MyNorth Managed Portfolios

RESEARCH CHOICE AGGRESSIVE ACCUMULATION PORTFOLIO

Monthly Update for Month Ending September 2024

Investment objective

The managed portfolio aims to provide high long term returns through a diversified portfolio of primarily growth assets.

Key information

Code	NTH1010
Manager name	NMMT's Internal Investments Team
Inception date	12 March 2018
Benchmark	Morningstar Australian Multi-Sector Aggressive Average Category
Asset class	Diversified
Number of underlying assets	20
Minimum investment horizon	7 years
Portfolio income	Default - Reinvest
Management fees and costs	'0.83%
Performance fee	'0.12%
Estimated net transaction costs	'0.07%
Estimated buy/sell spread	'0.17%/0.17%
Risk band/label	6/High
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.

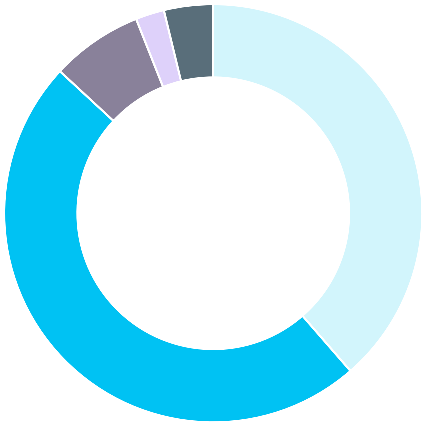
Returns

as at 30 September 2024

	Since inception*	1 Month (%)	3 Months (%)	6 Months (%)	1 Year (%)	3 Years (%)	5 Years (%)
Total return[1]	8.81	1.91	5.08	4.73	20.89	6.32	7.71
Income	6.38	0.01	4.39	4.43	6.05	4.66	5.57
Growth	2.43	1.90	0.69	0.30	14.84	1.66	2.14
Benchmark[2]	8.33	1.76	5.30	4.80	20.56	6.78	7.87

* Since inception returns commence from the month end of the portfolio's launch.

Asset allocation



as at 30 September 2024

Growth assets	Allocation (%)
Australian Equities	38.6
International Equities	48.3
Property	7.1
Other	2.2
Total	**96.2%**

Defensive assets	Allocation (%)
Australian Fixed Interest	0.0
International Fixed Interest	0.0
Cash	3.8
Total	**3.8%**

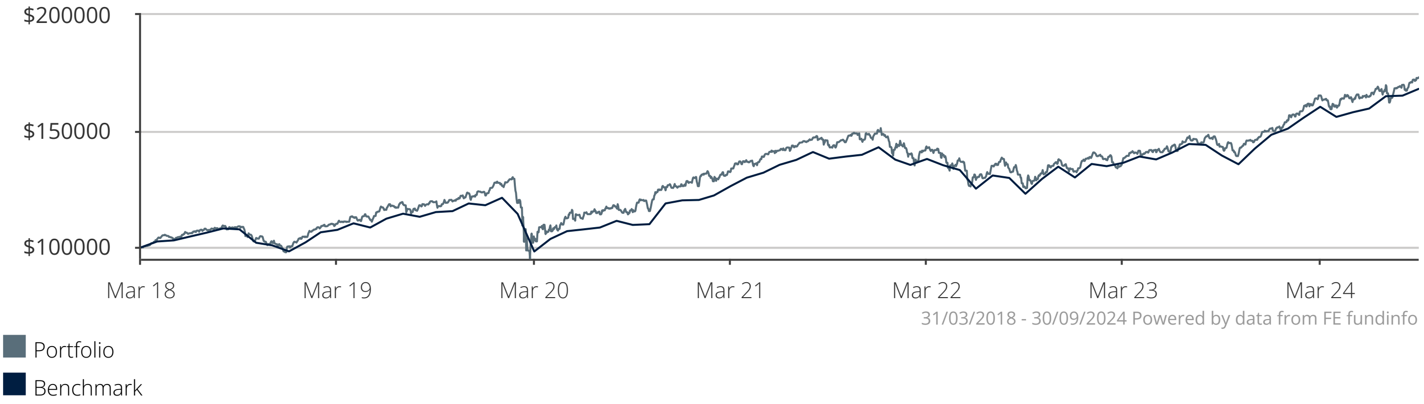
Asset allocation data sourced via Morningstar® from the underlying fund manager.

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

Performance history

$100,000 invested since 31/03/2018



Managed portfolio holdings[3]

Holding	Asset class	Allocation (%)
Pendal Focus Australian Equities Fund	Australian Equities	11.9
CC Sage Capital Equity Plus Fund - Class C	Australian Equities	9.5
Arrowstreet Global Equity No.2 Fund - Class W Units	International Equities	7.9
International Equity Index Fund	International Equities	7.6
Schroder Australian Equity Fund (W)	Australian Equities	7.5
Fidelity Australian Equities Fund	Australian Equities	6.6
Arrowstreet Global Equity Fund (Hedged)	International Equities	5.7
T.Rowe Price Global Equity - M Class	International Equities	5.4
Arrowstreet Global Equity No. 2 Fund (Hedged) - Class I	International Equities	4.8
GQG Partners Global Equity Fund - Z Class	International Equities	4.8
Lazard Global Listed Infrastructure Fund	International Equities	4.5
Macquarie Global Listed Real Estate Fund - Class A Units	Property	4.1
MFG Core Infrastructure Fund	International Equities	3.9
Zurich Investments Global Growth Share Fund - Class D	International Equities	3.8
Eiger Australian Small Companies Fund - Class A	Australian Equities	3.3
Vanguard Australian Property Securities Index Fund (W)	Property	2.9
Antipodes Global Fund - Long	International Equities	2.7
Janus Henderson Global Multi-Strategy Fund - Institutional Class	Other	2.2
Cash Account	Cash	0.9

Quarterly manager commentary

Market Update

The September quarter saw gains in most major asset classes as close to half of global central banks, including the US, UK and the Eurozone, began to cut rates. This came on the back of subdued, yet still positive economic growth and consistently falling inflation. With US inflation now close to the Fed's 2% target, an assertive rate cut from the Fed materialised late in the quarter to the tune of 50 basis points, along with firmer expectations of more to come. Monetary easing also continued outside of the US, notably in China, with more aggressive government stimulus expected to be applied in efforts to counter the nation's struggling property market.

The Australian economy continued to struggle through the September quarter, with the latest GDP growth rate hovering around the weakest levels seen in more than 30 years (outside of the COVID-19 pandemic). Domestic inflation remained higher than many developed peers, although it has fallen significantly over the past year. Consumer spending remained weak. The housing market continued to be a concern, with weak construction levels, low supply relative to high demand, and extreme unaffordability in major cities. Unemployment however remains low and corporate growth and investment levels are still reasonable.

Australian shares

Australian shares rose strongly in the September quarter, rising by around 7.8%, as measured by the ASX200 total return index and outperforming international counterparts. Gains were driven by broader global markets, on the back of optimism around a global soft-landing scenario. Australia however remained behind many other developed economies' interest rate easing cycles, with relatively higher domestic inflation keeping any potential easing at bay, as at the quarter's end.

International shares

International shares gained further ground in the September quarter, with markets generally sticking to their economic 'soft landing' thesis (i.e. falling interest rates combined with positive economic growth), which has so far proven to be accurate. However, indicators of a possible recession in the US and other developed economies remain. Major developed markets rose by around 4.6%, in local currency terms, although a more modest positive return was recorded in Australian dollar terms (as the Australian dollar strengthened). US shares saw record highs, aided by performance in the utilities and real estate sectors which outpaced the falls in the energy sector. Eurozone shares meanwhile underperformed on a relative basis, amid lacklustre economic growth in countries such as Germany, as well as Eurozone shares having a lower overall weighting to the booming technology sector. Chinese shares meanwhile surged in late September on news of further significant government stimulus. Finally, emerging market shares were strong, returning around 6.6% and outperforming developed market peers on the back of policy easing in China and the US. (All returns are quoted in local currency terms and on a total-return basis, unless otherwise stated.)

Australian bonds

Australian government bonds underperformed compared to global peers, with the 10-year Commonwealth yield dropping by 34 basis points to 3.97%. Unlike many global central banks, including the US, UK and the Eurozone which began to cut rates, the RBA maintained its cash rate target at 4.35%, citing persistent inflationary pressures, especially in services. The RBA highlighted economic uncertainties and rising geopolitical risks, committing to restrictive monetary policy until inflation sustainably returns to target. Market expectations shifted towards the RBA joining the global easing cycle, with the first rate cut anticipated in Australia in early 2025.

International bonds

During the September quarter, global bond yields fell notably as central banks shifted to easing cycles amid moderating inflation and softer labour markets, resulting in positive returns from bonds. Yield curve steepening was a dominant theme, including the 2–10-year US treasury spreads, which uninverted for the first time in over two years. In a historically large move, the US Fed reduced its policy rate by 50 basis points in September to a target range of 4.75%-5.00%. The Fed also slightly lowered their inflation forecasts and raised their unemployment projections, maintaining a soft-landing outlook. Other key central banks followed suit in cutting rates, including the European Central Bank and those in Switzerland, Canada, the UK and New Zealand. The Bank of Japan however was an exception, raising its policy rate to 0.25% in July for the first time in decades given firmer inflation and domestic macro-economic dynamics. In other noteworthy news, Chinese policymakers showed determination to provide a cyclical boost to the economy. Markets ended the quarter awaiting further details on the size and focus of these measures.

Regarding global credit, spreads tightened across both investment grade and high yield markets, despite a brief disruption in August due to the "yen carry trade unwind" and volatility in French sovereign spreads. Optimism around central bank easing quickly restored demand for corporate credit, resulting in spread tightening across sectors, leading to positive returns and outperformance compared to government bonds.

Cash

The RBA again kept the official cash rate on hold over the September quarter, at 4.35%. With Australia remaining behind the economic cycle compared to many other developed economies, the RBA remained relatively hawkish, reiterating future moves would be data driven; thus growth, inflation and employment figures are likely to be closely watched by traders. In domestic money markets meanwhile, bank bill swap rates closed the quarter at approximately 4.4% for three months (flat) and 4.6% for six months (down from 4.7%).

Portfolio Update
The portfolio delivered a return of 5.08% over the June quarter.

Australian Equities

Sector returns were largely positive during the quarter with Information Technology (16.1%) continuing to benefit from strong market sentiment, and expectation of interest rate cut. Materials (10.8%) was stronger on positive news flows from China. This resulted in a rotation towards materials at the expense of banks. Energy (-6.21%) and utilities (-1.24%) were weak as oil prices declined.

Manager selection underperformed in the September quarter. The main detractor to the portfolio come from the small cap manager, Eiger which was negatively impact by their stock selection. The more defensive factors like low volatility and dividends through AllianceBerstein Managed Volatility Equities and Tyndall Australian Share Income continued to underperform.

International Equities

At the sector level, all sectors recorded positive returns except energy. Utilities and real estate led the gains, while information technology posted a small gain and trailed the broader equity market.

Manager selection underperformed in the September quarter. The shift in market leadership and the outperformance of defensive factors, like low volatility and dividends, hurt active strategies with a greater emphasis on growth and cyclical investments (GQG and Walter Scott).

In contrast, the AXA IM strategy added value and portfolio diversification in the quarter, benefiting from its exposure to defensive companies. Year to date, the defensive-focused strategy has delivered solid returns (in line with the benchmark after fees) while reducing downside risk exposure.

Property and Infrastructure

It has been a challenging year for infrastructure, with political risks and an unclear economic outlook weighing on sentiment, despite easing inflation. Following the early moves by the European Central Bank and the Bank of England, the Federal Reserve followed with a bold 50-basis points cut in September, supporting a rebound in listed rate-sensitive sectors such as utilities and digital towers. Global infrastructure assets delivered +11.8% in hedged AUD terms in 3Q24, outpacing global equities by over 8 ppt. Global REITs have also benefited from the US interest rate cut, with the sector returning +13.5% for the quarter and +25.2% for the past 12 months. AREITs were the strongest asset class, delivering +14.3% for the quarter, and +45.9% over the last year.

In the September quarter, the Global Listed Infrastructure allocation delivered a return (net of management fees) ahead of its market benchmark. Both Magellan Core Infrastructure and ClearBridge RARE Infrastructure Income outperformed the market benchmark

Over the past 12 months, the Global Listed Infrastructure allocation has lagged the market benchmark (net of management fees), weighing slightly on portfolio return.

GREIT portfolio exposures are passive with returns in-line with the benchmark, while AREIT exposure via Legg Mason Martin Currie Real Income is yield-focussed and materially lagging the benchmark over the quarter and year.

Portfolio changes during the quarter:
Portfolio changes for the quarter involved a regular rebalance, details of which were provided at the time of the trade and selling the remaining holdings of Ironbark Core given the team departure and reassignment to Robeco, with the proceeds being re-allocated to the AMP International Equity Index holding.

Market Outlook
Australian shares

Corporate earnings in Australia, while still struggling in some sectors, such as banks, have generally shown resilience, though forward-looking earnings growth expectations have fallen slightly in recent months. Generally, containing costs remains a priority over more aggressive targeting of top line growth. While the low-growth economic environment remains difficult, the stability of Australian earnings and dividends over the long-term, and their ability to generate a growing, tax-effective income stream should be kept in mind.

International shares

The overall macro environment for shares looks reasonable, with interest rates are now falling in most regions, on the back of significantly decreased levels of inflation and low, but still-positive economic growth. Of course, geopolitical and some valuation-related risk exists, which may result in some shorter-term volatility, however these factors could also surprise on the positive side.

Australian bonds

Like their global counterparts, Australian bond valuations have improved significantly in recent years and have moved closer to fair value as yields have risen. We therefore believe forward-looking returns are now more compelling than in recent history when interest rates were close to zero.

International bonds

Global bond markets are likely to continue to focus on the expected paths for US interest rates. Large drawdowns in recent years, resulting in bonds being available at significantly cheaper prices, continue to lead us to believe returns going forward will likely be reasonable; perhaps around current running yield or a little more, as inflation slows, and central banks cut rates. Furthermore, bonds will likely serve as a diversifier to growth assets, particularly during economic slowdown. Stickier than expected inflation remains a risk, as this could cause further delays to interest rate cuts.

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