

Quarterly update for month ending December 2023

Investment objective

To deliver income and some capital growth over the minimum investment timeframe of 4 years through exposure across a range of asset classes by investing in listed products and equities.

Key information

Code	NTH0364
Manager name	Lonsec
Inception date	1 August 2023
Benchmark	Morningstar Australia Moderate Target Allocation NR
Asset class	Diversified
Number of underlying assets	40
Minimum investment horizon	4 years
Portfolio income	Reinvested
Management fees and costs	'0.56%
Performance fee	'0.00%
Estimated net transaction costs	'0.04%
Estimated buy/sell spread	'0.01%/0.01%
Risk band/label	4/Medium
Minimum investment amount	\$25,000

About the manager

Lonsec

Lonsec Investment Solutions is a specialist model portfolio manager with extensive expertise in portfolio construction, asset allocation and investment selection, with our best ideas encapsulated in a series of Lonsec managed portfolios to meet different client needs. Lonsec's research-driven approach to portfolio construction and building quality investment solutions is underpinned by four key beliefs: 1. Dynamic approach to portfolio management. 2. Investing in high quality products rated 'Recommended' or higher. 3. Risk management focus and a rigorous governance process. 4. Diversification across asset classes.

Returns

as at 31 January 2024

	Since inception*	1 Month (%)	3 Month (%)	6 Month (%)	1 Year (%)	3 Years (%)
Total return ¹	2.27	0.00	6.27	2.27	-	-
Income	0.98	0.00	0.28	0.98	-	-
Growth	1.29	0.00	5.99	1.29	-	-
Benchmark ²	3.00	0.00	6.74	3.00	-	-

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

Asset allocation



as at 31 December 2023

Growth assets		Allocation (%)
■	Australian Equities	25.2
■	International Equities	6.8
■	Property	5.5
■	Other	0.0
Total		37.5%
Defensive assets		Allocation (%)
■	Australian Fixed Interest	30.2
■	International Fixed Interest	21.7
■	Cash	10.6
Total		62.5%

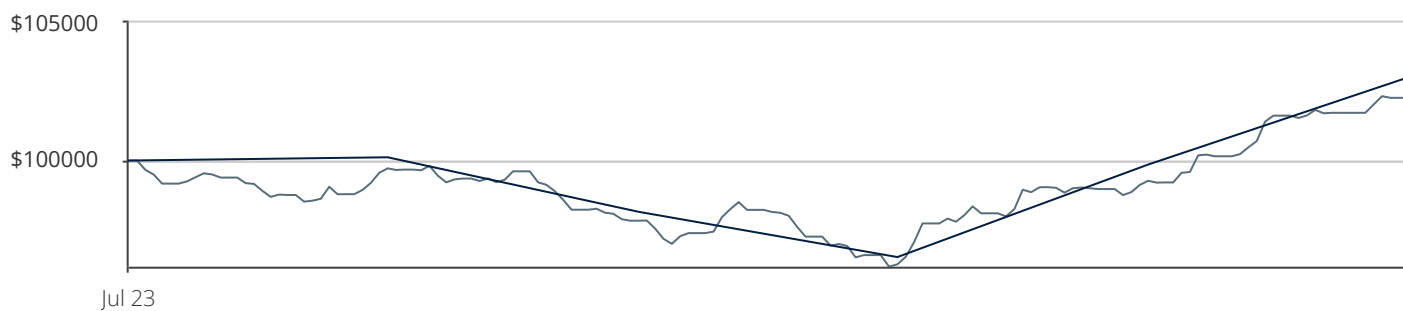
Asset allocation data sourced via Morningstar® from the underlying fund manager.

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



31/07/2023 - 31/12/2023 Powered by data from FE fundinfo

- Portfolio
- Benchmark

Managed portfolio holdings³

Holding	Asset class	Allocation (%)
Vanguard Global Aggregate Bond Index (Hedged) Etf Vanguard Global Aggr	International Fixed Interest	19.0
Ishares Core Composite Bond Etf Ishares Core Composite Bond Etf	Australian Fixed Interest	11.0
Betashares Westn Asset Aus Bond Fund (Managed Fund) Betashares West As	Australian Fixed Interest	10.0
Ishares Core Cash Etf Ishares Core Cash Etf	Cash	8.7
Betashares Australian Bank Senior Floating Rate Bond Etf Betashares Au	Australian Fixed Interest	5.0
Barrow Hanley Global Share Fund (Managed Fund) Barrow Hanley Global Sh	Australian Equities	4.5
Activex Ardea Real Outcome Bond Fund (Managed Fund) Active X Ardea RL	International Fixed Interest	4.0
Betashares Global Shares Etf - Currency Hedged Betashares Global Share	Australian Equities	3.5
Ishares Edge Msci World Minimum Volatility Etf Ishares Edge Msci World	International Equities	3.5
Vaneck Msci International Quality Etf Vaneck Msci International Qualit	International Equities	3.5
Vaneck Australian Subordinated Debt Etf Vaneck Australian Subordinated	Australian Fixed Interest	3.0
Vanguard Australian Property Securities Index Etf Vanguard Australian	Property	3.0
Cash Account	Cash	2.1
Resolution Cap Global Prop Sec (Managed Fund) Resolution Cap Global Pr	Australian Equities	2.0
Vaneck Ftse Global Infrastructure (Hedged) Etf Vaneck Ftse Global Infr	Property	2.0
Vaneck Australian Resources Etf Vaneck Australian Resources Etf	Australian Equities	1.5
BHP Group Limited Ordinary Fully Paid	Australian Equities	1.5
Commonwealth Bank Of Australia Ordinary Fully Paid	Australian Equities	1.1
National Australia Bank Limited Ordinary Fully Paid	Australian Equities	1.1
Aristocrat Leisure Limited Ordinary Fully Paid	Australian Equities	0.7
Computershare Limited. Ordinary Fully Paid	Australian Equities	0.7
CSL Limited Ordinary Fully Paid	Australian Equities	0.7
Macquarie Group Limited Ordinary Fully Paid	Australian Equities	0.7
Resmed Inc Cdi 10:1 Foreign Exempt NYSE	Australian Equities	0.7
Santos Limited Ordinary Fully Paid	Australian Equities	0.7
Woolworths Group Limited Ordinary Fully Paid	Australian Equities	0.7
Telstra Group Limited Ordinary Fully Paid	Australian Equities	0.5
Transurban Group Fully Paid Ordinary/Units Stapled Securities	Australian Equities	0.5

Holding	Asset class	Allocation (%)
CAR Group Limited Ordinary Fully Paid	Australian Equities	0.4
Endeavour Group Limited Ordinary Fully Paid	Australian Equities	0.4
Goodman Group Fully Paid Ordinary/Units Stapled Securities	Property	0.4
Orica Limited Ordinary Fully Paid	Australian Equities	0.4
QBE Insurance Group Limited Ordinary Fully Paid	Australian Equities	0.4
Qube Holdings Limited Ordinary Fully Paid	Australian Equities	0.4
REA Group Ltd Ordinary Fully Paid	Australian Equities	0.4
RIO Tinto Limited Ordinary Fully Paid	Australian Equities	0.4
Steadfast Group Limited Ordinary Fully Paid	Australian Equities	0.4
Suncorp Group Limited Ordinary Fully Paid	Australian Equities	0.4
The Lottery Corporation Limited Ordinary Fully Paid	Australian Equities	0.4

Quarterly manager commentary

Market Update

The Australian share market ended the year on a high note, with the ASX200 benchmark gaining a remarkable 12.7% in November and December. The quarterly rally was driven by the rate sensitive sectors, including REITs (+16%), while Materials (+13%) and Banks (+10%) also outperformed. Energy (-9%) was the weakest performer as crude oil prices declined over the quarter.

Global equities rose 5% over the quarter and 23% over calendar 2023. In contrast, the Japanese Nikkei was flat in local currency terms, and negative in USD terms as the yen strengthened into year end, due to the anticipated end of the Bank of Japan's yield curve control policy. Year to date returns were in positive territory in the major regions (US +20%, Europe +13% and Japan +24%).

Real assets enjoyed a strong month and quarter, with the prospect of 2024 rate cuts boosting these sectors after they underperformed for most of the year. Within REITs, the S&P/ASX 200 A-REIT Accumulation Index and the FTSE EPRA/NAREIT Developed Ex Australia Index (AUD Hedged) returned 17% and 13%, respectively over the quarter. The Global Infrastructure sector (as represented by the FTSE Global Core Infrastructure 50/50 Index (AUD Hedged)) finished 3% higher for December and 8% higher for the quarter.

The RBA left rates on hold in its final meeting of 2023, although remained less dovish about rate cuts in 2024 compared to other central banks. Australian bond yields followed US yields lower over the month, with 10-year yields falling 45bps to 3.96%. US bond yields fell again in December, down 48bps, as markets reacted to Federal Reserve's flagging of potential rate cuts in the coming months.

The domestic and global fixed interest indices rose over the quarter, with markets starting to price in potential rates cuts in 2024. The Bloomberg AusBond Composite 0+ Years Index gained 3.8% for the quarter, while the Bloomberg Global Aggregate Index (AUD Hedged) rose 5.4%.

Portfolio Update

The portfolio returned 4.55% over the December quarter, as both equities and bonds rallied into year-end after indications from central banks that the end of the current rate hiking cycle is imminent, with markets starting to price in potential rates cuts in 2024. On the back of a strong Q4, rolling year portfolio returns were positive, and ahead of the benchmark.

The portfolio's developed markets global equities allocation outperformed over the month, led by the Betashares Global Shares Currency Hedged ETF (+4%) and the Barrow Hanley Global Share Fund ETF (+2%). For the quarter, the top performer was the Betashares Global Shares Currency Hedged ETF (+9%).

The Vanguard AREIT ETF and active Resolution GREIT rose in December and returned 15.7% and 15.1% respectively over the quarter, while IFRA returned 8.9%. The overall portfolio allocation to real assets has been a key detractor to portfolio performance over the rolling year, despite a very strong December quarter.

Portfolio changes during the quarter:

A number of changes were implemented.

In Australian equities, the Core portfolio returned 6.4% over December, lagging the benchmark by 82bps. This was primarily driven by the portfolio's exposure to the rate sensitive businesses including Insurance (SUN, QBE, SDF) and the underweight exposure to Banks and Resources. The resources sector outperformed in December (MVR 7.6%), but underperformed the market over the quarter, with base metals and Energy lagging the strong rally in iron ore over the period.

The portfolio's fixed income allocations were mixed against the benchmark over the quarter, as the shorter duration exposures continued to underperform in December due to ongoing declines in bond yields, benefiting funds with duration exposure. This was a sharp reversal from earlier in the year when these exposures protected the portfolios as yields rose sharply. All funds posted positive absolute returns for the month and quarter, with the exception of the Ardea Real Outcome Fund.

In addition to adding duration within the fixed income allocation over the year, we have also recently adjusted the portfolio's global bonds allocation by reducing exposure to Japanese bonds, on concerns that the Bank of Japan could start raising rates in 2024. Japan is one of the very few countries with a negative cash rate and yield curve control over their 10-year bonds, with a reference rate of less than 1%.

Market Outlook

Macroeconomic conditions continue to decelerate, consistent with our ongoing thesis that we have entered the end of this cycle. However, beyond just trying to identify the point where we will begin to shift our portfolios into more of a defensive posture, we note that the cycle is impacting different groups, regions and even stocks differently. Without a consensus or majority of factors moving negatively and few signs that this "muddle through" situation breaks into a definitive trend, we continue to hold a cautious but not bearish stance on markets.

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

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