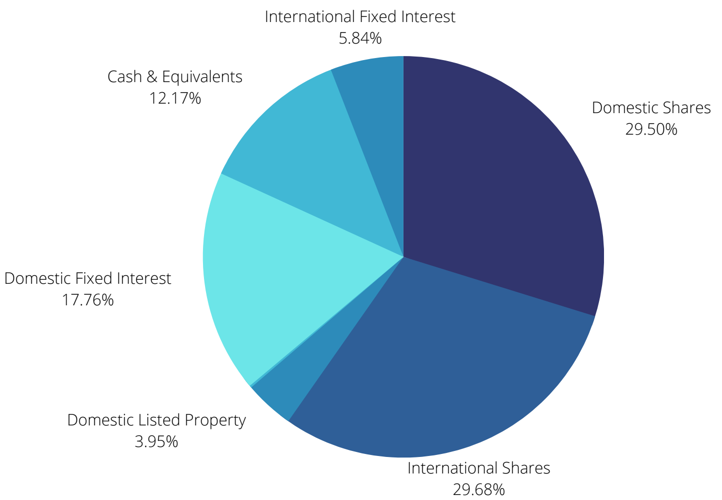
Investment description

The Core portfolio is an actively managed portfolio providing a diversified exposure with a neutral tilt towards growth asset classes (65%) relative to defensive asset classes (35%). The portfolio is constructed using a multi-manager approach which seeks to incorporate a blend of investment styles. The portfolio will generally be reweighted to its strategic weights quarterly and may employ a blend of active and passive investment styles based on market conditions. Investment exposure is obtained through a combination of direct equities, exchange traded products and/or managed funds.

Investment objective

The Core portfolio's investment objective is to outperform CPI by 3.0% p.a before fees over rolling 5-year periods.

Asset Allocation



Top 5 holdings

Perpetual Diversified Real Return W	19.73%
Perpetual Focus Australian Share	7.50%
Vaneck Australian Equal Weight ETF	7.33%
Vaneck MSCI International Quality ETF	7.26%
Franklin Global Growth W	6.98%

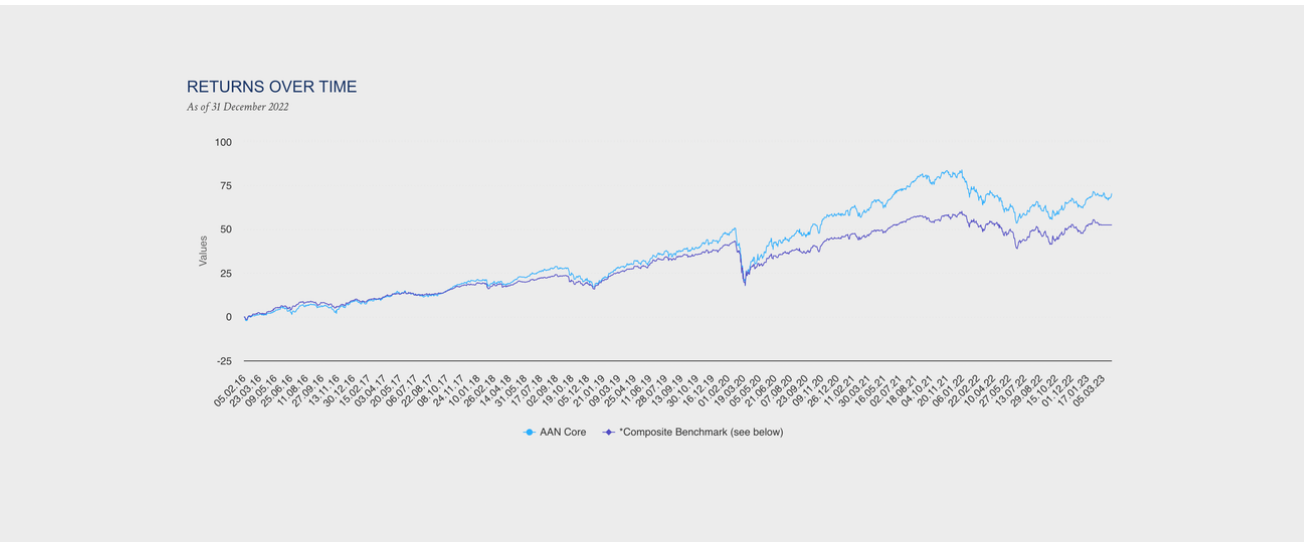
Top 5 holdings represent 48.8% of total fund

Performance

As at 31 March 2023

	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.	5 yrs p.a.	Since inception p.a.
Total Gross Return	0.72%	4.72%	9.25%	-0.62%	10.49%	7.53%	7.73%

Returns over time



AAN Core - AC0001

As at 31 March 2023

ASSET MANAGEMENT

The Model

The material change to the portfolio this quarter was the addition of the Perpetual Focus Australian Share Fund. Other changes were limited to adjustments to benchmark allocations.

Notable Investments

International Shares (Franklin Global Growth Fund):

- The fund nominally outperformed the MSCI World ex-Australia index despite chaos from the SVB Financial Group failure. While SVB's impact to the portfolio was materially negative, the manager believes the strategy's risk management approach of limiting the overlap of economic exposure proved itself, helping localise the direct impact to just the single holding. Against this backdrop, stock selection in the Health Care, Consumer Discretionary and Real Estate sectors supported results. Conversely, stock selection in the Financials sector negatively impacted results.

Perpetual Diversified Real Return Fund:

- Australian equity exposure added to performance, while the positive contribution of global equity exposures was offset by the Fund's US equity put options (downside protection). Following a very strong performance in 2022, stock selection across global and Australian equites was only marginally negative.
- Following the major increase in cash rates over the past year, the Fund's cash allocation added significantly to returns in the quarter. The Fund's Australian fixed income allocation also added to performance, but this was largely offset by a drag from global fixed income exposures as Japanese bonds (where the Fund is short) outperformed the Fund's US 2-year exposure.
- The Fund's Foreign Exchange exposure contributed to returns over the quarter as the Australian dollar weakened against peers. The Fund's gold allocation also contributed, benefitting from a strong rally in March following the collapse of several US regional banks.

Ardea Real Outcome Fund:

- To date, the Fund has returned positive performances over all time horizons measured, from one month through to inception. Relative to the benchmark, the Fund outperformed over 1 month, 3 months, 5 years and since inception but underperformed over 1, 2 and 3 years. Over the quarter, the Fund's relative value strategy had significant gains, especially in the USD market due to micro yield curve anomalies with short-dated US interest rate futures contracts. The Fund was active in adding new relative value positions, taking advantage of pricing anomalies in government bond markets, with core European and UK markets as notable sources.

Performance

The AAN Core model returned 4.72% (before fees) this quarter, bringing the rolling 12-month total to -0.62% (before fees).

Each asset class made positive contributions to the portfolio over the quarter. The largest contribution came from international shares (+2.35%), followed by domestic shares (+1.67%). Domestic fixed interest (+0.30%), cash (+0.2%), and international fixed interest (0.16%) made smaller positive contributions.

Key Contributors:

- VanEck MSCI International Quality ETF +0.69%
- Lazard Global Equity Franchise +0.65%
- Franklin Global Growth Fund +0.62%

Key Detractors:

- Baby Bunting Group -0.03%
- Westpac Banking Group -0.03%
- Credit Corp Group -0.02%

AAN GROWTH - AC0002

As at 31 March 2023

Investment Manager	AAN Asset Management Pty Ltd
Model Code	AC0002
Investment Fee	0.52% p.a.
Performance Fee	Nil
Less AAN Client Model Fee Discount	0.22% p.a.
Commencement	02 Sept 2016
ICR	0.33% p.a.
Indicative No. of Holdings	Unlimited

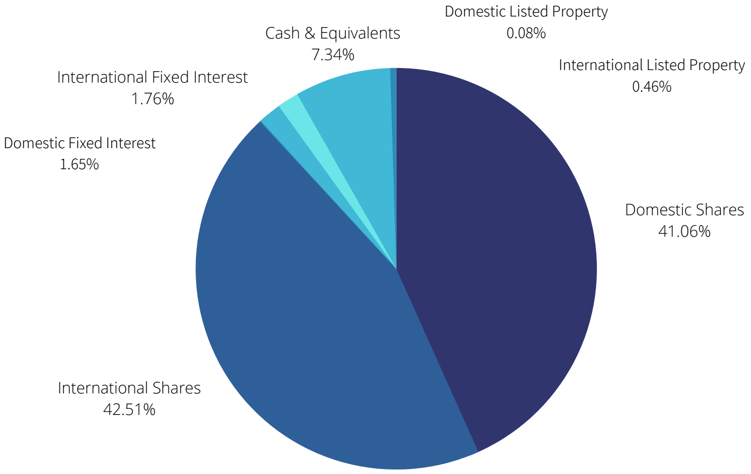
Investment description

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

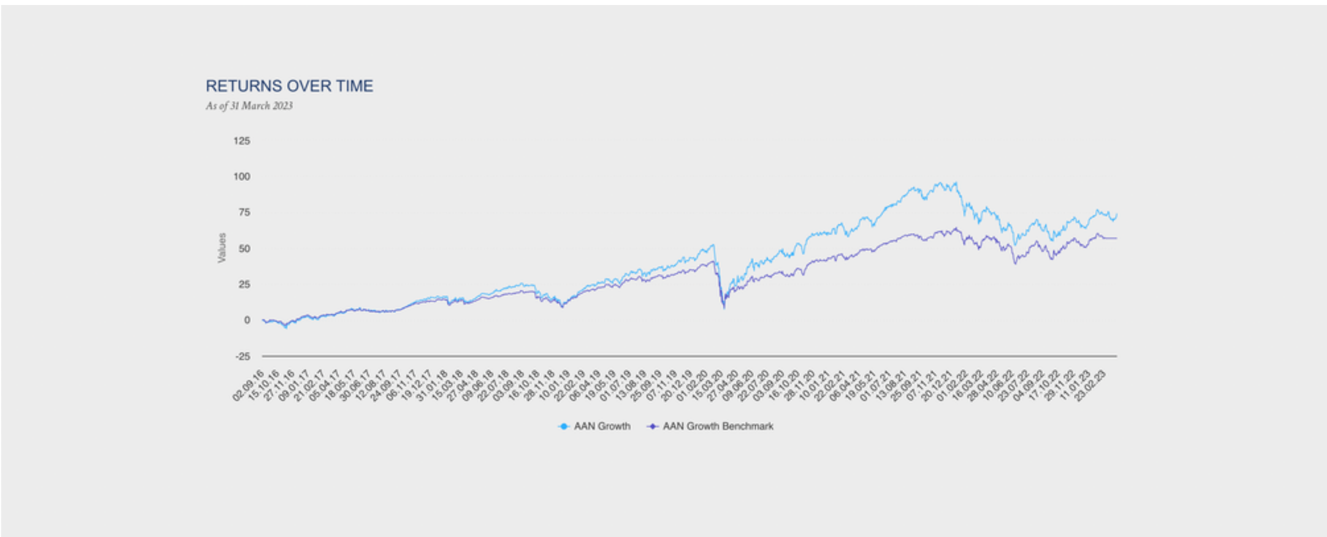
Vanguard MSCI Index International Shares (Hedged) ETF	10.34%
Perpetual Diversified Real Return W	9.88%
Perpetual Focus Australian Share	9.73%
Vaneck MSCI International Quality ETF	9.56%
Vaneck Australian Equal Weight ETF	9.50%

Top 5 holdings represent 49.01% of total fund

Performance

As at 31 March 2023	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.	5 yrs p.a.	Since inception p.a.
Total Gross Return	0.47%	5.77%	12.09%	-2.40%	13.63%	9.10%	8.78%

Returns over time



AAN Growth - AC0002

As at 31 March 2023

The Model

The material change to the portfolio this quarter was the addition of the Perpetual Focus Australian Share Fund. Other changes were limited to adjustments to benchmark allocations.

Notable Investments

Domestic Shares (Bennelong):

- During the March quarter, the portfolio added Flight Centre and Rio Tinto while exiting Cochlear and Dominos. The focus for 2023 will be on company earnings with an increased focus on the competency of company management and their ability to execute and deliver to earnings expectations. Bond yields are falling in anticipation of economic slowdowns, and the focus will be on quality companies that can differentiate themselves in a slowing economic environment. The portfolio's exposure includes companies that are financially sound, leaders in their industries, have pricing power, and invest in R&D for future growth. The portfolio has no exposure to energy/utilities, tech, and is underweight in banks.

International Shares (Franklin Global Growth Fund):

- Seagen and IDEXX Laboratories boosted the Health Care sector's performance, with Seagen's stock rising following Pfizer's plan to acquire the company. IDEXX's shares outperformed as investors anticipated a strong Q4 2022 earnings report. In Consumer Discretionary, MercadoLibre's above-consensus earnings were driven by solid fintech results, and Aptiv's upbeat investor day led to positive long-term guidance for the company.
- SVB Financial Group was taken into receivership by FDIC, impacting Financials sector. HDFC Bank's shares (Bank based in India and a small holding in the portfolio) were also affected due to the events among US regional banks and the Credit Suisse issues in Europe. In Health Care, Charles River Laboratories reported impressive earnings, but negative developments around the supply of non-human primates weighed on its stock. Intuitive Surgical's quarterly revenue missed Wall Street expectations due to a resurgence of COVID-19 cases in China affecting its robotic surgery technology.
- Buys over the quarter included Manhattan Associates (Supply Chain Execution), whilst sells included SVB Financial Group (Banking).

Performance

The AAN Growth model returned 5.77% (before fees) for the quarter, bringing the rolling 12 month return to -2.40% (before fees).

Each asset class made positive contributions to the portfolio over the quarter. The largest contribution came from international shares (+3.38%), followed by domestic shares (+2.22%). Cash (+0.1%), domestic listed property (+0.07%), and domestic fixed interest (0.03%) made smaller positive contributions.

Key Contributors:

- VanEck MSCI International Quality ETF +0.91%
- Lazard Global Equity Franchise +0.84%
- Franklin Global Growth Fund +0.81%

Key Detractors:

- Baby Bunting Group -0.04%
- Westpac Banking Group -0.03%
- Credit Corp Group -0.03%

AAN Australian - AC0003

As at 31 March 2023

Investment Manager	AAN Asset Management Pty Ltd
Model Code	AC0003
Investment Fee	0.65% p.a.
Performance Fee	Nil
Less AAN Client Model Fee Discount	0.19% p.a.
Commencement	30 Jan 2017
ICR	0.09% p.a.
Indicative No. of Holdings	Unlimited

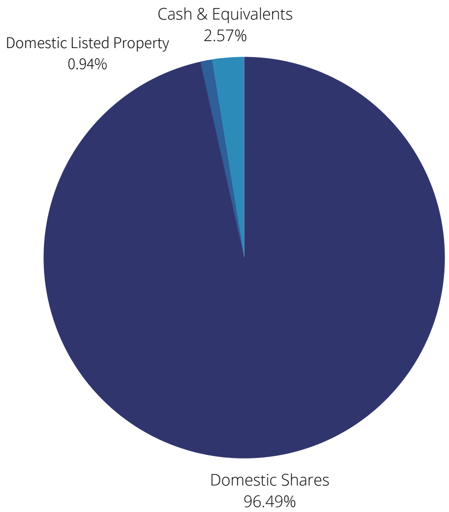
Investment description

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	25.32%
VanEck Vectors Australia Equal Weight ETF	24.71%
BHP Group Limited FPO	7.68%
CSL Limited FPO	5.77%
Commonwealth Bank of Australia FPO	3.36%

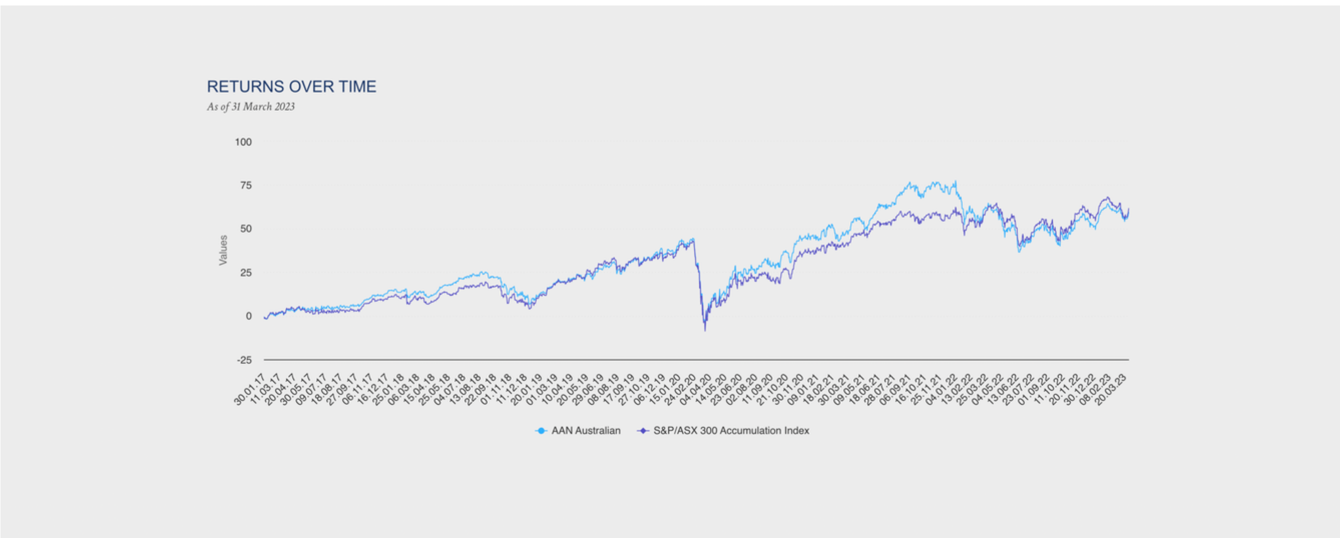
Top 5 holdings represent 66.84% of total fund

Performance

As at 31 March 2023

	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.	5 yrs p.a.	Since inception p.a.
Total Gross Return	-0.09%	5.30%	13.32%	-2.57%	15.57%	7.54%	7.86%

Returns over time



AAN Australian - AC0003

As at 31 March 2023

The Model

The material change to the portfolio this quarter was the addition of the Perpetual Focus Australian Share Fund. Other changes were limited to adjustments to benchmark allocations.

Notable Investments

During the March quarter, the Bennelong portfolio made changes by adding Flight Centre and Rio Tinto while exiting Cochlear and Dominos. Looking ahead, the focus will be on company-specific factors and earnings, with quality companies being favoured in a slowing economic environment. Companies with low debt, high return on capital, and extensive R&D programs to create new products will stand out, especially those with a growing global footprint. China's recovery will be helpful for companies in BHP Group, Mineral Resources, IDP Education Limited, Corporate Travel Management, and Flight Centre.

The portfolio has no exposure to energy/utilities or technology and is significantly underweight in banks. The fund will continue to invest in companies that are well-managed, financially sound, leaders in their industries, have pricing power, and invest in R&D to support future product growth. The manager believes the P/E levels of these quality stocks are now more attractive, and the outlook for growth is sound with the re-opening environment and potential for further bond yield moderation.

The Perpetual Focus Australian Share Fund was added during the quarter, making up approximately 25% of the portfolio, consisting of 21 stocks plus a small weighting to cash. The top five stocks were Westpac Banking Corporation, a2 Milk Company Ltd., Newcrest Mining Limited, Santos Limited, and Insurance Australia Group Ltd.

Performance

The model returned 5.30% (before fees) for the quarter and -2.57% (before fees) for the 12-month period.

In absolute terms, the best performing stocks through the quarter were Newcrest Mining (+34% absolute return), Eagers Automotive (+31%), Domain Holdings Australia (+31%), Rea Group (+26%), ARB Corporation (+23%) and Corporate Travel Management (+23%).

For the 12-month period, notable performers in absolute terms were Woodside Energy (+34%) and Fortescue Metals (+24%), both of which were bought within the 12-month period, as was Eagers Automotive (+17%). BHP (+22%) also performed well.

Key Contributors to portfolio performance:

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

Key Detractors to portfolio performance:

- Baby Bunting Group -0.10%
- Westpac Banking Group -0.09%
- Credit Corp Group -0.07%

AAN Index Core - AC0004

ASSET MANAGEMENT

As at 31 March 2023

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

Investment description

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

Investment objective

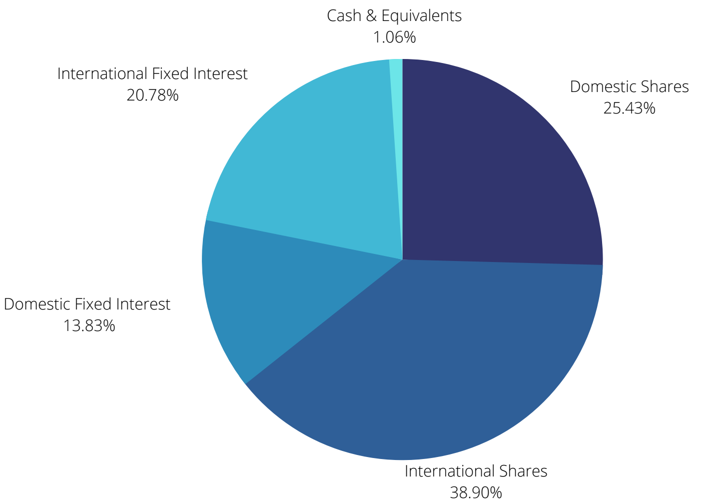
The Index Core portfolio's investment objective is to outperform CPI by 2.50% p.a before fees over rolling 5-year periods.

Top 5 holdings

Betashares Australia 200 ETF	25.43%
Vanguard Global Aggregate Bond Index (Hedged) ETF	19.15%
iShares Australian Bond Index Fund	15.47%
Vanguard US Total Market Shares Index ETF	13.56%
Vanguard MSCI Index International Shares (Hedged) ETF	11.36%

Top 5 holdings represent 84.97% of total fund

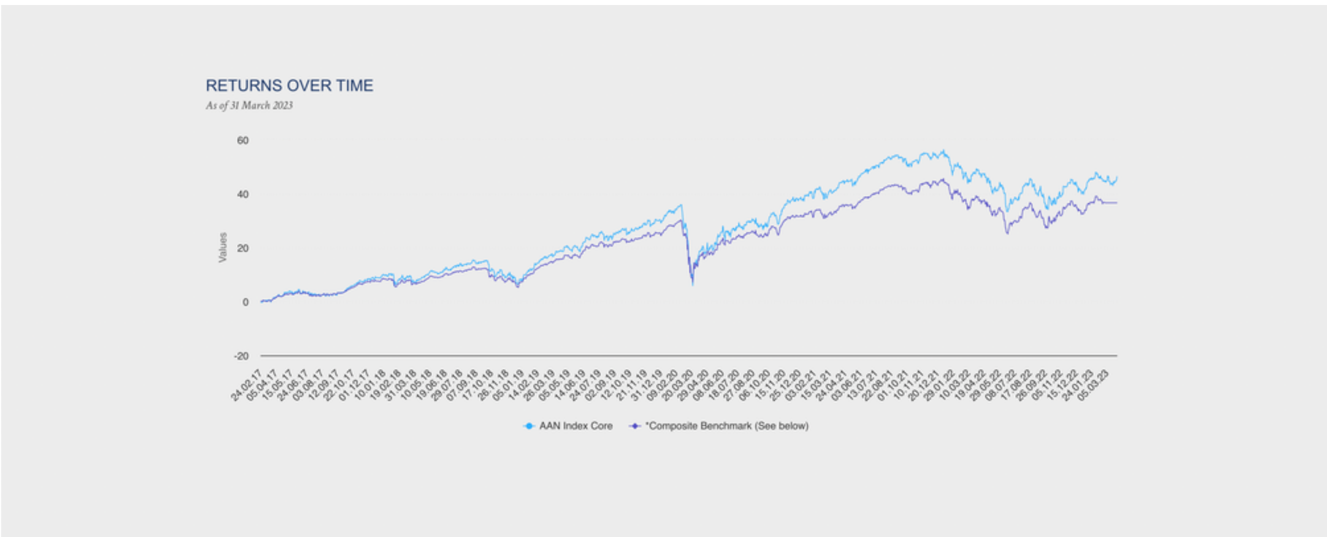
Asset Allocation



Performance

As at 31 March 2023	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%	4.11%	8.81%	-1.89%	8.53%	6.42%	6.45%

Returns over time



AAN Index Core - AC0004

As at 31 March 2023

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 US Total Market Shares Index ETF (+0.88%), followed by the BetaShares Australia 200 ETF (+0.87%). There were no negative performers over the quarter. The top contributor by asset class was international shares (+2.26%). International shares make up ~39% of the portfolio, with ~25% in Australian shares, and ~35% in fixed interest.

Over the 12-month period the key contributor was the allocation to BetaShares Australia 200 ETF, adding 0.34% to the total portfolio return. The Vanguard Global Aggregate Bond Index ETF was the next top contributor (+0.33%), however this was added towards the end of the 12-month period when yields had already risen significantly. This was followed by the iShares Australian Bond Index, contributing 0.17% over the year. By asset class, domestic shares contributed the most to the total portfolio return (+0.34%), followed by domestic fixed interest (+0.17%). International shares (-0.81%) and international fixed interest (-1.54%) both detracted from performance over the 12-month period.

Performance

The AAN Index Core model returned 4.11% (before fees) over the quarter which brought the rolling 12-month period return to -1.89% (before fees).

Key Contributors:

- Vanguard US Total Market Shares Index ETF +0.88%
- BetaShares Australia 200 ETF +0.87%
- iShares Australian Bond Index +0.70%

Key Detractors:

- None

AAN Index Growth - AC0005

As at 31 March 2023

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

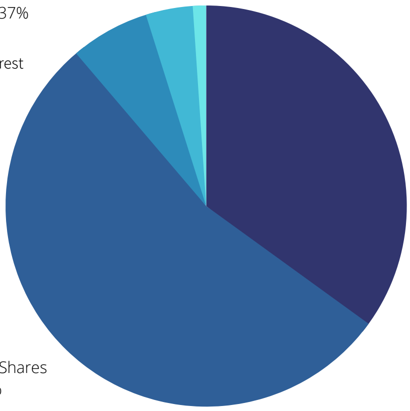
Investment description

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

Investment objective

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

Asset Allocation



Top 5 holdings

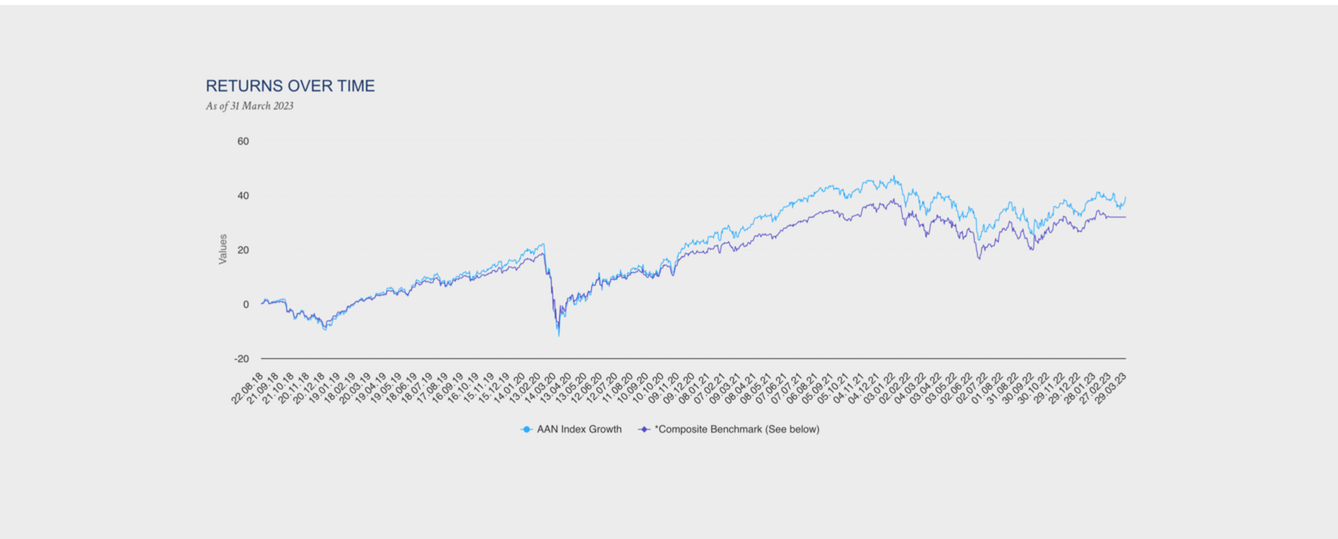
BetaShares Australia 200 ETF	34.98%
Vanguard US Total Market Shares Index ETF	18.91%
Vanguard MSCI Index International Shares (Hedged) ETF	15.44%
Vanguard All-world ex-US Shares Index ETF	7.99%
iShares Australian Bond Index	7.13%

Top 5 holdings represent 84.45% of total fund

Performance

As at 31 March 2023	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.	5 yrs p.a.	Since inception p.a.
Total Gross Return	0.69%	4.57%	10.89%	-1.24%	13.10%	N/A	7.46%

Returns over time



AAN Index Growth - AC0005

As at 31 March 2023

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 US Total Market Shares Index ETF (+1.23%), followed by the BetaShares Australia 200 ETF (+1.17%). There were no negative performers over the quarter. The top contributor by asset class was international shares (+3.13%). International shares make up ~54% of the portfolio, with ~35% in Australian shares, and ~10% in fixed interest.

Over the 12-month period the key contributor was the allocation to BetaShares Australia 200 ETF, adding 0.39% to the total portfolio return. The Vanguard All-World ex-US Shares Index ETF was the next top contributor (+0.23%). This was followed by the iShares Australian Bond Index, contributing 0.10% over the year. By asset class, domestic shares contributed the most to the total portfolio return (+0.39%), followed by domestic fixed interest (+0.10%). International shares (-1.33%) and international fixed interest (-0.34%) both detracted from performance over the 12-month period.

Performance

The AAN Index Growth model returned 4.57% (before fees) this quarter, bringing the rolling 12 month return to -1.24% (before fees).

Key Contributors:

- Vanguard US Total Market Shares Index ETF +1.23%
- BetaShares Australia 200 ETF +1.17%
- Vanguard Global Aggregate Bond Index (Hedged) +0.91%

Key Detractors:

- None

AAN Sustainable Growth - AC0006

As at 31 March 2023

Investment Manager	AAN Asset Management Pty Ltd
Model Code	AC0006
Investment Fee	0.40% p.a.
Performance Fee	Nil
Less AAN Client Model Fee Discount	0.14% p.a.
Commencement	17 Dec 2020
ICR	0.53% p.a.
Indicative No. of Holdings	

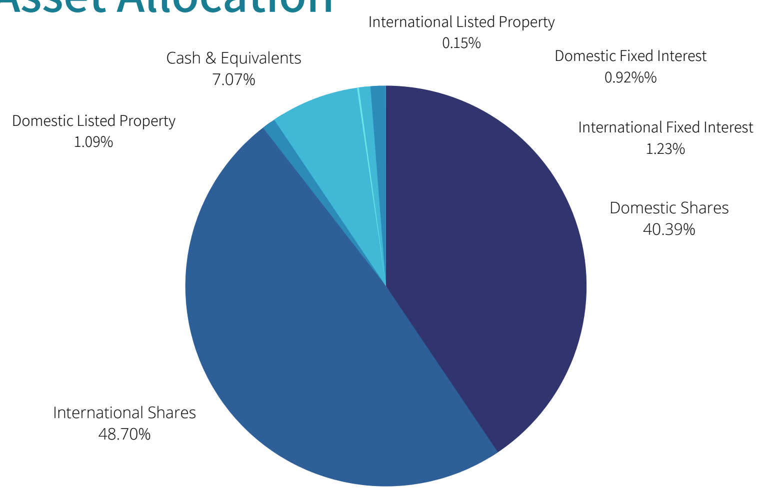
Investment description

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

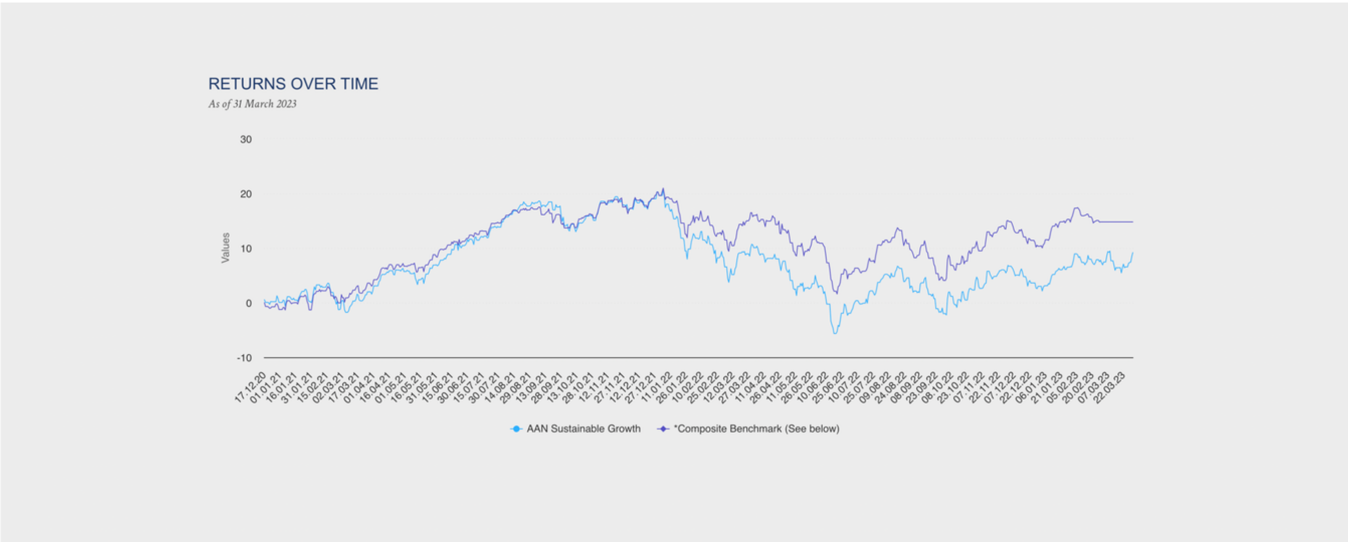
Stewart Investors Worldwide Sustainability Fund	15.65%
Vanguard Ethically Conscious International Shares Index ETF	15.44%
Betashares Global Sustainable Leaders ETF	15.30%
Betashares Australian Sustainability Leaders ETF	14.42%
Alphinity Sustainable Share	14.05%

Top 5 holdings represent 74.86% of total fund

Performance

As at 31 March 2023	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.	5 yrs p.a.	Since inception p.a.
Total Gross Return	1.29%	5.99%	11.41%	-1.28%	N/A	N/A	3.91%

Returns over time



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The Model

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

Notable Investments

Australian Ethical:

- Some of the headwinds the portfolio faced in previous periods have stabilised, with key sector overweight exposures in Healthcare, Renewables and Technology contributing positively. While the carbon-intensive Materials sector continued to be a drag on performance during the quarter due to the outperformance of BHP Group (not held in the portfolio), positive movements in overweight sectors outweighed this impact. Healthcare was the best performing sector as Cochlear (COH) and Fisher & Paykel Healthcare (FPH) contributed positively, while not owning CSL also assisted. Communication Services was another strong contributor for the portfolio as Domain (DHG) had a strong rebound from share price lows following a reassuring update to the market in February and signs of price stabilisation in the property market. The portfolio continues to have significant exposure to key growth Thematics in information technology, healthcare, and renewables. These sectors account for almost 40% weighting in the portfolio, compared to ~15% in the ASX 200 index.

Alphinity Sustainable Shares:

- The Fund performed a little better than the market over the March quarter. The material contributors were global insurer QBE, retailer Super Retail Group, packaging/distribution company Orora, logistics specialist Qube, and pallets pool company Brambles, although these were partially offset by NAB and not owning gold miner Newcrest (excluded per the Fund charter), whose shares shot up when a bid was received. During the quarter, the manager increased positions in Woolworths and Medibank Private due to their improved operational momentum and reduced Covid disruptions. The banking sector saw only CBA report first-half earnings, but the manager remains positive on banks for their margin leverage and strong balance sheets. However, the manager trimmed its banking sector weight to a more neutral weight and is monitoring earnings resilience. The manager remains overweight on the insurance sector due to strong premium growth, with Steadfast, QBE and Suncorp as top picks. The manager added iron ore producer Fortescue Metals to the portfolio due to strong commodity prices.

Performance

The AAN Sustainable Growth model returned 5.99% this quarter (before fees) whilst over 12 months the model returned -1.28% (before fees).

The bulk of the positive portfolio return over the quarter was driven by the allocation to international shares, adding 3.9% to the return, whilst domestic shares added 2.07%.

For the 12-month period, there was more variation between contributors and detractors. International shares drove the return, adding 0.37% for the year, led by Stewart Investors Worldwide Sustainability Shares, Helia Group Limited, and BetaShares Global Sustainability Leaders ETF. Domestic shares detracted from performance, reducing the portfolio performance by 1.24%, due to BetaShares Australian Sustainability Leaders ETF, EML Payments, and Alphinity Sustainability Share Fund.

Key Contributors:

- Stewart Investors Worldwide Sustainability +1.36%
- Vanguard Ethically Conscious International Shares Index ETF +1.33%
- BetaShares Global Sustainability Leaders +1.10%

Key Detractors:

- National Australia Bank -0.04%
- Westpac Banking Group -0.04%
- Bendigo and Adelaide Bank -0.04%

Disclaimer

General Advice Warning

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Performance is based on a model portfolio and is gross of investment management and administration fees, but net of transaction costs. The total return performance figures quoted are historical and do not allow for the effects of income tax or inflation. Total returns assume the reinvestment of all portfolio income. Past performance is not a reliable indicator of future performance. Portfolio holdings may not be representative of current or future recommendations for the portfolio. The securities listed may not represent all of the recommended portfolio's holdings.