

Quarterly Update for Month Ending June 2024

### Investment objective

To outperform the benchmark over a rolling 7 year period.

### Key information

|  |                                       |
|--|---------------------------------------|
| <b>Code</b>                            | NTH0425                               |
| <b>Manager name</b>                    | MLC Asset Management Services Limited |
| <b>Inception date</b>                  | 27 March 2024                         |
| <b>Benchmark</b>                       | CPI + 4.0% p.a.                       |
| <b>Asset class</b>                     | Diversified                           |
| <b>Number of underlying assets</b>     | 30                                    |
| <b>Minimum investment horizon</b>      | 7 years                               |
| <b>Portfolio income</b>                | Default - Reinvest                    |
| <b>Management fees and costs</b>       | 0.68%                                 |
| <b>Performance fee</b>                 | 0.03%                                 |
| <b>Estimated net transaction costs</b> | 0.02%                                 |
| <b>Estimated buy/sell spread</b>       | 0.09%/0.10%                           |
| <b>Risk band/label</b>                 | 6/High                                |
| <b>Minimum investment amount</b>       | \$25,000                              |

### About the manager

#### MLC Asset Management Services Limited

MLC Asset Management Services Limited (MLC Asset Management) has over 35 years' experience designing and managing multi-asset class portfolios. The team has more than 200 years of experience in designing and managing all aspects of a portfolio including asset allocation, investment manager selection, risk management and implementation. The team utilises an investment approach to structure portfolios with the aim of delivering reliable returns across a range of potential market environments whilst managing new risks and capturing new opportunities.

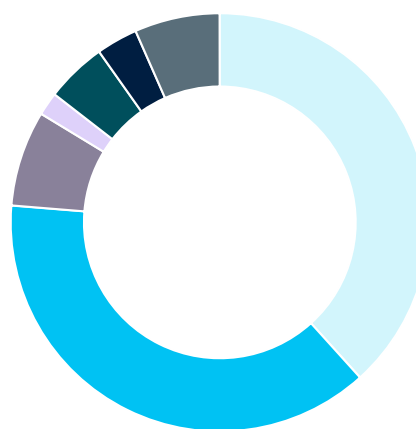
### Returns

as at 30 June 2024

|                           | Since inception* | 1 Month (%) | 3 Month (%) | 6 Month (%) | 1 Year (%) | 3 Years (%) |
|---------------------------|------------------|-------------|-------------|-------------|------------|-------------|
| Total return <sup>1</sup> | 0.61             | 1.24        | 0.24        | -           | -          | -           |
| Income                    | 0.42             | 0.04        | 0.42        | -           | -          | -           |
| Growth                    | 0.19             | 1.20        | -0.18       | -           | -          | -           |
| Benchmark <sup>2</sup>    | 3.75             | 1.90        | 1.90        | -           | -          | -           |

\* Since inception returns begin from the month end immediately following portfolio launch.

### Asset allocation



as at 30 June 2024

| Growth assets                | Allocation (%) |
|------------------------------|----------------|
| Australian Equities          | 38.3           |
| International Equities       | 38.0           |
| Property                     | 7.4            |
| Other                        | 1.8            |
| <b>Total</b>                 | <b>85.5%</b>   |
| Defensive assets             | Allocation (%) |
| Australian Fixed Interest    | 4.7            |
| International Fixed Interest | 3.2            |
| Cash                         | 6.6            |
| <b>Total</b>                 | <b>14.5%</b>   |

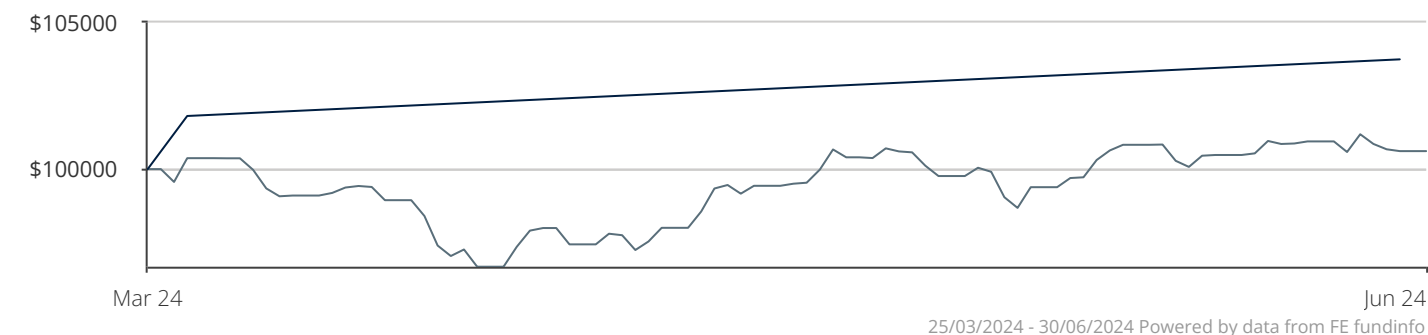
Asset allocation data sourced via Morningstar® from the underlying fund manager.

<sup>1</sup> The managed portfolio performance represents total return for the periods. Returns have been calculated using the time-weighted method, they assume distributions are reinvested and are after investment management fees and indirect costs. Total and growth returns include accrued distributions, while income return includes paid distributions only. Returns do not take into account tax payable. Individual client returns may vary based on the contributions, withdrawals, and timing differences within the managed portfolio

<sup>2</sup> Benchmark is based on the Consumer Price Index (CPI) published by the Australian Bureau of Statistics (ABS) as of the current reporting period.

## Performance history

\$100,000 invested since 25/03/2024



- Portfolio
- Benchmark

## Managed portfolio holdings<sup>3</sup>

| Holding   | Asset class                  | Allocation (%) |
|---|------------------------------|----------------|
| iShares Hedged International Equity Index Fund - S class              | International Equities       | 15.0           |
| iShares Wholesale International Equity Index Fund - S class           | International Equities       | 14.0           |
| MLC Real Return Assertive Fund  | International Equities       | 14.0           |
| Vanguard Australian Shares Index Etf Vanguard Australian Shares Index | Australian Equities          | 9.5            |
| Walter Scott Emerging Markets No.2 Fund - Class I Units               | International Equities       | 8.0            |
| Resolution Capital Global Property Securities Fund - Class C          | Property                     | 6.0            |
| BHP Group Limited Ordinary Fully Paid                                 | Australian Equities          | 3.4            |
| Commonwealth Bank Of Australia Ordinary Fully Paid                    | Australian Equities          | 3.1            |
| Bentham Professional Global Income Fund P class                       | International Fixed Interest | 3.0            |
| Fairview Equity Partners Emerging Companies Fund                      | Australian Equities          | 3.0            |
| Janus Henderson Diversified Credit Fund                               | Australian Fixed Interest    | 3.0            |
| Cash Account  | Cash                         | 2.5            |
| CSL Limited Ordinary Fully Paid                                       | Australian Equities          | 2.1            |
| National Australia Bank Limited Ordinary Fully Paid                   | Australian Equities          | 1.7            |
| Westpac Banking Corporation Ordinary Fully Paid                       | Australian Equities          | 1.4            |
| ANZ Group Holdings Limited Ordinary Fully Paid                        | Australian Equities          | 1.3            |
| Wesfarmers Limited Ordinary Fully Paid                                | Australian Equities          | 1.2            |
| Macquarie Group Limited Ordinary Fully Paid                           | Australian Equities          | 1.1            |
| Goodman Group Fully Paid Ordinary/Units Stapled Securities            | Property                     | 0.9            |
| Woodside Energy Group Ltd Ordinary Fully Paid                         | Australian Equities          | 0.9            |
| RIO Tinto Limited Ordinary Fully Paid                                 | Australian Equities          | 0.7            |
| Telstra Group Limited Ordinary Fully Paid                             | Australian Equities          | 0.7            |
| Fortescue Ltd Ordinary Fully Paid                                     | Australian Equities          | 0.7            |
| Transurban Group Fully Paid Ordinary/Units Stapled Securities         | Australian Equities          | 0.6            |
| Woolworths Group Limited Ordinary Fully Paid                          | Australian Equities          | 0.6            |
| Aristocrat Leisure Limited Ordinary Fully Paid                        | Australian Equities          | 0.4            |
| QBE Insurance Group Limited Ordinary Fully Paid                       | Australian Equities          | 0.4            |
| Santos Limited Ordinary Fully Paid                                    | Australian Equities          | 0.4            |

| Holding                                  | Asset class         | Allocation (%) |
|--|---------------------|----------------|
| Coles Group Limited. Ordinary Fully Paid | Australian Equities | 0.3            |
| South32 Limited Ordinary Fully Paid      | Australian Equities | 0.2            |

## Quarterly manager commentary

### Market Update

Wall Street's benchmark S&P 500 Index made historic highs and delivered a strong 4.2% quarterly return in local currency terms with the exuberant optimism on AI and technology shares. European shares have delivered negative returns in local currency terms. Asian share markets have delivered solid performances. Chinese share markets have made a modest recovery (China MSCI 7% return in local currency) with hopes that increased government support can stabilise the weak property sector. Japanese share markets continue to deliver strong returns with a 1.8% gain for the quarter (Japan MSCI return in local currency).

Australian shares delivered a negative quarterly return of -1.2%. The Energy sector was the weakest performer (-6.7%) given significant declines in the key stocks of Ampol and Woodside. There was also sharp weakness in the Materials resources sector (-5.9%) as concerns over China's growth prospects undermined iron ore prices. Property securities also recorded a markedly negative return (-5.7%) given concerns over valuations and potentially 'higher for longer' interest rates. In a welcome contrast that helped mitigate the downside for Australian shares, Financial sector shares (including the banks) made very strong returns of 4% for the quarter. The Information Technology sector (2.4%) also made strong gains on AI optimism.

Australia's economy continues to display subdued economic activity with sluggish consumer spending and weak housing construction. Though the impacts are being felt unevenly across individuals, the negative impacts of high consumer prices, mortgage interest rates and rents continue to squeeze many household budgets. There is also concern that inflation is now proving sticky and stubborn with May's 4% annual increase being higher than expected. This could see the RBA maintain interest rates at current high levels for an extended period, meaning very little if any respite in cost-of-living pressures.

### Portfolio Update

The Portfolio generated a slightly positive return for the June quarter. Global shares (hedged) recorded a strong 3.2% return for the past three months. However, the revival in the Australian dollar has limited global shares (unhedged) returns to a more modest 0.5% for the quarter. The Direct Australian shares portfolio delivered a handy contribution over the quarter with the ASX 20 index (+0.88%) outperforming the ASX 300 index (-1.2%), with a strong reporting season for the banks (CBA, NAB, WBC) showing generally better-than-expected net interest margin (NIM) outcomes, lower bad and doubtful debts, and a subsequent meaningful expansion in valuations.

### Portfolio changes during the quarter:

4 April 2024 - The S&P/ASX 20 Index was rebalanced in March 2024. As a result, QBE Insurance Group has been added and Newmont Corporation has been removed from the Portfolio.

### Market Outlook

We continually review the Model Portfolios to ensure they remain appropriately structured to meet their objectives and are well-positioned for the future market environment.

Maintaining growth asset exposure – Australian shares continues to have a meaningful representation in large-cap direct shares. The sharp expansion in valuation multiples, particularly in the likes of Financials, has created an element of caution as we head into the August reporting season. We maintain exposure to small- and mid-caps and see these allocations aligning with superior earnings growth and over time stronger capital growth.

Foreign currency diversification – We continue to see Emerging Market (EM) shares, and in particular China and EM Asia, as not operating on the same economic cycle as the broader Developed Market's (DM) and over a medium time horizon offer a more diversified, superior risk-reward opportunity under a range of potential market scenarios. While holding both hedged and unhedged global shares continues to be an important diversifier, we've maintained a structurally lower DM foreign currency exposure due to the increasing valuation appeal of, and constructive medium-term outlook for the terms of trade for the AUD, particularly versus the USD.

Active fixed income – We believe active management is appropriate to effectively navigate a potentially more turbulent interest rate and yield curve environment. We see actual and perceived central bank interest rate activity as continuing to drive bouts of elevated bond and credit market volatility.

Fixed income - We see favourable risk-reward attributes with high quality credit (Janus Henderson Diversified Credit). We consider the global credit fund (Bentham Global Income) as a 'mid risk' asset, providing a clear step down on the risk spectrum versus global equities, with a very attractive risk-reward.

Alternatives – MLC's Real Return Fund remains our preferred method of providing further diversification and versatility in downside protection via its high quality, dynamic real return attributes, particularly given the healthy allocation to genuine alternative assets.

Real Assets – we pleased to advise that the highly anticipated addition of Global Listed Infrastructure is scheduled for August 2024. A medium-term

outlook of more sticky inflation, and gradually easing bond yields, support solid underlying cash flows within the Infrastructure sector, where we see valuation appeal being presented via the listed space.

<sup>3</sup> A significant percentage of assets comprising this portfolio are only available through the managed portfolios and therefore can't be transferred out of the MyNorth Managed Portfolio Scheme. For more information relating to restrictions that may apply to asset transfers, refer to the 'Transferring assets in and out of your Portfolio' in Part 1 of the MyNorth Managed Portfolios PDS.

**Important Information**

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