MyNorth Managed Portfolios

ISHARES ENHANCED STRATEGIC MODERATE PORTFOLIO

North

Quarterly update for Month ending March 2024

Investment objective

To match or outperform the benchmark over a rolling five-year period

Key information

Code	NTH0359
Manager name	BlackRock
Inception date	01 August 2023
Benchmark	Morningstar Australia Moderate Target Allocation NR AUD
Asset class	Diversified
Number of underlying assets	18
Minimum investment horizon	5 years
Portfolio income	Default - Reinvest
Management fees and costs	'0.36%
Performance fee	'0%
Estimated net transaction costs	'0.07%
Estimated buy/sell spread	'0.00%/0.00%
Risk band/label	4/Medium
Minimum investment amount	$500

About the manager

BlackRock

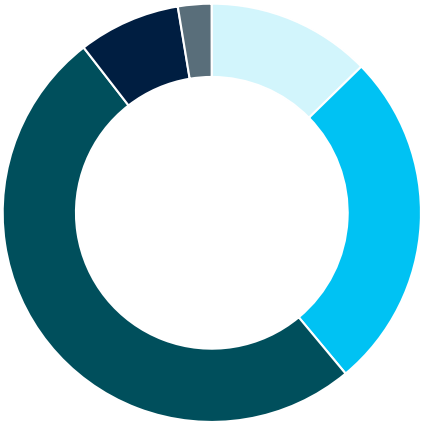
BlackRock is a global investment manager that has served Australian clients for over three decades, with a commitment to helping more people plan for their financial future. BlackRock delivers tailored holistic investment solutions, thought leadership and investment technology capabilities to help clients build resilient portfolios. The Australian investment team has been managing portfolios for Australian investors since 1992, leveraging the firm's global capabilities to consistently deliver investment outcomes for clients.

Returns

as at 31 March 2024

	Since inception*	1 Month (%)	3 Month (%)	6 Month (%)	1 Year (%)	3 Years (%)
Total return[1]	5.41	1.69	3.48	7.73	-	-
Income	1.88	0.31	0.90	1.82	-	-
Growth	3.53	1.38	2.58	5.91	-	-
Benchmark[2]	5.97	1.59	2.88	7.98	-	-

Asset allocation



as at 31 March 2024

Growth assets	Allocation (%)
Australian Equities	12.7
International Equities	26.3
Property	0.0
Other	0.0
Total	**39.0%**

Defensive assets	Allocation (%)
Australian Fixed Interest	50.6
International Fixed Interest	7.9
Cash	2.6
Total	**61.1%**

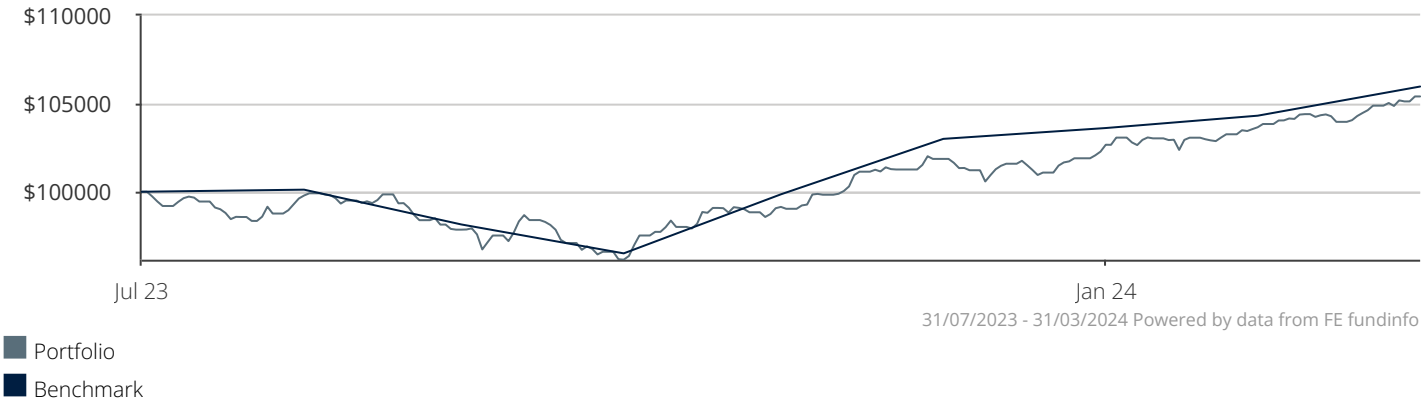
Asset allocation data sourced via Morningstar® from the underlying fund manager.

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

Performance history

$100,000 invested since 31/07/2023



Managed portfolio holdings[3]

Holding	Asset class	Allocation (%)
Ishares Core Composite Bond Etf Ishares Core Composite Bond Etf	Australian Fixed Interest	33.0
Ishares Core S&P/ASX 200 Etf Ishares Core S&P/ASX 200 Etf	Australian Equities	9.2
Ishares Enhanced Cash Etf Ishares Enhanced Cash Etf	Australian Fixed Interest	7.4
Ishares S&P 500 Etf	International Equities	6.9
Ishares Treasury Etf Ishares Treasury Etf	Australian Fixed Interest	6.5
Ishares Core Global Corporate Bond(Aud Hedged) Etf Ishares Core Glb Co	International Fixed Interest	6.1
Ishares Government Inflation Etf Ishares Government Inflation Etf	Australian Fixed Interest	5.0
Ishares Msci World EX Aust Minimum Volatility Etf Ishares Msci World EX Aust Minimum Volatility Etf	International Equities	4.0
Ishares S&P 500 Aud Hedged Etf Ishares S&P 500 Aud Hedged Etf	International Equities	3.6
Ishares Global Aggregate Bond Esg (Aud Hedged) Etf Ishares Global Aggr	Australian Equities	3.0
Cash Account	Cash	2.5
Ishares China Large-Cap Etf Ishares China Large-Cap Etf	International Equities	2.2
Ishares Msci Emerging Markets Etf Ishares Msci Emerging Markets Etf	International Equities	2.2
Ishares Global High Yield Bond (Aud Hedged) Etf Ishares Global High Yi	International Fixed Interest	2.0
Ishares J.P. Morgan Usd Emerging Markets (Aud Hedged) Etf Ishares J.P.	International Equities	2.0
Ishares Msci Japan Etf Ishares Msci Japan Etf	International Equities	1.9
Ishares Europe Etf Ishares Europe Etf	International Equities	1.5
Ishares Msci South Korea Etf Ishares Msci South Korea Etf	International Equities	1.0

Quarterly manager commentary

Market Update

Global equities performed strongly over the first quarter of 2024, delivering positive returns of 13.2% amid investor hopes for a soft economic landing and bullish sentiment regarding artificial intelligence (AI). Both Developed market and Emerging market equities recorded strong returns in Q1, driven by resilient economic data and the AI fuelled rally. Specifically, Japanese equities outperformed most major markets, rising by 21.5% in Q1 (in local currency terms), buoyed by robust corporate earnings and strong wages growth.

On fixed income, returns were mixed over the quarter, with global bonds underperforming Australian bonds in Q1 amid the re-pricing of interest rate expectations. Notably, global bonds were down 0.3%, while Australian bonds rose 1.0% over the period. Meanwhile, riskier parts of the fixed income market delivered positive returns, with high yield corporate credit and emerging market debt indices realising gains as credit spreads tightened.

Portfolio Update

Nonetheless, global sharemarkets enjoyed a strong quarter in aggregate, with developed-world markets (notably Japan, U.S. and Europe) continuing their dominance over Emerging Market shares, largely given ongoing concerns around Chinese economic growth. This same thematic, as well as Australia having a relatively small listed I.T. sector, saw returns from Australian shares lag global peers, although they were solid in an absolute sense. By contrast, bond market returns were much more muted (and, in the case of global bonds, slightly negative), as more sober interest rate expectations took hold. To put some numbers around just how much interest rate expectations have altered, the market was looking for 6-7 interest rate cuts in the U.S. at the start of the year – now it's more like 2-3 (which is broadly in line with the Federal Reserve's current guidance).

This is a noteworthy change and raises a very valid question – given that both shares and bonds rallied so strongly in Q4 2023, on the premise of an imminently lower interest rate environment, why then are we not seeing a simultaneous reversal now that those expectations have been pared back? While bond markets have adjusted their expectations, it would appear that sharemarket investors are simply looking beyond 2024, believing that rate

cuts will come at some point (or, at the very least, that rate hikes from here are unlikely). In this regard, recent earnings have been better than expected, giving investors further impetus to pay more now for future earnings, which they expect to benefit from lower rates, whenever (and in whatever form) those rate cuts are ultimately delivered.

Portfolio changes during the quarter:
On the 3rd April 2024, the Model Portfolios underwent an annual strategic asset allocation (SAA) rebalance, along with the latest tactical asset allocation trades that saw the addition of three new asset classes in the portfolio, an increase in the FX hedge ratio, a re-calibration of cross-sectional equity tilts, and a reduction in cash.

The Model Portfolios added Global Listed Infrastructure and Property, along with Gold as new asset classes. Infrastructure acts as a defensive growth asset that can deliver equity-like returns with lower volatility whilst offering inflation protection. REITs are also in a favourable position to benefit from the peaking of interest rates, and Gold can offer further diversification through its negative beta to growth assets. The increase in FX hedge ratio was motivated by the potential for the Australian dollar to strengthen following the currency's depreciation in 2023, and as such, provide better protection to the value of the portfolios should this scenario eventuate. On a cross-sectional equity basis, the portfolios took some profits off its Japanese equities position given the strong performance of this market to date to fund an increase in the allocation to US and European equities. Finally, the reduction in cash served as a funding source for inflation-linked bonds, motivated by expectations that inflation may settle above central banks' target bands.

Market Outlook
The investment environment is likely to remain challenging in the coming years as markets adjust to a structurally higher inflation and policy rate environment. We expect dispersion across asset classes, sectors and countries to stay elevated and see value in the portfolio's ability to be more nimble and dynamic in response to new market shocks. Additionally, we believe the portfolio can benefit from being well-diversified and granular across a range of asset classes, geographies and styles, while also having a robust and disciplined dynamic investment process.

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.