

# MyNorth Managed Portfolios

## PRIVATE PORTFOLIO COLLECTION RETIREMENT MODERATE

Monthly Update for Month Ending March 2025

### Investment objective

To outperform the benchmark over the medium to longer term and generate a consistent distribution of income.

### Key information

Code	NTH1082
Manager name	Mercer
Inception date	07 May 2021
Benchmark	Morningstar Australia Balanced Target Allocation NR AUD
Asset class	Diversified
Number of underlying assets	19
Minimum investment horizon	5 years
Portfolio income	Default - Paid to Platform Cash
Management fees and costs	'0.64%
Performance fee	'0.01%
Estimated net transaction costs	'0.02%
Estimated buy/sell spread	'0.12%/0.12%
Risk band/label	4/Medium
Minimum investment amount	\$500

### About the manager

**Mercer**

Mercer is a multi-national investment manager, using specialised investment tools and strategies to provide robust and diversified portfolios for their clients. The team manages approximately \$200 billion worldwide, with approximately \$33 billion invested in Australia and New Zealand. With Australian operations commencing in 1972, Mercer's primary driver in portfolio construction is risk management - spreading investments across investment types and different risks to mitigate periods of market volatility and protecting investments from loss. Using a multi-dimensional framework, Mercer uses active management in asset classes offering the greatest opportunity for skilled investment managers to add value while using passive management to manage risk or constructing a portfolio to deliver close to market returns.

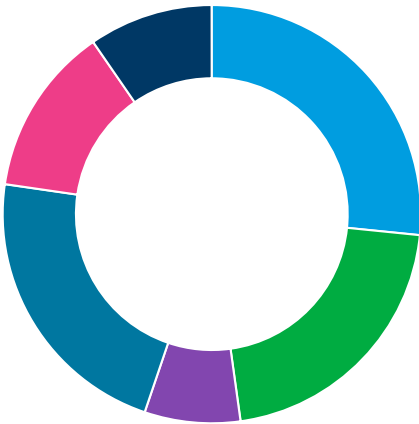
Returns

as at 31 March 2025

	Since inception*	1 Month (%)	3 Months (%)	6 Months (%)	1 Year (%)	3 Years (%)	5 Years (%)
Total return <sup>1</sup>	4.33	-1.48	0.45	0.86	4.87	4.01	-
Income	3.79	0.02	0.79	1.44	4.14	3.70	-
Growth	0.54	-1.50	-0.34	-0.58	0.73	0.31	-
Benchmark <sup>2</sup>	4.31	-1.79	-0.32	0.71	5.02	4.63	-

Asset allocation

as at 31 March 2025



Growth assets		Allocation (%)
<div></div>	Australian Equities	26.6
<div></div>	International Equities	21.2
<div></div>	Property	7.4
<div></div>	Other	0.0
Total		55.2%
Defensive assets		Allocation (%)
<div></div>	Australian Fixed Interest	22.1
<div></div>	International Fixed Interest	13.1
<div></div>	Cash	9.6
Total		44.8%

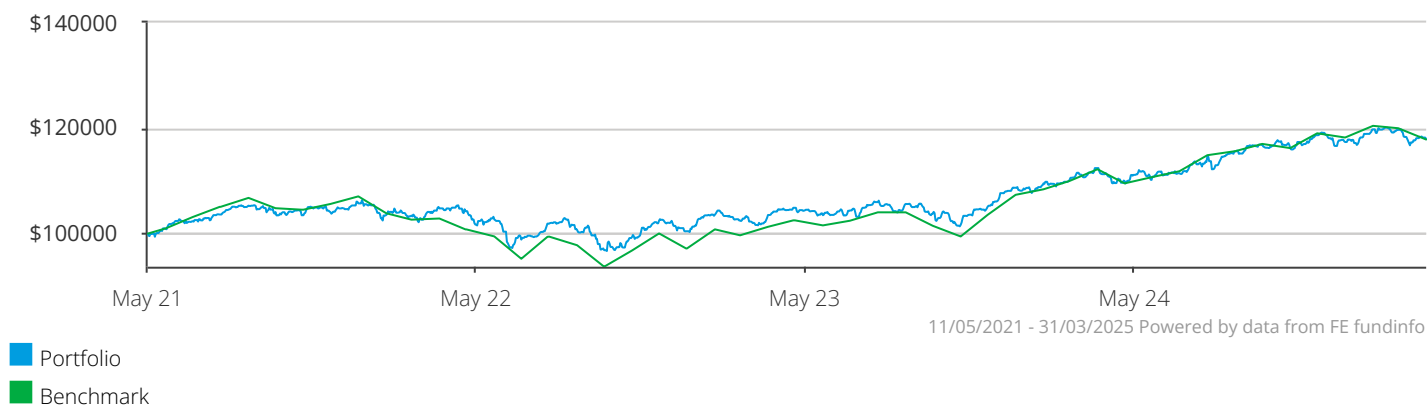
Asset allocation data sourced via Morningstar® from the underlying fund manager.

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 11/05/2021



## Managed portfolio holdings<sup>3</sup>

Holding	Asset class	Allocation (%)
Macquarie True Index Australian Fixed Interest	Australian Fixed Interest	14.8
Legg Mason Martin Currie Equity Income Fund - Class M	Australian Equities	8.7
Plato Australian Shares Income Fund	Australian Equities	8.4
AB Dynamic Global Fixed Income Fund	International Fixed Interest	8.3
Perpetual Diversified Income Fund - Class S units	Australian Fixed Interest	7.6
Resolution Capital Global Property Securities Fund - Class C	Property	6.4
JPMorgan Global Research Enhanced Index Equity Fund (Hedged)	International Equities	5.9
AMP Australian Equity Index Fund	Australian Equities	5.0
AB Managed Volatility Equities Fund - MVE Class	Australian Equities	4.7
Macquarie Cash	Cash	4.7
Epoch Global Equity Shareholder Yield Fund - Class B	International Equities	4.3
Pengana Global Private Credit SMA Fund - Class A	International Fixed Interest	4.0
Lazard Global Infrastructure Fund (Hedged) - S Class	International Equities	3.4
Coolabah Floating-Rate High Yield Fund - Institutional Class	Australian Fixed Interest	3.3
JPMorgan Global Research Enhanced Index Equity Trust - Class A	International Equities	3.3
Colchester Global Government Bond Fund - Class R	International Fixed Interest	2.8
William Blair Global Leaders M	International Equities	2.4
Talaria Global Equity Fund	International Equities	1.4
Cash Account	Cash	0.7

## Quarterly manager commentary

### Market Update

In early January, President Trump imposed tariffs on the US's three largest trading partners: Canada, Mexico and China. This was expanded over the quarter to include steel, aluminium, auto and auto parts. Reciprocal tariffs, designed to match the import duties placed on US goods and services by other nations were announced in early April.

The US Federal Reserve (Fed) left interest rates unchanged at 4.25-4.5% for the quarter. Following the latest Fed meeting, Governor Powell noted that while short-term consumer inflation expectations had risen due to tariffs and uncertainty, he did not see any long-term shift in expectations based on market-based measures. The US unemployment rate remains steady at 4.1% over the quarter.

Australian Q4'24 CPI showed an increase of 2.4% year-on-year, broadly in line with market expectations and within the RBA's inflation target of 2-3%. This softening in inflation allowed the RBA to cut the cash rate by 0.25% to 4.10% in February, marking the first rate cut since 2020. However, the RBA cautioned against expecting further easing as the labour market conditions remain relatively tight, evidenced by limited labour supply and stagnant productivity growth. It further warned that easing monetary policy too much too soon could stall progress on reducing inflation.

International shares saw negative returns over the quarter, as US tariff concerns rattled investor confidence. US technology shares fell significantly, as the Mag 7 shares (Alphabet, Amazon, Apple, Meta Platforms, Microsoft, NVIDIA and Tesla) underperformed the broader market. Interestingly, the shares that underperformed are not those most exposed to tariffs, but rather those broadly seen as the most overvalued shares in the US share market.

Gold surged 18.2% over the quarter to a new high of US\$3,122 at the end of March, driven by increased investor demand for the safe-haven asset amid rising trade rhetorics. Copper also rose significantly, as the threat of tariffs led to a rush of orders to avoid price increases.

### **Portfolio Update**

The portfolio delivered a return of 0.45% over the March quarter.

Australian shares underperformed global share markets, down by -2.9%. Information technology (-17.6%) was the worst performing sector in the quarter, followed by healthcare (-9.7%). Within the technology sector, Nuix Ltd was the poorest performer due to an earnings downgrade and growing negative investor sentiment around AI companies. The best performing sector was industrials, which was up 1.5% for the quarter.

The Martin Currie Equity Income fund outperformed the benchmark over the quarter, returning 1.2%. The manager's focus on selecting high quality securities, which typically exhibit higher income characteristics contributed to performance as the market refocused back to company fundamentals and narrowing the gap between prices, earnings and valuations. The Plato Australian Shares Income outperformed the benchmark over the quarter, returning of -1.8%. The manager's systematic approach to capturing income modestly contributed as dividend yield was rewarded over the period. From a sector allocation perspective, allocations to financials and information technology sectors contributed to performance.

International shares saw negative returns in in Q1'25, down -2.6% as US tariff concerns rattled investor confidence. US technology shares fell significantly with the Magnificent 7 shares underperforming the broader market. International shares (unhedged) also fell, but only by -2.4%, as the AUD declined over the quarter. The best performing sectors were energy (9.2%) and utilities (6.1%).

The Epoch Global Equity Shareholder Yield Fund strongly outperformed its benchmark over the quarter, returning of 3.3%, as the defensive attributes of the fund were on full display. Stock selection within communication services the largest contributor to relative performance, as well as a number of pharmaceutical holdings due to their 'safe haven' perception. This dynamic is expected to persist as Epoch is generally more defensively positioned as a result of purchasing companies that use free cash flow in a manner that benefits equity investors, generally through cash dividends, stock repurchases and debt reduction. The JPMorgan Research Enhanced Index Fund marginally underperformed its benchmark over the quarter returning -2.7%. Stock selection in technology was the main detractor from returns, however, this was partially offset by stock selection in financial services. The fund continues to maintain a style-neutral, enhanced index outcome, weighted towards the JPMorgan analysts' recommendations.

The performance of interest rate sensitive assets was mixed in Q1'25. Global listed property was up 0.9%, on the back of falling US bond yields, while global listed infrastructure performed better, up 4.1% in the quarter.

The Lazard Global Listed Infrastructure Fund outperformed its benchmark over the quarter, returning 7.2%. Stock selection within diversified utilities and toll roads were the main contributors to relative performance. Infrastructure assets generally offer stable returns and protect against inflation, this typically benefits portfolios during periods of economic uncertainty and rising inflation.

Global sovereign bonds were up 0.7% in Q1'25. US 10-year government bond yields fell 40bps over the quarter. Government bonds in the EU experienced a significant rise in yields over the quarter, especially after the announcement of Germany's new fiscal spending package. Australian sovereign bonds were up 1.2%, as Australian bond yields were largely flat.

The Colchester Government Bond Fund outperformed its benchmark over the quarter, returning 2.9%. Security selection in small, high-quality markets like New Zealand, Norway and Australia contributed positively. Within currency selection, overweight positions in the Japanese yen, Swedish Krona and British pound also positively contributed to relative performance. The fund offers currency-hedged exposure to global sovereign bonds, developed and emerging markets and provides diversification from lower investment grade high-yield fixed income exposures. The Macquarie True Index Australian Fixed Interest Fund performed in line with its benchmark, 1.3% over the quarter.

### **Portfolio changes during the quarter:**

Over the quarter, Mercer reduced the allocation to global equities within the portfolio in light of high equity valuations, continued geopolitical risks, uncertainty of a Trump administration and proposed tariff uplifts, and direction of monetary and fiscal policies. This along with reduction in the T.Rowe Global Dynamic Bond fund was allocated to the Pengana Global Private Credit with the expectation that private credit offers a compelling risk-adjusted return premium over traditional fixed income in addition to offering greater diversification within multi-asset portfolios.

### **Market Outlook**

Central banks around the world are likely to continue to cut rates as inflation moderates, with cuts expected at a slower pace. The exception is Japan, where we expect interest rates to rise as it emerges from a multi-decade deflation period.

Continued introduction of new tariffs will likely negatively impact business and consumer confidence. The longer this continues, the greater the implications are for economic growth.

Increased spending by European governments on infrastructure and defence ends the period of fiscal austerity that began during the financial crisis. This is likely to support European economic growth in the near term, while lifting the supply capacity in the longer term.

In Australia, while the RBA delivered a cut at its February meeting, the labour market likely remains stronger than the RBA would be comfortable with. Therefore, we do not expect the RBA to rush into further rate cuts.

Market expectations are for a further three interest rate cuts in 2025, which will likely depend on sustained signs of loosening labour market conditions and/or weakening wage growth. While unemployment remains low, both wage growth and job vacancies continue to fall, which suggests we should see the labour market begin to soften and a modest rise in unemployment in 2025. We continue to expect growth to remain weak, as higher interest rates and cost-of-living pressures are likely to keep consumption suppressed. Geo-political concerns are likely to make businesses cautious about investing.

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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