

Monthly Update for Month Ending September 2024

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 Investment Solutions Pty Ltd
Inception date	01 August 2023
Benchmark	Morningstar Australia Moderate Target Allocation NR AUD
Asset class	Diversified
Number of underlying assets	42
Minimum investment horizon	4 years
Portfolio income	Default - Reinvest
Management fees and costs	'0.56%
Performance fee	'0%
Estimated net transaction costs	'0.1%
Estimated buy/sell spread	'0.01%/0.01%
Risk band/label	4/Medium
Minimum investment amount	\$25,000

About the manager

Lonsec Investment Solutions Pty Ltd

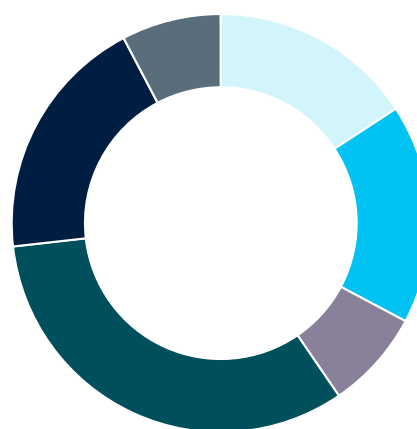
Lonsec Investment Solutions is a specialist model portfolio manager with extensive expertise in portfolio construction, asset allocation and investment selection, with our best ideas encapsulated in a series of Lonsec managed portfolios to meet different client needs. Lonsec's research-driven approach 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 30 September 2024

	Since inception*	1 Month (%)	3 Months (%)	6 Months (%)	1 Year (%)	3 Years (%)	5 Years (%)
Total return ¹	8.20	1.07	3.86	3.90	12.08	-	-
Income	3.63	0.20	1.53	2.20	4.05	-	-
Growth	4.57	0.87	2.33	1.70	8.03	-	-
Benchmark ²	8.33	0.94	4.04	3.60	11.87	-	-

Asset allocation



as at 30 September 2024

Growth assets		Allocation (%)
	Australian Equities	15.8
	International Equities	17.0
	Property	7.7
	Other	0.0
Total		40.5%
Defensive assets		Allocation (%)
	Australian Fixed Interest	32.8
	International Fixed Interest	19.1
	Cash	7.7
Total		59.6%

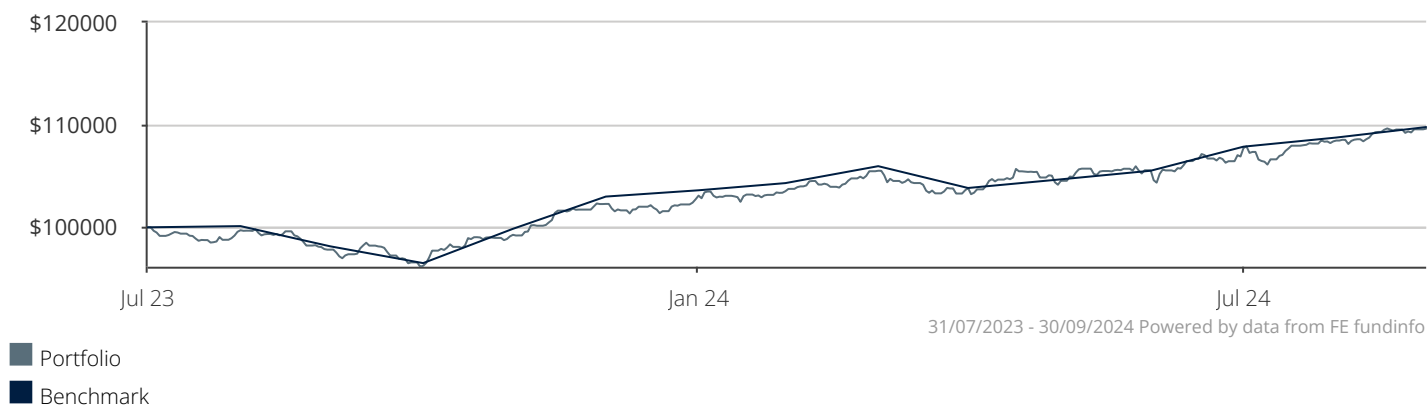
Asset allocation data sourced via Morningstar® from the underlying fund manager.

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 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	11.1
Betashares Westn Asset Aus Bond Fund (Managed Fund) Betashares West As	Australian Fixed Interest	10.1
Ishares Core Cash Etf Ishares Core Cash Etf	Cash	5.9
Barrow Hanley Global Share Fund (Managed Fund) Barrow Hanley Global Sh	International Equities	5.1
Betashares Australian Bank Senior Floating Rate Bond Etf Betashares Au	Australian Fixed Interest	4.9
Spdr Msci World Quality Mix Fund Spdr Msci World Quality Mix Fund	International Equities	4.5
Betashares Global Shares Etf - Currency Hedged Betashares Global Share	International Equities	4.4
Vaneck Australian Floating Rate Etf Vaneck Australian Floating Rate Et	Australian Fixed Interest	3.9
Vaneck Msci International Quality Etf Vaneck Msci International Qualit	International Equities	3.0
Vanguard Australian Property Securities Index Etf Vanguard Australian	Property	3.0
Vaneck Australian Subordinated Debt Etf Vaneck Australian Subordinated	Australian Fixed Interest	3.0
Betashares Australia 200 Etf Betashares Australia 200 Etf	Australian Equities	2.5
Resolution Cap Global Prop Sec (Managed Fund) Resolution Cap Global Pr	Property	2.0
Vaneck Ftse Global Infrastructure (Aud Hedged) Etf Vaneck Ftse Global Infrastructure (Aud Hedged) Etf	Property	2.0
Cash Account	Cash	2.0
Vaneck Australian Resources Etf Vaneck Australian Resources Etf	Australian Equities	1.4
BHP Group Limited Ordinary Fully Paid	Australian Equities	1.0
Commonwealth Bank Of Australia Ordinary Fully Paid	Australian Equities	0.9
National Australia Bank Limited Ordinary Fully Paid	Australian Equities	0.9
Resmed Inc Cdi 10:1 Foreign Exempt NYSE	Australian Equities	0.7
Computershare Limited, Ordinary Fully Paid	Australian Equities	0.6
Macquarie Group Limited Ordinary Fully Paid	Australian Equities	0.6
Aristocrat Leisure Limited Ordinary Fully Paid	Australian Equities	0.6
Santos Limited Ordinary Fully Paid	Australian Equities	0.6
Woolworths Group Limited Ordinary Fully Paid	Australian Equities	0.6
CSL Limited Ordinary Fully Paid	Australian Equities	0.6
Origin Energy Limited Ordinary Fully Paid	Australian Equities	0.5

Holding	Asset class	Allocation (%)
Transurban Group Fully Paid Ordinary/Units Stapled Securities	Australian Equities	0.5
Telstra Group Limited Ordinary Fully Paid	Australian Equities	0.5
Orica Limited Ordinary Fully Paid	Australian Equities	0.3
REA Group Ltd Ordinary Fully Paid	Australian Equities	0.3
CAR Group Limited Ordinary Fully Paid	Australian Equities	0.3
Endeavour Group Limited Ordinary Fully Paid	Australian Equities	0.3
Qube Holdings Limited Ordinary Fully Paid	Australian Equities	0.3
Steadfast Group Limited Ordinary Fully Paid	Australian Equities	0.3
Suncorp Group Limited Ordinary Fully Paid	Australian Equities	0.3
Treasury Wine Estates Limited Ordinary Fully Paid	Australian Equities	0.3
Goodman Group Fully Paid Ordinary/Units Stapled Securities	Property	0.3
The Lottery Corporation Limited Ordinary Fully Paid	Australian Equities	0.3
QBE Insurance Group Limited Ordinary Fully Paid	Australian Equities	0.3
RIO Tinto Limited Ordinary Fully Paid	Australian Equities	0.3

Quarterly manager commentary

Market Update

The ASX 200 Accumulation Index gained 3.0% in September, ending the quarter at a new record high. Sector returns were relatively concentrated. Materials led with a gain of 13.1%, followed by Information Technology (7.4%) and Property (6.6%). Health Care (-3.2%) and Consumer Staples (-1.7%) were the worst-performing sectors.

US markets continued to hit new all-time highs in September, with the Federal Reserve cutting rates by 50 basis points, the first cut in four years, as economic data remained upbeat. The S&P 500 had the best-performing September in eleven years with a gain of 2.0% (in local currency terms) as companies recorded strong earnings growth of 11.3%, the best-performing quarter since Q4 2021.

Chinese equities were among the best-performing markets in September, with the CSI 300 Index gaining a massive 21% (in local currency terms) as authorities announced new stimulus measures to help boost the economy, specifically the property sector and equities markets. The Chinese central bank cut key interest rates and continued to pledge further support and inject liquidity into the financial system. The news of new stimulus measures pushed the Hang Seng Index up 18% (in local currency terms).

The S&P/ASX 200 A-REIT Accumulation Index TR accelerated significantly in September, finishing the month 6.6% higher and up 47.0% YTD. Global Real Estate and Global Listed Infrastructure also outperformed, gaining 3.8% and 3.5%, respectively.

In September, the Australian bond market remained stable, while globally, falling yields resulting from investor reactions to central banks cutting interest rates led to positive returns for the month.

Portfolio Update

The portfolio delivered a return of 3.86% over the June quarter, with all major asset classes generating positive returns over the month. Over the rolling year, the portfolio has returned 12.6%, outperforming its peer group and cash plus benchmarks by 220bps and 660bps, respectively.

Within Global Equities, the Barrow Hanley Global Share Fund ETF (+2.0%) and Betashares Global Shares Currency Hedged ETF (+1.5%) led the gains, while the VanEck MSCI International Quality ETF (-1.1%) and SPDR MSCI World Quality Mix Fund (-0.4%) underperformed.

The portfolio's Real asset exposures outperformed in September, driven by lower bond yields. Domestic real estate stood out, with the Vanguard Australian Property Securities Index ETF gaining 6.6%. The portfolio's Global Real Estate (RCAP) and Global Listed Infrastructure (IFRA) holdings also outperformed, gaining 3.8% and 3.5%, respectively.

In Australian equities, the Core SMA returned 0.9% in September, lagging the benchmark by 200bps. This was driven by underweight exposures to the Resources, Real Estate, and IT sectors. This was partially offset by the strong performance of the VanEck Australian Resources ETF, which gained 8.6% over the month.

BHP and RIO outperformed strongly in September, reflecting a spike in the price of iron ore, after Chinese authorities unveiled a series of measures to address the prolonged downturn in its property market, which continues to weigh heavily on the world's second-largest economy. Additionally, the central bank announced a reduction in interest rates on loans to commercial banks and pledged further actions to stimulate the slowing economy. It remains to be seen if these measures will provide the necessary boost to confidence required to get the economy back on track to meet the target growth rate of 5%

Domestic (+0.4%) and Global (+1.0%) bonds generated positive returns in September, with the 10-year US government bond yield falling 11bps over the month. Accordingly, the portfolio's longer-duration exposures (IAF, BNDS, and VBND) outperformed over the month.

Portfolio changes during the quarter:

The following changes were implemented in Lonsec's Listed Managed Portfolios over the September quarter:

- Increase exposure to growth assets by adding the SPDR MSCI World Quality Mix ETF(QMIX) to Global Equities in the Conservative, Balanced, and Growth risk profiles.
- Lower the allocation to defensive assets in the conservative, balanced, and growth risk profiles by reducing the allocation to Cash and Fixed Income.
- Rebalance the portfolio's Diversified Fixed Income allocation via the addition of the VanEck Australian Floating Rate Note ETF (FLOT) and removal of the ActiveX Ardea Real Outcome Fund ETF (XARO) in the Conservative, Balanced, and Growth risk profiles.
- Rebalance the portfolio's Emerging Markets exposures by removing the BetaShares Martin Currie Emerging Markets Fund (EMMG) in the Balanced and Growth and High Growth risk profiles.
- Introduce a passive ETF allocation (A200) within Australian Equities to complement the existing allocation to the Lonsec SMA – Core in the Balanced risk profile.

Market Outlook

We emphasise our recent move to take a tentative but constructive approach to risk in our portfolios. Forward-looking macroeconomic indicators and consensus forecasts have improved toward at least a modest macroeconomic outlook. In addition, developed market central banks have begun their rate-cutting cycles, which creates a tailwind for markets, although the pace of cuts will not be uniform.

Looking ahead, the recent stimulus announced by the Chinese government has brought optimism to markets that the Chinese economy is poised to turn higher. If China's demand conditions improved, this would mitigate some of our growing concerns that the Australian market lacks a catalyst to close its relative underperformance against other Develop Market equities. Without China or other significant catalysts, the Australian Financial and Resources sectors (which make up about half of the market) face limited growth prospects and stretched valuations, especially for the major banks.

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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