

Investment Consulting

# Lonsec's Strategic Multi-Asset Indices



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Lonsec Research has expanded its range of Strategic Multi-Asset Indices (SMAI) available through iRate, providing a more effective and transparent way for users to benchmark multi-asset fund performance. Based on Lonsec Investment Consulting's own Strategic Asset Allocation (SAA) weights, the SMAI provide a practical and intuitive approach to multi-asset performance benchmarking backed by leading industry expertise.

## Effective and Transparent Multi-Asset Benchmarking

Financial advisers who construct client portfolios with a diversity of asset classes are limited by the absence of readily-available multi-asset benchmarks, as well as a lack of transparency regarding how the benchmark is constructed. Lonsec overcomes this limitation by offering a set of high-quality, blended indices that can be used for a range of different multi-asset portfolios.

The SMAI have a number of advantages for users, including:

- A simple methodology that provides an easy-to-use, transparent benchmarking process
- Insights into Lonsec Investment Consulting's SAA views, providing additional investment insights to users
- The ability to assess the performance of a portfolio or product in a way that is clear for their clients to understand
- The availability of SAA weights and SMAI returns via the iRate platform, including historical data covering multiple market cycles and conditions

## Methodology

Lonsec's Strategic Multi-Asset Indices use a straight-forward methodology, with monthly benchmark returns for each individual asset class weighted according to Lonsec Investment Consulting's SAA. Each month, the current set of SAA weights are applied to the relevant set of monthly asset class benchmark returns and summed together to determine the monthly index return. The monthly index returns form an index growth series, which is used to calculate various return-based metrics (i.e. standard deviation, worst drawdown and Sharpe Ratio) over different time periods.

SAA's that don't have an equivalent Lonsec Risk Profile (i.e. 30% Growth Assets) are the average of the lower and higher Risk Profiles (i.e. Defensive and Conservative).

## Strategic Multi-Asset Indices currently provided via iRate

Currently, Lonsec offers nine SMAI based on a range of growth profiles. These indices can be used to benchmark the performance of a multi-asset investment by selecting the index that best matches the investment's growth profile. Each index is based on a particular SAA, as set out in the table overleaf.

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## Strategic Asset Allocations (effective 1·10·2016)

LONSEC RISK PROFILE EQUIVALENT	DEFENSIVE	-	CONSERVATIVE	-	BALANCED	-	GROWTH	-	HIGH GROWTH
Lonsec Strategic Multi-Asset Index	20% Growth	30% Growth	40% Growth	50% Growth	60% Growth	70% Growth	80% Growth	90% Growth	100% Growth
<b>GROWTH ASSETS</b>	<b>20%</b>	<b>30%</b>	<b>40%</b>	<b>50%</b>	<b>60%</b>	<b>70%</b>	<b>80%</b>	<b>90%</b>	<b>100%</b>
AUSTRALIAN EQUITIES	8%	12.5%	17%	20.0%	23%	27.5%	32%	36.5%	41%
GLOBAL EQUITIES (UNHEDGED)	8%	12.5%	17%	20.5%	24%	27.0%	30%	34.0%	38%
EMERGING MARKETS (UNHEDGED)				1.0%	2%	4.0%	6%	7.5%	9%
AUSTRALIAN LISTED PROPERTY	2%	2.5%	3%	3.0%	3%	3.5%	4%	4.0%	4%
GLOBAL LISTED PROPERTY (HEDGED)				1.0%	2%	2.0%	2%	2.0%	2%
DIRECT PROPERTY	2%	2.5%	3%	3.0%	3%	3.0%	3%	3.0%	3%
GLOBAL LISTED INFRASTRUCTURE (HEDGED)				1.5%	3%	3.0%	3%	3.0%	3%
<b>INCOME ASSETS</b>	<b>80%</b>	<b>70%</b>	<b>60%</b>	<b>50%</b>	<b>40%</b>	<b>30%</b>	<b>20%</b>	<b>10%</b>	<b>0%</b>
AUSTRALIAN FIXED INTEREST	22%	21.5%	21%	18.0%	15%	11.5%	8%	4.0%	
GLOBAL FIXED INTEREST (HEDGED)	19%	18.5%	18%	15.0%	12%	9.0%	6%	3.0%	
DIVERSIFIED FIXED INTEREST	14%	12.5%	11%	9.5%	8%	6.0%	4%	2.0%	
CASH	25%	17.5%	10%	7.5%	5%	3.5%	2%	1.0%	

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## Asset Class Benchmarks

ASSET CLASS	RELATED BENCHMARK
AUSTRALIAN EQUITIES	S&P/ASX 300 TR INDEX
GLOBAL EQUITIES (UNHEDGED)	MSCI WORLD EX AUSTRALIA NR INDEX (AUD UNHEDGED)
EMERGING MARKETS (UNHEDGED) <sup>1</sup>	MSCI EMERGING MARKETS NR INDEX (AUD UNHEDGED)
AUSTRALIAN LISTED PROPERTY	S&P/ASX 300 A-REIT TR INDEX
GLOBAL LISTED PROPERTY (HEDGED) <sup>2</sup>	FTSE EPRA/NAREIT DEVELOPED NR INDEX (AUD HEDGED)
GLOBAL LISTED INFRASTRUCTURE (HEDGED) <sup>3</sup>	FTSE GLOBAL CORE INFRASTRUCTURE 50/50 NR INDEX (AUD HEDGED)
DIRECT PROPERTY	MERCER/IPD AUSTRALIAN POOLED PROPERTY FUND INDEX
AUSTRALIAN FIXED INTEREST <sup>4</sup>	BLOOMBERG AUSBOND COMPOSITE 0+ YR INDEX
GLOBAL FIXED INTEREST (HEDGED)	BARCLAYS GLOBAL AGGREGATE INDEX (AUD HEDGED)
DIVERSIFIED FIXED INTEREST <sup>4</sup>	BLOOMBERG AUSBOND CREDIT FRN 0+ YR INDEX
CASH <sup>4</sup>	BLOOMBERG AUSBOND BANK BILL INDEX

1. Explicit allocation to Emerging Markets (Unhedged) commenced from 1 January 2009.
2. Current benchmark used since 1 June 2015. Previous benchmark was UBS Global Investors TR Index (AUD Hedged)
3. Current benchmark used since 1 June 2015. Previous benchmarks were UBS Global Infrastructure & Utilities 50/50 NR Index (AUD Hedged) before June 2015, and UBS Developed Infrastructure & Utilities TR Index (AUD Hedged) before January 2009.
4. Previously the UBS Australia Bond Index series.

# Lonsec's Strategic Multi-Asset Indices

## Historical SAA and Asset Class Benchmark Changes

### 20% Growth (equivalent to Lonsec's Traditional Defensive Risk Profile SAA)

ASSET CLASS	JUN 01	JUL 03	MAY 05	JUN 07	JAN 09	JUL 10	JUL 12	JUL 14	OCT 16
AUSTRALIAN EQUITIES	10	10	[▼ 1] 9	[▼ 1] 8	8	8	8	8	8
GLOBAL EQUITIES (UH)	5	5	[▲ 1] 6	6	6	6	6	[▲ 2] 8	8
EMERGING MARKETS (UH)									
AUSTRALIAN LISTED PROPERTY	5	5	5	[▼ 2] 3	3	3	3	[▼ 1] 2	2
GLOBAL LISTED PROPERTY (H)									
DIRECT PROPERTY				[▲ 3] 3	3	3	3	[▼ 1] 2	2
GLOBAL LISTED INFRASTRUCTURE (H)									
AUSTRALIAN FIXED INTEREST	35	[▲ 15] 50	[▼ 20] 30	[▼ 12] 18	[▼ 1] 17	[▲ 3] 20	[▲ 1] 21	[▲ 1] 22	22
GLOBAL FIXED INTEREST (H)	35	[▼ 15] 20	[▲ 10] 30	[▼ 12] 18	[▲ 7] 25	[▼ 3] 22	[▼ 1] 21	[▼ 2] 19	19
DIVERSIFIED INCOME				[▲ 24] 24	[▼ 11] 13	13	13	[▲ 1] 14	14
CASH	10	10	[▲ 10] 20	20	[▲ 5] 25	25	25	25	25

### 40% Growth (equivalent to Lonsec's Traditional Conservative Risk Profile SAA)

ASSET CLASS	JUN 01	JUL 03	MAY 05	JUN 07	JAN 09	JUL 10	JUL 12	JUL 14	OCT 16
AUSTRALIAN EQUITIES	20	20	[▼ 3] 17	[▼ 2] 15	[▲ 1] 16	[▲ 1] 17	17	17	17
GLOBAL EQUITIES (UH)	15	[▼ 5] 10	[▲ 3] 13	13	[▲ 1] 14	[▼ 1] 13	13	[▲ 4] 17	17
EMERGING MARKETS (UH)									
AUSTRALIAN LISTED PROPERTY	5	[▲ 5] 10	10	[▼ 6] 4	4	4	4	[▼ 1] 3	3
GLOBAL LISTED PROPERTY (H)				[▲ 3] 3	3	3	3	[▼ 3] 0	
DIRECT PROPERTY				[▲ 5] 5	[▼ 2] 3	3	3	3	3
GLOBAL LISTED INFRASTRUCTURE (H)									
AUSTRALIAN FIXED INTEREST	27.5	[▲ 12.5] 40	[▼ 15] 25	[▼ 15] 10	[▲ 6] 16	[▲ 3] 19	[▲ 1] 20	[▲ 1] 21	21
GLOBAL FIXED INTEREST (H)	27.5	[▼ 12.5] 15	[▲ 10] 25	[▼ 10] 15	[▲ 9] 24	[▼ 3] 21	[▼ 1] 20	[▼ 2] 18	18
DIVERSIFIED INCOME				[▲ 25] 25	[▼ 15] 10	10	10	[▲ 1] 11	11
CASH	5	5	[▲ 5] 10	10	10	10	10	10	10

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## 60% Growth (equivalent to Lonsec's Traditional Balanced Risk Profile SAA)

ASSET CLASS	JUN 01	JUL 03	MAY 05	JUN 07	JAN 09	JUL 10	JUL 12	JUL 14	OCT 16
AUSTRALIAN EQUITIES	30	30	[▼ 3] 27	[▼ 2] 25	25	[▲ 2] 27	27	[▼ 3] 24	[▼ 1] 23
GLOBAL EQUITIES (UH)	20	20	[▲ 3] 23	23	[▼ 3] 20	20	20	[▲ 3] 23	[▲ 1] 24
EMERGING MARKETS (UH)					[▲ 3] 3	3	3	[▼ 1] 2	2
AUSTRALIAN LISTED PROPERTY	10	10	10	[▼ 7] 3	[▲ 1] 4	[▼ 2] 2	2	[▲ 1] 3	3
GLOBAL LISTED PROPERTY (H)				[▲ 4] 4	4	[▼ 2] 2	2	2	2
DIRECT PROPERTY				[▲ 5] 5	[▼ 1] 4	[▼ 1] 3	3	3	3
GLOBAL LISTED INFRASTRUCTURE (H)						[▲ 3] 3	3	3	3
AUSTRALIAN FIXED INTEREST	17.5	[▲ 7.5] 25	[▼ 7.5] 17.5	[▼ 7.5] 10	[▲ 2] 12	[▲ 2] 14	[▲ 1] 15	15	15
GLOBAL FIXED INTEREST (H)	17.5	[▼ 7.5] 10	[▲ 7.5] 17.5	[▼ 7.5] 10	[▲ 8] 18	[▼ 2] 16	[▼ 1] 15	[▼ 3] 12	12
DIVERSIFIED INCOME				[▲ 15] 15	[▼ 10] 5	5	5	[▲ 3] 8	8
CASH	5	5	5	5	5	5	5	5	5

## 80% Growth (equivalent to Lonsec's Traditional Growth Risk Profile SAA)

ASSET CLASS	JUN 01	JUL 03	MAY 05	JUN 07	JAN 09	JUL 10	JUL 12	JUL 14	OCT 16
AUSTRALIAN EQUITIES	40	40	40	[▼ 5] 35	35	[▲ 2] 37	37	[▼ 4] 33	[▼ 1] 32
GLOBAL EQUITIES (UH)	25	[▲ 5] 30	30	[▲ 3] 33	[▼ 5] 28	[▼ 1] 27	27	[▲ 2] 29	[▲ 1] 30
EMERGING MARKETS (UH)					[▲ 5] 5	[▼ 1] 6	6	6	6
AUSTRALIAN LISTED PROPERTY	15	[▼ 5] 10	[▼ 3] 7	[▼ 5] 2	2	2	2	[▲ 2] 4	4
GLOBAL LISTED PROPERTY (H)			[▲ 3] 3	[▲ 1] 4	[▼ 1] 3	[▼ 1] 2	2	2	2
DIRECT PROPERTY				[▲ 4] 4	4	[▼ 1] 3	3	3	3
GLOBAL LISTED INFRASTRUCTURE (H)				[▲ 2] 2	[▲ 1] 3	3	3	3	3
AUSTRALIAN FIXED INTEREST	7.5	[▲ 2.5] 10	[▼ 2.5] 7.5	[▼ 2.5] 5	[▲ 1] 6	[▲ 2] 8	[▲ 0.5] 8.5	[▼ 0.5] 8	8
GLOBAL FIXED INTEREST (H)	7.5	[▼ 2.5] 5	[▲ 2.5] 7.5	[▼ 2.5] 5	[▲ 3] 8	[▲ 1] 9	[▼ 0.5] 8.5	[▼ 2.5] 6	6
DIVERSIFIED INCOME				[▲ 5] 5	[▼ 2] 3	[▼ 3] 0		[▲ 4] 4	4
CASH	5	5	5	5	[▼ 2] 3	3	3	[▼ 1] 2	2

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## 100% Growth (equivalent to Lonsec's Traditional High Growth Risk Profile SAA)

ASSET CLASS	JUN 01	JUL 03	MAY 05	JUN 07	JAN 09	JUL 10	JUL 12	JUL 14	OCT 16
AUSTRALIAN EQUITIES	50	50	50	[▼ 4] 46	46	[▲ 1] 47	47	[▼ 4] 43	[▼ 2] 41
GLOBAL EQUITIES (UH)	40	40	40	[▲ 4] 44	[▼ 7] 37	[▼ 2] 35	35	[▲ 1] 36	[▲ 2] 38
EMERGING MARKETS (UH)					[▲ 7] 7	[▲ 1] 8	8	[▲ 1] 9	9
AUSTRALIAN LISTED PROPERTY	10	10	[▼ 5] 5	[▼ 5] 0	[▲ 2] 2	2	2	[▲ 2] 4	4
GLOBAL LISTED PROPERTY (H)			[▲ 5] 5	[▼ 1] 4	[▼ 1] 3	[▼ 1] 2	2	2	2
DIRECT PROPERTY				[▲ 4] 4	[▼ 2] 2	[▲ 1] 3	3	3	3
GLOBAL LISTED INFRASTRUCTURE (H)				[▲ 2] 2	[▲ 1] 3	3	3	3	3
AUSTRALIAN FIXED INTEREST									
GLOBAL FIXED INTEREST (H)									
DIVERSIFIED INCOME									
CASH									

ASSET CLASS	RELATED BENCHMARK	EFFECTIVE DATE	COMMENT
EMERGING MARKETS (UH)	MSCI EMERGING MARKETS NR INDEX (AUD UNHEDGED)	01-01-2009	DISCRETE ALLOCATION TO EMERGING MARKETS MADE FOR LONSEC'S BALANCED, GROWTH AND HIGH GROWTH SAAS
GLOBAL LISTED PROPERTY (H)	FTSE EPRA/NAREIT DEVELOPED NR INDEX (AUD HEDGED)	01-06-2015	REPLACED UBS GLOBAL INVESTORS TR INDEX (AUD HEDGED)
GLOBAL LISTED INFRASTRUCTURE (H)	FTSE GLOBAL CORE INFRASTRUCTURE 50/50 NR INDEX (AUD HEDGED)	01-06-2015	REPLACED UBS GLOBAL INFRASTRUCTURE & UTILITIES 50/50 NR INDEX (AUD HEDGED)
AUSTRALIAN FIXED INTEREST	BLOOMBERG AUSBOND COMPOSITE 0+ YR INDEX	29-09-2014	PREVIOUSLY NAMED THE UBS AUSTRALIAN COMPOSITE BOND (ALL MATURITIES) INDEX
DIVERSIFIED INCOME	BLOOMBERG AUSBOND CREDIT FRN 0+ YR INDEX	29-09-2014	PREVIOUSLY NAMED THE UBS AUSTRALIAN CREDIT FLOAT RATE NOTE INDEX
CASH	BLOOMBERG AUSBOND BANK BILL INDEX	29-09-2014	PREVIOUSLY NAMED THE UBS AUSTRALIAN BANK BILL INDEX

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