

Quarterly update for Month ending March 2024

Investment objective

Aims to outperform the benchmark, over rolling five-year periods.

Key information

Code	NTH0307
Manager name	Elston Asset Management
Inception date	20 December 2022
Benchmark	Morningstar Australia Growth Target Allocation NR AUD
Asset class	Diversified
Number of underlying assets	41
Minimum investment horizon	5 years
Portfolio income	Default - Paid to Platform Cash
Management fees and costs	'0.81%
Performance fee	'0.03%
Estimated net transaction costs	'0.07%
Estimated buy/sell spread	'0.05%/0.06%
Risk band/label	6/High
Minimum investment amount	\$25,000

About the manager

Elston Asset Management

Elston Asset Management is an active investment manager, focused on delivering investment solutions with the aim of helping investors build and preserve their wealth. The business is majority owned by its senior investment professionals.

Returns

as at 31 March 2024

	Since inception*	1 Month (%)	3 Months (%)	6 Months (%)	1 Year (%)	3 Years (%)	5 Years (%)
Total return ¹	10.83	2.26	5.47	9.74	10.87	-	-
Income	3.12	0.33	0.75	1.29	3.05	-	-
Growth	7.71	1.93	4.72	8.45	7.82	-	-
Benchmark ²	11.95	2.50	5.98	13.05	14.32	-	-

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

Asset allocation



as at 31 March 2024

Growth assets	Allocation (%)
Australian Equities	41.6
International Equities	20.1
Property	5.1
Other	0.0
Total	66.8%
Defensive assets	Allocation (%)
Australian Fixed Interest	16.7
International Fixed Interest	7.7
Cash	8.8
Total	33.2%

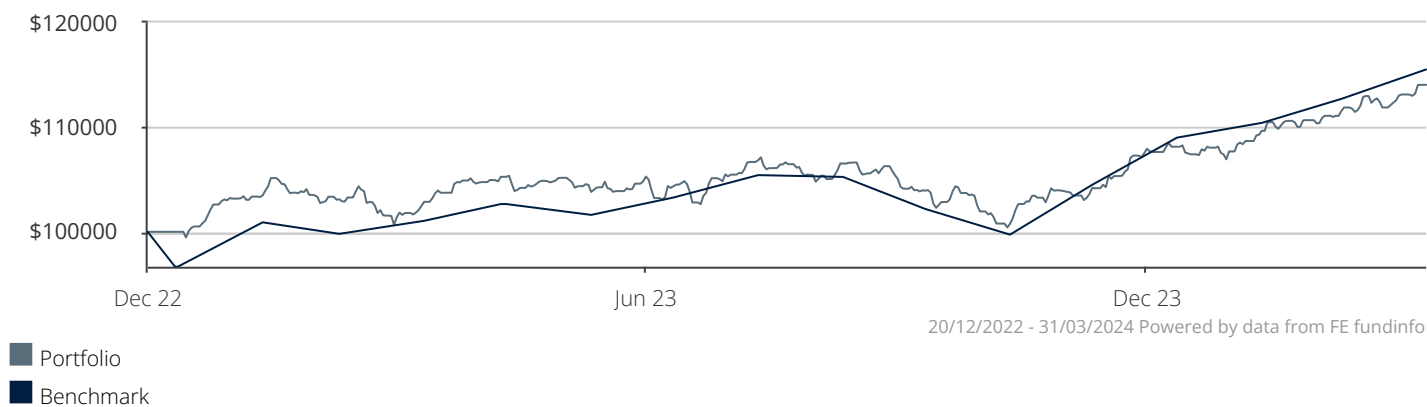
Asset allocation data sourced via Morningstar® from the underlying fund manager.

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 20/12/2022



Managed portfolio holdings³

Holding	Asset class	Allocation (%)
Janus Henderson Tactical Income Fund	Australian Fixed Interest	9.8
Macquarie Dynamic Bond Fund	International Fixed Interest	8.4
AB Global Equities Fund	International Equities	5.7
4D Global Infrastructure Fund (AUD Hedged)-	International Equities	5.0
GQG Partners Global Equity Fund - Z Class	International Equities	4.3
Betashares Westn Asset Aus Bond Fund (Managed Fund) Betashares West As	Australian Fixed Interest	4.2
Quay Global Real Estate Fund (AUD Hedged)	Property	4.0
Betashares Australian High Interest Cash Etf Betashares Australian Hig	Cash	4.0
Ironbark Royal London Core Global Share Fund - Class A	International Equities	3.8
Macquarie Income Opportunities Fund	Australian Fixed Interest	3.6
Betashares Global Shares Etf - Currency Hedged Betashares Global Share	Australian Equities	3.3
Cash Account	Cash	3.0
CSL Limited Ordinary Fully Paid	Australian Equities	2.6
BHP Group Limited Ordinary Fully Paid	Australian Equities	2.5
ANZ Group Holdings Limited Ordinary Fully Paid	Australian Equities	2.2
Macquarie Group Limited Ordinary Fully Paid	Australian Equities	2.1
Westpac Banking Corporation Ordinary Fully Paid	Australian Equities	1.9
Woodside Energy Group Ltd Ordinary Fully Paid	Australian Equities	1.9
Franklin Global Growth Fund - I Class	International Equities	1.9
Telstra Group Limited Ordinary Fully Paid	Australian Equities	1.7
The Lottery Corporation Limited Ordinary Fully Paid	Australian Equities	1.6
Endeavour Group Limited Ordinary Fully Paid	Australian Equities	1.6
Treasury Wine Estates Limited Ordinary Fully Paid	Australian Equities	1.6
Amcor PLC Cdi 1:1 Foreign Exempt NYSE	Australian Equities	1.5
Sonic Healthcare Limited Ordinary Fully Paid	Australian Equities	1.5
Resmed Inc Cdi 10:1 Foreign Exempt NYSE	Australian Equities	1.4
Brambles Limited Ordinary Fully Paid	Australian Equities	1.4
Aristocrat Leisure Limited Ordinary Fully Paid	Australian Equities	1.3

Holding	Asset class	Allocation (%)
Mirvac Group Fully Paid Ordinary/Units Stapled Securities	Property	1.2
Worley Limited Ordinary Fully Paid	Australian Equities	1.2
Flight Centre Travel Group Limited Ordinary Fully Paid	Australian Equities	1.2
Aurizon Holdings Limited Ordinary Fully Paid	Australian Equities	1.1
Cochlear Limited Ordinary Fully Paid	Australian Equities	1.0
Idp Education Limited Ordinary Fully Paid	Australian Equities	1.0
Ramsay Health Care Limited Ordinary Fully Paid	Australian Equities	1.0
The A2 Milk Company Limited Ordinary Fully Paid	Australian Equities	1.0
CAR Group Limited Ordinary Fully Paid	Australian Equities	1.0
James Hardie Industries PLC Chess Depositary Interests 1:1	Australian Equities	1.0
AMP Limited Ordinary Fully Paid	Australian Equities	1.0
Nine Entertainment Co. Holdings Limited Ordinary Fully Paid	Australian Equities	1.0

Quarterly manager commentary

Market Update

Investors entered 2024 full of confidence, with the U.S. Federal Reserve's confirmation that it expects lower interest rates in the foreseeable future underpinning strong gains in both share and bond markets in Q4 2023. However, while the final quarter of 2023 saw a so-called 'almost everything rally', Q1 2024 was characterised by significant divergence in returns across asset classes and, in some cases, within them. Once again, changes in interest rate expectations were at the core of this outcome. When the abrupt shift in the Federal Reserve's policy intentions was announced in December (as it moved to focus on supporting economic growth, as opposed to managing inflation), investors responded very quickly by pricing in more aggressive interest rate cuts, sooner, than what the Federal Reserve itself forecast. We felt at the time that, while possible, this is a very optimistic scenario given the current economic environment. Barely three months on, investors have had to temper these expectations as persistent core inflation and resilient economic data have dulled hopes around the timing and magnitude of future interest rate moves.

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:

Over the quarter Virgin Money UK (ASX:VUK) was sold following a takeover offer from Nationwide Building Society, the proceeds of which were re-deployed across several names in the portfolio. Within International Equities, Ironbark Royal London Core Global Share Fund and Betashares Global Shares Hdg ETF were added replacing UBS Emerging Markets and Vanguard Int Share Hdg ETF. While a change to the SAA resulted in the Listed Property exposure being expanded globally, Quay Global Real Estate Fund Hdg was added, replacing the MVA Australian Property ETF. At the asset class level, the underweight to growth assets was reduced in January, funded by trimming the overweight to Fixed Interest.

Market Outlook

Whether this investor confidence proves misplaced, time will tell. More broadly, it remains an uncertain environment. As already evidenced this year, the pathway for interest rates is unclear (even though the intention toward lowering rates is welcomed). Economic growth, while resilient so far, is likely to be more subdued moving forward. The risk of stubborn inflation is also very much present, particularly given the tight labour market and a lack of meaningful improvement in productivity, while geopolitical tensions remain elevated. With this in mind, sharemarkets are pricing in little room for error, leading us to be slightly cautiously positioned at this point, notwithstanding that we continue to find select opportunities that meet our strict criteria for investment.

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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