# MyNorth Managed Portfolios

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Quarterly Update for Month Ending June 2024

## Investment objective

To deliver a return of CPI +3% per annum over the long-term by investing in a diverse mix of asset classes.

## Key information

| | |
|---|---|
| **Code** | NTH0394 |
| **Manager name** | InvestSense |
| **Inception date** | 06 November 2023 |
| **Benchmark** | Consumer Price Index (CPI) + 3.0% |
| **Asset class** | Diversified |
| **Number of underlying assets** | 22 |
| **Minimum investment horizon** | 7 years |
| **Portfolio income** | Default - Paid to Platform Cash |
| **Management fees and costs** | '0.77% |
| **Performance fee** | '0.02% |
| **Estimated net transaction costs** | '0.03% |
| **Estimated buy/sell spread** | '0.13%/0.13% |
| **Risk band/label** | 5/Medium to high |
| **Minimum investment amount** | $25,000 |

## About the manager

**InvestSense**

InvestSense is an investment management firm founded in 2014. The investment team have extensive experience in financial markets across investment consulting, portfolio management and investment research. InvestSense's investment philosophy is underpinned by the belief that prevailing market valuations tend to be indicative of final outcomes over long-time periods. By undertaking a forward-looking view of expected returns and implied risks, InvestSense aims to understand if the market is sufficiently rewarding investors for the risks they're undertaking across different asset classes.

## Returns

as at 30 June 2024

| | Since inception* | 1 Month (%) | 3 Month (%) | 6 Month (%) | 1 Year (%) | 3 Years (%) |
|---|---|---|---|---|---|---|
| Total return[1] | 11.23 | 0.66 | -0.73 | 5.74 | - | - |
| Income | 1.35 | 0.03 | 0.38 | 1.14 | - | - |
| Growth | 9.88 | 0.63 | -1.11 | 4.60 | - | - |
| Benchmark[2] | 4.88 | 1.77 | 1.77 | 3.50 | - | - |

## Asset allocation

as at 30 June 2024

| Growth assets | Allocation (%) |
|---|---|
| Australian Equities | 29.8 |
| International Equities | 31.8 |
| Property | 6.1 |
| Other | 0.0 |
| **Total** | **67.7%** |

| Defensive assets | Allocation (%) |
|---|---|
| Australian Fixed Interest | 15.1 |
| International Fixed Interest | 4.5 |
| Cash | 12.7 |
| **Total** | **32.3%** |

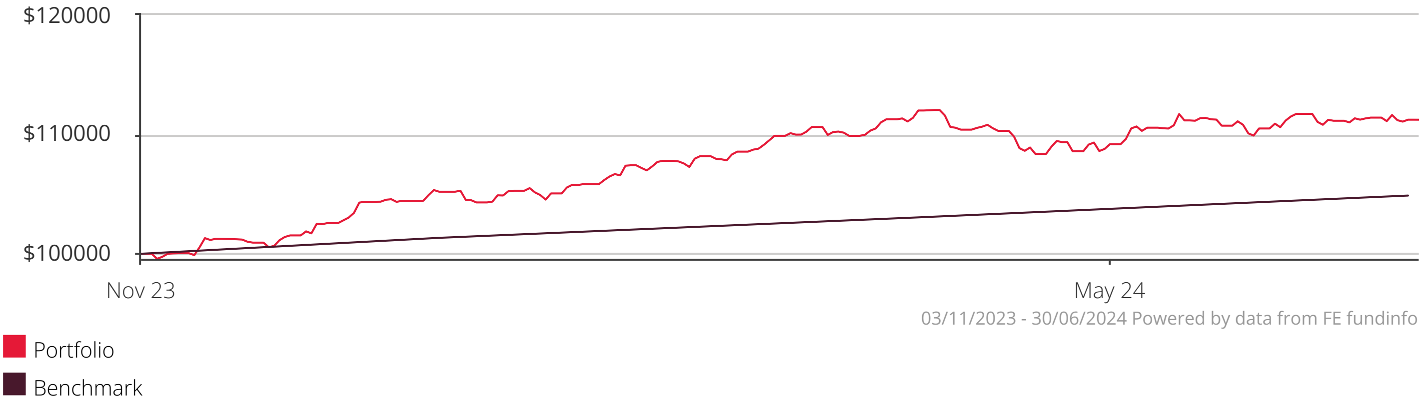
Asset allocation data sourced via Morningstar® from the underlying fund manager.

1 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

2 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 03/11/2023




## Managed portfolio holdings[3]

| Holding | Asset class | Allocation (%) |
|---|---|---|
| Macquarie True Index Australian Shares Fund | Australian Equities | 10.7 |
| DNR Capital Australian Equities High Conviction Fund - W-Class | Australian Equities | 9.2 |
| Betashares Australian High Interest Cash Etf Betashares Australian Hig | Cash | 8.8 |
| Macquarie True Index Australian Fixed Interest | Australian Fixed Interest | 6.2 |
| Schroder Fixed Income Fund - Professional Class | Australian Fixed Interest | 5.9 |
| Yarra Enhanced Income Fund - Class A | Australian Fixed Interest | 5.8 |
| Ishares S&P 500 Etf | International Equities | 5.3 |
| Arrowstreet Global Equity No.2 Fund - Class W Units | International Equities | 4.0 |
| Hyperion Small Growth Companies Fund | Australian Equities | 3.8 |
| Pendal MidCap Fund | Australian Equities | 3.8 |
| Macquarie Hedged Index Global Infrastructure Securities Fund | International Equities | 3.8 |
| MFS Global Equity Trust II - I Class Unhedged | International Equities | 3.7 |
| T.Rowe Price Global Equity - M Class | International Equities | 3.7 |
| Global X US Treasury Bond Etf (Currency Hedged). Global X US Treasury | International Fixed Interest | 3.5 |
| Vanguard All-World Ex-Us Shares Index Etf Vanguard All-World Ex-Us Sha | International Equities | 3.3 |
| GQG Partners Emerging Markets Equity Fund - Z Class | International Equities | 3.2 |
| OC Premium Small Companies Fund | Australian Equities | 3.1 |
| Langdon Global Smaller Companies Fund (Class I) | International Equities | 2.9 |
| Macquarie True Index Listed Property Fund | Property | 2.9 |
| Resolution Capital Global Property Securities Fund | Property | 2.9 |
| Ishares Msci Japan Etf Ishares Msci Japan Etf | International Equities | 2.7 |
| Cash Account | Cash | 1.2 |

## Quarterly manager commentary

**Market Update**

Commencing a review of Q2 and the financial year as a whole, markets were largely driven by interest rate movements earlier in the year before getting a bit more muddled in the last three months. Rates trended higher for the first two quarters until some market tremors in late 2023 brought them back down. This disinflationary dynamic then fuelled strong gains in tech and growth stocks in early 2024, with the Nasdaq surging 30% for the year led by semiconductor stocks like NVIDIA. Software underperformed slightly, while cyclicals and value lagged with global small caps, emerging markets, Australia and the UK rising only 5-10%. Europe landed somewhere in the middle with mid-teen returns.

For diversified funds, a typical 70/30 growth allocation gained around 10%, with passive funds potentially outperforming due to higher exposure to mega-cap U.S. tech stocks. Active managers appear to have leaned against this trade despite the gains. Industry super funds, which tend to have more aggressive 80/20 "balanced" allocations, struggled over the past 18 months as higher rates pressured the valuations of their private asset holdings.

Within global equities, growth and value performed similarly overall, a change from value's multi-year run of outperformance. But digging deeper, returns diverged sharply based on sector and regional allocations. Some semiconductor-heavy growth funds surged over 40%, while more software-focused funds gained a more modest 10% or were even flat for the year in the case of the hyper growth focused ARK Invest. On the value side, financials exposure boosted returns for some funds but most lagged the index considerably, especially when ‘value’, meant emerging markets or smaller companies. Most value funds produced returns between 5% and 15%.

The bond market also saw significant dispersion. High yield credit gained around 8%, but with much higher volatility than investment grade floating rate funds which returned a similar amount. Government bonds rose 2-3% with volatility of 5-6%. The stand-out winners were Australian floating rate corporate bond funds, gaining 6-8% with minimal volatility.

In summary, it was an eventful end to a tumultuous financial year, with sharp divergences across and within asset classes which may present opportunities for asset allocators in what could become a more volatile environment.

**Portfolio Update**

Over the course of April, May, and June, the portfolio experienced varied performance across different asset classes and funds. In April, Cash was the top performer, while Property & Infrastructure struggled. Security selection added value, with the Yarra Enhanced Income Fund outperforming and the Macquarie True Index Listed Property Fund underperforming. Asset allocation positively contributed, primarily due to the underweight position in Property & Infrastructure. International equities had a negative month, with emerging markets and global ex-US funds performing relatively better. Australian equity funds saw declines, with the Macquarie True Index Australian Shares Fund and Hyperion Small Growth Companies Fund showing resilience. Fixed interest outperformed benchmarks, led by the Yarra Enhanced Income Fund and Schroder Fixed Income Fund.

May saw a reversal in fortunes, with Property & Infrastructure leading gains and Cash lagging. Security selection detracted value this month, with the Macquarie Hedged Index Global Infrastructure Securities Fund outperforming and the iShares MSCI Japan ETF underperforming. Asset allocation negatively impacted returns, mainly due to the underweight in Property & Infrastructure. International equities rebounded, driven by strong performances from the Langdon Global Smaller Companies Fund and Macquarie Arrowstreet Global Equity Fund. Australian small-cap funds, particularly the Hyperion Small Growth Companies Fund and OC Premium Small Companies Fund, showed strength. Fixed interest continued to outperform benchmarks, with the US Treasury Bond ETF and Yarra Enhanced Income Fund leading the way.

June brought further changes, with International Equities taking the lead and Property & Infrastructure lagging. Security selection detracted value, as the iShares S&P 500 ETF outperformed while the MFS Global Equity Trust underperformed. Asset allocation positively contributed, again due to the underweight in Property & Infrastructure. International equities maintained their positive momentum, led by the iShares S&P 500 ETF and T.Rowe Price Global Equity Fund. In Australian equities, the Hyperion Small Growth Companies Fund and DNR Capital Australian Equities High Conviction Fund performed well. Fixed interest underperformed benchmarks this month, with the Schroder Fixed Income Fund and Macquarie True Index Australian Fixed Interest Fund delivering the best returns within the asset class.

**Portfolio changes during the quarter:**

Changes implemented to this portfolio over the quarter involve reducing allocations in Australian equities, international equities, and listed property, while increasing fixed interest investments. Within property and infrastructure, there's a shift from REITs to listed infrastructure due to recent market performance and valuation changes. Overall, the portfolios maintain a slightly defensive stance, being 1-3% underweight in equities and overweight in fixed interest. This cautious approach balances the potential for market rallies if inflation moderates against the impact of higher interest rates on the economy, while considering current market valuations.

**Market Outlook**

As we look ahead, the financial markets remain in a state of cautious anticipation, with all eyes fixed on potential shifts in monetary policy, particularly in the United States. The current economic landscape presents a complex picture, balancing robust consumer spending and signs of industrial recovery against the backdrop of already elevated interest rates.

This economic resilience has created a paradoxical situation for investors. While a strong economy is generally positive, it complicates the narrative around expected interest rate cuts. The market's hope for rate reductions later in the year may be challenged if economic strength persists, potentially keeping rates higher for longer than anticipated.

Emerging markets, present an intriguing opportunity for investors. Many high-quality companies in these markets are trading at valuations significantly lower than their developed market counterparts, partly due to the recent outperformance of value over growth stocks in emerging economies.

Looking beyond the headline-grabbing tech giants, there's growing interest in out-of-favour quality companies, particularly in the small-cap space. These firms, characterized by strong balance sheets and sustainable competitive advantages, may be temporarily undervalued due to cyclical downturns. As the market eventually recognizes their enduring strengths and earnings recovery potential, they could offer substantial upside.

The current market conditions, with small caps trading at historically low valuations while maintaining strong fundamentals, make them particularly attractive. This presents an opportunity for strategic portfolio reallocation, potentially shifting some investments from large, expensive quality companies to smaller, underappreciated ones.

While this strategy may take time to bear fruit, it could significantly enhance returns over the next decade. As always, careful selection is crucial, focusing on companies with robust profit margins and low leverage. In an environment of persistent uncertainty, diversification across both developed and emerging markets, as well as across different market capitalizations, remains a prudent approach for investors looking to navigate the complex global economic landscape.

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.

**Important Information**



These partnered managed portfolios are only available to you, if at the time you made your application, you are a client of Justine Back Pty Ltd trading (ABN 74 052 049 493, ACN 052 049 493). If you cease to be a client of Back to Back you will no longer be eligible for access to these partnered managed portfolios. We will close your Portfolio within the Scheme and transfer the underlying assets in your Portfolio to your North Platform account or realise the underlying assets to cash and transfer this cash to your North Platform account. For more information relating to restrictions that may apply to these partnered managed portfolios, refer to the 'Eligibility" in Part 1 of the MyNorth Managed Portfolios PDS.