

Quarterly Update for Month Ending June 2024

### Investment objective

To perform in-line with the stated benchmark over rolling three-year periods.

### Key information

<b>Code</b>	NTH0432
<b>Manager name</b>	NMMT's Internal Investments Team
<b>Inception date</b>	27 March 2024
<b>Benchmark</b>	Morningstar Australian Multi-Sector Moderate Average Category
<b>Asset class</b>	Diversified
<b>Number of underlying assets</b>	11
<b>Minimum investment horizon</b>	3 years
<b>Portfolio income</b>	Default - Reinvest
<b>Management fees and costs</b>	'0.27%
<b>Performance fee</b>	'0%
<b>Estimated net transaction costs</b>	'0.02%
<b>Estimated buy/sell spread</b>	'0.06%/0.06%
<b>Risk band/label</b>	4/Medium
<b>Minimum investment amount</b>	\$500

### About the manager

#### NMMT's Internal Investments Team

The NMMT's Internal Investments Team has substantial experience in fund manager research and portfolio management. In constructing and managing the portfolios, the team believe that equity markets are inefficient and that shares often trade at significant premiums or discounts to their fair value. They aim to capture these anomalies through a disciplined, research focused approach can generate attractive returns over time.

### Returns

as at 30 June 2024

	Since inception*	1 Month (%)	3 Month (%)	6 Month (%)	1 Year (%)	3 Years (%)
Total return <sup>1</sup>	0.05	0.83	0.05	-	-	-
Income	0.29	0.08	0.29	-	-	-
Growth	-0.24	0.75	-0.24	-	-	-
Benchmark <sup>2</sup>	-0.20	0.61	-0.20	-	-	-

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

### Asset allocation



as at 30/06/2024

Growth assets		Allocation (%)
	Australian Equities	10.4
	International Equities	19.1
	Property	5.4
	Other	0.0
<b>Total</b>		<b>34.9%</b>
Defensive assets		Allocation (%)
	Australian Fixed Interest	22.8
	International Fixed Interest	19.9
	Cash	22.5
<b>Total</b>		<b>65.2%</b>

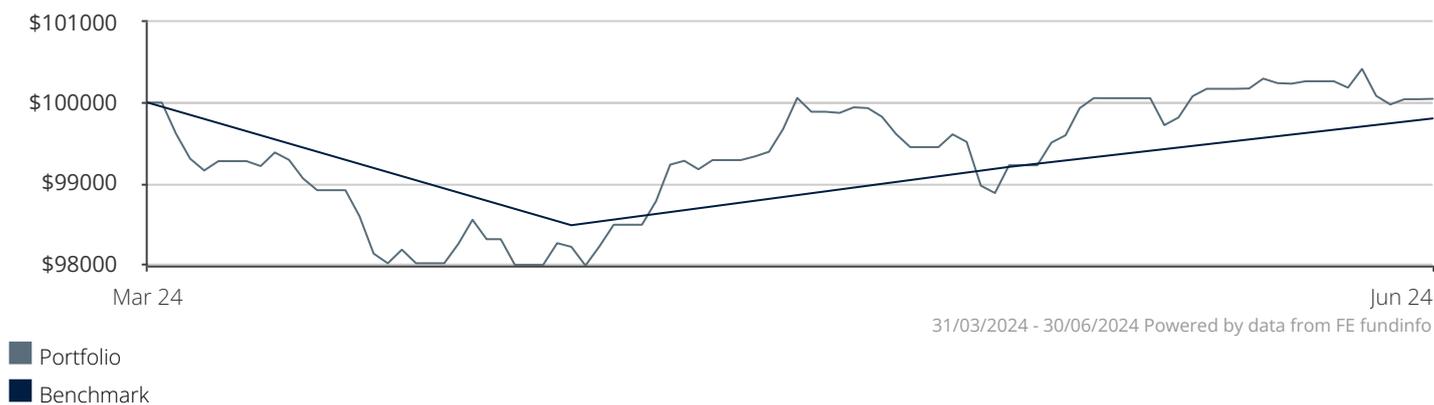
Asset allocation data sourced via Morningstar® from the underlying fund manager.

<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> The applicable Benchmark for this portfolio is shown in the Key Information section.

## Performance history

\$100,000 invested since 31/03/2024



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

Holding	Asset class	Allocation (%)
Australian Fixed Interest Index Fund	Australian Fixed Interest	26.0
Macquarie Cash	Cash	21.0
International Fixed Interest Index Fund Hedged	International Fixed Interest	17.0
Australian Equity Index Fund	Australian Equities	12.0
International Equity Index Fund	International Equities	8.0
AMP International Equity Index Fund Hedged	International Equities	6.0
AMP Global Listed Infrastructure Market Index Fund Hedged	International Equities	3.0
International Property Index Fund Hedged	Property	3.0
AMP Emerging Markets Index Fund	International Equities	2.0
Australian Property Index Fund	Property	1.0
Cash Account	Cash	1.0

## Quarterly manager commentary

### Market Update

The June quarter saw further gains in global growth asset markets, as familiar themes remained dominant in economic news flow. Declining inflation generally continued around the globe, though spikes again caused some angst in interest rate-sensitive markets. Services, rather than goods, were generally the culprit of these inflationary spikes, particularly in the US. Global central banks meanwhile continued their slow shift towards cutting rates, with a number of rate cuts in Europe and the Americas, though this didn't eventuate in the US or Australia over the period. In China, further government efforts to support its troubled real estate sector continued to bolster market sentiment and economic growth remained reasonable, aided by strengthening manufacturing and industrial production of items such as electric vehicles and electronic chips.

Australian data releases in the June quarter continued to reflect a difficult economic environment and somewhat gloomy sentiment. Inflation prints were also higher than expected, adding pressure on the Reserve Bank (RBA) to raise rates again. The central bank however remained on pause, cognisant of balancing shorter-term economic risks of further hikes against the latest inflationary spikes, as well as the risk of overreacting to short-term news. Retail sales figures remained weak which was surprising as jobs data remained reasonable, though falling advertisements indicated some potential softening ahead. Some strengthening in the Australian dollar was seen, aided by interest rate expectations and if this trend continues will be a headwind to exporters.

### Australian shares

Australian shares pulled back by around 1.1% in the June quarter as measured by the ASX200 Accumulation index, underperforming their international counterparts which rose strongly. A rising degree of pessimistic sentiment around the domestic economy impacted the market, as did the materials sector, which pulled back on lower though stabilising iron ore prices. Higher than expected monthly inflation data was also seen in some sectors, particularly given Australian households' greater sensitivity to interest rate changes. Amid ongoing speculation on whether a further rate rise will be required from the RBA, financials produced a solid return, though most other sectors were negative.

### International shares

The June quarter was yet another solid period for global shares, with major developed markets rising by over 3% in local currency terms. (The return however was more modest in Australian dollar terms, as the Australian dollar strengthened). US shares were strong, helped again by mega-cap IT companies, returning around 4.3% as markets focussed on the potential for rate-cuts and the strong earnings outlook for corporates. Developed Asian markets also did well, aided by strong sentiment towards artificial intelligence-related companies, including chip manufacturers. Finally, emerging

market shares were strong, returning around 6.2%, aided by strong Asian markets and improving sentiment in China off the back of further regulatory support towards its real estate sector. (All returns quoted in local currency terms and on a total-return basis, unless otherwise stated.)

#### Australian bonds

Australian bond yields mirrored global peers to increase over the June quarter, albeit to a greater degree, and as a result returns underperformed global counterparts. The main factor driving this was higher and stickier than expected Australian inflation data, which increased the risk that Australian interest rates may be held at current levels for longer than expected, or even raised higher if the resilience in inflation data does not moderate. Australian yields rose more aggressively than global counterparts as a result with the 10-year yield rising 0.35%, to end at 4.31%. Australian bonds, as measured by the Bloomberg AusBond Composite (All Maturities) index, returned -0.84% over the period.

#### International bonds

The June quarter saw see-sawing government yields earlier in the period amid speculation around the magnitude and timing of expected interest rate cuts. As the quarter progressed a more conducive market environment emerged, driven by softening labour market conditions and better news on inflation. In the US, the Fed kept rates on hold as expected, yet revised forecasts to suggest only one cut ahead for 2024, a decrease from three cuts previously anticipated. Despite volatility in yields, a relatively robust macro environment supported credit markets, which continued to do well, outperforming government bonds. Corporate balance sheets remained relatively strong, and most credit segments delivered positive total returns. Global bonds, as measured by the Bloomberg Global Aggregate index (\$A hedged), fell by -0.16% in Australian dollar terms.

#### Cash

The RBA left the official cash rate on hold over the June quarter at 4.35%. Notably the Minutes from the last RBA meeting of the quarter (in June) reiterated a slightly hawkish tilt, while implying rate rises were a possibility should inflation not return to target by 2026. Having said this, the RBA is aware of risks in raising rates further and has shown a willingness to be patient in waiting for further data, given the delayed impacts of previous rate hikes that continue to permeate through the economy and particularly as the Australian economy is already struggling.

### **Portfolio Update**

The portfolio delivered a return of 0.05% over the June quarter.

### **Market Outlook**

#### Australian shares

Australian equities have recorded sound returns largely supported by the strength of global equity markets. However, the outlook for corporate earnings in Australia, is likely to be flat to slightly positive over FY25 and unlikely to support further upward momentum in the equity market. Businesses meanwhile remain focussed on containing costs, noting that margins are already fairly robust.

#### International shares

Equity markets have been very strong, with most of the growth being driven by the Magnificent 7 technology stocks while most other stocks have moved sideways. Corporate earnings growth remains sound, notably in the US, and will support markets. Important to note is that any slowdown in developed market economies will see this expected growth decline sharply and this could pressure markets. Interest rates have begun falling in a number of regions on the back of significantly decreased levels of inflation and any further cuts in cash interest rates by Central banks will also support markets.

#### Australian bonds

Like their global counterparts, Australian bond valuations have improved significantly in recent years and have moved closer to fair value as yields have risen. We therefore believe forward-looking returns are now significantly more compelling than in recent history. The outlook is such that yields are unlikely to move significantly unless there is a notable decline in inflation rates.

#### International bonds

Global bond markets are likely to continue to focus on the expected paths for US interest rates. Large drawdowns in recent years, resulting in bonds being available at significantly cheaper prices, continue to lead us to believe returns going forward will likely be reasonable; perhaps around current running yield or a little more, as inflation slows, and central banks cut rates. Stickier than expected inflation remains a risk, as this could cause further delays to interest rate cuts.

3 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.

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