MyNorth Managed Portfolios

RESEARCH CHOICE CONSERVATIVE ACCUMULATION PORTFOLIO

Quarterly update for Month ending March 2024

Investment objective

The managed portfolio aims to provide stable return through a diversified portfolio of primarily defensive assets.

Key information

Code	NTH1006
Manager name	NMMT's Internal Investments Team
Inception date	12 March 2018
Benchmark	Morningstar Australian Multi-Sector Moderate Average Category
Asset class	Diversified
Number of underlying assets	26
Minimum investment horizon	3 years
Portfolio income	Default - Reinvest
Management fees and costs	'0.58%
Performance fee	'0.04%
Estimated net transaction costs	'0.05%
Estimated buy/sell spread	'0.09%/0.11%
Risk band/label	3/Low to medium
Minimum investment amount	$500

About the manager

NMMT's Internal Investments Team

The NMMT's Internal Investments Team has substantial experience in fund manager research and portfolio management. In constructing and managing the portfolios, the team believe that equity markets are inefficient and that shares often trade at significant premiums or discounts to their fair value. They aim to capture these anomalies through a disciplined, research focused approach can generate attractive returns over time.

Returns

as at 31 March 2024

	Since inception*	1 Month (%)	3 Months (%)	6 Months (%)	1 Year (%)	3 Years (%)	5 Years (%)
Total return[1]	3.45	1.57	3.03	7.28	7.21	2.50	3.17
Income	3.29	0.03	0.57	1.01	2.47	2.70	3.29
Growth	0.16	1.54	2.46	6.27	4.74	-0.20	-0.12
Benchmark[2]	3.45	1.67	3.04	7.38	7.06	2.67	3.20

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

Asset allocation

as at 31 March 2024

Growth assets	Allocation (%)
Australian Equities	12.0
International Equities	14.3
Property	1.2
Other	2.2
Total	**29.7%**

Defensive assets	Allocation (%)
Australian Fixed Interest	30.1
International Fixed Interest	21.4
Cash	18.9
Total	**70.4%**

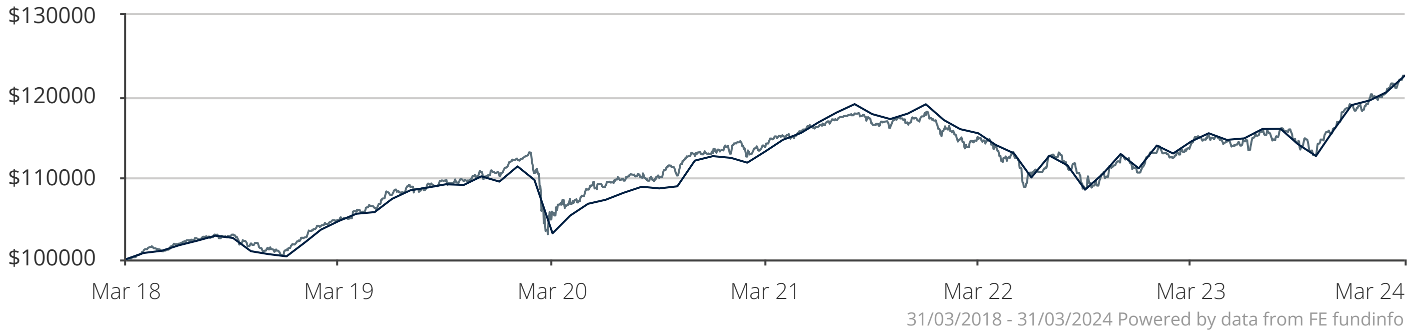
Asset allocation data sourced via Morningstar® from the underlying fund manager.

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 benchmark is calculated based on the average performance from peers in the same multi sector category, as compiled and sourced from Morningstar Direct in March 2024.

Performance history

$100,000 invested since 31/03/2018



Portfolio

Benchmark

Managed portfolio holdings[3]

Holding	Asset class	Allocation (%)
Pendal Short Term Income Securities Trust	Cash	13.5
PIMCO Global Bond Fund - Wholesale Class	International Fixed Interest	12.0
Pendal Sustainable Australian Fixed Interest Fund - Class W	Australian Fixed Interest	10.5
Schroder Fixed Income Fund - Professional Class	Australian Fixed Interest	10.4
Macquarie Dynamic Bond No. 1 Fund - Class W	International Fixed Interest	9.7
Macquarie Cash	Cash	6.9
Ardea Diversified Bond Fund - Class C	International Fixed Interest	6.0
CC Sage Capital Equity Plus Fund - Class C	Australian Equities	3.2
Pendal Focus Australian Equities Fund	Australian Equities	3.0
Schroder Australian Equity Fund (W)	Australian Equities	2.7
Janus Henderson Global Multi-Strategy Fund - Institutional Class	Other	2.3
Fidelity Australian Equities Fund	Australian Equities	2.1
Ironbark Royal London Core Global Share Fund - Class A	International Equities	2.1
Cash Account	Cash	2.1
Arrowstreet Global Equity No. 2 Fund (Hedged) - Class I	International Equities	2.0
Arrowstreet Global Equity Fund (Hedged)	International Equities	1.7
T.Rowe Price Global Equity - M Class	International Equities	1.5
Macquarie Global Listed Real Estate Fund - Class A Units	Property	1.2
Antipodes Global Fund - Long	International Equities	1.2
GQG Partners Global Equity Fund - Z Class	International Equities	1.1
Ironbark Royal London Concentrated Global Share - Class M	International Equities	1.0
Zurich Investments Global Growth Share Fund - Class D	International Equities	1.0
Lazard Global Listed Infrastructure Fund	International Equities	1.0
Eiger Australian Small Companies Fund - Class A	Australian Equities	1.0
MFG Core Infrastructure Fund	International Equities	0.9

Quarterly manager commentary

Market Update

In the March quarter, financial markets saw strong gains, driven by sound earnings results both in the US and Australia, and a view that central banks would cut interest rates over 2024. Supporting this view was the US labour market, which was strong and economic growth, which benefitted from very buoyant government spending in that country. However, in most other geographies, economic growth was slowing when compared to last year. Japan's central bank raised rates, after a decade of aggressive interest rate stimulus that led to negative interest rates for an extended period. The Chinese economy faced structural challenges, including falling economic growth, property company debt and broad regulatory concerns.

In Australia, the economic picture was clouded. The economy showed modest growth of 1.5% for the 12 months to March quarter-end, the slowest rate in 23 years, while per capita growth remained negative due to high immigration levels. Consumer sentiment remained weak amid cost-of-living pressures and a rapidly rising income tax burden in an environment of generally weak wage increases. At the corporate level, earnings for the second half of 2023, reported in the March quarter, were slightly above expectations although the outlook for 2024 earnings is patchy with banks and resources likely to be record negative earnings growth over the financial year to June, while Industrial companies are likely to see some growth, around mid-single digits.

Australian shares

The ASX300 reached all-time highs during the March quarter, with equities up 5.3%. This was driven by increased investor confidence following a mostly positive February reporting season where companies generally produced more earnings beats than misses, coupled with takeover announcements and economic data which suggested central banks may cut interest rates in the latter half of the year.

Turning to the equity market sectors, IT was the clear standout, benefitting from the global AI (Artificial Intelligence) thematic and strong earnings momentum. Consumer names also saw largely positive earnings revisions as the spending remained more resilient than expectations as savings balances continue to be drawn down. Materials and mining were impacted by weaker commodity prices, particularly in lithium and iron ore, in part offset by a surge in gold prices, which reached over US$2,000/oz, a record high. The weak $A also assisted in maintaining earnings for the mining and energy companies (as well as other exporters), as their products were sold in US$. REITs also benefitted from expectations of lower rates and from improving occupancy prospects.

International shares

Global equities posted robust returns in the first quarter of 2024, up 14.1% unhedged, driven by widespread gains across most sectors. US shares benefitted significantly from the anticipation of interest rate cuts, optimism over demand for AI-related technologies and positive US corporate earnings reports. This buoyancy was despite investors moving to price in a less aggressive rate cutting cycle than was the case previously. In Europe and Japan, equities recorded strong returns despite a weaker growth outlook, returning 8.3% and 19.1% respectively, when measured in local currency terms. The strong rally in Japan was fuelled by investor's optimism on better-than-expected corporate earnings reporting, strong earnings outlook, and a weaker Yen.

Globally, the Information Technology, Communication Services and Industrials equity sectors were the leading sectors in performance, while other sectors also posted positive returns during the first quarter. Defensive sectors such as Consumer Staples and Utilities lagged, while Materials has also underperformed, driven by the softness in commodity prices (excluding energy).

Fixed Income

US Treasuries lead the fall in International fixed interest markets, down -0.3% over the first quarter of 2024 (measured by the Bloomberg Global Aggregate hedged to AUD) as yields increased due to higher-than expected US inflation data. In Australia, the bond market was up 1.0% (measured by the Bloomberg AusBond Composite 0+ yr index) as the local economy saw investors inch towards an easing cycle and the RBA signalled a potential shift away from policy tightening. This view has changed into April, with investors now pricing in a potential interest rate increase.

Global credit markets performed well in general given the receding macro risks and better-than-expected corporate earnings however remains a risk given changed perceptions for interest rate cuts and some potential for an economic slowdown.

Property and Infrastructure

In the March quarter, global property securities markets saw a slight loss in hedged Australian Dollar terms with the FTSE EPRA/NAREIT Developed Index down a marginal 0.10% The best performing region was Australia, where AREIT's returned a remarkable 16.2%. Global infrastructure assets delivered a 2.0% return in Q1 2024, trailing the global equities rally. This was due to changed investor perceptions for interest rate cuts in 1H24 which weighed on yield-sensitive sectors.

Portfolio Update

The portfolio delivered a return of 3.03% over the past quarter, underperforming the benchmark return of 3.04% .

In yet another strong quarter, all major asset classes recorded positive returns except GREITs, benefitting from the downward path of inflation and an investor view this would see interest rate cuts in H2. The best performance, by asset class, was again, Global Equities, with manager selection contributing strongly to relative performance in the first quarter, with all outperforming the benchmark. GQG was the standout contributor outperforming by 11.1%, with investment positioning generating significant gains, particularly from investments in semiconductor companies. Other funds that recorded strong gains included Ironbark Royal London, Arrowstreet and Zurich (American Century).

Within Australian Equities, manager selection contributed strongly to relative performance in the first quarter, with most active managers outperforming the benchmark. Our small cap manager, Eiger was a strong performer benefitting from a rise in risk appetite, as small company gains outpaced larger company returns. Other funds that recorded strong gains included Sage Capital.

Active return in listed assets was flat as outperformance by Macquarie Global Real Estate was offset by under-performance in Magellan due to holdings in communications and renewables, while Lazard Global Infrastructure delivered solid outperformance on the back of user-pays infrastructure and rail exposures.

In fixed interest, manager selection contributed to relative performance in the first quarter, with most active fixed interest managers outperforming the benchmark. PIMCO bucked the falling trend in global fixed interest markets by delivering a positive return with its under-weight duration exposure to the US and, in domestic exposures, Schroder's outperformance was notable.

Market Outlook

In late April, the overall economic outlook deteriorated slightly, and equity markets came under pressure. In the US, evidence that inflation was proving to be stickier-than-expected and some poor economic growth data worried investors. The combination of factors led to a re-pricing of expectations when interest rates cuts may occur saw fixed interest yields increase. Investors are now pricing in one cut over the year in the US. In Australia, the March-quarter CPI also showed inflation was proving to be sticky. Investors have now moved to price in the first rate cut into 2025 from four rate cuts in 2024, only a few months ago and are actually now pricing in the potential rate hike for this year.

Global bond markets are focusing on expectations for US interest rates which, as noted, have now moved price out rate cuts in 2024. US 10-year bonds have moved up to trade around 4.70% p.a. and globally yields have moved higher. The combination of strong labour markets and sticky inflation could create a difficult situation for central banks who may need to increase rates to get inflation back within the target ranges of around 2 to 3% p.a.

Equity markets have had a very strong run on the back of a view that rates will decline over 2024 and generally strong earnings. However, the change in view on the timing of rate cuts as well as some concerns around earnings for technology companies may see market volatility increase as each data point and earnings announcement is analysed for guidance as to a changed outlook. The portfolios are well positioned in terms of diversification and managers to manage a range of outcomes.

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.