

Quarterly Investment Update

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September 2021

AAN Asset Management Pty Ltd

6th October 2021

Investor Letter

Dear Investor

Over the last 40 years interest rates have largely been on a downward trajectory as governments separated central banks from political influence, and refocused them on broader objectives linked to employment, inflation, and currency stability.

Central banks have navigated numerous crises with varying success, and worked within their mandate using monetary policy to help all of us have some greater certainty on the cost of living, jobs, and other aspirations. The charts below show a helicopter view of how some of this policy has seen interest rates fall over this period, and in turn support confidence, economic activity, and (very simplistically) lift asset prices.



We point you to these charts, as over the decades there has been a lot of noise. This has included (but not limited to) oil shocks, Japanese asset bubbles, savings and loan crises, an Asian Financial Crisis, the blow up of hedge fund LTCM, Tech bubbles/busts, the Global Financial Crisis, the European Sovereign Debt Crisis, and the Covid-19 recession to name just a few. Each time an issue arises, we are told this time it is different.

But is it?

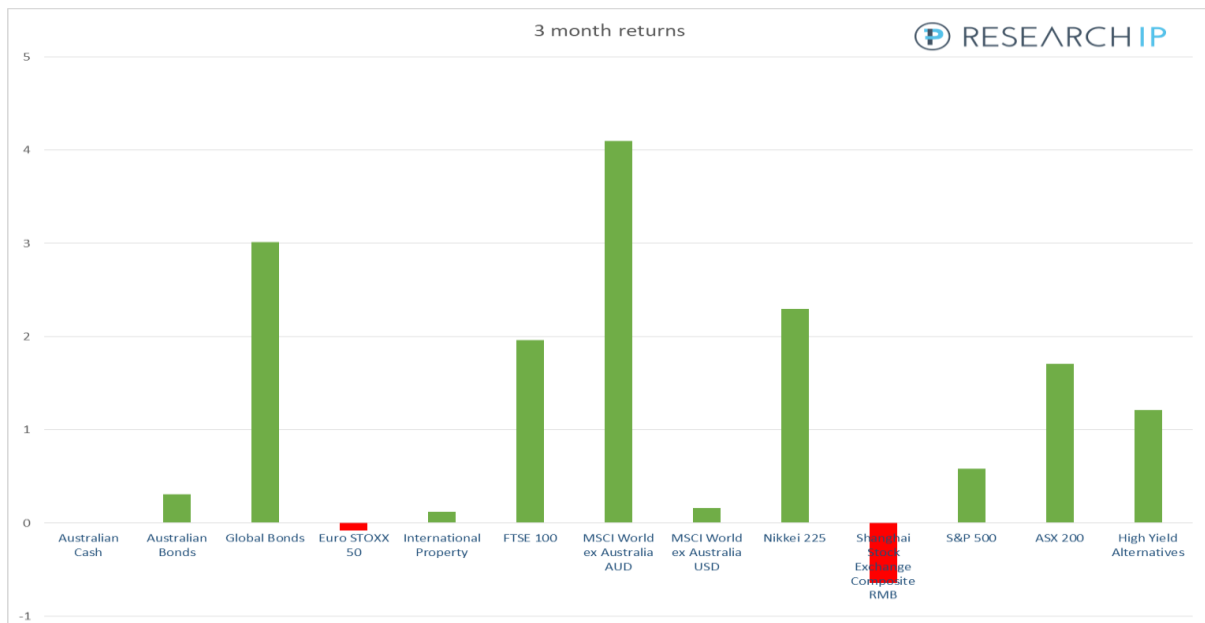
Central banks respond, governments respond... and sometimes this is very well co-ordinated, meanwhile we get some blips on the right hand side chart, but largely the green line holds. Irrespective of the blips, what we learn is the importance of having an investment strategy and following a disciplined process.

While the ASX has printed 11 months of straight gains to September, we tune out the noise of US debt ceilings, Evergrande's impending collapse, inflationary concerns, energy shocks, the spread of Delta, and other events of this quarter. Instead, we continue to follow our strategy which saw us reduce risk over this period by banking profits, and reinvesting in cheaper assets. This has helped to deliver consistent and strong performance for your investment above benchmarks.

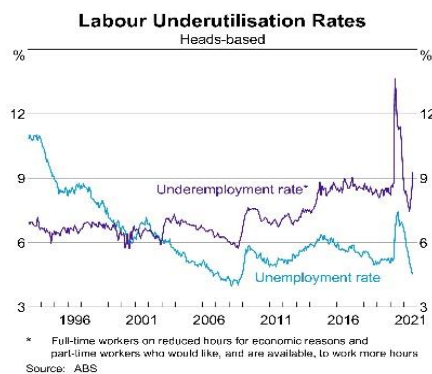
We summarise below the other important factors this quarter and how they influenced your investments below.

Quarterly market overview

The quarter had most markets exhibit positive returns, albeit a number of events toward the end of September saw equity markets decline in a “risk off” sentiment, and bond yields rise on inflation and tapering concerns. The net effect delivered both bond and equity market losses for the month of September.



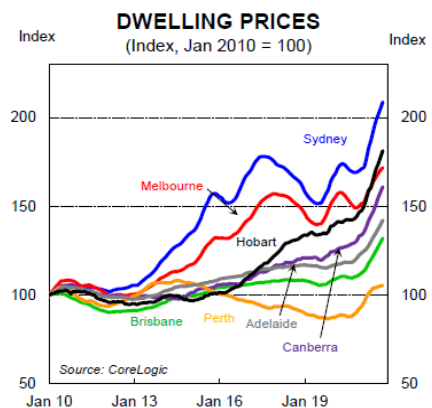
The Australian economy was largely locked down over the period with some of the largest states and regions losing control over the Delta variant. South East Queensland LGAs managed to go in and out of lockdowns, but NSW and Victoria were not so fortunate. Victoria’s capital Melbourne surpassed Buenos Aires’s unenviable 234 day record for the longest cumulative lockdown for any city in the world.



The Australian economy also weathered a collapse in the price of Iron Ore (its largest export) from around \$230/t US in July to a low of \$103/t US in September. This was on concerns around China’s second largest real estate developer collapsing, as well as Chinese regulators applying a decarbonisation policy reducing steel manufacturing. Thermal coal prices went the other way, spiking higher despite a ban on Australian coal. The combination of strong demand, regulatory issues with Chinese officials checking on the safety of mines, and decarbonisation supported the move. Broader demand for energy around the world saw the oil price rise \$6bbl.

Australian unemployment surprised most with a lower than expected print of 4.5%, which on the face of it suggests a booming economy. However with significant lockdowns, the detail revealed a spike in underemployment (which includes underutilisation), and job losses in NSW of 210,000 (chart above).

To date, policy measures (both monetary and fiscal) have supported households and businesses, however it is those in highly impacted industries and based in areas under stringent lockdowns which are most at risk. Housing continues to be resilient with prices in August rising 1.8% for the month or 18.3% yoy. This is the fastest pace since 1989 (see chart to the right).



The global economy pushed forward over the period with the US (the world's largest economy) growing 6.5% in 12 months. The strong growth was matched by even stronger Non-Farm Payrolls (NFP) data released in August which showed 943,000 new jobs added in a single month. All eyes now turned to the US central bank, and whether there'd be an easing of the incredible stimulus. A further NFP data release before the meeting provided some bad news with the jobs market weakening with only 235,000 new jobs added. Ironically the bad news pushed stock markets to new all-time highs, as it was likely the easy monetary conditions would continue. The US central bank Chairman Powell spoke at Jackson Hole saying the circa 5% inflation rate was still transitory, and that it might be appropriate to taper some of the \$120b/month in bond buying before the year's end as forward looking manufacturing data was extremely strong. This spooked bond markets and pushed yields higher.

The European Central Bank (ECB) announced a reduction in the pace of its asset purchases, but in contrast to the US central bank, it was keen to stress that this was not the beginning of a process of tapering purchases down to zero. As the US & UK central banks set out on a path towards higher interest rates, the ECB looks likely to be left behind.

Markets also had to weather the potential of defaults in debt markets with China's second largest property developer struggling with \$300b US of debt, and the US Government shutting down as its levels approached their ceiling/limit. In a Senate hearing, both the current US central bank Chair Jay Powell and former Chair (and now Treasury Secretary) Janet Yellen both warned a default (because of a failure to raise the debt ceiling) would have catastrophic consequences. This helped spur the US Senate to pass a "stop gap" bill to avoid the government shutting down.

Outlook

After being extraordinarily strong in the second half of 2021, global economic growth has likely peaked, and expectations are continuing to be revised down on the spread of the delta variant (especially in the US and UK).

In the short term, the recovery in the services sector has been restrained by the spread of the delta variant and the manufacturing sector continues to be affected by supply chain disruptions caused by the pandemic.

In the medium term, the re-opening trade will likely fade and fiscal policy will become progressively less stimulative. Inflation is expected to moderate as high inflation prints in the US over recent months have been largely attributed to supply chain disruptions and believed to be 'transitory'.

Economies will now be defined by their levels of vaccinations and/or natural immunity. The UK and Europe (and to a lesser extent the US) have managed to break the link between infections and hospitalisations through high rates of vaccination. With the benefits of reopening still to be fully realised, Europe and the UK are the regions with the most promising growth outlook.

The outlook for Australia is delicately poised given the combination of a highly contagious variant and low (but rapidly increasing) levels of vaccination. The National Accounts show the economy was slowing before the full impact of the lockdowns, and a substantial fall in activity in the September quarter is inevitable.

More recently, the "Covid zero strategy" has been abandoned by NSW and Victoria. As a result, this re-opening is going to be very different to what happened in the second half of last year. Added to that commodity prices, including iron ore, are now falling (from extraordinarily high levels) due to the slowdown in demand from China.

As a result, ongoing fiscal support in Australia will be crucial to the path of recovery. In the lead up to next year's Federal election it's likely further stimulus will come and underpin a robust recovery. There remains however, an unusual amount of uncertainty about the outlook.

Regards,

AAN Investment Committee

Economic Summary

1st October 2021

Unemployment rate

The unemployment drops further to 4.5% in August.

4.5%

S&P500 & ASX200

The S&P500 returns +0.6%, for the quarter and the ASX200 returns +1.7% for the quarter.



Australian dollar

AUD/USD declines from 74.98c to 72.26c (-3.6%).



Iron Ore price

Iron Ore price hits \$106USD/T -50.5%.



Australian Bonds

Australian 10 year bond yield 1.49%.

1.49%

Gold price

Gold \$2,412 AUD/oz + 2%.



Oil price

Oil \$79 USD/bbl + 10%.



Model performance

Our best performing model for the 12 months was the AAN Growth Model, with a return of 29.28% pre fees.



Best share

4WD accessory maker ARB closed at \$48.94 on 30 September, up from \$28.35 12 months earlier.



RBA update

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



Vaccination rate

The Covid 19 Vaccination rate for Australians that are fully vaccinated is 42.2%.

42.2%

COVID vaccine

2.59 billion people have been vaccinated globally. This is up by 1.39 billion from the last quarter.



AAN Core - AC0001

As at 30 Sep 2021



Investment Manager	AAN Asset Management Pty Ltd
Model Code	AC0001
Investment Fee	0.48% p.a.
Performance Fee	Nil
Minimum Initial Investment	\$5,000.00
Commencement	05 Feb 2016
ICR	0.38% p.a.
Indicative No. of Holdings	Unlimited

Investment description

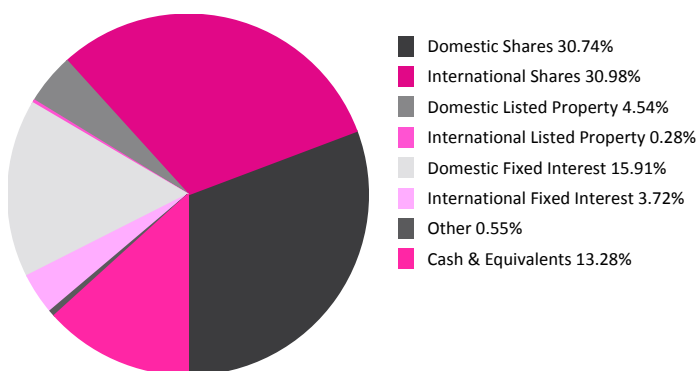
The core portfolio has a tactical asset allocation of 65% growth assets and 35% defensive assets, investing in a diversified portfolio of growth and income asset classes.

Investment objective

The core portfolio has an objective to achieve capital growth through investing in a diversified portfolio of growth and income asset classes. The aim is a core portfolio that has an emphasis on growth.

Asset Allocation

As at 30 Sep 2021



Top 5 holdings

As at 30 Sep 2021

PERPETUAL DIVERSIFIED REAL RETURN W	19.5%
VANECK AUSTRALIAN EQUAL WEIGHT ETF	10.31%
FRANKLIN GLOBAL GROWTH W	9.16%
VANECK MSCI INTERNATIONAL QUALITY ETF	9.08%
VANGUARD MSCI INDEX INTERNATIONAL SHARES (HEDGED) ETF	6.17%

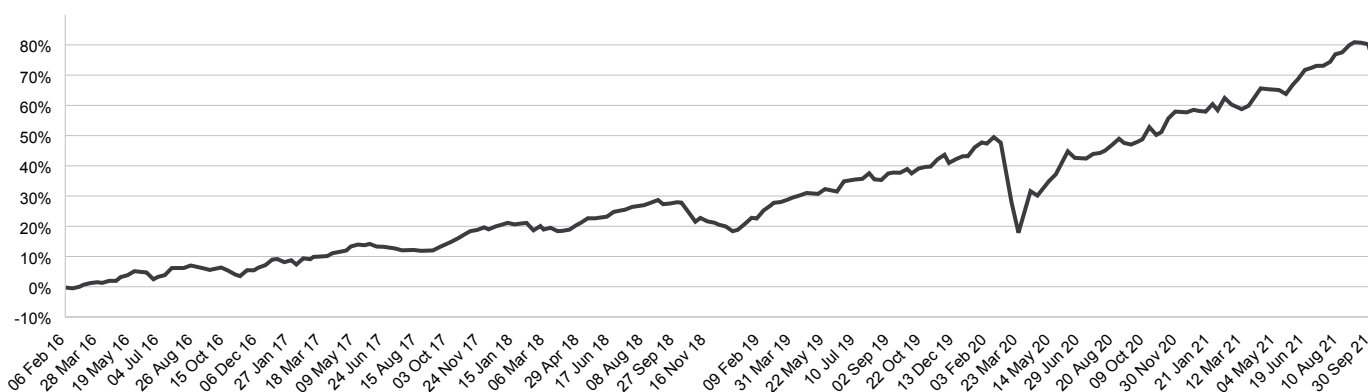
Top 5 holdings represent 54.22% of total fund

Performance

As at 30 Sep 2021

	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.	5 yrs p.a.	Since inception p.a.
Total Gross Return	-1.59%	3.28%	10.54%	21.33%	11.66%	10.93%	10.75%

Returns over time



The Model

No major changes were made to the Model this quarter other than some of the manager changes which were completed over the Financial Year cross over. Therefore, the only moves to note relate to our rebalancing process which saw some profits taken in the Bennelong, Hyperion, and Franklin Global investments and redistributed across the other holdings.

Notable investments

The direct equity models largely trimmed/added around existing positions, and Fortescue was sold down in late August around its dividend date.

- **CAR** - Bennelong added Carsales.com to the portfolio in late August. They believe it to be a high quality business which is the "only game in town" for consumers and dealers to advertise used cars in Australia and Korea. This allows them to earn high returns, solid earnings growth with low risk. CAR has recently acquired an interest in a business called Trader Interactive in the US which provides classifieds predominantly

AAN Core - AC0001

As at 30 Sep 2021



for RVs and motorcycles. The market didn't like the transaction due to the price paid and CAR only buying a minority stake. However the Trader business has interesting medium term growth potential and is likely to outperform expectations in the next 12 months. CAR announced at their August result further innovations which was the key driver of the strong share price post the result.

- **IEL** - IDP Education was added as a "reopening" trade. IEL is involved in international student education and places students into institutions in Asia, Australia, and internationally. The manager is getting increased certainty around international students will return for at the latest the July semester in 2022 but potentially even for March 2022 which would be ahead of the markets expectations and positive for earnings.
- **APT** - US payment giant Square announced a takeover of Afterpay.
- **Novo Nordisk** - A Danish company, has a vast portfolio of insulin drugs and diabetes-related products which have been helping the company maintain momentum. Label expansion of existing drugs will further boost sales. In June 2021, the FDA approved semaglutide as a weekly 2.4 mg injection for weight management in people with obesity under the brand name of Wegovy. It is also evaluating semaglutide in phase III studies for Alzheimer's disease and NASH.

Performance

The AAN Core model added another 3.25% this quarter, bringing the rolling 12 month total to 21.3%.

With Fixed Income assets both domestic and global underperformed this quarter leading to a negligible negative effect on the model. Otherwise, the Bennelong and Hyperion models performed well.

VanEck MSCI International Quality ETF (QUAL)'s overweight positions to Communication Services and Information Technology contributed strongly to the performance over the quarter adding ~+0.36% to the fund's relative performance. At a stock level, QUAL's overweight exposures to Alphabet Inc, Novo Nordisk and ASML Holding were up 12.2%, 20.8% and 13.2% respectively for the quarter.

Best performing holdings included;

- IDP Education (IEL) +39% - on the reopening trade.
- Dominos Pizza (DMP) +34% - continues to deliver with Japan and Europe starting to fire.

Underperformers included;

- BHP -15% - large ex dividend and weaker iron ore prices.
- Netwealth (NWL) -14% -on margin deterioration and higher reinvestment in IT and product development.

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.

AAN Growth - AC0002

As at 30 Sep 2021



Investment Manager	AAN Asset Management Pty Ltd
Model Code	AC0002
Investment Fee	0.52% p.a.
Performance Fee	Nil
Minimum Initial Investment	\$5,000.00
Commencement	02 Sep 2016
ICR	0.27% p.a.
Indicative No. of Holdings	Unlimited

Investment description

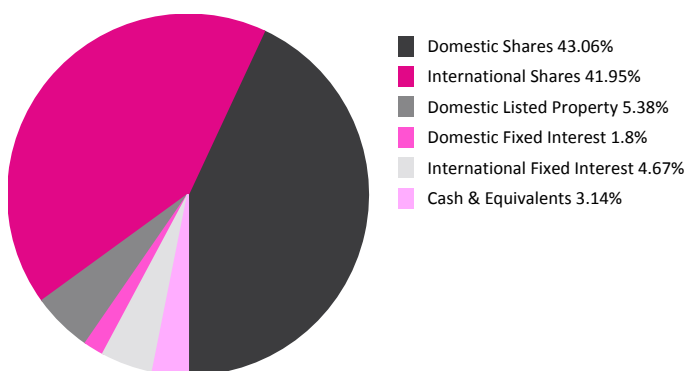
The growth portfolio has a tactical asset allocation of 85% growth assets and 15% defensive assets investing in a diversified portfolio of growth and income assets classes.

Investment objective

The growth portfolio has an objective to achieve capital growth through investing in a diversified portfolio of growth and income assets.

Asset Allocation

As at 30 Sep 2021



Top 5 holdings

As at 30 Sep 2021

VANECK AUSTRALIAN EQUAL WEIGHT ETF	13.13%
FRANKLIN GLOBAL GROWTH W	12.08%
VANECK MSCI INTERNATIONAL QUALITY ETF	11.57%
VANGUARD MSCI INDEX INTERNATIONAL SHARES (HEDGED) ETF	9.81%
BETASHARES AUSTRALIA 200 ETF	5.01%

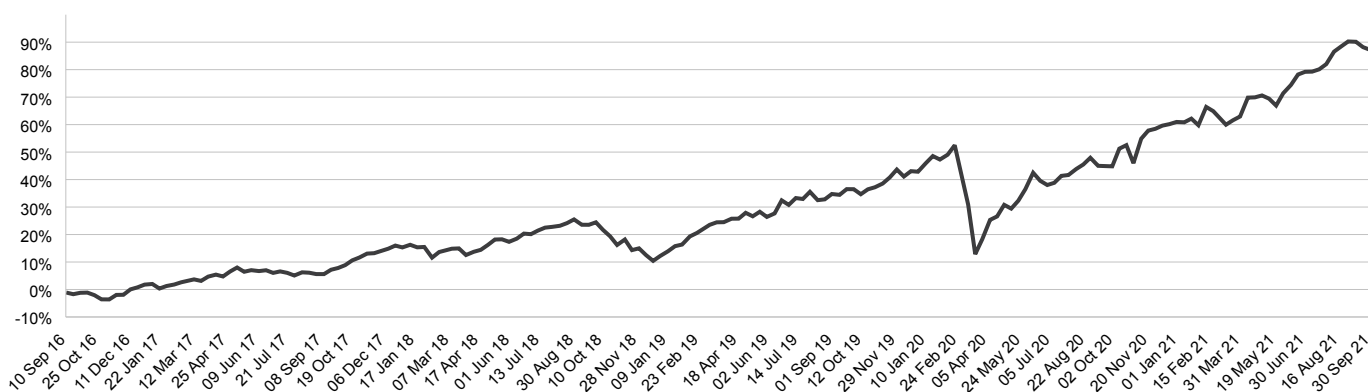
Top 5 holdings represent 51.6% of total fund

Performance

As at 30 Sep 2021

	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.	5 yrs p.a.	Since inception p.a.
Total Gross Return	-2.26%	4.46%	14.35%	29.28%	14.58%	13.64%	13.14%

Returns over time



The Model

No major changes were made to the Model this quarter other than some of the manager changes which were completed over the Financial Year cross over. Therefore, the only moves to note relate to our rebalancing process which saw some profits taken in the Bennelong, Hyperion, Franklin Global, QUAL, and VTS investments and redistributed across the other holdings.

Notable investments

The direct equity models largely trimmed/added around existing positions and Fortescue was sold down in late August around its dividend date.

- **CAR** - Bennelong added Carsales.com to the portfolio in late August. They believe it to be a high quality business which is the "only game in town" for consumers and dealers to advertise used cars in Australia and Korea. This allows them to earn high returns, solid earnings growth with low risk. CAR has recently acquired an interest in a business called Trader Interactive in the US which provides classifieds predominantly for RVs and motorcycles. The market didn't like the transaction due to the price paid and CAR only buying a minority stake. However the

AAN Growth - AC0002

As at 30 Sep 2021



Trader business has interesting medium term growth potential and is likely to outperform expectations in the next 12 months. CAR announced at their August result further innovations which was the key driver of the strong share price post the result.

- **IEL** - IDP Education was added as a “reopening” trade. IEL is involved in international student education and places students into institutions in Asia, Australia, and internationally. The manager is getting increased certainty around international students will return for at the latest the July semester in 2022 but potentially even for March 2022 which would be ahead of the markets expectations and positive for earnings.
- **APT** - US payment giant Square announced a takeover of Afterpay.
- **Novo Nordisk** - A Danish company, has a vast portfolio of insulin drugs and diabetes-related products which have been helping the company maintain momentum. Label expansion of existing drugs will further boost sales. In June 2021, the FDA approved semaglutide as a weekly 2.4 mg injection for weight management in people with obesity under the brand name of Wegovy. It is also evaluating semaglutide in phase III studies for Alzheimer’s disease and NASH.

Performance

The AAN Growth model a strong quarter, returning 4.46% and bringing the rolling 12month period return to 29.28%.

Best performing international share funds were VANGUARD US Total Market Shares Index (VTS) (+5.7%) and VANECK MSCI International Quality ETF (QUAL) (+5.4%).

Best performing holdings included;

- IDP Education (IEL) +39% - on the reopening trade.
- Dominos Pizza (DMP) +34% - continues to deliver with Japan and Europe starting to fire.

Underperformers included;

- BHP -15% - large ex dividend and weaker iron ore prices.
- Netwealth (NWL) -14% -on margin deterioration and higher reinvestment in IT and product development.

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AAN Australian - AC0003

As at 30 Sep 2021



Investment Manager	AAN Asset Management Pty Ltd
Model Code	AC0003
Investment Fee	0.65% p.a.
Performance Fee	Nil
Minimum Initial Investment	\$10,000.00
Commencement	30 Jan 2017
ICR	0.1% p.a.
Indicative No. of Holdings	Up to 50

Investment description

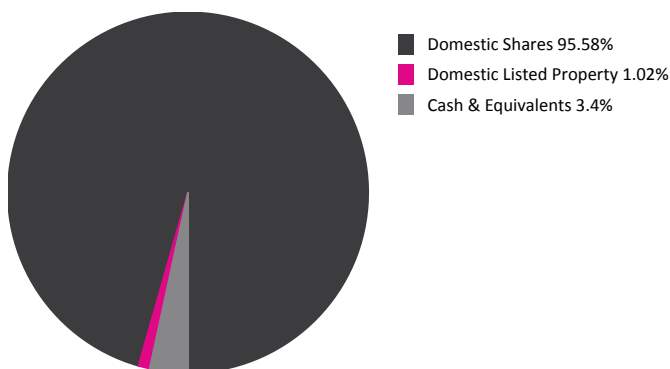
The AAN Australian model has a tactical asset of active and passive investment styles. It is an Australian only investment allocation investing in a diversified portfolio of Australian securities and ETFs.

Investment objective

The AAN Australian Model portfolio has an objective to achieve capital growth through investing in a diversified portfolio of Australian securities and ETFs.

Asset Allocation

As at 30 Sep 2021



Top 5 holdings

As at 30 Sep 2021

VANECK AUSTRALIAN EQUAL WEIGHT ETF	24.12%
BETASHARES AUSTRALIA 200 ETF	23.88%
CSL LIMITED FPO	5.07%
JAMES HARDIE INDUSTRIES PLC CDIS 1:1	3.66%
RESMED INC CDI 10:1 FOREIGN EXEMPT NYSE	3.41%

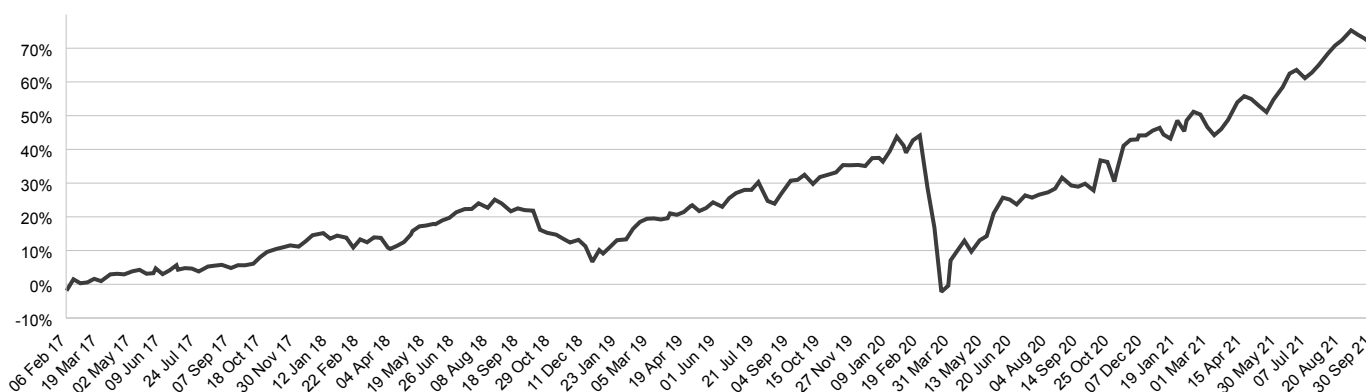
Top 5 holdings represent 60.14% of total fund

Performance

As at 30 Sep 2021

	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.	Since inception p.a.
Total Gross Return	-1.83%	4.97%	15.86%	33.76%	11.89%	12.22%

Returns over time



The Model

No major changes were made to the Model this quarter. The portfolio performed well across all managers, so only modest rebalancing was done as all generated profits. Bennelong, Hyperion profits were reinvested in Betashares A200 and VanEck Vectors Australian Equal Weight (MVW).

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 Bennelong model exited Fortescue in late August around its dividend date.

- **CAR** - Bennelong added Carsales.com to the portfolio in late August. They believe it to be a high quality business which is the "only game in town" for consumers and dealers to advertise used cars in Australia and Korea. This allows them to earn high returns, solid earnings growth

with low risk. CAR has recently acquired an interest in a business called Trader Interactive in the US which provides classifieds predominantly for RVs and motorcycles. The market didn't like the transaction due to the price paid and CAR only buying a minority stake. However the Trader business has interesting medium term growth potential and is likely to outperform expectations in the next 12 months. CAR announced at their August result further innovations which was the key driver of the strong share price post the result.

- **IEL** - IDP Education was added as a "reopening" trade. IEL is involved in international student education and places students into institutions in Asia, Australia, and internationally. The manager is getting increased certainty around international students will return for at the latest the July semester in 2022 but potentially even for March 2022 which would be ahead of the markets expectations and positive for earnings.
- **APT** - US payment giant Square announced a takeover of Afterpay.
- **MVW** - Underweight positions to Materials and overweight allocations to Consumer Discretionary contributed strongly to the performance over the quarter. Wisetech Global was the best investment with the company reported an 18% increase in revenue to \$507.5 million and a 63% jump in EBITDA to \$206.7 million which was well ahead of guidance.

Performance

The model returned a strong 4.97% for the quarter, adding to the 33.75% rolling 12 month return.

Best performing holdings included;

- **MVW's** overweight exposures to WiseTech Global, AusNet Services and IDP Education which were up 68.2%, 44.1% and 39.2% respectively added to performance for the quarter.
- IDP Education (**IEL**) +39% - on the reopening trade.
- Dominos Pizza (**DMP**) +34% - continues to deliver with Japan and Europe starting to fire.

Underperformers included;

- **BHP** -15% - large ex dividend and weaker iron ore prices.
- Netwealth (**NWL**) -14% -on margin deterioration and higher reinvestment in IT and product development.

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AAN Index Core - AC0004

As at 30 Sep 2021



Investment Manager	AAN Asset Management Pty Ltd
Model Code	AC0004
Investment Fee	0.3% p.a.
Performance Fee	Nil
Minimum Initial Investment	\$10,000.00
Commencement	24 Feb 2017
ICR	0.16% p.a.
Indicative No. of Holdings	Up to 25

Investment description

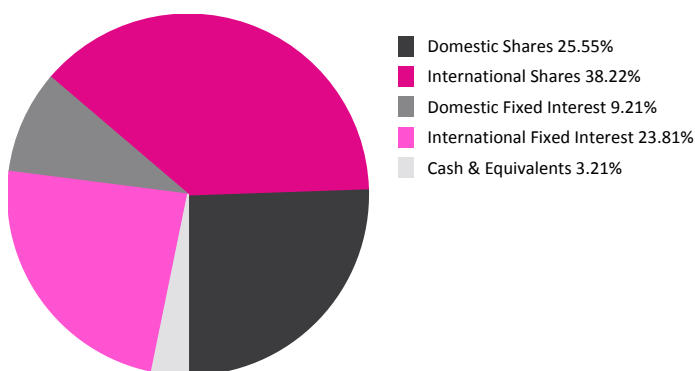
The AAN Index Core model has a tactical asset allocation of 65% growth assets and 35% defensive assets investing in a diversified portfolio of growth and income assets classes.

Investment objective

The AAN Index Core portfolio has an objective to achieve capital growth through investing in a diversified portfolio of growth and income asset classes. It seeks to use low costs ETFs as the preferred investment option.

Asset Allocation

As at 30 Sep 2021



Top 5 holdings

As at 30 Sep 2021

BETASHARES AUSTRALIA 200 ETF	25.53%
VANGUARD INTERNATIONAL FIXED INTEREST INDEX (HEDGED) ETF	15.51%
VANGUARD US TOTAL MARKET SHARES INDEX ETF	13.53%
VANGUARD MSCI INDEX INTERNATIONAL SHARES (HEDGED) ETF	9.41%
VANGUARD AUSTRALIAN FIXED INTEREST INDEX ETF	9.2%

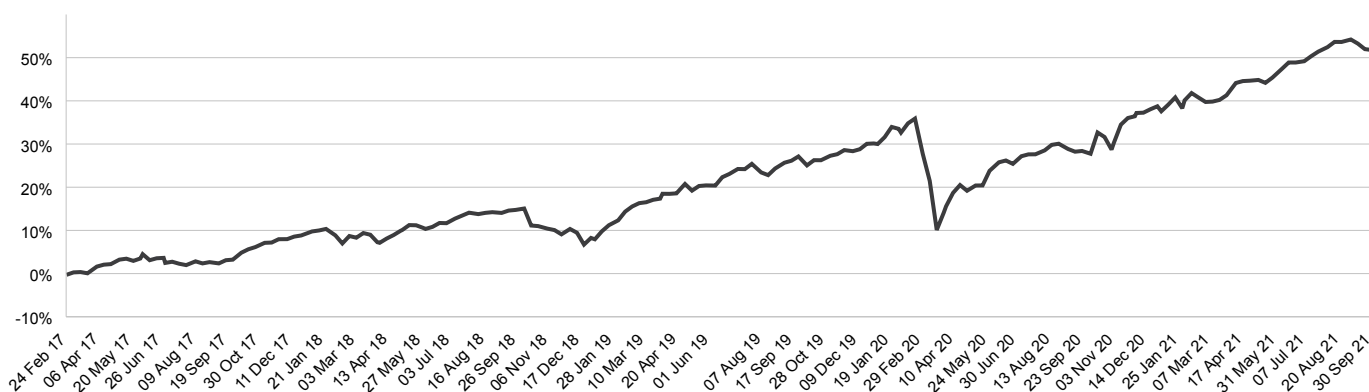
Top 5 holdings represent 73.18% of total fund

Performance

As at 30 Sep 2021

	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.	Since inception p.a.
Total Gross Return	-1.62%	1.63%	7.33%	18.76%	9.66%	9.5%

Returns over time



The Model

This quarter, the Investment Committee elected to swap the Vanguard Australian Fixed Interest (VAF) exposure for the iShares Australian Bond Index fund. This was to achieve a lower cost for you in asset management fees, as well as the removal of brokerage costs in rebalancing.

The portfolio performed well across all but one manager, so only modest rebalancing was done.

Notable investments

The model invests in a series of low cost ETFs with Betashares Australia 200 ETF representing the largest holding of 26%. iShares Australian Bond Index fund is now the next largest exposure at 9.5%, followed by Vanguard International Fixed Interest (Hedged) ETF (16%).

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

AAN Index Core - AC0004

As at 30 Sep 2021



Performance

The model added 1.63% over the quarter which brought the rolling 12 month period return to 18.76%.

- VANGUARD US Total Market Shares Index ETF (VTS) performed the best, rising 6.01% over the quarter.
- VANGUARD MSCI International Small Companies Index ETF (VISM) was the next best, gaining 3.93%.
- VANGUARD FTSE Emerging Market Shares ETF (VGE) underperformed the most, losing 2.88%.

General Advice Warning

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AAN Index Growth - AC0005

As at 30 Sep 2021



Investment Manager	AAN Asset Management Pty Ltd
Model Code	AC0005
Investment Fee	0.3% p.a.
Performance Fee	Nil
Minimum Initial Investment	\$10,000.00
Commencement	22 Aug 2018
ICR	0.14% p.a.
Indicative No. of Holdings	Up to 25

Investment description

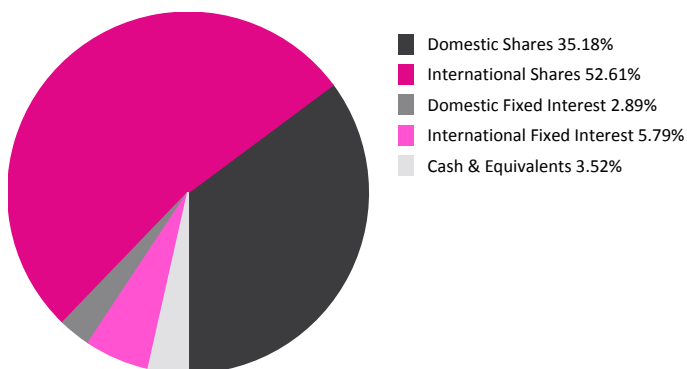
The AAN Index Growth portfolio has an objective to achieve capital growth through investing in a diversified portfolio of growth assets via ETFs.

Investment objective

The AAN Index Growth portfolio has an objective to achieve capital growth through investing in a diversified portfolio of growth assets via ETFs. The model can take advantage of a range of managed funds, model portfolios & ETFs. It seeks to use low costs ETFs as the preferred investment option.

Asset Allocation

As at 30 Sep 2021



Top 5 holdings

As at 30 Sep 2021

BETASHARES AUSTRALIA 200 ETF	35.15%
VANGUARD US TOTAL MARKET SHARES INDEX ETF	17.65%
VANGUARD MSCI INDEX INTERNATIONAL SHARES (HEDGED) ETF	14.91%
VANGUARD ALL-WORLD EX-US SHARES INDEX ETF	8.88%
VANGUARD MSCI INTERNATIONAL SMALL COMPANIES INDEX ETF VANGUARD MSCI INTL SMALL COMPANIES INDX ETF	6.4%

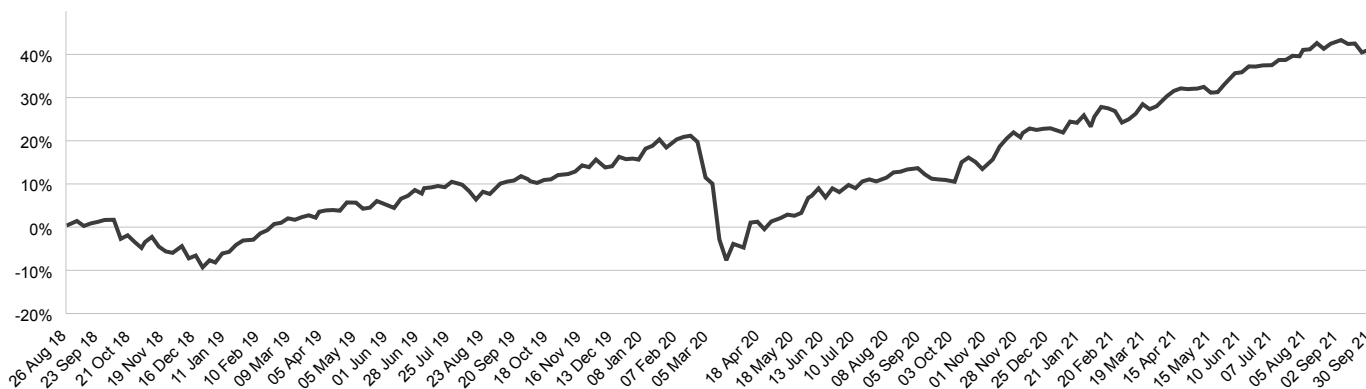
Top 5 holdings represent 82.99% of total fund

Performance

As at 30 Sep 2021

	1 mth	3 mths	6 mths	1 yr	3 yrs p.a.	Since inception p.a.
Total Gross Return	-1.79%	2.09%	9.57%	27.25%	11.45%	11.62%

Returns over time



The Model

This quarter, the Investment Committee elected to swap the Vanguard Australian Fixed Interest (VAF) exposure for the iShares Australian Bond Index fund. This was to achieve a lower cost for you in asset management fees, as well as the removal of brokerage costs in rebalancing.

We also reweighted the model to benchmark based on our disciplined focus which included the reweighting of cash held.

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 3% and 6% respectively).

AAN Index Growth - AC0005

As at 30 Sep 2021



Performance

With a high weighting to growth assets, the AAN Index Growth model added 2.09% this quarter, bringing rolling 12 month performance to 27.25%.

Out of the investments held, the Vanguard US Total Market Shares Index (VTS) was the best performing investment returning 6.01% over the period. The VANGUARD MSCI International Small Companies Index ETF (VISM) was the next best performing at 3.93%, and the VANGUARD FTSE Emerging Markets Shares ETF (VGE) was the only holding with a negative return of -2.89%.

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AAN Sustainable Growth - AC0006

As at 30 Sep 2021



Investment Manager	AAN Asset Management Pty Ltd
Model Code	AC0006
Investment Fee	0.4% p.a.
Performance Fee	Nil
Minimum Initial Investment	\$50,000
Commencement	17 Dec 2020
ICR	0.45% p.a.
Indicative No. of Holdings	

Investment description

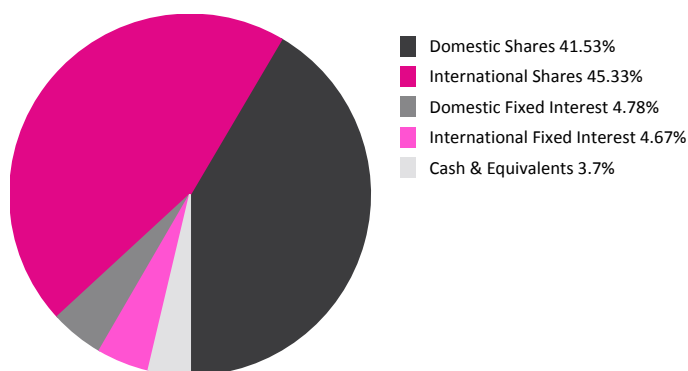
This portfolio has a strategic allocation of 90% growth assets and 10% defensive assets. It seeks exposure to Australian and international shares, property and fixed income assets via investing in managed funds, ETFs and/or Australian equity model portfolios.

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

As at 30 Sep 2021



Top 5 holdings

As at 30 Sep 2021

STEWART INVESTORS WRLDWIDE SUSTNBY	15.76%
VANGUARD ETHICALLY CONSCIOUS INTERNATIONAL SHARES INDEX ETF	15.14%
ALPHINITY SUSTAINABLE SHARE	14.91%
BETASHARES AUSTRALIAN SUSTAINABILITY LEADERS ETF	14.42%
BETASHARES GLOBAL SUSTAINABILITY LEADERS ETF	14.21%

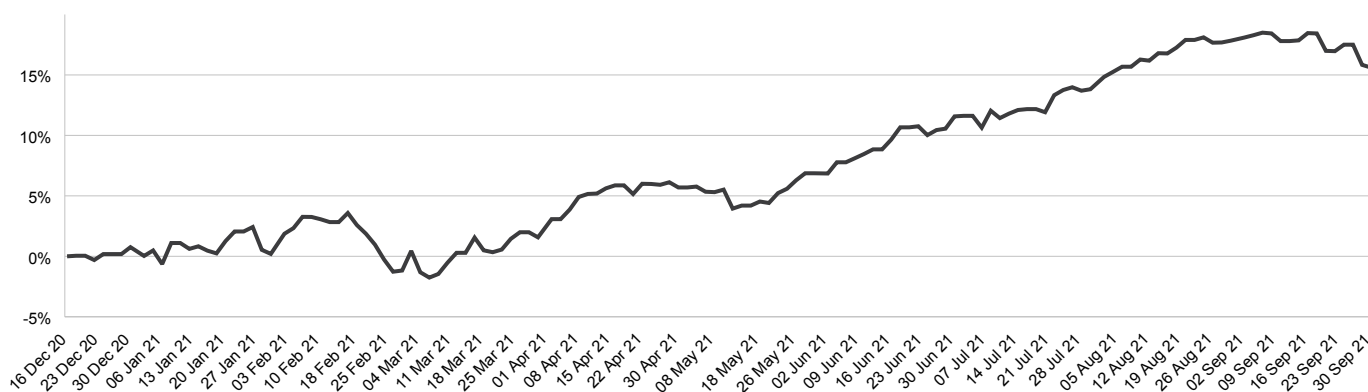
Top 5 holdings represent 74.44% of total fund

Performance

As at 30 Sep 2021

	1 mth	3 mths	6 mths	Since inception
Total Gross Return	-2.33%	3.62%	13.21%	15.61%

Returns over time



The Model

The Investment Committee has employed our usual process and reweighted the model to benchmark at quarter's end. We have not made any other significant changes to the model this quarter.

Notable investments

Rebalancing saw profits taken from the Stewart Investors Worldwide Sustainability fund, Vanguard Ethically Conscious International Shares Index ETF, and Alphinity Sustainable Share Fund. Profits were redistributed across the other investments.

In terms of direct investments, this quarter Graincorp (**GNC**) and Blackmores (**BKL**) were added, and Australian Finance Group (**AFG**) and Vocus (**VOC**) were exited.

- Blackmores (**BKL**) - is a leading Australian developer and marketer of vitamins and mineral nutritional supplements for humans and animals. The manager likes BKL for its strong market position, good cash generation and healthy balance sheet.

AAN Sustainable Growth - AC0006



As at 30 Sep 2021

- Nitro Software (**NTO**) - benefited from the market growing increasingly confident around monetisation of its eSignature product and the potential cross-sell opportunity into its existing client base. This position was trimmed after a period of good performance.
- Qube (**QUB**) - was also a good contributor to performance as positive sentiment continued post the full year result, while the acquisition of Newcastle Agri Terminal highlighted the ability to put QUB's strong balance sheet to use for attractive assets.
- Australian Finance Group (**AFG**) - subsequently failed to meet the manager's internal liquidity and holding requirements needed in order to remain in the portfolio and has therefore been removed. Since inclusion into the portfolio, AFG returned +86%.

Stewart Investors Global added;

- **Adyen** (Netherlands: Information Technology), a company which is helping to streamline and reduce costs in the payments processing ecosystem. The company is growing rapidly in emerging markets, where payments have historically been complex, expensive and insecure.
- **Masimo** (United States: Health Care), a specialist health-technology company that uses light and electroencephalogram (EEG) signals to monitor patients' vital signs in a non-invasive manner.
- **Synopsis** (United States: Information Technology), a market leader in design software for digital integrated circuits, with around 30% market share.

They sold **Unilever** (United Kingdom: Consumer Staples) on a deteriorating balance sheet as the company struggles to evolve a modern product portfolio. They also sold **Neogen** (United States: Health Care), primarily on valuation concerns, and **Knorr-Bremse** (Germany: Industrials) on concerns over the quality of stewardship in the wake of a failed merger and the direction of the company's commercial strategy.

Performance

The model continued to invest compliantly as per our Sustainable Investment Policy. The model performed well, adding 3.62% this quarter, bringing the return since inception* to 15.61%.

*Note the Model was established on 16 December 2020.

The best performing manager was Stewart Investors Worldwide Sustainability fund +6.61%, with Australian Ethical Australian Shares model adding 2.3%.

Best performing holdings included;

- Being underweight Resource sector which continued to come under pressure as iron ore prices fell on concerns around Chinese demand
- Graincorp (**GNC**) +17.11%
- NIB Holdings +10.3%

Cochlear (**COH**) was the worst performer, losing 11.9%.

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