

# Sestante ESG Focus Dynamic Balanced Portfolio Monthly Investment Report



As of 4/30/2024

## Latest Performance\*

	1-mth	3-mths	1-yr	3-yr	Inception
ESG Focus Balanced	-2.37	1.59	8.51	—	10.21
RBA Cash Rate + 3.5% p.a.	0.65	1.95	8.01	5.86	7.28

## Market Review

The negative return of 3.7% in April for the S&P 500 Index nearly erased the positive 3.9% gain seen in the first quarter of 2024. This decline was largely attributed to the unexpected surge in US inflation, which caught the market off guard. The Consumer Price Index (CPI) rose by 3.5% year-over-year, surpassing the market's prediction of 3.4%. The shift in the inflation outlook winded back rate cut expectations and had a notable impact on the stock market. As a result, the US 2-year and 10-year Treasury yield climbed immensely higher, placing heightened pressure on equity valuations.

The Global Equity Index experienced a 2.8% decline in April, primarily driven by the negative performance of the US market in response to the inflation data. Nonetheless, growth began to support the market in the latter half of April following the commencement of the US earnings season. By early May, the results of the Q1 earnings season were strong, with close to 80% of companies surpassing earnings estimates, exceeding its 30-year historical mean according to data from LGT Group. Large US banks, including JPMorgan, Goldman Sachs, Wells Fargo, and Morgan Stanley, reported solid results, surpassing EPS targets set by the market. The recovery was driven by strong capital market evidence by trading and investment Banking fees, alongside better-than-expected asset quality. Credit quality improved across all major US banks, with sequential declines in provisions. Moreover, EPS recovery appears to be broadening, with growth being driven by the so-called "Magnificent Seven" over the last two quarters, according to Oxford Economics.

The Global Fixed Income index returned a negative 1.7% on an AUD basis in April, reflecting the shift in the US yield curve higher in parallel. The US Treasury 10-year yield gained close to 50 bps, while the 2-year yield added 50 bps, touching 5% by the end of April.

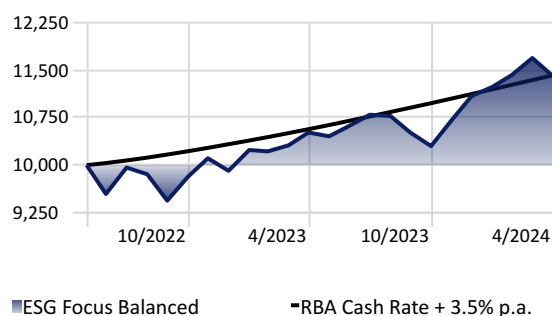
Australia received its 1Q24 CPI print on April 24th, with both CPI and trimmed mean inflation measures coming in about 20bps higher than anticipated by the Reserve Bank of Australia (RBA). The RBA's preferred measure of core inflation, the trimmed mean, rose by 1% quarter to quarter and 4% year on year. Albeit a year-on-year decline in core inflation from the previous quarter, the pace remained slower than desired by the RBA. Consequently, the RBA announced its decision to maintain the current interest rates at 4.35% on the 7th of May, in line with market expectations. This less hawkish tone from the RBA came as a small surprise to the market.

Australian Fixed income was negatively impacted by the upward movement of the Australian yield curve, returning a negative 2%. The inflation print drove the 10-year yield up by 40 bps, with the more interest rate-sensitive 2-year yield shifting close to 50 bps higher. Australian equity declined by 2.9% in April, led by interest rate-sensitive A-REIT (-7.8%). Only two sectors remained in the green in April: materials (+0.6%) and utilities (+4.8%). The utilities sector was buoyed by AGL, which returned an impressive 13% over April. Materials benefitted from China's recovery, a rebound in Iron Ore prices, and positive outlooks for gold prices, driving up shares of gold miners. The global property market saw a 6% decline, impacted by its sensitivity to interest rates, while Global Infrastructure lost 1.9%, outperforming the property market due to support from the utilities sector.

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



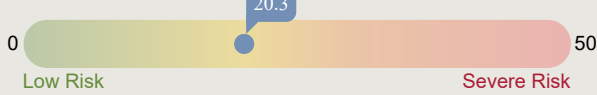
## Portfolio information

- Investment objective:**  
 To deliver outperformance of RBA cash +3.5% per annum after fees over a rolling 5-year period.
- Suggested minimum timeframe:**  
 6 years
- 70% Growth / 30% Defensive
- Portfolio inception date:**  
 1 June 2022

## Sustainability Score

● ESG Focus Balanced

### Corporate Sustainability Score



### Sovereign Sustainability Score



## ESG Pillar Score



4.2

Environmental



8.0

Social



6.2

Governance



1.4

Unallocated

## Major Index Returns

	1 Month	3 Months	6 Months	1 Year	3 Years
S&P/ASX 200 TR AUD	-2.94	1.04	15.17	9.07	7.30
MSCI World Ex Australia GR AUD	-3.22	5.71	17.63	21.30	12.54
Bloomberg AusBond Composite 0+Y TR AUD	-1.98	-1.18	4.71	-0.73	-2.13
Bloomberg Global Aggregate TR Hdg AUD	-1.70	-1.70	4.18	0.38	-3.01
ESG Focus Balanced	-2.37	1.59	10.77	8.51	—
RBA Cash Rate Target	0.36	1.09	2.22	4.35	2.28
MSCI ACWI Ex USA NR USD	-1.80	3.84	17.69	9.33	0.35

### Important information

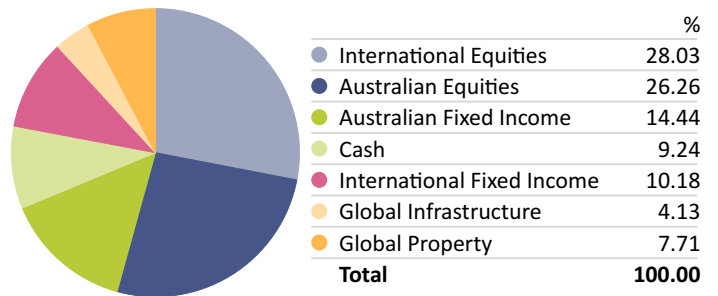
\*Past performance is not a reliable indicator of future performance. Performance is calculated before taxes, model management and platform fees and after underlying investment management fees. For full details of fees please refer to the relevant platform offer documents. Performance is notional in nature and an individual investor's actual performance may differ to 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 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>28.03</b>	—
AXA IM Sustainable Equity	7.76	🌐🌐🌐🌐
VanEck MSCI Intl Sust Eq ETF	6.69	🌐🌐🌐🌐🌐
Stewart Investors Worldwide Leaders Sust	6.38	🌐🌐🌐
BetaShares Global Sstnbty Ldrs ETF Ccy H	5.02	🌐🌐🌐🌐🌐
Robeco Emerging Conservative Equity AUD	2.19	🌐🌐🌐
<b>Australian Equities</b>	<b>26.26</b>	—
VanEck MSCI AUS Sust Eq ETF	8.38	🌐🌐🌐🌐🌐
Schroder Australian Equity Fund - PC	8.01	🌐🌐🌐
Alphinity Sustainable Share	5.89	🌐🌐🌐🌐🌐
Australian Ethical Australian Shr WS	3.98	🌐🌐🌐🌐
<b>Australian Fixed Income</b>	<b>14.44</b>	—
Pendal Sustainable Aust Fixed Interest	7.39	🌐🌐🌐
Janus Henderson Tactical Income	7.05	🌐🌐🌐
<b>International Fixed Income</b>	<b>10.18</b>	—
PIMCO ESG Global Bond Fund - Wholesale	6.57	🌐🌐🌐🌐
Macquarie Dynamic Bond No.1 W	3.61	—
<b>Cash</b>	<b>9.24</b>	—
BetaShares Aus High Interest Cash ETF	6.08	—
iShares Core Cash ETF	3.16	—
<b>Global Property</b>	<b>7.71</b>	—
Martin Currie Real Income A	3.99	🌐🌐🌐🌐🌐
First Sentier Global Property Securities	3.72	🌐🌐🌐🌐
<b>Global Infrastructure</b>	<b>4.13</b>	—
4D Global Infrastructure Fund (Unhedged)	4.13	🌐🌐🌐🌐
<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

In mid-April, AZ Sestante sold its holding in the First Sentier Global Credit Income Fund and invested the proceeds into the Macquarie Dynamic Bond Fund.

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

As of 4/30/2024

