

# Sestante Moderately Conservative Index Portfolio

## Monthly Investment Report

As of 29/02/2024

### Latest Performance\*

	1-mth	3-mths	1-yr	3-yr	Inception
Sestante Mod Conservative Index	0.86	5.04	8.56	3.21	4.25
RBA Cash Rate + 2% p.a.	0.51	1.61	6.31	4.07	3.50

### Market Review

Despite a dip in the US GDP (3.2% YoY as opposed to the estimated 3.3% YoY) and a rise in inflation, the US economy has shown impressive resilience. Recent economic data offers convincing proof of sustained growth and a robust job market. The addition of 275,000 Nonfarm Payrolls last month once again exceeded expectations of 198,000, while the unemployment rate saw a slight increase from 3.7% to 3.9%, attributed to a higher labour participation rate. On the other side of the coin, the disinflationary trend faced hurdles after January's CPI rose more than expected at 3.1% YoY, compared to the anticipated 2.9% and the previous month's 3.4%, with core inflation also on the rise.

On the first day of the semi-annual monetary policy testimony, Federal Reserve Chair Jerome Powell emphasised that the Fed is not rushing to reduce policy rates and is expected to implement cuts later this year. His comments underscored the importance of gaining greater confidence in inflation's sustainable trajectory toward 2% before contemplating rate reductions. The comment dampened the hope of an earlier rate cut, while the market is weighing a higher probability of rate cut in June this year.

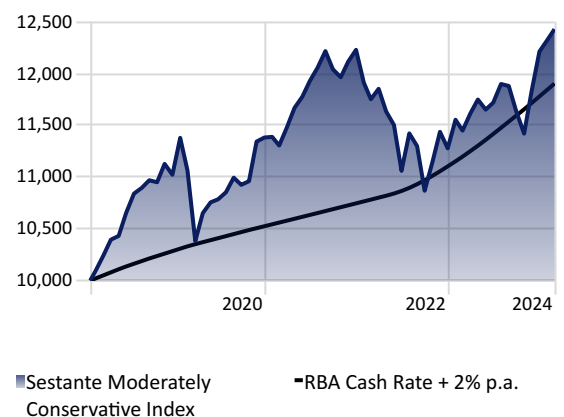
The macroeconomic backdrop prompted a repricing of the yield curve particularly on the front end, contributing to the negative performance of International Fixed Income (-0.8%). In contrast, International Equity (+5.8%) experienced significant propulsion, particularly from the Information Technology (IT) sector (+7.8%), buoyed by robust results in the fourth quarter reporting season. Nvidia's positive report further solidified momentum in artificial intelligence, fostering optimism in the technology sector. The influential AI theme also bolstered the Australian IT sector (+19%), benefiting data centre provider NextDC amid heightened demand for cloud storage. Among the tech sector, notable performers during the 1H24 Australian reporting season included Life360 and Wisetech. Overall, the Australian stock market recorded a gain of 0.79% in February. Energy (-6%) and materials (-5%) emerged as notable detractors, attributed to weakened gas prices and cost pressures affecting some miners. Australian Fixed Interest recorded a loss of 0.3% in February as the yield curve exhibited a gradual upward movement, albeit milder than its international counterpart. This development followed the February Reserve Bank of Australia (RBA) rate statement, calling the probability for a rate hike has not been ruled out, given the elevated inflation levels despite easing.

Regarding real assets, global listed infrastructure demonstrated positive returns of 0.6%, while global property experienced a modest decline of 0.32%. New York Community Bancorp's (NYCB) subpar results in the fourth quarter of 2023 and a larger-than-anticipated allowance for loan losses, attributed to substantial exposure in Commercial Real Estate (CRE), particularly in office. Notwithstanding signs of stabilisation in capital values for the US CRE market, the office sector continues to underperform. Anticipated CRE debt maturities in 2024 present challenges for refinancing, particularly in the office sector, potentially leading to increased loan delinquencies and charge-offs.

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: target RBA cash rate +2.0% per annum over rolling 5-year periods after fees.
- Asset Class: Diversified
- 45% Growth / 55% Defensive
- Portfolio Inception Date: 8 August 2020

## Sustainability Score

There are no results for this selection.

Funds eligible for Sustainability Score must meet below criteria:

- At least 67% of a fund's qualified holdings must be eligible to receive an ESG risk score, which would either be an ESG Risk Rating (for corporate holdings) or Country Risk Rating (for sovereign holdings).
- If corporate holdings comprise 5% or more of the portfolio, we require at least 67% of the corporate portion to have ESG Risk Ratings.
- If sovereign holdings comprise 5% or more of the portfolio, we require at least 67% of the sovereign portion to have Country Risk Ratings.
- Portfolio holdings are available for the specified time period.
- Last portfolio date is less than 276 days (9 months), for ESG scores to be calculated
- Fund's universe or legal type = Closed-end Fund, Private Fund, Open-End Fund, ETF, Insurance Fund, Separate Account, Unit Investment Trust.

## ESG Pillar Score



5.3

Environmental



8.7

Social



6.4

Governance



1.2

Unallocated

## Major Index Returns

	1 Month	3 Months	6 Months	1 Year	3 Years
S&P/ASX 200 TR AUD	0.79	9.39	7.42	10.64	9.32
MSCI World Ex Australia GR AUD	5.96	12.85	12.14	30.46	15.75
Bloomberg AusBond Composite 0+Y TR AUD	-0.30	2.59	2.11	3.51	-1.40
Bloomberg Global Aggregate TR Hdg AUD	-0.80	1.87	2.33	3.86	-2.78
S&P Global Infrastructure NR AUD	1.45	2.60	1.45	4.52	10.73

### Important information

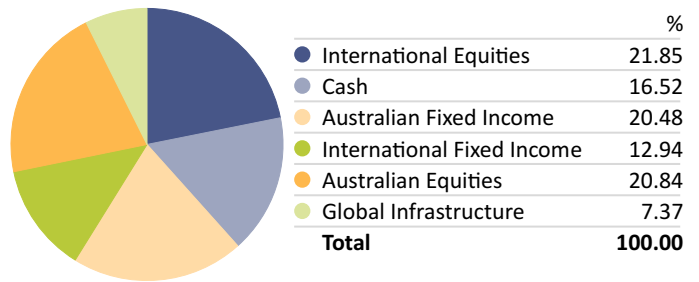
\*Past performance is not a reliable indicator of future performance. Performance is calculated before taxes, model management and platform fees and after underlying investment management fees. For full details of fees please refer to the relevant platform offer documents. Performance is notional in nature and an individual investor's actual performance may differ to the that of the model portfolio. Investment performance is shown from 7/2/2019 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.

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## Current Asset Allocation



## Where your funds are invested

<b>International Equities</b>	<b>21.85</b>	—
Vanguard All-World ex-US Shares ETF	9.66	🌐🌐🌐
iShares S&P 500 AUD Hedged ETF	8.20	🌐🌐🌐
iShares S&P 500 ETF	3.99	🌐🌐🌐
<b>Australian Equities</b>	<b>20.84</b>	—
iShares Core S&P/ASX 200 ETF	20.84	🌐🌐🌐
<b>Australian Fixed Income</b>	<b>20.48</b>	—
iShares Australian Bond Index	20.48	🌐🌐🌐
<b>Cash</b>	<b>16.52</b>	—
iShares Core Cash ETF	11.42	—
BetaShares Aus High Interest Cash ETF	5.10	—
<b>International Fixed Income</b>	<b>12.94</b>	—
iShares Global Bond Index	12.94	🌐🌐🌐
<b>Global Infrastructure</b>	<b>7.37</b>	—
VanEck FTSE Gbl Infrs(Hdg)ETF	6.45	🌐🌐🌐
Vanguard Global Infrastructure Index	0.92	🌐🌐
	<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 were no portfolio changes the month.

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

As of 29/02/2024

