ASSET MANAGEMENT

Quarterly Investment Update

Contents

December 2021

AAN Asset Management Pty Ltd

AAN Asset Management Pty Ltd ABN 37 609 544 836 is a wholly-owned subsidiary of Australian Advice Network Pty Ltd
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6th January 2022

Investor Letter

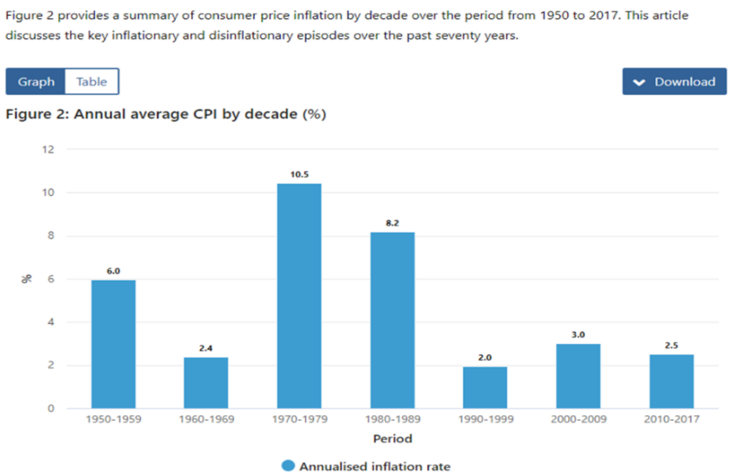
Dear Investor

2021 presented a year of ups and downs for most of us. The ups included a strong start for the Australian economy and markets, with Australia's strong quarantine system buffering us from a new highly contagious Covid-19 variant labelled Delta. Our unique approach to quarantine allowed our economy to flourish, and jobs boom. However this was short lived, with a single breach in quarantine practices mid-year having Delta spread quickly throughout our two largest states. This created misery once again as harsh lockdowns to manage the virus separated us from loved ones once more. The way out was vaccination, and Australians rolled up their sleeves and took up the challenge with determination.

Thankfully with the onslaught of the new Omicron variant, Australians are now largely prepared, but the same cannot be said for other nations oversees – which presents a danger to global growth and markets. It is at this juncture we remember the old saying *a watched pot never boils*. The adage points to watching something continually, which can make it feel like it is never going to happen (or *boil*). Is there a correction coming in investment markets? The answer is "always", but we will never know when exactly.

The cyclical nature of investment markets has not changed and the momentum caused by 'fear and greed' is not driven by fundamentals but by psychology; and that's why it is very hard to predict.

Australian and international share markets have had a very positive 12 months and property markets have had the same. Over the last three years, we have seen some major fluctuations but the average return has been very strong when compared to inflation.



We look at inflation and talk in terms of CPI + returns, as they are "real returns", ie net of inflation. In the 70's the average inflation rate was 10.5% and the 80's 8.2% (See chart). This meant any investment return had to be well above this to keep pace with the rising cost of living, otherwise your wealth would essentially erode in value.

In terms of the present, while there is strong evidence of inflation rising both here and abroad, your investments continue to perform.

We've had some very strong returns generated from our underlying active and 'smart beta' managers, contributing to the above average returns of our models.

It's natural at this juncture for investors to start to consider how much more can these positive returns run? Experience has taught us to be looking for the "correction surprise". Without trying to provide a lesson on portfolio management theory, we would argue the 'buy and hold' strategy has its problems and that is why your AAN Asset Management portfolios and models, reweight quarterly.

If a sector such as Australian shares or commercial property has a strong quarter, we 'reward' that sector by reducing them back to our portfolio benchmark and spreading their accumulated outperformance across the other sectors in the portfolio. Essentially you are taking profits every quarter and redistributing them across the whole portfolio.

If you just ‘held’ that sector your portfolio would become overweight in that sector and increasingly add concentration risk. Additionally, your investments are held in various styles of management which can perform differently based on the environment. For instance;

- If the market is running hard but the fundamentals don’t justify it, passive or index funds do well and active managers can underperform as they struggle to justify buying at inflated prices. An active manager may increase their cash holdings during this time.
- Alternatively in volatile markets, active managers can shine as they buy into undervalued quality stocks impacted by general negative market sentiment and often trade out as they recover and move to stretched valuations again.

Why are we telling you this?

Markets are stretched and despite some commentators talking about ‘transitory’ inflation, the broader market has now moved to anticipating inflation driving interest rate rises in 2022; something we, and our analysts have been anticipating since June.

That pot has been simmering away while you have been reading…!

The good news is we have already been managing this in your portfolio:

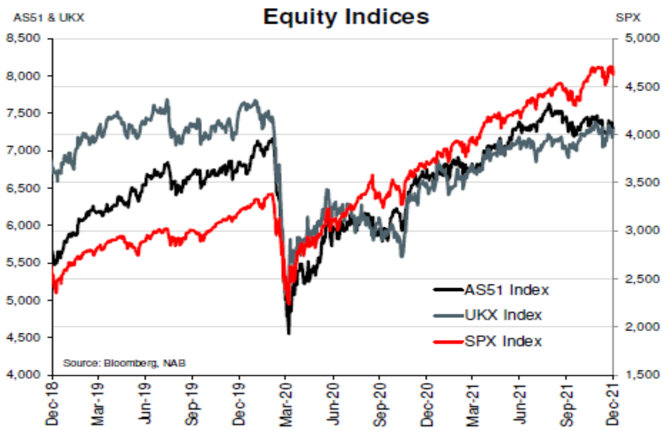
- You have been taking profits each quarter and locking in your gains.
- Our more conservative investors and most of our retirees also have additional downside protection built into their portfolios that will reduce and soften the impacts of any sudden market volatility.
- Our active managers have been managing additional cash allocations within their mandates.
- Our retirees have cash buffers to manage their income needs through negative markets while still giving them upside if markets continue to grow.

Yes, we are doing the worrying for you, and as normal, what you read in the news cycle has already been part of our thinking for some months.

As always if you have any concerns talk to us as there are things we can do to further reduce risk, but you can sleep easy knowing that many of the moves we would discuss are already being factored in to your portfolio.

Quarterly market overview

Markets over the quarter reacted to the identification of a new covid-19 variant (late November) and surging inflation in the US (above 5%) which lifted it to 30 year highs. Prior to this, markets and US Federal Reserve shrugged off these concerns, citing drivers were ‘transitory’ (as opposed to persistent) and expecting it to “cool off”.



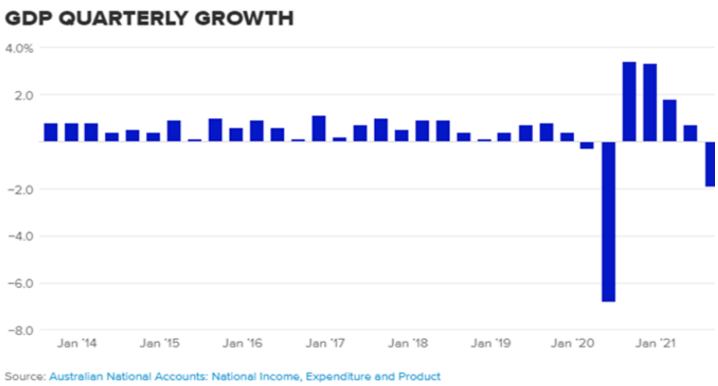
Despite inflationary concerns and risks of monetary policy tightening, the uptrend in equities took the global equities to a new record high on 16 November. However, it was the fifth Covid wave which made equity markets falter, as some European countries were hit particularly hard.

The final straw was the emergence of the new Omicron variant in Africa, and the news of which provoked a sharp and widespread equity sell-off toward the end of November.

In Europe, ECB President Lagarde said that their three conditions for raising rates “are very unlikely to be satisfied next year” as “the outlook for inflation over the medium term remains subdued”, meaning it was unlikely they would change settings any time soon.

China had tightened its monetary policy a while ago to enable “aggressive deleveraging” as it sought to slash debt in the property sector. However the final quarter saw some of the effects of deleveraging come to the fore as Evergrande took out the title of most indebted property company as it neared collapse. A covid relapse saw whole cities (of 17m people) being locked-in caused housing sales and consumer spending to slow sharply.

December saw the US central bank change their language, and markets therefore begin to price in rate rises and a reduction in the easy money conditions of 2021 (and most of the decade). As a result, long duration assets like bonds posted negative returns, with value stocks and property largely benefiting.



In Australia, it was confirmed that our economy went backwards in the 3rd quarter with growth numbers (GDP) confirming a 1.9% contraction as NSW and Victoria were largely in lockdown during the period.

While the news appeared bleak, GDP is an historic data point, and Australian forward looking activity indicators pointed to a very strong snap back in the final quarter for 2021.

The chart below shows the strong performance for risk assets over the quarter. They continued to benefit from long term low interest rates which helped pushed equity markets forward. US equities continued to set the pace and European markets staged a late rally. Japan was the worst performing equity markets, while emerging market bonds also fell as interest rates in many countries increased.

Over the calendar year, International Property returned 40% as lockdowns largely lifted, International equities (unhedged) returned almost 12%; boosted by a weaker Australian dollar. Australian bonds lost almost 3% as rates rose, and global bonds were little changed, returning 1%. Overall, 2021 provided strong returns for most balanced investors with relatively low volatility.

With so many people and economies in different phases of lockdowns and restricted in traditional discretionary spend items such as travel, new cars etc, we ended the year with excess savings of around $2.3trn in the US and $250bn in Australia. This has provided a buffer for many and will provide an ongoing boost to spending.

Outlook

The identification of the omicron variant provided a reminder that the pandemic might not yet be over. Just as importantly, the persistence of inflation surprises (particularly in the US) is causing central banks to reassess the urgency with which they unwind current extreme monetary policy settings.

In 2022, the consensus for the global economy is:

- a slowdown in growth as the re-opening boost and stimulus to growth fades; and
- an eventual moderation in inflation back towards 2-3% as supply chain disruptions ease.

The spread of the omicron variant will be closely watched in the weeks and months ahead. These considerations will be a significant factor for global central banks including Australia's RBA and the US Federal Reserve. Inventories continue to be low because of various supply chain disruptions, and will need to be rebuilt which will provide a boost to production.

NAB are forecasting Australia's GDP growth for the year to move from 1.6% to 2.6%, and expect above trend growth to continue through to next year, before returning to a longer-term trend level (around 2.5%) in 2023.

Meanwhile the RBA continues to buy bonds to the tune of $4b per week and will continue to do so until February 2022. This is despite a very strong labour market (with unemployment back at a low 4.6%) and high savings rate (20%) making consumers healthy and happy to spend.

Following the house price growth of 22% in 2021, prices are expected to continue to slow into 2022 (to around 5% by year's-end). NAB say "This will set up a weak 2023 and if, as we expect, the RBA lifts the cash rate in H2 2023, we would expect to see a fall in house prices of around 7.5% over that year." Other factors influencing the market include APRA's changes to loan serviceability buffers, as well as higher rates.

Looking forward, the latest Covid, fiscal and monetary policy developments are clouding the view for investors; raising many questions and uncertainties for markets which means the current phase of volatility is likely to continue through the New Year.

Global economic growth is expected to moderate in 2022, but an upward lift in inflation pressures is expected to see a number of central banks, including the US Fed, end QE programs and lift official interest rates in 2022.

Regards,

AAN Investment Committee

Economic Summary

1st February 2022

Unemployment rate

As lockdowns ended and businesses began hiring, the unemployment rate fell from 4.5% to finish the year at 4.2%.

4.2%

Australian dollar

The Australian dollar finished 2021 at US72.5c, a big drop from where it started at US77c.

Australian Bonds

Australian bond yields rose 0.30% in 2021 to finish the December quarter at 1.67%

1.67%

Oil price

Oil finished the year at US$72.87 up by 49.54% a year ago.

Best performing stock

Graincorp in the AAN Sustainable Growth Model, which delivered 32.5% for the quarter.

Vaccination rate

The Covid 19 Vaccination rate for Australians that are fully vaccinated is 78.6%.

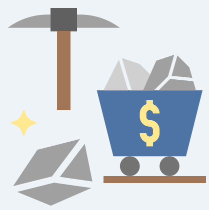
78.6%

S&P500 & ASX200

The S&P500 gained 26.9% for the year and the ASX200 ended with a total return of 17.23% after a rise of 2.75% in December.

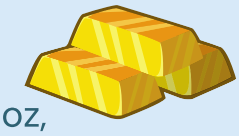
Iron Ore price

Iron Ore price finished 2021 at $112.50US/mt, dropping $43.34US/mt in 2020.



Gold price

Gold ended the year trading above AUD 2,500oz, an increase of 2.4%.



Model performance

Our best performing models for the year was the AAN Australian Model at 20.20% and the AAN Growth Model at 20.19%.

RBA update

RBA not expected to lift cash rate until 2024 and continues to stand at 0.10%.

Consumer Price Index (CPI)

The CPI rose 1.3% in the December quarter and 3.5% annually, according to the Australian Bureau of Statistics.

AAN Core - AC0001

As at 31 Dec 2021

Investment Manager	AAN Asset Management Pty Ltd
Model Code	AC0001
Management Expense Ratio	0.48% p.a.
Indirect Cost Ratio	0.45% p.a.
Total	0.93% p.a.
Less *AAN Client Model Fee Discount*	0.125% p.a.
Total Management Investment Fee	0.805% p.a.
Performance Fee	Nil
Minimum Initial Investment	No fixed minimum
Commencement	05 Feb 2016
Indicative No. of Holdings	Unlimited

Investment description

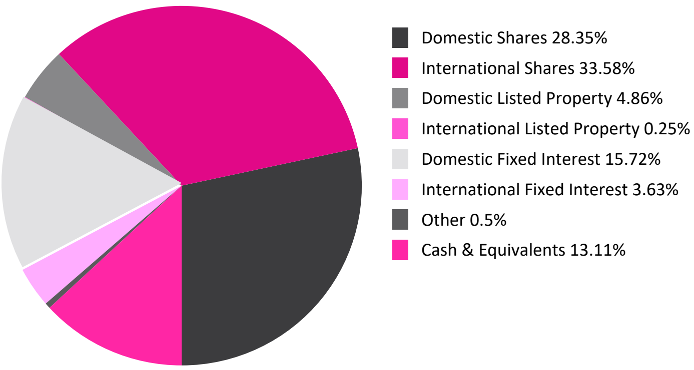
The Core portfolio is an actively managed portfolio providing a diversified exposure with a neutral tilt towards growth asset classes (65%) relative to defensive asset classes (35%). The portfolio is constructed using a multi-manager approach which seeks to incorporate a blend of investment styles. The 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

As at 31 Dec 2021



Top 5 holdings

As at 31 Dec 2021

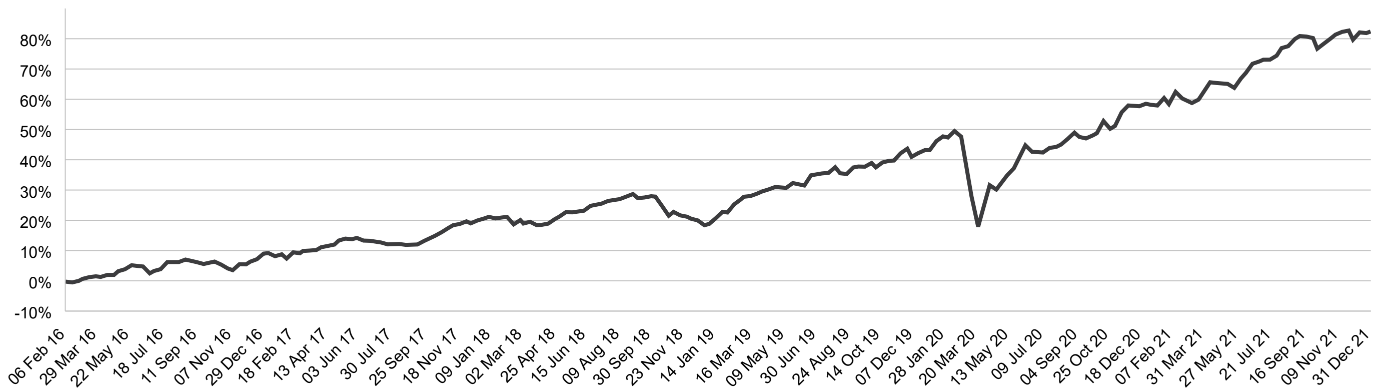
PERPETUAL DIVERSIFIED REAL RETURN W	19.47%
VANECK AUSTRALIAN EQUAL WEIGHT ETF	10.52%
VANECK MSCI INTERNATIONAL QUALITY ETF	9.42%
FRANKLIN GLOBAL GROWTH W	9.07%
VANGUARD MSCI INDEX INTERNATIONAL SHARES (HEDGED) ETF	6.95%

Top 5 holdings represent 55.43% of total fund

Performance

As at 31 Dec 2021	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.	5 yrs p.a.	Since inception p.a.
Total Gross Return	0.64%	2.39%	5.75%	15.31%	15.23%	10.9%	10.71%

Returns over time



The Model

There were no major changes this quarter other than our rebalancing which saw some profits taken from VanEck's QUAL, Vanguard's Property Securities Index, and VanEck's Australian Equal Weight. Perpetual's Diversified Real Return Fund was topped up as were Franklin Australian Absolute Return Bond Fund and the Ardea Real Outcome Fund.

AAN Core - AC0001

As at 31 Dec 2021

ASSET MANAGEMENT

Notable investments

The direct equity models largely trimmed/added around existing positions. Only one new position was added in City Chic Collective, exits included Seven Group Holdings, and Pendal Group. QUAL's overweight position to Information Technology and Communication Services contributed strongly to the performance with overweight exposures to US stocks Nvidia, Alphabet and Microsoft, which were up 139.3%, 75.3% and 61.8% respectively over the year.

- **PDL** - Pendal has been a small weight in the Portfolio for some time now. Greater competition from companies on the bench and in the portfolio coupled with soft short and long term growth outlook saw Hyperion remove Pendal from the portfolio.

- **APT** - Afterpay is the largest holding ~12% in Hyperion's model and the stock has been caught up in the payments sector selloff which is off the back of lower consumer confidence due to COVID resurgence, however Hyperion's work shows that retailers and companies like Paypal have had a very strong Xmas trading period. Afterpay / Square report in Feb so we should have more clarity then.

- **Nvidia** - Nvidia's graphic processing units (GPUs) have been and remain in high demand in sectors such as gaming, data centres and artificial intelligence. Its leadership position in the GPU segment has allowed it to capitalise on the growth of numerous applications that require heavy computing power, particularly cryptocurrency mining and autonomous driving. Nvidia's results also got a boost from sales of its cryptocurrency mining processor, launched earlier this year. CMP sales were $266 million, or about 4.1% of the company's total quarterly revenue. This holding also sits within QUAL and has returned 139.3% for the year compared to the broader market's 29.6% return.

Performance

The AAN Core model added 2.39% (before fees) this quarter, bringing the rolling 12 month total to 15.3%.

Fixed Income assets underperformed this quarter leading to a negligible negative effect on the model. Vanguard Australian Property, VanEck MSCI International Quality ETF (QUAL) and the Bennelong model performed well.

Best performing holdings included;

- Altium (ALU) +28% - on strong guidance of 16-20% revenue growth.
- Goodman Group (GMG) +23%.

Underperformers included;

- Afterpay -31% - sold on the risk of higher interest rates.
- Dominos -24%.

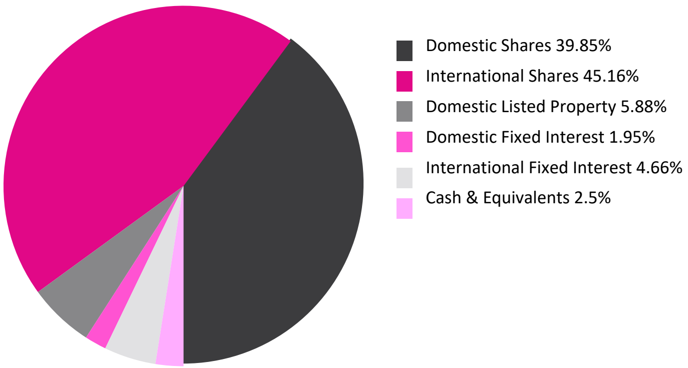
AAN Growth - AC0002

As at 31 Dec 2021

Investment Manager	AAN Asset Management Pty Ltd
Model Code	AC0002
Management Expense Ratio	0.52% p.a.
Indirect Cost Ratio	0.29% p.a.
Total	0.81% p.a.
Less *AAN Client Model Fee Discount*	0.06% p.a.
Total Management Investment Fee	0.75% p.a.
Performance Fee	Nil
Minimum Initial Investment	No fixed minimum
Commencement	05 Feb 2016
Indicative No. of Holdings	Unlimited

Asset Allocation

As at 31 Dec 2021



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.

Top 5 holdings

As at 31 Dec 2021

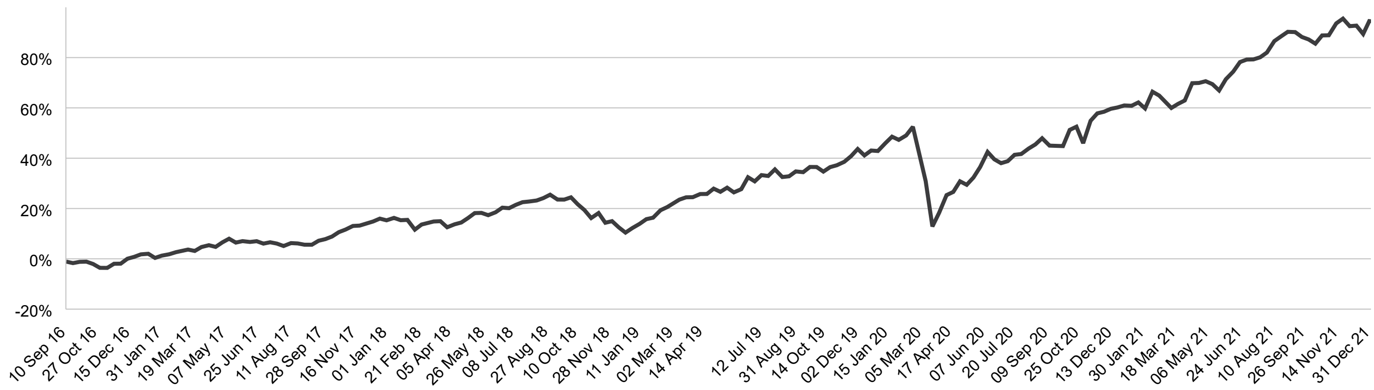
VANECK AUSTRALIAN EQUAL WEIGHT ETF	13.39%
FRANKLIN GLOBAL GROWTH W	11.91%
VANECK MSCI INTERNATIONAL QUALITY ETF	11.9%
VANGUARD MSCI INDEX INTERNATIONAL SHARES (HEDGED) ETF	11.03%
VANGUARD AUSTRALIAN PROPERTY SECURITIES INDEX ETF	5.25%

Top 5 holdings represent 53.48% of total fund

Performance

As at 31 Dec 2021	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%	3.53%	8.15%	21.19%	19.92%	13.75%	13.22%

Returns over time



The Model

The model had sold Vanguard Australian Fixed Interest in favour of the iShares Australian Bond Index, which is more competitively priced. Rebalancing saw some profits taken from VanEck's QUAL, Vanguard's Property Securities Index, and Vanguard's MSCI International Shares (Hedged). Hyperion High Conviction, and AAN Index Core were topped up.

AAN Growth - AC0002

As at 31 Dec 2021

Notable investments

The direct equity models largely trimmed/added around existing positions. Only one new position was added in City Chic Collective, exits included Seven Group Holdings, and Pendal Group.

QUAL's overweight position to Information Technology and Communication Services contributed strongly to the performance with overweight exposures to US stocks Nvidia, Alphabet and Microsoft, which were up 139.3%, 75.3% and 61.8% respectively over the year.

- **PDL** - Pendal has been a small weight in the Portfolio for some time now. Greater competition from companies on the bench and in the portfolio coupled with soft short and long term growth outlook saw Hyperion remove Pendal from the portfolio.

- **APT** - Afterpay is the largest holding ~12% in Hyperion's model and the stock has been caught up in the payments sector selloff which is off the back of lower consumer confidence due to COVID resurgence, however Hyperion's work shows that retailers and companies like Paypal have had a very strong Xmas trading period. Afterpay / Square report in Feb so we should have more clarity then.

- **Nvidia** - Nvidia's graphic processing units (GPUs) have been and remain in high demand in sectors such as gaming, data centres and artificial intelligence. Its leadership position in the GPU segment has allowed it to capitalise on the growth of numerous applications that require heavy computing power, particularly cryptocurrency mining and autonomous driving. Nvidia's results also got a boost from sales of its cryptocurrency mining processor, launched earlier this year. CMP sales were $266 million, or about 4.1% of the company's total quarterly revenue. This holding also sits within QUAL and has returned 139.3% for the year compared to the broader market's 29.6% return.

Performance

The AAN Growth model a strong quarter, returning 3.53% (Before fees) and bringing the rolling 12month period return to 21.19%.

Fixed Income assets underperformed this quarter leading to a negligible negative effect on the model. Vanguard Australian Property, VanEck MSCI International Quality ETF (QUAL) and the Bennelong model performed well

Best performing holdings included;

- Altium (ALU) +28% - on strong guidance of 16-20% revenue growth.
- Goodman Group (GMG) +23%.

Underperformers included;

- Afterpay -31% - sold on the risk of higher interest rates.
- Dominos -24%.

AAN Australian - AC0003

As at 31 Dec 2021

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	Up to 50

Investment description

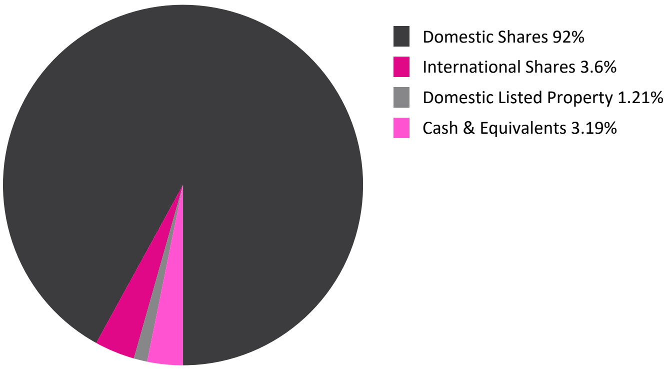
The AAN Australian model provides exposure to an actively managed portfolio of Australian equities. The portfolio is constructed using a multi-manager approach which seeks to reduce style bias and may employ a blend of active and passive investment styles based on market conditions. Investment exposure 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

As at 31 Dec 2021



Top 5 holdings

As at 31 Dec 2021

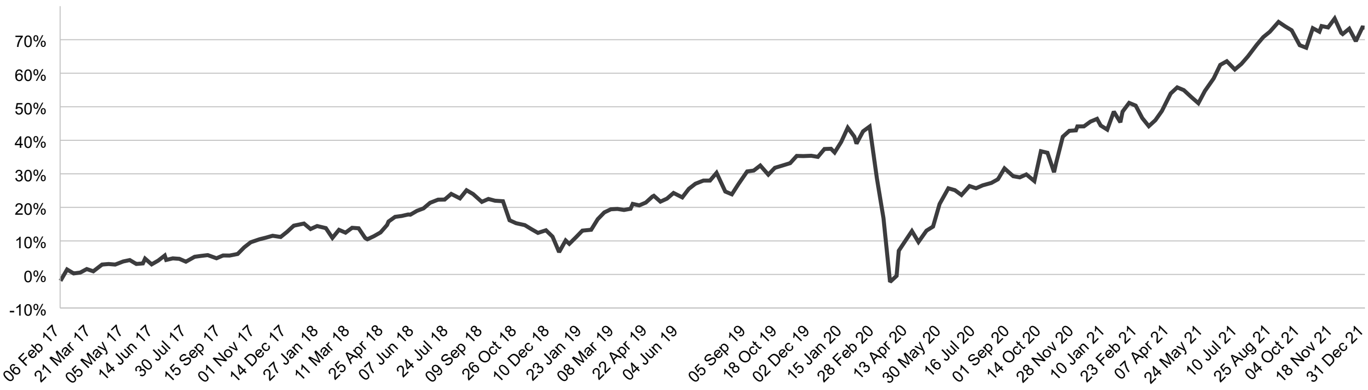
VANECK AUSTRALIAN EQUAL WEIGHT ETF	25.37%
BETASHARES AUSTRALIA 200 ETF	24.82%
CSL LIMITED FPO	5.17%
JAMES HARDIE INDUSTRIES PLC CDIS 1:1	3.6%
RESMED INC CDI 10:1 FOREIGN EXEMPT NYSE	3.17%

Top 5 holdings represent 62.13% of total fund

Performance

As at 31 Dec 2021	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.	Since inception p.a.
Total Gross Return	0.39%	1.32%	6.36%	20.2%	16.38%	11.86%

Returns over time



The Model

No major changes were made to the Model this quarter. The portfolio saw profits taken in VanEck Vectors Australian Equal Weight (MVW), Betashares A200, and Bennelong, with Hyperion being topped up.

Notable investments

The model invests in low cost Australian Index ETFs as well as high conviction fund managers. Accordingly the Betashares Australia 200 ETF (A200) and VanEck Vectors Australian Equal weight ETF (MVW) are the two largest direct holdings at around 25% each.

The direct equity models largely trimmed/added around existing positions. Only one new position was added in City Chic Collective, exits included Seven Group Holdings, and Pendal Group.

• **PDL** - Pendal has been a small weight in the Portfolio for some time now. Greater competition from companies on the bench and in the portfolio coupled with soft short and long term growth outlook saw Hyperion remove Pendal from the portfolio.

• **APT** - Afterpay is the largest holding ~12% in Hyperion's model and the stock has been caught up in the payments sector selloff which is off the back of lower consumer confidence due to COVID resurgence, however Hyperion's work shows that retailers and companies like Paypal have had a very strong Xmas trading period. Afterpay / Square report in Feb so we should have more clarity then.

• **Nvidia** - Nvidia's graphic processing units (GPUs) have been and remain in high demand in sectors such as gaming, data centres and artificial intelligence. Its leadership position in the GPU segment has allowed it to capitalise on the growth of numerous applications that require heavy computing power, particularly cryptocurrency mining and autonomous driving. Nvidia's results also got a boost from sales of its cryptocurrency mining processor, launched earlier this year. CMP sales were $266 million, or about 4.1% of the company's total quarterly revenue. This holding also sits within QUAL and has returned 139.3% for the year compared to the broader market's 29.6% return.

Performance

The model returned 1.32% (Before fees) for the quarter, adding to the 20.2% rolling 12 month return.

Best performing holdings included;

- Goodman Group (GMG) +22.6%
- Reliance Worldwide (RWC) +20.5%

Underperformers included;

- Afterpay -23% - sold on the risk of higher interest rates.
- Dominos -21%.

AAN Index Core - AC0004

As at 31 Dec 2021

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	0.15% p.a.
Indicative No. of Holdings	Up to 25

Investment description

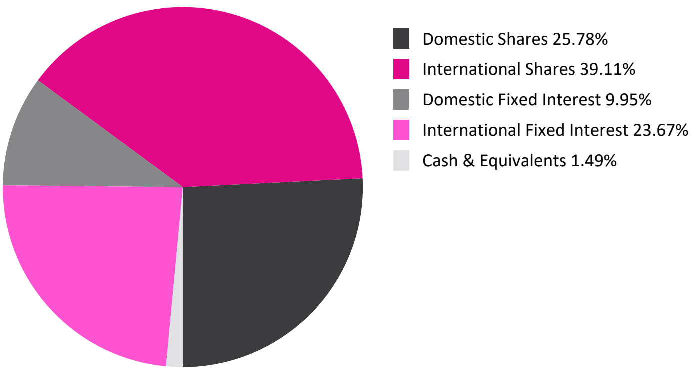
The Index Core portfolio is an actively managed diversified portfolio which obtains exposure using a blend of passive ETFs listed on the ASX and index based managed funds. The portfolio is constructed with a strategic growth exposure of 65% and defensive exposure of 35%. The portfolio will generally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

Investment objective

The Index Core portfolio's investment objective is to outperform CPI by 2.5% p.a before fees over rolling 5-year periods.

Asset Allocation

As at 31 Dec 2021



Top 5 holdings

As at 31 Dec 2021

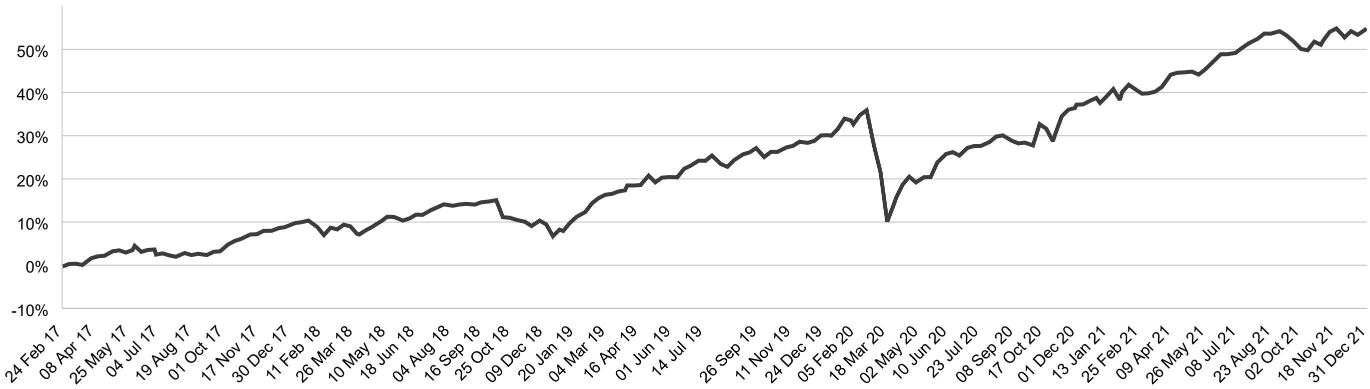
BETASHARES AUSTRALIA 200 ETF	25.75%
VANGUARD INTERNATIONAL FIXED INTEREST INDEX (HEDGED) ETF	15.39%
VANGUARD US TOTAL MARKET SHARES INDEX ETF	13.52%
VANGUARD MSCI INDEX INTERNATIONAL SHARES (HEDGED) ETF	10.51%
ISHARES AUSTRALIAN BOND INDEX	9.94%

Top 5 holdings represent 75.11% of total fund

Performance

As at 31 Dec 2021	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.	Since inception p.a.
Total Gross Return	0.91%	1.99%	3.66%	12.53%	12.67%	9.43%

Returns over time



The Model

The model sold Vanguard Australian Fixed Interest in favour of the iShares Australian Bond Index, which has lower management fees. In addition, as the iShares product is a managed fund, no brokerage is payable to Praemium for trades made. Fixed income holdings posted small negative returns, with International and Domestic shares posting positive returns.

Notable investments

The model invests in a series of low cost ETFs with Betashares Australia 200 ETF representing the largest holding of 26%. Vanguard International Fixed Interest (Hedged) ETF (16%) if the next largest holding.

Profits were trimmed in VTS and VGAD as well as Cash being reallocated across the other funds.

AAN Index Core - AC0004

As at 31 Dec 2021

Performance

The model added 1.99% (Before fees) over the quarter which brought the rolling 12 month period return to 12.53%.

- VANGUARD MSCI INDEX INTERNATIONAL SHARES (HEDGED) ETF performed the best, rising 6.5% over the quarter.
- VANGUARD US Total Market Shares Index ETF (VTS) was next best at 6.4%.
- Betashares A200 rose 2.7%.

AAN Index Growth - AC0005

As at 31 Dec 2021

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	0.13% p.a.
Indicative No. of Holdings	Up to 25

Investment description

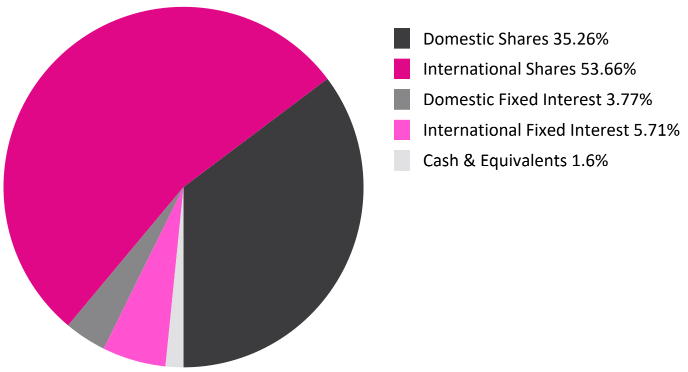
The Index Growth portfolio is an actively managed diversified portfolio which obtains exposure by using a blend of passive ETFs listed on the ASX and index based managed funds. The portfolio is constructed with a higher emphasis on growth exposure (90%) relative to defensive exposure (10%). The portfolio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

As at 31 Dec 2021



Top 5 holdings

As at 31 Dec 2021

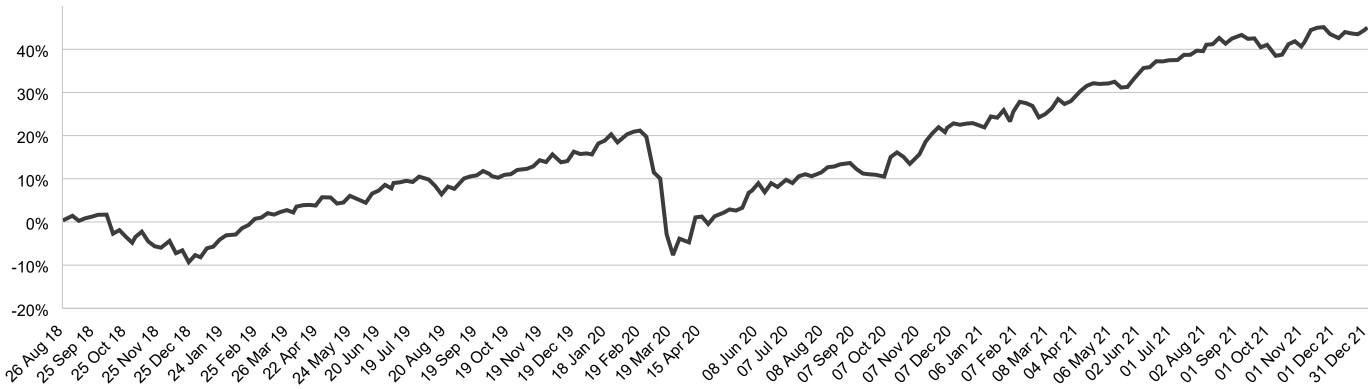
BETASHARES AUSTRALIA 200 ETF	35.21%
VANGUARD US TOTAL MARKET SHARES INDEX ETF	17.5%
VANGUARD MSCI INDEX INTERNATIONAL SHARES (HEDGED) ETF	16.53%
VANGUARD ALL-WORLD EX-US SHARES INDEX ETF	8.65%
VANGUARD MSCI INTERNATIONAL SMALL COMPANIES INDEX ETF VANGUARD MSCI INTL SMALL COMPANIES INDX ETF	6.18%

Top 5 holdings represent 84.07% of total fund

Performance

As at 31 Dec 2021	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.	Since inception p.a.
Total Gross Return	1.36%	3.06%	5.21%	18.67%	16.18%	11.7%

Returns over time



The Model

The model sold Vanguard Australian Fixed Interest in favour of the iShares Australian Bond Index, which has lower management fees. In addition, as the iShares product is a managed fund, no brokerage is payable to Praemium for trades made. Fixed income holdings posted small negative returns, with International and Domestic shares posting positive returns.

Notable investments

The model invests in a series of low cost investments with Betashares Australia 200 ETF representing the largest holding of 36%. Vanguard US Total Shares ETF is the next largest exposure at 17.14%, followed by Vanguard MSCI Index Int (hdg) (16.25%).

The model has less than 10% invested in Fixed Interest investments in the iShares Australian Bond Index fund, and Vanguard International Fixed Interest Index (Hedged) ETF (holdings of 4% and 6% respectively).

AAN Index Growth - AC0005

As at 31 Dec 2021

Performance

With a high weighting to growth assets, the AAN Index Growth model added 3.06% (before fees) this quarter, bringing rolling 12 month performance to 18.7%

- Both VANGUARD MSCI INDEX INTERNATIONAL SHARES (HEDGED) ETF and VANGUARD US Total Market Shares Index ETF (VTS) performed the best at 6.5%.
- Betashares A200 rose 2.7%.

AAN Sustainable Growth - AC0006

As at 31 Dec 2021

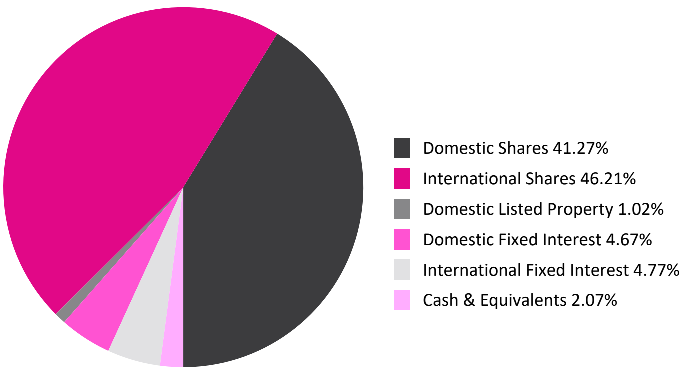
Investment Manager	AAN Asset Management Pty Ltd
Model Code	AC0006
Management Expense Ratio	0.40% p.a.
Indirect Cost Ratio	0.52% p.a.
Total	0.92% p.a.
Less *AAN Client Model Fee Discount*	0.09% p.a.
Total Management Investment Fee	0.83% p.a.
Performance Fee	Nil
Minimum Initial Investment	No fixed minimum
Commencement	17 Dec 2020
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. It uses a multi-manager approach to provide investment diversification as well as differentiated approaches to ESG investing. The model has a strategic allocation of 90% to growth assets and 10% to defensive assets. It seeks exposure to Australian and international shares, property and fixed income assets via investing in managed funds, ETFs and/or Australian equity model portfolios. Whilst underlying investment managers will employ their own sustainable investment approach, the overall model is managed according to the manager's Sustainable Investment Policy which seeks to avoid the following sectors: Tobacco and tobacco products; Gambling; Alcohol; Pornography; Armaments manufacture or distribution; High impact fossil fuels; 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.

Asset Allocation

As at 31 Dec 2021



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.

Top 5 holdings

As at 31 Dec 2021

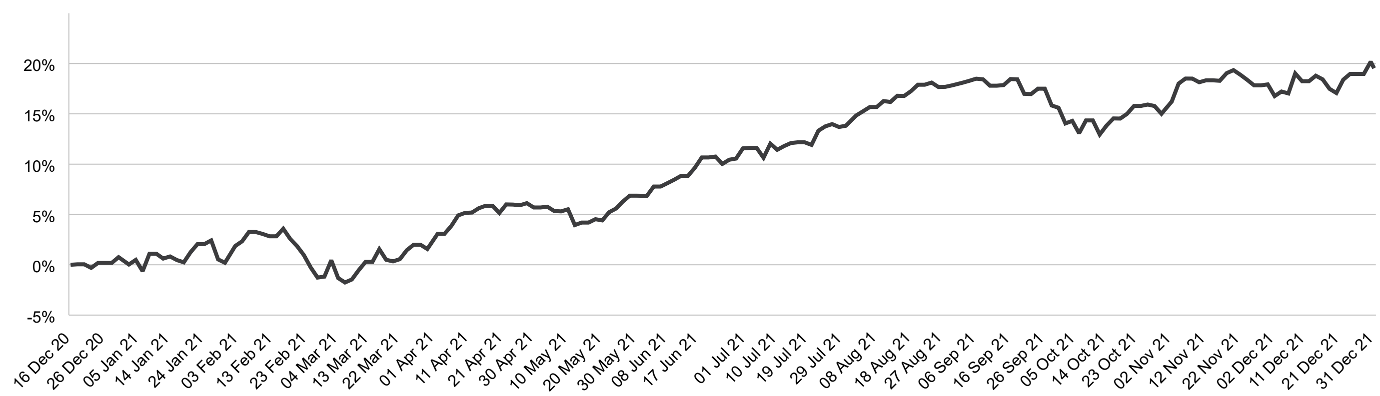
BETASHARES GLOBAL SUSTAINABILITY LEADERS ETF	15.3%
VANGUARD ETHICALLY CONSCIOUS INTERNATIONAL SHARES INDEX ETF	15.2%
BETASHARES AUSTRALIAN SUSTAINABILITY LEADERS ETF	14.98%
STEWART INVESTORS WRLDWIDE SUSTNBY	14.98%
ALPHINITY SUSTAINABLE SHARE	14.77%

Top 5 holdings represent 75.23% of total fund

Performance

As at 31 Dec 2021	1 mth	3 mths	6 mths	1 yr	Since inception p.a.
Total Gross Return	1.36%	3.4%	7.13%	19.5%	18.75%

Returns over time



AAN Sustainable Growth - AC0006

As at 31 Dec 2021

The Model

This forms the first 12month period for this new model. It has performed well over the quarter and year, with only minor reweightings occurring.

Notable investments

Rebalancing saw profits taken from Betashares Global Sustainable Leaders ETF, Vanguard Ethically Conscious International Shares Index ETF, Betashares Australian Sustainability Leaders ETF, and distributed across the other funds.

In terms of direct investments, this quarter Pilbara Metals (PLS) was the only new stock added and Spark Infrastructure (SKI) was exited.

- GrainCorp (GNC) was the portfolio's top contributor to performance for Australian Ethical, returning 32% over the 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. GNC reported a strong financial result during the quarter, with EBITDA increasing 206% driven by a 142% increase in grain handled to 34mt. GNC is set to benefit from ongoing favourable crop conditions with ABARES forecasting the FY22 East Coast winter crop to be the second largest on record. With the balance sheet in a strong position, GNC has also announced it will commence a $50m on-market buy-back from February 2022.

- Link Administration (LNK) was another strong contributor to the portfolio's performance, returning 27% over the quarter. LNK provides outsourced administration services to super funds, listed companies and others in Australia and the UK, while also holding an equity stake in Pexa (PXA).

Performance

The model continued to invest compliantly as per our Sustainable Investment Policy. The model performed well, adding 3.4% this quarter (before fees) with the 12 month return 19.5%.

Best performing holdings included;
- Graincorp + 32.5%
- Link + 26.6%.

Biggest detractor was Nitro -31.8%.

Important notices