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FOR IMMEDIATE RELEASE

Lonsec Limited
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Lonsec celebrates a 10 year success story

For more than 10 years, Lonsec's Australian Equity Core Model Portfolio has provided financial advisers with a highly concentrated, low-turnover portfolio solution for their clients.

More than a decade later, Lonsec celebrates the model portfolio's strong track record in providing advisers with a low-cost, direct equity portfolio solution that has historically delivered excellent returns.

The manager of Lonsec's Portfolio Services division, Jeremy Pree, commented, "Whether it's been a bull or bear market, the model portfolio has consistently outperformed its benchmark, returning 16.2% per annum since inception [as at 31 January 2011], outperforming the S&P/ASX-100 Accumulation Index by 7.0% per annum over the past ten years."

"We think this is worth celebrating since there are few equity model portfolios available today with a comparable track record," said Pree.

The longevity of Lonsec's model portfolio can be attributed to its high-conviction approach, which was identified at inception as a successful strategy to deliver alpha.

"Highly concentrated portfolios are increasingly prevalent in today's marketplace, however, ten years ago there were few direct equity model portfolios with less than 20 stocks," said Pree.

The success of this model portfolio can also be attributed to Lonsec's medium-term top-down macroeconomic and sector-theme approach to stock selection and portfolio construction rules, which have resulted in low portfolio turnover, averaging between 20-30% per annum.

"A low-turnover outcome supports the case that direct equity portfolios can provide financial advisers with a low-cost and tax efficient solution," said Pree

In September 2010, Lonsec increased the number of stocks in the model portfolio from 12 to 15, making the first significant structural change since inception. The expansion aims to strike a better balance between portfolio risk and potential return.

Pree commented, "The 12-stock Lonsec Core model portfolio has outperformed its benchmark consistently, but we believe the expansion to 15 stocks will help reduce volatility without reducing the strong alpha potential. Feedback from advisers suggests the revised portfolio has broader investor appeal."

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“The benefit of having a few more stocks is expected to provide greater risk controls to minimise volatility within model portfolios. Volatility is the enemy in this post-GFC world and we feel that enhanced risk management will limit the effects of market volatility.”

The Lonsec Australian Equity Core Model Portfolio is available to financial advisers through Lonsec’s stockbroking and managed discretionary account services, and through partnership with external MDA and SMA platforms BlackRock, OneVue, WealthPortal, UMA Select, Wilson HTM and more recently, Hub24.

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