

Quarterly Investment Update

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September 2022

AAN Asset Management Pty Ltd

Investor Letter

Dear Investor,

Inflation, a stronger USD, and central bank interest rate hikes shattered most markets over the September quarter. The US Federal Reserve was the catalyst for much of this as inflation became stickier and the Fed became more aggressively hawkish. The scale and breadth of drawdowns across asset classes were severe.

Few asset classes escaped the damage through the quarter. Cash, Australian equities, and hedge funds were the place to be over the three-month period. However, during the month of September only cash performed positively, subsequent to the various inflation data releases and central bank hikes, led by the US Fed.

Changes to the model portfolios during the quarter were largely confined to re-weightings back to the benchmark allocations, with the exception of several adjustments to the Index models. Additional work is being carried out on specific underlying managers for potential inclusion in the Core, Growth, and Australian models.

Macroeconomic factors have been the dominant driver of investment market movements over the September quarter.

Inflation is on everyone's mind at the moment. The longer it stays this way, the more persistent and elevated inflation will be. Part of inflation is essentially a self-fulfilling prophecy. Fed Chair, Jerome Powell, quoted former Fed Chairs, Paul Volcker and Alan Greenspan, on this point at the Jackson Hole economic policy symposium in late August:

“Inflation feeds in part on itself, so part of the job of returning to a more stable and more productive economy must be to break the grip of inflationary expectations.” – Paul Volcker (1979)

“For all practical purposes, price stability means that expected changes in the average price level are small enough and gradual enough that they do not materially enter business and household financial decisions.” – Alan Greenspan (1989)

Setting the public's expectations of inflation over time was one of the historical lessons that Powell pointed out at Jackson Hole. There were two other lessons, (1) central banks can and should take responsibility for delivering low and stable inflation, and (2) central banks must keep at it until the job is done.

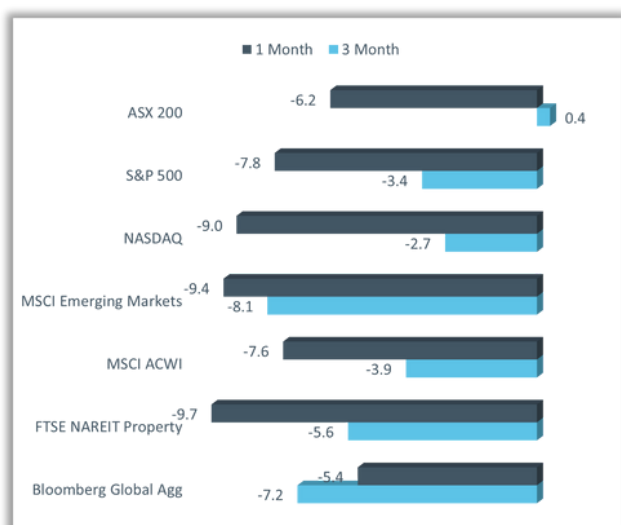
Powell sums up the sentiment of the Federal Open Market Committee (FOMC) by saying that “while higher interest rates, slower growth, and softer labour market conditions will bring down inflation, they will also bring some pain to households and businesses. These are the unfortunate costs of reducing inflation. But a failure to restore price stability would mean far greater pain.” Some similarities to Mario Draghi's “whatever it takes” speech in 2012?

The focus is on management of the economic pain, not avoidance of it.

The headline annual inflation rate in the US was published in mid-September, down from 8.5% (July) to 8.3% (August). Core inflation accelerated from 5.9% (July) to 6.3% (August). Markets did not respond well (Figure 1). Markets expected a larger fall in headline inflation and a smaller increase in the core inflation rate. Inflation is becoming more entrenched.

The hawkish tone from Jackson Hole in August flowed through to the FOMC meeting in late September. The FOMC is “highly attentive to inflation risks” and “anticipates that ongoing increases in the target range will be appropriate”. The outcome of the meeting was a 75bps increase to the federal funds rate, up to a range of 3.00% - 3.25%.

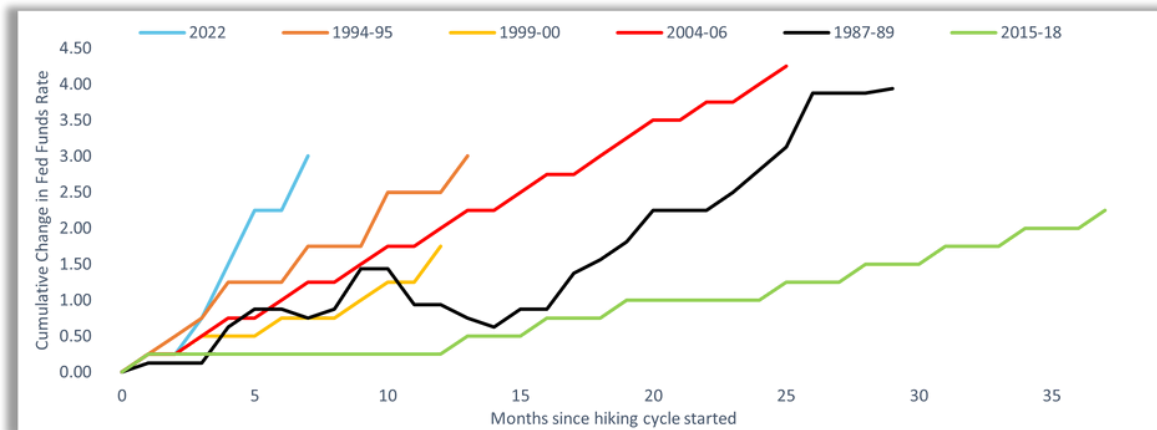
Figure 1: Market Returns to 30 September (Source: FE)



The guidance offered, (based on information at the time) from the FOMC meeting also showed that 12 out of 19 members expect the Fed Funds rate to be between 4.5% and 5% by the end of 2023. Financial conditions are likely to be tighter for longer.

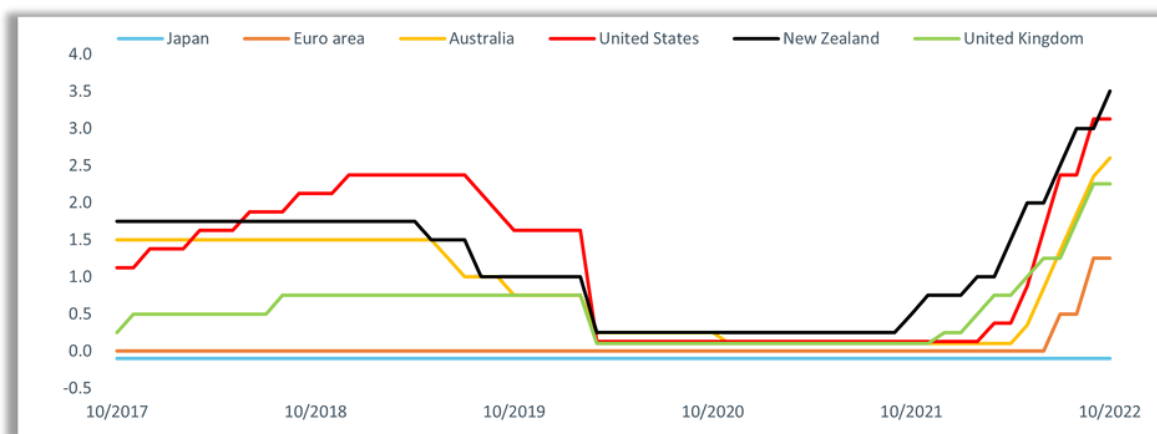
To give you some perspective of the speed at which the Fed is increasing rates, Figure 2 shows the steep increase in 2022 compared to five other hiking periods since 1987.

Figure 2: Speed of Historical US Federal Fund Hikes (Source: BIS.org)



The Fed is not isolated in hiking, other central bank cash rates are shown in Figure 3. The European Central Bank increased its deposit facility rate by 75 bps in September (following the 50 bps in July), with inflation forecast to be >5% p.a. through 2023. The UK raised rates by 50bps, up to 2.25% as inflation fell slightly to 9.8% p.a. New Zealand and Australia increased rates post September-end, with New Zealand more hawkish out of the two Antipodean central banks. Japan is yet to increase rates, swimming against the global tide, with annual inflation moving to a 30-year high of 3% in August.

Figure 3: Central Bank Cash Rates (Source: BIS.org)

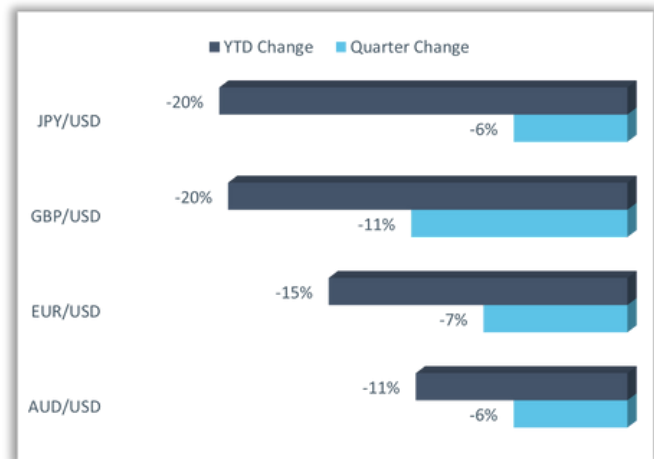
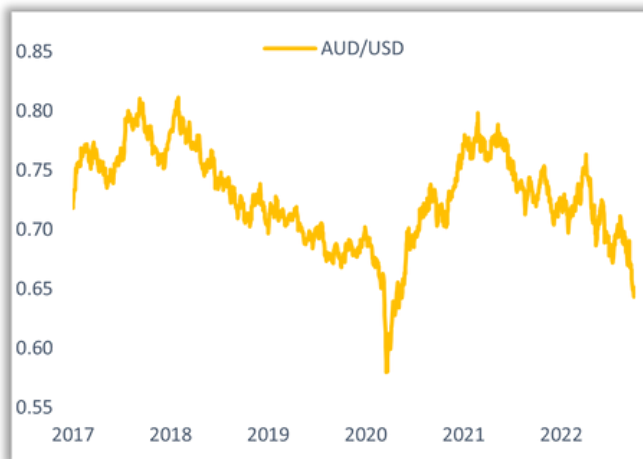


The ability for central banks to pull inflation back down to say 4%, is still well above a target rate of 2%. Caution is required when assessing the latest inflation data because it is a lagging indicator. Over the next few months, the labour market and wage growth will be important to watch to assess any upward pressure on inflation.

With a higher probability of interest rates remaining elevated for longer, it will be harder for those countries or corporates with higher debt levels to plough through the tempest. Pressure is building. We are seeing the market switch from inflation conversations to growth conversations. In other words, now that inflation and interest rates are more likely to remain elevated, the likelihood of damage to economic growth is higher. The seriousness of this damage will differ across the globe.

Higher rates in the US and broader risk aversion saw further strength in the US dollar through the September quarter. This has caused investors to explore hedged versions of their equivalent unhedged global equity fund exposure. The Australian Dollar (AUD) weakened from 0.69c down to 64c during the September quarter. Exchange rates are notoriously volatile, but to gain some sort of perspective, the average daily AUD/USD exchange rate since 2008 has been approximately 0.83c, which compares to 0.77c since 2000, and 0.76c since 1990. The following figures show the movement of the Aussie dollar against the US dollar since 2017, as well as the depreciation of different currencies against the USD.

Figure 4: US dollar strength (Source: BIS.org)



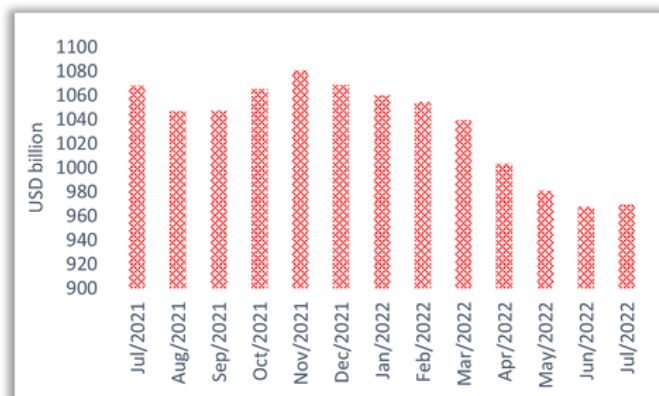
The energy crisis in Europe remains a major concern as the northern hemisphere winter approaches. The Russia/Ukraine war has already resulted in severe human and economic hardship. European governments have moved swiftly to bring some certainty to energy supply and reduce the chance of a worst-case economic scenario. Gas supply from Russia before the war was around 40% but has fallen to just 9% of Europe's gas supply. The price of natural gas spiked to 340 EUR/MWh in late August before falling back to 189 EUR/MWh by quarter-end. To provide some perspective, in the 10 years before late 2021, the price of natural gas had not risen above 30 EUR/MWh.

Higher energy prices are a drag on company operations, to say the least. Highly targeted fiscal support may be necessary to ensure the 'drag' on economic activity doesn't develop into longer lasting damage and a country's most vulnerable don't suffer. However, it is a difficult balancing act given some countries are more indebted than others. Fragmentation risks are higher. Energy security and decarbonisation will continue to dominate pursuits over the coming months.

Growth in China continues to slow following the harsh zero-COVID policy and property sector slowdown. Chinese exporters face a tough period as global demand slows amidst tighter financial conditions. Year-on-year Gross Domestic Product (GDP) growth fell from 4.8% in quarter 1, down to 0.4% in quarter 2.

China reduced its holdings of US Treasuries for seven consecutive months until July this year. It could be to help prop up its currency but could also be to diversify away from USD assets given simmering geopolitical tensions. Total holdings are now below USD1 trillion for the first time in over a decade. Watch for the Politburo meeting in late October

Figure 5: China, Total US Treasury Holdings (Source: Treasury.gov)



2022 has been a historic year for markets. The investment outlook is fragile as central banks walk a monetary policy tightrope, the real economy adjusts to tighter financial conditions, and geopolitics continue to threaten stability. Fundamentals matter. Investors should be taking extra care to evaluate the resilience of their portfolio in times like these.

Kind Regards,

The AAN Investment Committee

Economic Summary

Data from 4th Oct 2022

Unemployment rate

3.5% in August 2022, up from 3.4% in July, but still down from 4.2% in January.

3.5%

Australian dollar

AUD/USD 64c, down from 69c at the end of quarter 2 2022.



Australian bonds

Australian bond yields increased by 0.22 percentage points to reach 3.91% by quarter end.

3.91%

Model performance

The AAN Australian Model was the best performing model for the quarter returning 0.72% whilst the AAN Index Growth Model performed the best over 12 month returning -10.73%.



Inflation measures

US annual inflation down from 8.5% to 8.3% at August-end; Australian annual inflation down from 7% (July) to 6.8% (August).



S&P500 & ASX200

S&P500 returned -5.3% whilst the ASX200 returned 0.4% for the quarter.



Iron Ore price

Iron Ore \$98 USD/T -20% for the quarter.



Gold price

Gold \$2,598AUD/oz -0.7% for the quarter.



Oil price

Brent crude \$85 USD/bbl -19% for the quarter. West Texas Intermediate (WTI) crude \$79 USD/bbl -23% for the quarter.



Volatility Index

VIX ranged between 20 and 32 over the quarter.



US 10Y, 10Y/2Y

US 10Y Treasury reached 3.8% by quarter-end, with the US10Y/2Y spread at -0.44%.



AAN CORE - AC0001

As at 30 September 2022

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	0.18% p.a.
Commencement	05 Feb 2016
ICR	0.45% p.a.
Indicative No. of Holdings	Unlimited

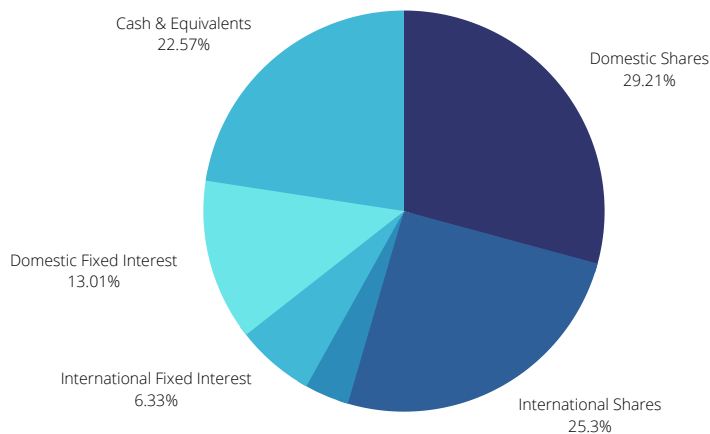
Investment description

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 4 holdings

Perpetual Diversified Real Return W	20.00%
Blackrock Index - Top 20	15.24%
Bennelong Core Fund	7.63%
Vaneck Vectors Australian Equal Weight ETF	7.63%

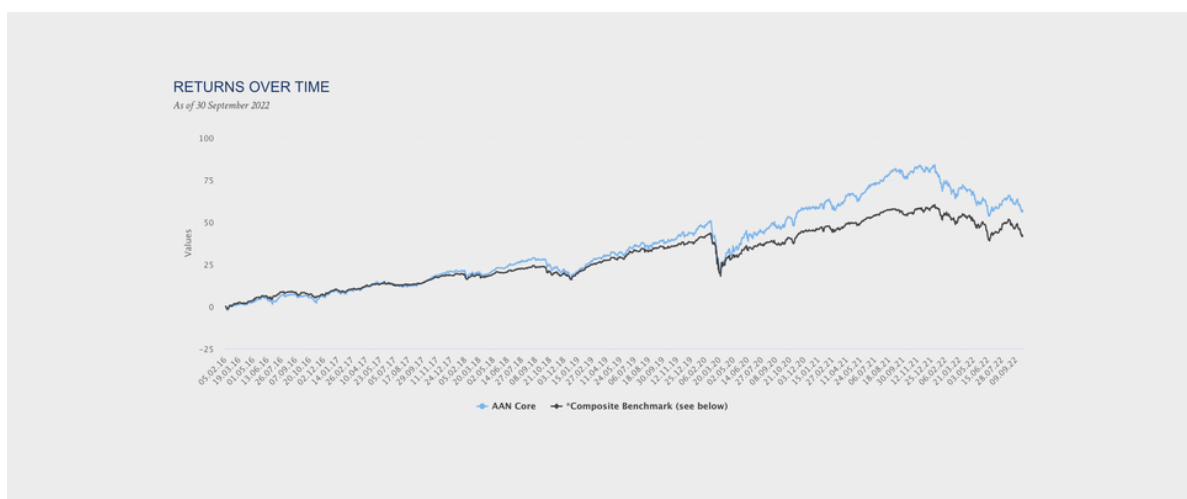
Top 4 holdings represent 50.5% of total fund

Performance

As at 30 September 2022

	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.	5 yrs p.a.	Since inception p.a.
Total Gross Return	-3.56%	-0.27%	-9.07%	-12.50%	3.95%	6.44%	6.90%

Returns over time



The Model

There were no material changes to the portfolio this quarter other than reweighting back to benchmark allocations. Research on a new equity allocation is currently being undertaken.

Notable Investments

Domestic Shares (Bennelong):

- Endeavour Group (EDV): Bennelong started adding Endeavour Group to the portfolios in early July. Bennelong see a good defensive quality earnings stream which is suited to the current environment.
- Eagers Automotive (APE): Eagers entered the portfolio in July. APE posted strong results during reporting season and management announced a share buy-back of approximately 10% issued share capital.
- Exited Ramsay Health Care (RHC) in early July. Regulatory risk in Europe, particularly France and UK is of concern. Also, subject to increasing regulatory risk here in Australia.
- Exited SEEK Limited (SEK) in mid-July. A cyclical exposure. With employment peaking, employment ads will drop over the coming months, so there will be earnings risk.

Ardea Real Outcome:

- Option strategies contributed positively over the quarter. The global backdrop continues to underscore the benefits of interest rate volatility protection strategies to navigate turbulent periods and provide diversification benefits for multi-asset portfolios. Over the quarter, options added value to the portfolio across most markets, amid a rise in implied volatility to new highs and hedging activity to lock in gains from exposures.
- Detractors included (1) inflation beta and (2) relative value yield curve positions. (1) Inflation beta exposures reflect modest-sized long positions in AUD inflation-linked securities. Inflation is expected to remain near historically high levels in the near term, the scale of recent aggressive global monetary policy tightening and the slower growth outlook is projected to ultimately bring inflation lower. The market is pricing inflation readings to average near 5% over the next year, but less than 2.5% over the next decade (comfortably within the RBA's 2-3% target band). (2) The fund holds a large number of relative value positions targeting micro changes in the shapes of yield curves.

Performance

The AAN Core model returned -0.27% (before fees) this quarter, bringing the rolling 12 month total to -12.50% (before fees).

The best performer for the quarter in absolute terms was the Franklin Global Growth Fund (+2.95%), followed by the Vanguard US Total Market Shares Fund (+2.21%). Most of the quarterly gains from these funds came through July and into August, but the month of September saw returns pulled back. At the other end of the scale, the worst performer for the quarter was the Vanguard Australia Property ETF, down almost 7%. Notably, the Ardea Real Outcome Fund and Perpetual Diversified Real Return Fund posted positive returns through the month of September (+1.83% and +0.15%) and for the quarter overall (+0.33% and +1.02%).

Key Contributors:

- Franklin Global Growth +2.95%
- Vanguard US Total Market Shares ETF +2.21%
- VanEck Australian Equal Weight ETF +1.82%

Key Detractors:

- Vanguard Australian Property Secs ETF -6.95%
- Vanguard MSCI Intl (Hdg) ETF -5.15%
- Vanguard All-World ex-US Shares ETF -4.32%

AAN GROWTH - AC0002

As at 30 September 2022

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	0.15% p.a.
Commencement	02 Sept 2016
ICR	0.29% p.a.
Indicative No. of Holdings	Unlimited

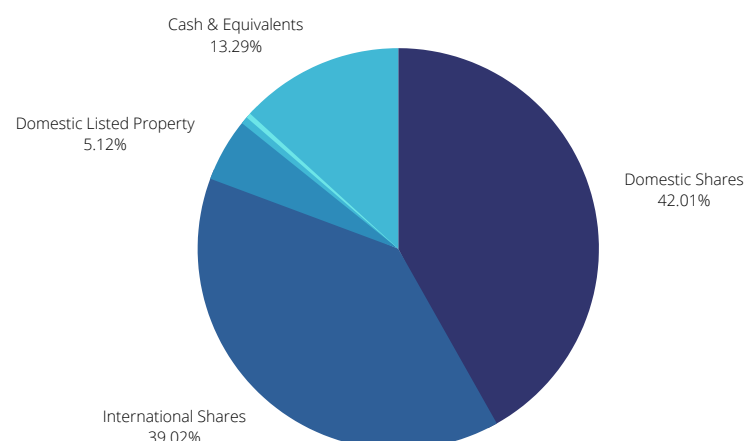
Investment description

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 Growth portfolio's investment objective is to outperform CPI by 4.0% p.a before fees over rolling 7-year periods.

Asset Allocation



Top 4 holdings

Blackrock Index - Top 20	19.75%
Perpetual Diversified Real Return Fund	10.00%
Vaneck Vectors Australian Equal Weight ETF	9.88%
Bennelong Core Fund	9.87%

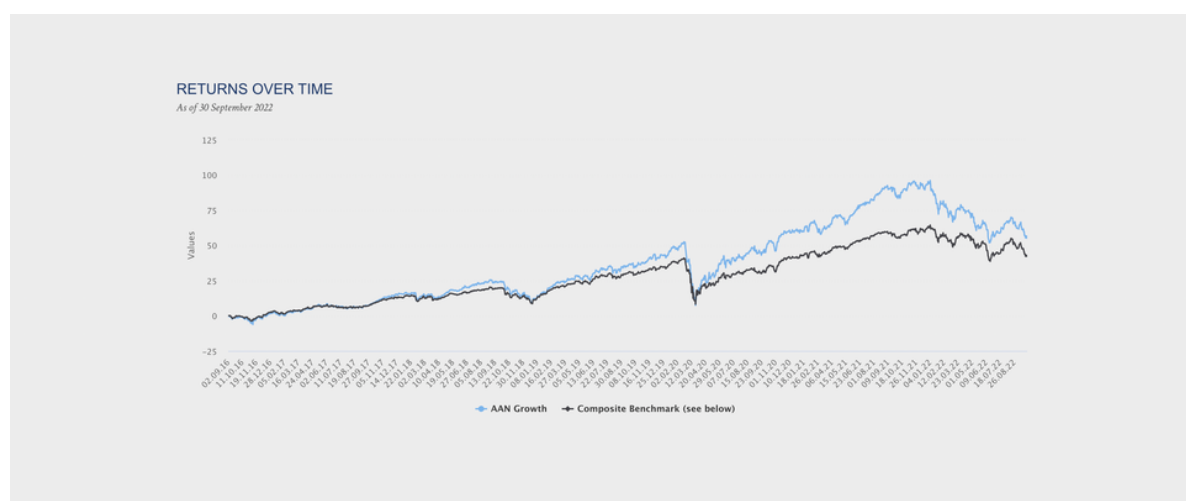
Top 4 holdings represent 49.5% of total fund

Performance

As at 30 September 2022

	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.	5 yrs p.a.	Since inception p.a.
Total Gross Return	-5.32%	-0.58%	-12.97%	-17.16%	4.35%	7.54%	7.49%

Returns over time



As at 30 September 2022

The Model

There were no material changes to the portfolio this quarter other than reweighting back to benchmark allocations. Research on a new equity allocation is currently being undertaken.

Notable Investments

Domestic Shares (Bennelong):

- Endeavour Group (EDV): Bennelong started adding Endeavour Group to the portfolios in early July. Endeavour group operates Australia's retail drinks network through Dan Murphy's, BWS, and a huge portfolio of licensed hospitality venues, bottling facilities and wineries. Bennelong see a good defensive quality earnings stream which is suited to the current environment.
- Eagers Automotive (APE): Eagers entered the portfolio in July. Eagers are the owners and operators of motor vehicle and truck dealerships across Australia and New Zealand. Strong results during reporting season and management announced a share buy-back of approximately 10% issued share capital.
- Exited Ramsay Health Care (RHC) in early July. Regulatory risk in Europe, particularly France and UK is of concern. Also, subject to increasing regulatory risk here in Australia.
- Exited SEEK Limited (SEK) in mid-July. A cyclical exposure. With employment peaking, employment ads will drop over the coming months, so there will be earnings risk.

International Shares (Franklin Global Growth):

- During the quarter, the fund outperformed despite a continued environment of significant volatility. The strategy began the quarter strong with a positive market tailwind in July and early August but faced headwinds after the market sharply reversed course in the period. However, the strategy held its ground and finished above the benchmark for the quarter. Stock selection in Industrials, Information Technology and Health Care sectors boosted relative performance.

Performance

The AAN Growth model returned -0.58% (before fees) for the quarter, bringing the rolling 12 month return to -17.16% (before fees).

The best performer for the quarter in absolute terms was the Franklin Global Growth Fund (+2.95%), followed by the Vanguard US Total Market Shares Fund (+2.21%). Most of the quarterly gains from these funds came through July and into August, but the month of September saw returns pulled back. At the other end of the scale, the worst performer for the quarter was the Vanguard Australia Property ETF, down almost 7%. Notably, the Perpetual Diversified Real Return Fund posted positive returns through the month of September (+0.15%) and for the quarter overall (+1.02%).

Key Contributors:

- Franklin Global Growth +2.95%
- Vanguard US Total Market Shares ETF +2.21%
- VanEck Australian Equal Weight ETF +1.82%

Key Detractors:

- Vanguard Australian Property Secs ETF -6.95%
- Vanguard MSCI Intl (Hdg) ETF -5.15%
- Vanguard All-World ex-US Shares ETF -4.32%

AAN Australian - AC0003

As at 30 September 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	0.10% p.a.
Indicative No. of Holdings	Unlimited

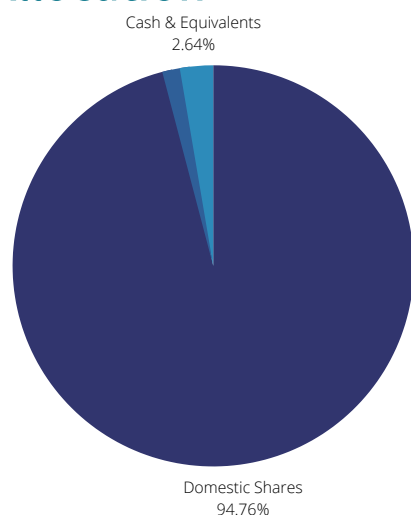
Investment description

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 3 holdings

Blackrock Index - Top 20	50.00%
Bennelong Core Fund	25.00%
VanEck Vectors Australia Equal Weight ETF	25.00%

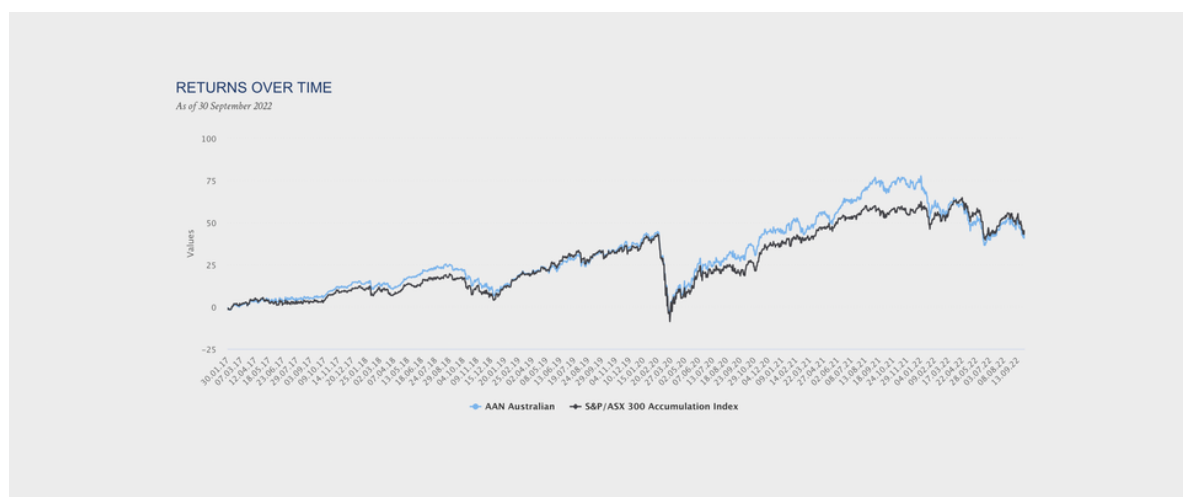
Top 3 holdings represent 100% of total fund

Performance

As at 30 September 2022

	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.	5 yrs p.a.	Since inception p.a.
Total Gross Return	-5.90%	0.72%	-14.02%	-17.88%	2.05%	5.84%	6.21%

Returns over time



As at 30 September 2022

The Model

There were no material changes to the portfolio this quarter other than reweighting back to benchmark allocations. Research on a new equity allocation is currently being undertaken.

Notable Investments

Bennelong:

- Endeavour Group (EDV): Bennelong started adding Endeavour Group to the portfolios in early July. Endeavour group operates Australia's retail drinks network through Dan Murphy's, BWS, and a huge portfolio of licensed hospitality venues, bottling facilities and wineries. Endeavour Group separated from Woolworths Group back in June 2021. Bennelong are seeing earnings potential coming through, particularly on the licensed venue side of the business where they haven't spent any money under the ownership of Woolworths, so this will be a longer term (3-5yr) process of planning and upgrading but in the near term, Bennelong see a good defensive quality earnings stream which is suited to the current environment.
- Eagers Automotive (APE): Eagers entered the portfolio in July. Eagers are the owners and operators of motor vehicle and truck dealerships across Australia and New Zealand. Benefiting from improving supply chains and demand for new cars continuing to exceed supply. Expanding into ACT and SA via acquisitions and new dealership rollouts. The business has a strong balance sheet and good fundamentals. Strong results were announced during reporting season, and management declared a share buy-back of approximately 10% issued share capital.
- Car Sales (CAR): In July, Bennelong significantly increased the position in Carsales.com from 2.70% to 5.05%. Car Sales had been sold off very aggressively. They have a much improved growth profile – having invested strongly in the domestic franchise. They've invested in products as well as offshore into growth markets opportunities that were less mature e.g. Korea. The business is non-cyclical, has strong pricing power, and good structural earnings.
- Ramsay Health Care (RHC): Exited Ramsay in early July. Regulatory risk in Europe, particularly France and UK is of concern. Also, subject to increasing regulatory risk here in Australia. There is a decreasing use of private health insurance here in Australia, so there are earnings concerns going forward.
- SEEK Limited (SEK): Exited Seek in mid-July. A cyclical exposure and big covid beneficiary which is still sitting pretty close to peak levels - with employment peaking, employment ads will drop over the coming months, so there will be earnings risk. Seek haven't been very cost disciplined and some conversations of late have raised alarms.

Performance

The model returned 0.72% (before fees) for the quarter and -17.88% (before fees) for the 12-month period.

There was a wide variation in the performance of underlying stocks through an extremely volatile quarter. The equal weighted VanEck ETF was the best performer through the quarter, with the iShares ETF also posting positive returns. The Bennelong portfolio underperformed, posting a negative return over the quarter.

The returns over the three-month period were mildly positive until the back end of August and through September. The three Australian equity portfolios within the model posted returns between -4.9% and -7.9% for September

Key Contributors:

- VanEck Australian Equal Weight ETF +1.82%
- iShares S&P/ASX 20 ETF +0.28%

Key Detractors:

- Bennelong Australian Equities -0.56%

AAN Index Core - AC0004

As at 30 September 2022

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

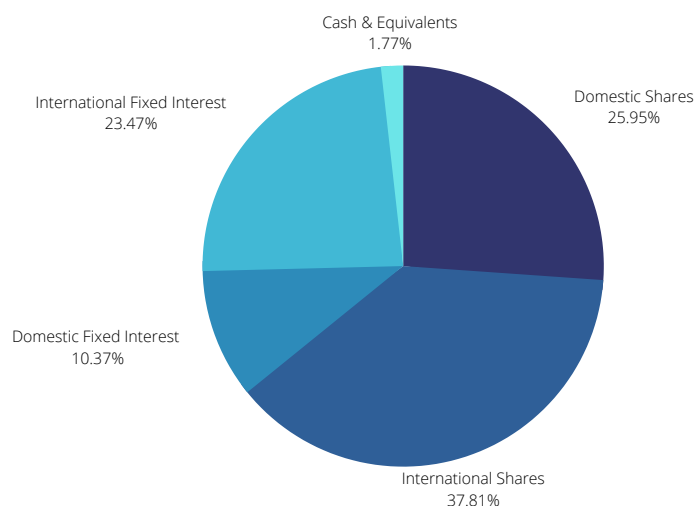
Investment description

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.

Asset Allocation



Top 5 holdings

Betashares Australia 200 ETF	26.00%
Vanguard International Fixed Interest Index (Hedged) ETF	16.00%
Vanguard US Total Shares ETF	13.06%
iShares Australian Bond Index Fund	10.50%
Vanguard MSCI Index International (Hedged)	10.20%

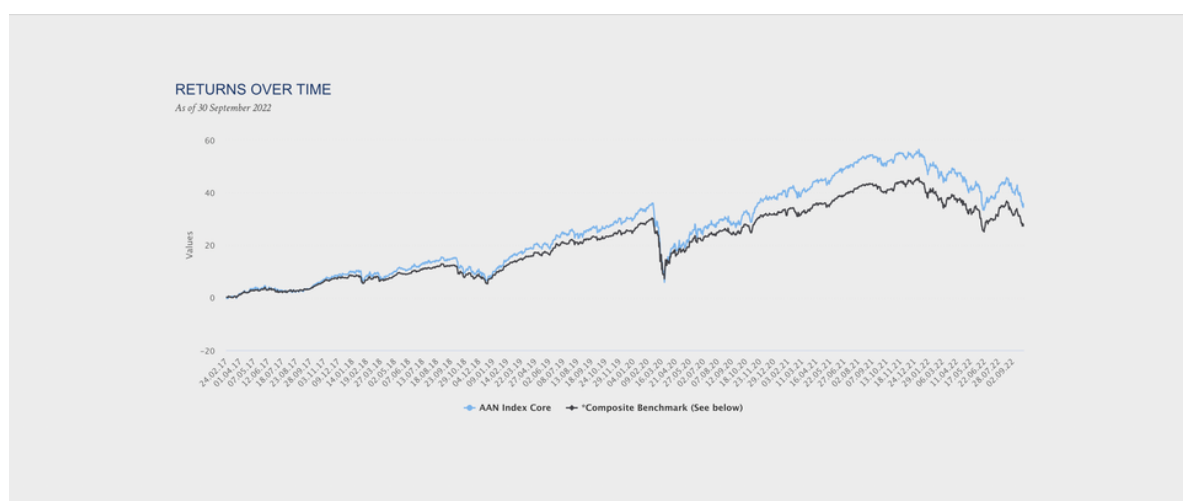
Top 5 holdings represent 86.26% of total fund

Performance

As at 30 September 2022

	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.	5 yrs p.a.	Since inception p.a.
Total Gross Return	-4.85%	-1.18%	-9.85%	-11.37%	2.07%	5.36%	5.44%

Returns over time



AAN Index Core - AC0004

As at 30 September 2022

The Model

Changes were made to the underlying allocation to Vanguard funds. The International Fixed Interest ETF and International Credit Securities Index ETF were removed and replaced with the Global Aggregate Bond ETF. A higher weighting to iShares Australian Bond Index Fund was actioned. Minor adjustments were also made to Vanguard and BetaShares within the equity allocation. Reweighting back to benchmark allocations was also actioned.

Notable Investments

The positive contributions during the quarter came via BetaShares Australia 200 ETF, Vanguard US shares and the Vanguard MSCI World ex Australia Quality ETF. The best of these being the US share exposure.

Of the nine ETFs the model invests in, six of them were negative for the quarter, led by the Vanguard MSCI International Hedged ETF, Vanguard All-World ex US share ETF, and the Vanguard FTSE EM Shares ETF.

Each of the fixed interest ETFs performed negatively, though Australian bonds were only down slightly (-0.68%).

BetaShares Australia 200 ETF represents the largest holding of 26.5%. Vanguard Global Aggregate Bond ETF is the next largest holding at 19.5%, followed by iShares Australian Bond Index Fund at 15.5%.

Performance

The AAN Index Core model returned -1.18% (before fees) over the quarter which brought the rolling 12-month period return to -11.37% (before fees).

The main performers over the quarter were US shares (+2.2%) and quality global equities (via Vanguard MSCI World ex Aus ETF, +1.1%). The exposure to Australian equities through the BetaShares Australia 200 ETF (+0.3%) also provided a positive return for the portfolio. The main detractors over the quarter were Vanguard MSCI International (Hedged) ETF (-5.2%) and the Vanguard FTSE Emerging Markets Shares ETF (-5.3%). Part of the negative performance for both of these ETFs could be attributed to the strength of the USD over this period as the Fed became more aggressively hawkish.

AAN Index Growth - AC0005

As at 30 September 2022

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

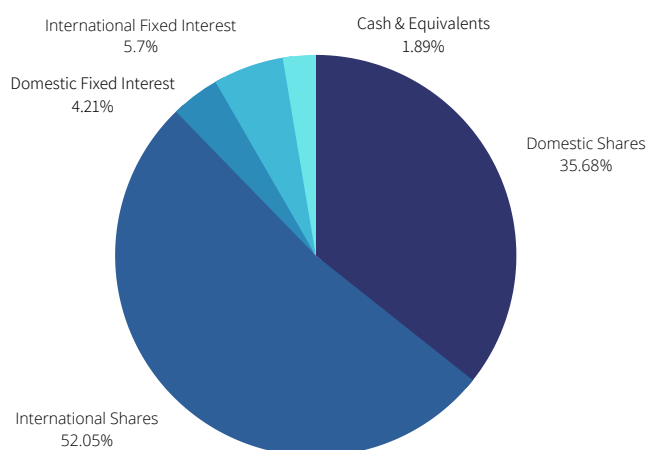
Investment description

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	36.00%
Vanguard US Total Shares ETF	17.14%
Vanguard MSCI Index International (hedged)	16.25%
Vanguard All-world ex-US Shares ETF	9.11%
Vanguard MSCI International Smaller Companies Index ETF	6.50%

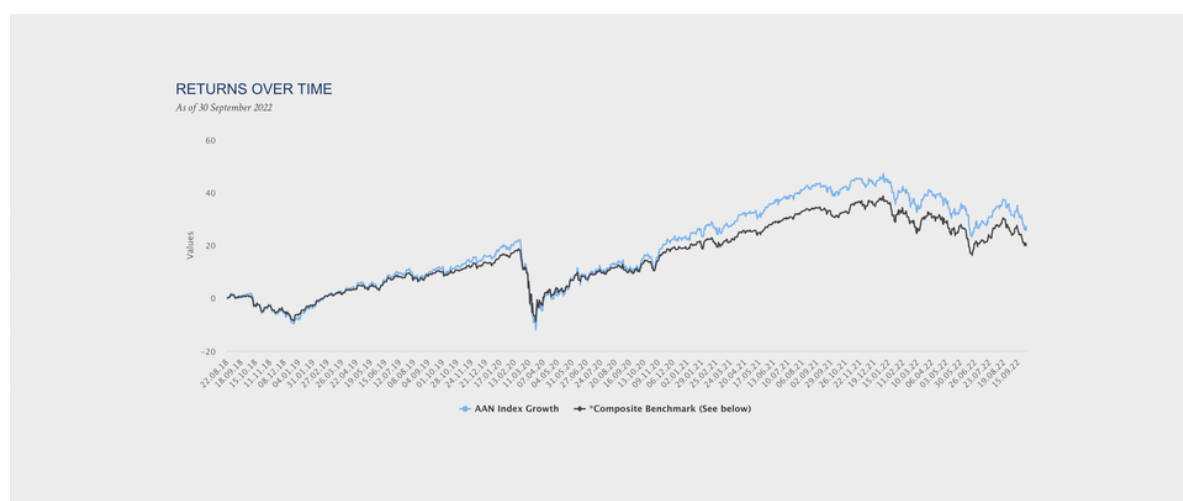
Top 5 holdings represent 85% of total fund

Performance

As at 30 September 2022

	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.	5 yrs p.a.	Since inception p.a.
Total Gross Return	-5.51%	-0.64%	-10.94%	-10.73%	4.18%	N/A	5.71%

Returns over time



AAN Index Growth - AC0005

As at 30 September 2022

The Model

Changes were made to the underlying allocation to Vanguard funds. The International Fixed Interest ETF and International Credit Securities Index ETF were removed and replaced with the Global Aggregate Bond ETF. A higher weighting to iShares Australian Bond Index Fund was actioned. Minor adjustments were also made to Vanguard and BetaShares within the equity allocation. Reweighting back to benchmark allocations was also actioned.

Notable Investments

The positive contributions during the quarter came via BetaShares Australia 200 ETF, Vanguard US shares and the Vanguard MSCI World ex Australia Quality ETF. The best of these being the US share exposure.

Of the nine ETFs the model invests in, six of them were negative for the quarter, led by the Vanguard MSCI International Hedged ETF, Vanguard All-World ex US share ETF, and the Vanguard FTSE Emerging Market Shares ETF.

Each of the fixed interest ETFs performed negatively, though Australian bonds were only down slightly (-0.68%).

BetaShares Australia 200 ETF represents the largest holding of 36.5%. Vanguard US Total Shares ETF is the next largest holding at 18.3%, followed by Vanguard MSCI Index International at 15.6%.

The model has ~10% invested in Fixed Interest investments via the iShares Australian Bond Index fund (7.1%) and Vanguard Global Aggregate Bond ETF (3.1%).

Performance

The AAN Index Growth model returned -0.64% (before fees) this quarter, bringing the rolling 12 month return to -10.73% (before fees).

The main performers over the quarter were US shares (+2.2%) and quality global equities (via Vanguard MSCI World ex Aus ETF, +1.1%). The exposure to Australian equities through the BetaShares Australia 200 ETF (+0.3%) also provided a positive return for the portfolio. The main detractors over the quarter were Vanguard MSCI International (Hedged) ETF (-5.2%) and the Vanguard FTSE Emerging Markets Shares ETF (-5.3%). Part of the negative performance for both of these ETFs could be attributed to the strength of the USD over this period as the Fed became more aggressively hawkish.

AAN Sustainable Growth - AC0006

As at 30 September 2022

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	0.52% p.a.
Indicative No. of Holdings	

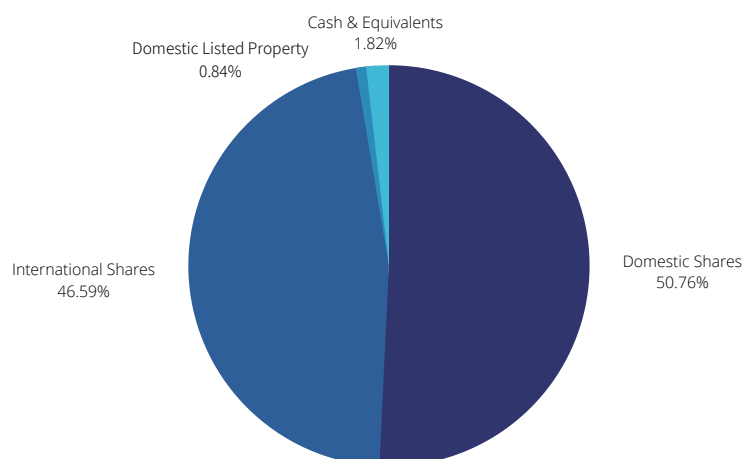
Investment description

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 Australian Share Fund	15.00%
Betashares Australian Sustainability Leaders ETF	15.00%
Australian Ethical SMA	15.00%
Betashares Global Sustainable Leaders ETF	15.00%
Stewart Investors Worldwide Sustainability Fund	15.00%

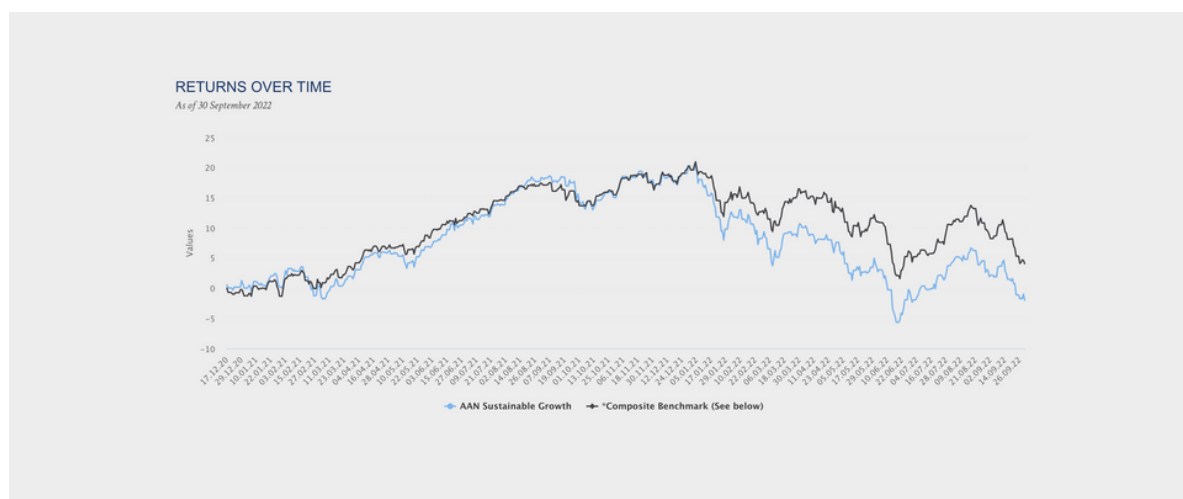
Top 5 holdings represent 75% of total fund

Performance

As at 30 September 2022

	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.	5 yrs p.a.	Since inception p.a.
Total Gross Return	-4.80%	0.32%	-11.39%	-15.26%	N/A	N/A	-1.13%

Returns over time



AAN Sustainable Growth - AC0006

As at 30 September 2022

The Model

There were no material changes to the portfolio this quarter other than reweighting back to benchmark allocations. Additional work is to be completed on manager reviews.

Notable Investments

Australian Ethical:

- During the quarter, portfolio weightings were increased to Blackmores (BKL) and Domain (DHG), while the weighting to Genworth Mortgage Insurance Australia (GMA) was reduced after a period of strong performance. At a sector level, Materials was the strongest sector performer for the portfolio after being a headwind for much of 2022. However, the outperformance in this sector was primarily driven by the portfolio's exposure to lithium (via the holding in Pilbara Minerals), as sentiment strengthened over the quarter due to positive market conditions. Excluding lithium, the performance impact from the Resources/Energy sectors (in which the portfolio has a material underweight due to the ethical screening process) was broadly neutral. The Information Technology and Healthcare sectors detracted from performance, with specific stock related issues driving underperformance in the IT sector as Link Administration Holdings takeover bid finally fell through and as EML payments continued to be impacted by regulatory constraints.
- Pilbara Minerals (PLS) returned 99% over the September quarter. PLS has established itself as one of the largest independent global producers of hard-rock lithium (spodumene), a key component in the battery chemistry utilised in electric vehicles. Sentiment around the lithium sector is strengthening as demand for lithium raw materials continues to expand with automakers' plans to roll out electric vehicles globally, while supply is constrained given the lengthy lead times to bring on new sources of production. As a result, prices for lithium raw materials continue to push to new record highs. PLS's auction platform through which the company sells available spot tonnage of spodumene, recently produced another record price, equivalent to US\$7,708/t on a 6.0% basis, ~10% higher than the previous record price. PLS's FY22 annual result highlighted the significant cash generation from producing in a very favourable market, while the outlook for FY23 is particularly strong with revenue and earnings expected to more than double again versus the Financial Year 2022.

Alphinity:

- Positions in lithium exposure IGO, Lifestyle Communities, health insurer Medibank Private, safety app 360 and not owning gold producer Newcrest contributed to performance. The main detractors from returns were property developer Goodman Group, packaging services company Orora, fresh fruit grower Costa Group, and not owning lithium play Pilbara Resources, or coal miner Whitehaven Coal.

Performance

The AAN Sustainable Growth model returned 0.32% this quarter (before fees) whilst over 12 months the model returned -15.26% (before fees).

Each of the underlying fund portfolios fared particularly well over the September quarter. Only Alphinity and Vanguard had negative returns, though these were minimal. The best performing asset was the Australian Ethical Australian Shares portfolio, followed by the Stewart Investors Worldwide Sustainability Fund. Perpetual Diversified ESG Real Return Fund was next best, with both BetaShares portfolios returning marginally positive returns as well. The Perpetual fund was the best for the month of September (-0.1%), which was where the severe drawdowns occurred through the three-month period (which ranged from -2.9% to -8.4% for September).

Key Contributors:

- Australian Ethical Australian Shares +2%
- Stewart Investors Worldwide Sustainability Fund +1.5%
- Perpetual Diversified ESG Real Return Fund +1.2%

Key Detractors:

- Vanguard Ethically Conscious International Shares -0.3%
- Alphinity Sustainable Share -0.1%

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.