

# Sestante ESG Focus Dynamic Balanced Portfolio Monthly Investment Report



As of 31/08/2024



## Latest Performance\*

	1-mth	3-mths	1-yr	3-yr	Inception
ESG Focus Balanced	0.81	4.66	11.80	—	11.33
RBA Cash Rate + 3.5% p.a.	0.67	2.00	8.14	6.37	7.43

## Market Review

The Japanese equity market benchmark, the Nikkei 225, tumbled by 20.7% during the first three trading days of August, triggering a ripple effect across global markets, including the United States. On 5th August, the CBOE Volatility Index (VIX), known as the “fear gauge,” spiked dramatically from 23 to 66, reflecting heightened investor anxiety. This market turmoil was driven by two key factors: the unwinding of the Japanese Yen carry trade following the Bank of Japan’s shift in monetary policy and weaker-than-expected US Nonfarm payroll data, fuelling recession fears. Amid this volatility, there were some positive economic indicators. The second revision of US GDP confirmed 3% growth in Q2, up from the initial estimate of 2.8%, and US inflation data for July continued to cool as expected. Overall, global equity markets lost 1.34% in August, though on an AUD-hedged basis, global equities gained 1.6% as the AUD appreciated by 3.5% against the US dollar.

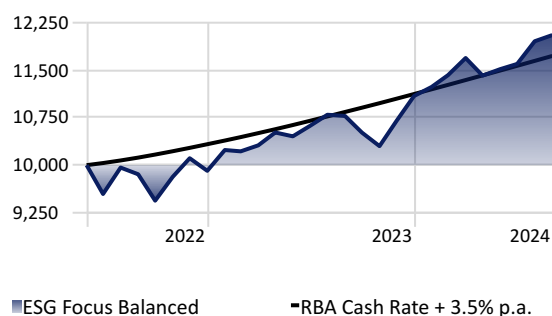
In response to recession concerns and a dovish speech by Federal Reserve Chair Jerome Powell, the US 10-year yield fell by 13 basis points, while the 2-year yield dropped by 34 basis points, contributing to a 1% gain in global fixed income. In Australia, a softer-than-expected Q2 inflation print spurred a bond market rally, with the 10-year yield declining by 8 basis points and the 2-year yield by 20 basis points, leading to a 1.2% return for Australian bonds in August.

The Australian equity market saw mixed results during its reporting season, with corporate earnings down 4.5% for FY24, largely due to weaker commodity prices in the resource sector. However, consumer recovery was evident, with retailers like Super Retail and JB Hi-Fi reporting sales growth in early FY25. Growth stocks, as measured by the price/earnings (P/E) ratio, remained strong, with forward P/Es elevated above the 20-year average, according to Goldman Sachs. Brambles and WiseTech were standout performers, both reporting strong earnings and margin improvements. The Australian equity market ended August with a modest 0.44% gain.

Bond-sensitive sectors outperformed, with global property gaining 5.65%, driven by growth in the North American healthcare sector, particularly in senior housing. Infrastructure returned 3.04%, supported by the continued strength of US regulated utilities.

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

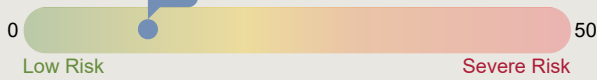
## Sustainability Score

● ESG Focus Balanced

### Corporate Sustainability Score



### Sovereign Sustainability Score



## ESG Pillar Score



4.1

Environmental



8.0

Social



5.1

Governance



1.6

Unallocated

## Major Index Returns

	1 Month	3 Months	6 Months	1 Year	3 Years
S&P/ASX 200 TR AUD	0.47	5.74	6.97	14.90	6.73
MSCI World Ex Australia GR AUD	-1.21	4.53	6.45	19.38	10.15
Bloomberg AusBond Composite 0+Y TR AUD	1.21	3.50	2.99	5.15	-1.79
Bloomberg Global Aggregate TR Hdg AUD	0.99	3.69	3.55	5.97	-2.15
ESG Focus Balanced	0.81	4.66	5.52	11.80	—
RBA Cash Rate Target	0.38	1.12	2.25	4.47	2.77
MSCI ACWI Ex USA NR USD	2.85	5.13	9.56	18.21	2.11

### 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

Portfolio Date: 31/08/2024



	%
International Equities	27.32
Australian Equities	25.78
Australian Fixed Income	14.37
Cash	10.73
International Fixed Income	10.12
Global Infrastructure	4.04
Global Property	7.64
<b>Total</b>	<b>100.00</b>

## Where your funds are invested

<b>International Equities</b>	<b>27.32</b>	—
Mirova Global Sustainable Equity No. 2 I	6.53	🌐🌐🌐🌐🌐
Stewart Investors Worldwide Leaders Sust	6.45	🌐🌐🌐
BetaShares Global Sstnby Ldrs ETF Ccy H	4.95	🌐🌐🌐🌐🌐
AXA IM Sustainable Equity	3.63	🌐🌐🌐
AXA IM Sustainable Equity A (H) AUD	3.63	🌐🌐🌐
Robeco Emerging Conservative Equity AUD	2.14	🌐🌐🌐
<b>Australian Equities</b>	<b>25.78</b>	—
VanEck MSCI AUS Sust Eq ETF	8.26	🌐🌐🌐🌐🌐
Schroder Australian Equity Fund - PC	7.60	🌐🌐🌐
Alphinity Sustainable Share	5.93	🌐🌐🌐
Australian Ethical Australian Shr WS	3.98	🌐🌐🌐
<b>Australian Fixed Income</b>	<b>14.37</b>	—
Pendal Sustainable Aust Fixed Interest	7.42	🌐🌐🌐
Janus Henderson Tactical Income	6.95	🌐🌐🌐
<b>Cash</b>	<b>10.73</b>	—
BetaShares Aus High Interest Cash ETF	5.90	—
iShares Core Cash ETF	4.82	—
<b>International Fixed Income</b>	<b>10.12</b>	—
PIMCO ESG Global Bond Fund - Wholesale	6.51	🌐🌐🌐
Macquarie Dynamic Bond No.1 W	3.61	—
<b>Global Property</b>	<b>7.64</b>	—
Martin Currie Real Income A	3.85	🌐🌐🌐🌐
First Sentier Global Property Securities	3.79	🌐🌐🌐
<b>Global Infrastructure</b>	<b>4.04</b>	—
4D Global Infrastructure AUD Hedged	4.04	🌐🌐🌐
<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

We halved our exposure to the AXA IM Sustainable Equity Fund and placed the proceeds into the AXA IM Sustainable Equity Fund Hedged.

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

As of 31/08/2024

