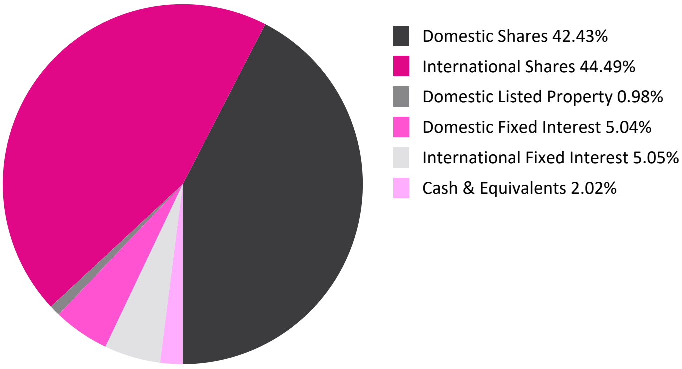
# AAN Sustainable Growth - AC0006

As at 31 Mar 2022

| | |
|---|---|
| **Investment Manager** | AAN Asset Management Pty Ltd |
| **Model Code** | AC0006 |
| **Investment Fee** | 0.4% p.a. |
| **Performance Fee** | Nil |
| **Minimum Initial Investment** | No fixed minimum |
| **Commencement** | 17 Dec 2020 |
| **ICR** | 0.52% p.a. |
| **Indicative No. of Holdings** | |

## Asset Allocation

As at 31 Mar 2022




## Investment description

The model caters for investors seeking a portfolio of predominantly growth assets that aligns with their preference for sustainable investments with potential for making a positive contribution to society. It uses a multi-manager approach to provide investment diversification as well as differentiated approaches to ESG investing. The model has a strategic allocation of 90% to growth assets and 10% to 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. Whilst underlying investment managers will employ their own sustainable investment approach, the overall model is managed according to the manager's Sustainable Investment Policy which seeks to avoid the following sectors: Tobacco and tobacco products; Gambling; Alcohol; Pornography; Armaments manufacture or distribution; High impact fossil fuels; Predatory lending. A company with a minor or indirect exposure to one of the sectors will not be automatically excluded, although may be subject to ongoing review by the manager.

## 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.

## Top 5 holdings

As at 31 Mar 2022

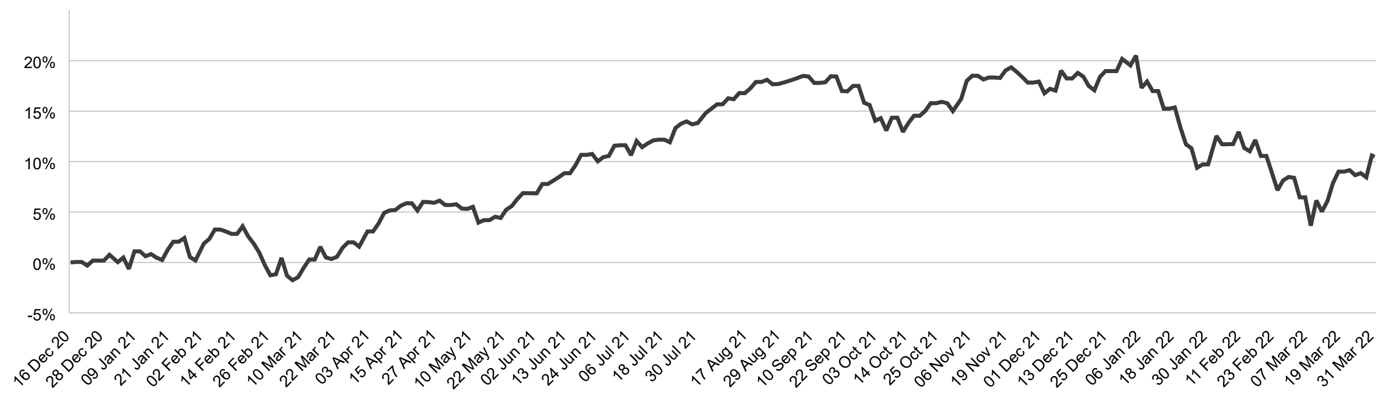
| | |
|---|---|
| ALPHINITY SUSTAINABLE SHARE | 15.79% |
| BETASHARES AUSTRALIAN SUSTAINABILITY LEADERS ETF | 14.74% |
| VANGUARD ETHICALLY CONSCIOUS INTERNATIONAL SHARES INDEX ETF | 14.58% |
| BETASHARES GLOBAL SUSTAINABILITY LEADERS ETF | 14.49% |
| STEWART INVESTORS WRLDWIDE SUSTNBY | 13.58% |

Top 5 holdings represent 73.18% of total fund

## Performance

| As at 31 Mar 2022 | 1 mth | 3 mths | 6 mths | 1 yr | Since inception p.a. |
|---|---|---|---|---|---|
| Total Gross Return | 1.85% | -7.57% | -4.43% | 8.19% | 8.07% |

## Returns over time



# AAN Sustainable Growth - AC0006

As at 31 Mar 2022

## The Model

Each asset class performed negatively over the quarter, the primary detracting asset class was International Shares.

Due diligence is currently being undertaken on several managers for the Sustainable Growth Model.

## Notable investments

Two stock changes were made to the direct equity model during the March quarter, with EML Payments (EML) and Pexa Group (PXA) entering the portfolio. The two technology stocks replaced two of the portfolio's previous technology holdings in Nitro Software (NTO) and Bravura Solutions (BVS).

**Genworth Mortgage Insurance Australia (GMA)** was the portfolio's top contributor to performance, returning 39% over the March quarter. GMA is a leading provider of lenders mortgage insurance in Australia. During the quarter, GMA announced that it has successfully renewed its contract with the Commonwealth Bank of Australia (CBA) for the exclusive provision of lenders mortgage insurance to the bank through until December 2025. The potential loss of CBA as GMA's largest customer had been a material overhang on the stock since June 2021 when CBA issued an RFP to the market for its Lenders Mortgage Insurance (LMI) requirements. GMA also posted a better than expected earnings result in February, enabling GMA to announce a 12c fully franked special dividend in addition to the $100m buy-back previously announced. With excess capital still on balance sheet, there is the potential for further capital management initiatives going forward.

**Nitro Software (NTO)** was the largest underperformer, declining 45% over the quarter. NTO is a global SaaS company providing document productivity tools and e-signing solutions to business customers. Despite NTO continuing to grow its revenue base strongly (+30-35% in FY22), NTO continued to experience share price pressure in the March quarter as early-stage technology companies were sold down in favour of more established companies. Global peer DocuSign also experienced share price weakness in the quarter from the broader selloff in the technology sector. The decision to exit the portfolio's position in NTO was due to liquidity in the stock which had increasingly become an issue. The portfolio construction process incorporates a liquidity requirement to ensure investors can execute portfolio trades effectively, so NTO was replaced with another technology stock, EML Payments (EML). EML comfortably meets the liquidity requirements with significant upside opportunity in the stock.

## Performance

The AAN Sustainable Growth model returned -7.57% this quarter (before expenses) whilst over 12 months the model returned 8.19%.

Each asset class detracted from performance over the quarter, the key drivers being International Shares and Domestic Shares. Within this, Stewart Investors Worldwide Sustainability detracted the most. The largest positive portfolio contribution came via Genworth Mortgage Insurance (+ 0.2%)

Best performing holdings included:

- Genworth Mortgage Insurance (GMA) +39%.
- EML Payments (EML) +19%.

Underperformers included:

- Nitro Software (NTO) -44%, sold out of the portfolio.
- Bravura Solutions (BVS) -29%, sold out of the portfolio.
- Domain Holdings (DHG) -29%.



## Important notices

### General notices

**This report is NOT intended to be advice**