

# Sestante ESG Focus Dynamic Assertive Portfolio Monthly Investment Report



As of 31/01/2024

## Latest Performance\*

	1-mth	3-mths	1-yr	3-yr	Inception
ESG Focus Assertive	1.68	10.55	11.19	—	13.09
RBA Cash Rate +4.5%p.a.	0.75	2.24	8.80	6.50	8.19

## Market Review

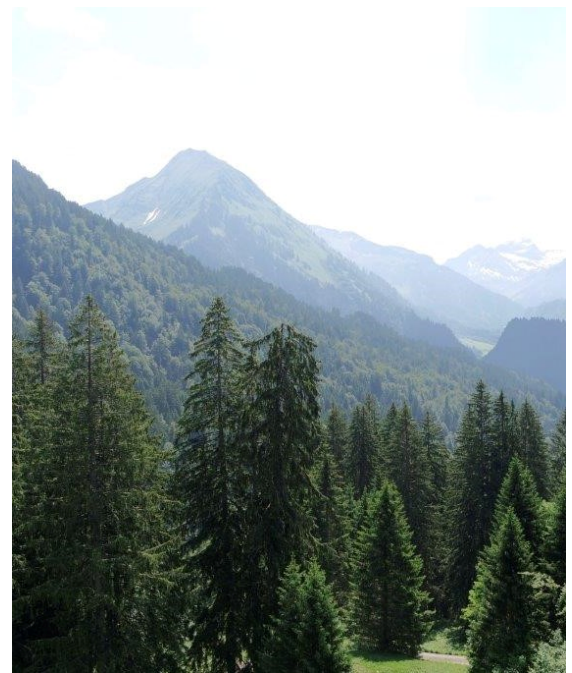
For the past two years, the Fed had emphasised its focus solely on restoring price stability even at the expense of sacrificing full employment. In the latest FOMC meeting, however, Powell indicated a rebalancing of the two objectives. If the decline in inflation observed over the past six months is confirmed, the Federal Reserve will consider cutting official rates to prevent the risk of an unnecessary slowdown in economic growth. Powell, therefore, only requested additional time to gain a higher level of confidence that the recent decline in inflation is not transitory particularly due to the robustness of the US economy – before initiating rate cuts. International fixed income slid by -0.3% as markets digested the cautious message from Powell after the latest FOMC meetings.

In Australia inflation posted a headline figure of 4.1% annually for the December quarter, uplifting market sentiment. Australian Equity saw a 1.1% return in January, with energy leading the way due to higher oil prices, while materials struggled with weakened demand from China. Investors await further stimulus from the Chinese government. Australian fixed income also experienced a boost (+0.2%) from the encouraging inflation print, which sent the 2-year yield down to 3.64%, offset by a mild increase in the 10-year yield.

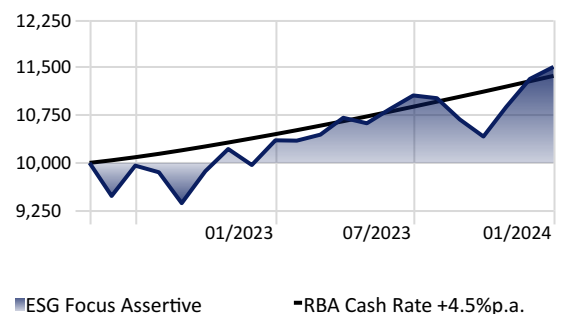
The US reporting season kicked off in mid-January, focusing on mega-cap tech companies. The 'Magnificent 7' companies mostly surpassing lofty investor expectations. Meta delivered stellar results and announced its first-ever quarterly dividend, leading to a sharp rally in stock prices. Amazon also exceeded top and bottom-line estimates, expecting continued acceleration in its cloud business in 2024. Alphabet and Apple, while largely meeting expectations, were disappointed on specific issues like sales weakness in China for Apple and a lack of positive surprises at Alphabet. MSCI World IT and Comm Services were the biggest winners in January, delivering 4% and 4.3% returns, respectively, while the MSCI World Index returned 1.2% in USD terms.

Global listed real estate (AUD hedged) experienced a subdued beginning to the year, returning -3.9%, while global listed infrastructure lost 2.2%. After a robust conclusion to 2023, these asset classes faced setbacks this month owing to a reduction in market optimism for an imminent Fed rate cut influenced by economic data releases. Notably, US GDP, retail sales, and job openings were all stronger than forecast. Moody's downgraded New York Community Bancorp's credit rating to Ba2, below investment grade, citing concerns related to losses tied to commercial real estate. Aside from idiosyncratic risks, there is a belief that the risk of meaningful systemic crisis, or contagion to other commercial lending sectors is low. The main concerns are seen in urban and suburban office properties, but they are deemed manageable, constituting around 2% of average total loans at large banks and around 4% at small and midsize banks. Most banks have increased their allowance for credit losses in this segment to around 8–10% of outstanding loans.

For a detailed market review and outlook, please refer to the Monthly Market Commentary document available on [www.azsestante.com/investment-options](http://www.azsestante.com/investment-options)



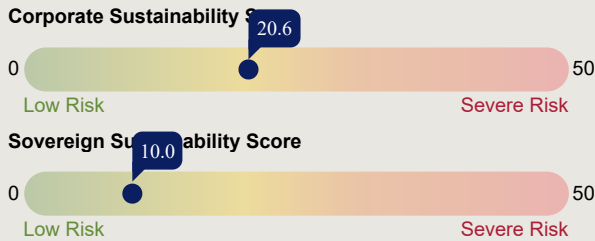
## \$10,000 invested over time



## Portfolio information

- Investment objective:**  
 To deliver outperformance of RBA cash +4.5% per annum after fees over a rolling 7-year period.
- Suggested minimum timeframe:**  
 7 years
- 85% Growth / 15% Defensive
- Portfolio inception date:**  
 1 June 2022

## Sustainability Score



● ESG Focus Assertive

## ESG Pillar Score



## Major Index Returns

	1 Month	3 Months	6 Months	1 Year	3 Years
S&P/ASX 200 TR AUD	1.19	13.99	5.79	7.09	9.56
MSCI World Ex Australia GR AUD	4.54	11.27	7.57	25.73	14.17
Bloomberg AusBond Composite 0+Y TR AUD	0.21	5.96	3.17	2.45	-2.49
Bloomberg Global Aggregate TR Hdg AUD	-0.31	5.98	2.89	2.82	-3.02
S&P Global Infrastructure NR AUD	-0.08	5.87	-0.90	3.97	10.13
RBA Cash Rate Target	0.38	1.11	2.18	4.12	1.92
MSCI ACWI Ex USA NR USD	-0.99	13.34	0.48	5.88	1.14

### Important information

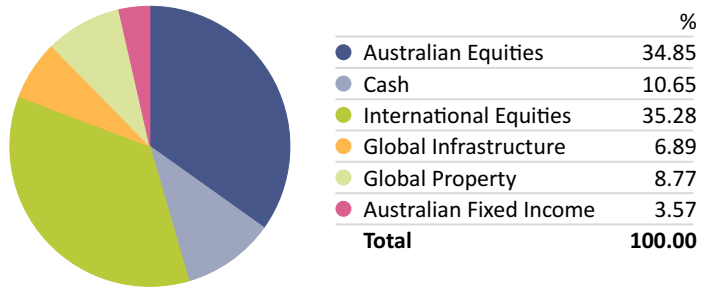
\*Past performance is not a reliable indicator of future performance. Performance is calculated before taxes, model management and platform fees and after underlying investment management fees. For full details of fees please refer to the relevant platform offer documents. Performance is notional in nature and an individual investor's actual performance may differ to the that of the model portfolio. Investment performance is shown from 1/6/2022 and represents modelled performance only and assumes income received is reinvested.

The Morningstar Historical Corporate Sustainability Score is a weighted average of the trailing 12 months of Morningstar Portfolio Corporate Sustainability Scores. Historical portfolio scores are not equal-weighted; rather, more-recent portfolios are weighted more heavily than older portfolios. Combining the trailing 12 months of portfolio scores adds consistency while still reflecting portfolio managers' current decisions by weighting the most recent portfolio scores more heavily.

ESG pillar scores are displayed as a number between 0 and 100 with most scores range between 0 and 25. It is the asset-weighted average of the company environmental, social, governance risk scores for the covered corporate holdings in a portfolio. The scores measure the degree to which a company's economic value may be at risk driven by environmental, social, and governance factors. The risk represents the unmanaged risk exposure after taking into account a company's management of such risks.

The Portfolio Unallocated ESG Risk Score represents the unmanaged ESG risk exposure to companies assigned an ESG Risk Rating, but whose risk is not decomposed into environmental, social and governance components. Calculated as the asset-weighted average of the company ESG Risk scores for the covered holdings in a portfolio that do not have E/S/G risk scores, unallocated ESG risk is displayed as a number between 0 and 100, where lower is better. Together, the four portfolio pillar score data points- Environmental Risk Score, Social Risk Score, Governance Risk Score, and Unallocated ESG Risk Score- will add up to a portfolio's Sustainability Score.

## Current Asset Allocation



## Where your funds are invested

<b>International Equities</b>	<b>35.28</b>	—
AXA IM Sustainable Equity	9.84	●●●●●
VanEck MSCI Intl Sust Eq ETF	8.89	●●●●●
Stewart Investors Worldwide Leaders Sust	8.08	●●●●●
BetaShares Global Sstnbty Ldrs ETF Ccy H	5.49	●●●●●
Janus Henderson Global Natural Resources	2.97	●●●●●
<b>Australian Equities</b>	<b>34.85</b>	—
VanEck MSCI AUS Sust Eq ETF	11.45	●●●●●
Schroder Australian Equity Fund - PC	10.65	●●●●●
Alphinity Sustainable Share	7.08	●●●●●
Australian Ethical Australian Shr WS	5.67	●●●●●
<b>Cash</b>	<b>10.65</b>	—
BetaShares Aus High Interest Cash ETF	8.41	—
iShares Core Cash ETF	2.24	—
<b>Global Property</b>	<b>8.77</b>	—
Martin Currie Real Income A	4.94	●●●●●
FSI Global Property Securities	3.83	●●●●●
<b>Global Infrastructure</b>	<b>6.89</b>	—
4D Global Infrastructure Fund (Unhedged)	6.89	●●●●●
<b>Australian Fixed Income</b>	<b>3.57</b>	—
Pendal Sustainable Aust Fixed Interest	3.57	●●●●●
<b>Total</b>	<b>100.00</b>	

Morningstar's Globe Ratings are just one tool that can help investors work out a fund's ESG credentials. A 5 Globe Rating indicates a fund is at the top end of its peer group in terms of sustainability, while a 1 Globe Rating shows it is underperforming on sustainability issues.

## Portfolio changes

There are no portfolio changes this month.

## Active Asset Allocation: AZ Sestante Model Portfolio vs Investment Policy Target

As of 31/01/2024

