

AAN Australian - AC0003

As at 31 Dec 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 and Transaction Cost	0.16% p.a.
Indicative No. of Holdings	Unlimited

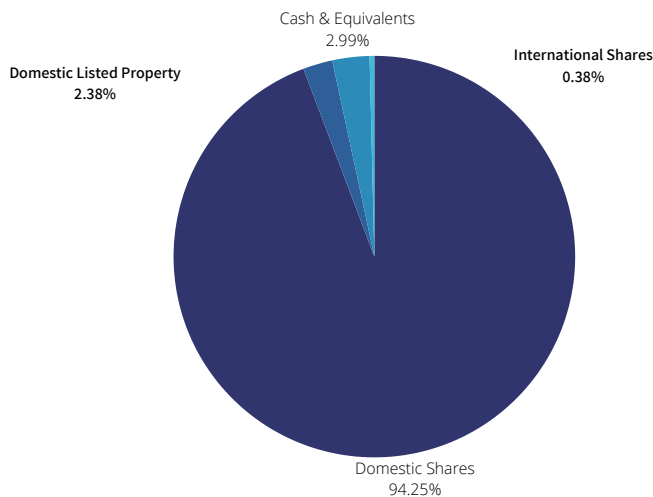
Investment description

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	25.07%
Perpetual Focus Australian Share	23.28%
BHP Group Limited FPO	6.99%
CSL Limited FPO	5.20%
National Australia Bank Limited FPO	3.59%

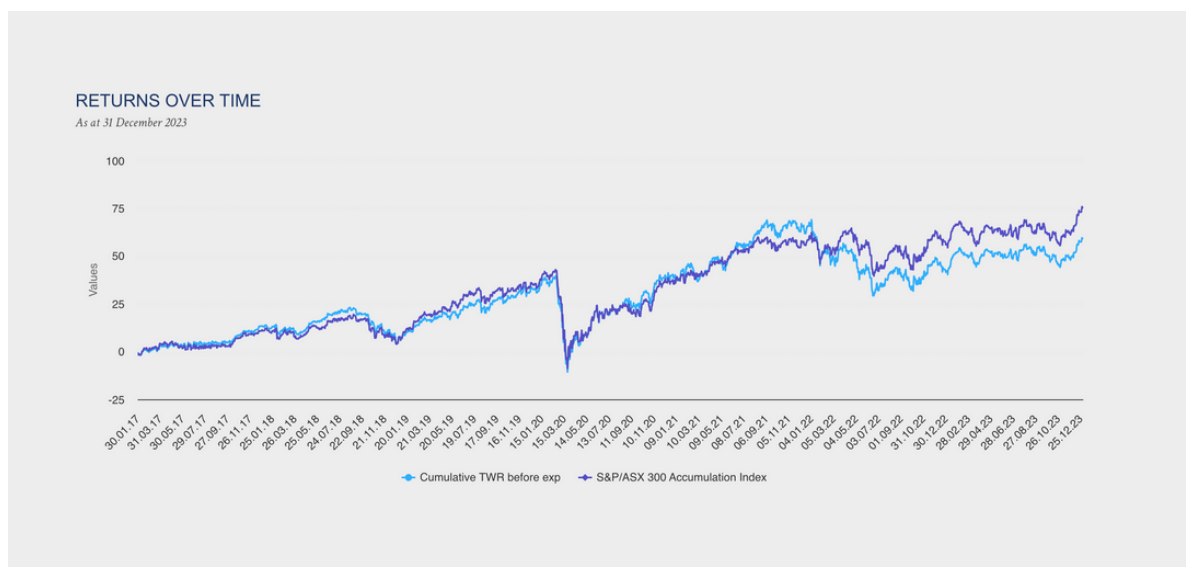
Top 5 holdings represent 64.13% of total fund

Performance

As at 31 Dec 2023

	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.	5 yrs p.a.	Since inception p.a.
Total Gross Return	6.29%	6.12%	5.91%	13.12%	5.86%	9.23%	8.08%

Returns over time



The Model

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

Notable Investments

DNR Capital:

- The contributors and detractors to the portfolio's performance for this quarter - James Hardie Industries, SEEK, and Scentre were strong performers, while IDP Education, QBE Insurance Group, and Aristocrat Leisure underperformed. The S&P/ASX 200 Total Return Index increased by 7.26% during the period, with A-REITs and Health Care sectors performing well, while Utilities and Energy sectors lagged. After a dovish pivot by the US Federal Reserve and fluctuations in bond yields, the focus is to retain high-quality stocks in an uncertain economic landscape. With the potential for interest rate cuts in 2024 and other key risks for the year ahead, including inflation concerns and geopolitical tensions in the Middle East, portfolio positioning will involve taking advantage of any increased volatility to enhance high conviction positions and improve portfolio quality.

Perpetual Focus Australian Share Fund:

- The S&P/ASX300 concluded the year robustly, achieving a +8.4% total return for the quarter and a +12.1% return over 12 months, buoyed by the "Santa rally" driven by optimism around moderating inflation and the potential end to the Federal Reserve's rate hikes, further fuelled by speculations of rate cuts in 2024. This optimism surged post-October when 10-year bond yields peaked and was cemented by the Fed's dovish policy pivot on December 13. Sector performance varied significantly, with yield proxies and growth sectors like A-REIT (+16.6%), Healthcare (+13.1%), and Materials (+13.4%, highlighted by BHP's rise) outperforming, while the Energy sector lagged due to falling oil prices. Portfolio highlights include strong positions in Insurance Australia Group Ltd, National Australia Bank Limited, and Santos Limited, with notable contributions from underweight positions in energy, particularly Woodside Energy Group, and positive impacts from investments in Goodman Group amidst a challenging market. Detractors included Iluka Resources and AGL, with the latter impacted by regulatory changes and market conditions. Looking ahead, the outlook for 2024 remains mixed with varying expectations for the US and Australian economies amidst potential cyclical downturns and external challenges from Europe and China.

Performance

The AAN Australian model returned 6.12% (before fees) for the quarter and 13.12% (before fees) for the 12 month period. No asset classes detracted from the portfolio over the quarter. For the 12 months domestic shares have returned 13.27% while domestic listed property has generated 24.25%.

In absolute terms, the best performing positions through the quarter were VanEck Australian Equal Weight (+1.57%), BHP (+1.09%), NAB (+0.71%), CBA (+0.48%), RIO (+0.40%).

The detractors include IGO (-0.18%), Woodside Energy Group (-0.13%) and Perpetual Focus Australian Share Fund (-0.13%).

Key Contributors:

- VanEck Australian Equal Weight +1.57%
- BHP +1.09%
- NAB +0.71%

Key Detractors:

- IGO -0.18%
- Woodside Energy Group -0.13%
- Perpetual Focus Australian Share Fund -0.13%

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.

*Total net returns represent past performance only. Past performance is not a reliable indicator of future performance. Returns of the Fund can be volatile and in some periods may be negative. The return of capital is not guaranteed. Benchmark: S&P/ASX 300 Accumulation Index. This Model Portfolio is subject to the risk of stock market fluctuations. Investors accessing the Model Portfolio through a master trust or wrap account will also bear any fees charged by the operator of such master trust or wrap account. Any apparent discrepancies in the numbers are due to rounding. Management costs and buy/sell spread are current as at the date of publication of this website. These fees may be subject to change in the future. Total returns (net) have been calculated using exit prices and take into account the applicable buy/sell spread and are net of AANAM's management costs, transactional and operational costs and assumes reinvestment of distributions. No allowance has been made for tax. Returns of more than one year are annualised. The return of capital is not guaranteed. If you want more information on the benchmarks used for each model please visit the AANAM website at www.aanam.com.au.