

Quarterly update for Month ending March 2024

Investment objective

Aims to deliver an investment return of 4.5% p.a. above inflation over rolling 7 year periods.

Key information

Code

NTH1022

Manager name

Quilla

Inception date

30 June 2019

Benchmark

Consumer Price Index (CPI)  
Trimmed Mean + 4.5%

Asset class

Diversified

Number of underlying assets

21

Minimum investment horizon

7 years

Portfolio income

Default - Paid to Platform  
Cash

Management fees and costs

'1%

Performance fee

'0.27%

Estimated net transaction costs

'0.11%

Estimated buy/sell spread

'0.13%/0.13%

Risk band/label

5/Medium to high

Minimum investment amount

\$500

### About the manager

**Quilla**

Quilla is an independent investment consultant servicing Financial Advisers and Institutional Investors. They provide off the shelf and customised solutions to meet clients' specific needs. They offer access to a diverse range of investments globally that they blend with a focus on wealth preservation. Their independence means they are free of conflicts and always act in the best interests of their clients. They conduct their own research, build their own systems, and think for themselves to deliver valuable investment insights.

Returns

as at 31 March 2024

	Since inception*	1 Month (%)	3 Months (%)	6 Months (%)	1 Year (%)	3 Years (%)	5 Years (%)
Total return <sup>1</sup>	5.87	1.77	4.73	9.96	10.70	6.76	-
Income	3.88	0.03	0.50	1.17	3.77	3.86	-
Growth	1.99	1.74	4.23	8.79	6.93	2.90	-
Benchmark <sup>2</sup>	7.97	0.72	2.14	4.35	9.55	9.17	-

### Asset allocation



as at 31 March 2024

Growth assets		Allocation (%)
Australian Equities		24.4
International Equities		42.7
Property		0.9
Other		6.0
Total		74.0%
Defensive assets		Allocation (%)
Australian Fixed Interest		11.2
International Fixed Interest		8.1
Cash		6.7
Total		26.0%

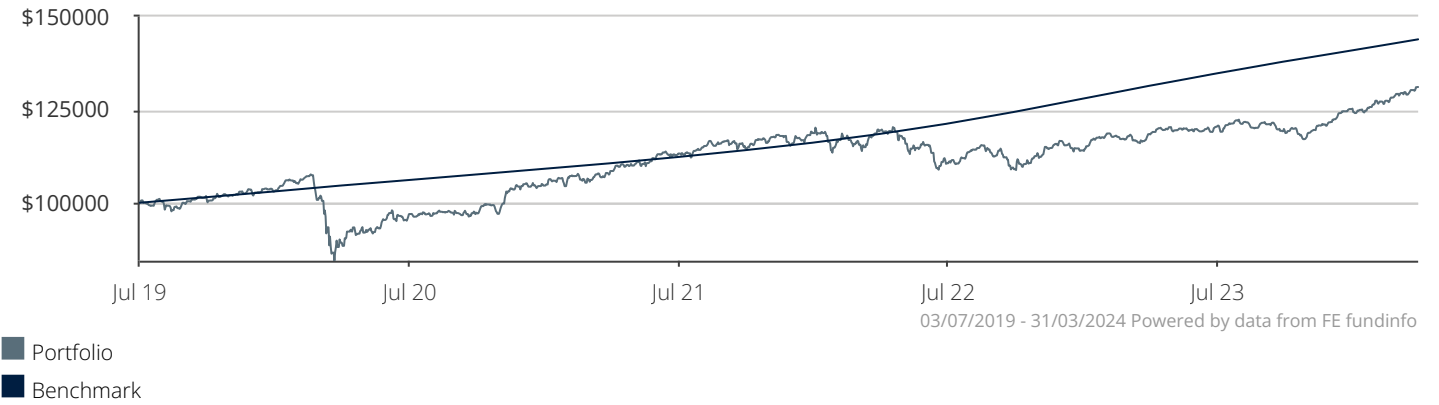
Asset allocation data sourced via Morningstar® from the underlying fund manager.

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 Benchmark is based on the Consumer Price Index (CPI) published by the Australian Bureau of Statistics (ABS) as of the current reporting period.

# Performance history

\$100,000 invested since 03/07/2019



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

Holding	Asset class	Allocation (%)
MyNorth International Equity Index Hedged	International Equities	12.9
Fisher Investments Australasia Global Equity Focused Fund - Z Class	International Equities	10.5
Australian Eagle Trust	Australian Equities	9.9
DNR Capital Australian Equities High Conviction Fund - W-Class	Australian Equities	9.9
Global X US Treasury Bond Etf (Currency Hedged). Global X US Treasury	International Fixed Interest	7.6
Alexander Credit Income Fund	Australian Fixed Interest	7.0
Betashares Australia 200 Etf Betashares Australia 200 Etf	Australian Equities	5.8
MyNorth Australian Fixed Interest Index	Australian Fixed Interest	5.5
Lazard Global Equity Franchise Fund - Class S	International Equities	5.3
Ishares China Large-Cap Etf Ishares China Large-Cap Etf	International Equities	5.1
Dexus Core Infrastructure Fund	Other	5.0
GuardCap Global Equity Managed Fund	International Equities	4.5
CC Sage Capital Absolute Return Fund	Cash	4.0
Fairlight Global Small & Mid Cap Fund - Class I	International Equities	3.0
PIMCO Trends Managed Futures Strategy Fund	Other	3.0
Cash Account	Cash	1.0
Vanguard International Shares Index Fund (Hedged)	International Equities	0.0

## Quarterly manager commentary

### Market Update

Global markets began the year strongly with the MSCI World Index (USD) gaining 9% in the first quarter as investor confidence remained high, as expectations grew that the global economy was set for a soft landing. Economic data releases showed that economic growth had been resilient and strong enough to indicate that a recession would likely be avoided. The inflation outlook has consistently been a major focal point for both Australian and global financial markets. Coming into the quarter the disinflation trend continued, supporting the outlook that the US Federal Reserve (FED) would begin its interest rate easing cycle with market expectations pricing in approximately five interest rate cuts during the course of 2024.

As the quarter progressed both the inflation and interest rate outlooks became less clear as inflation data showed that inflation was proving stickier than was expected and that achieving central bank targets would be more difficult than anticipated. This coupled with robust jobs markets, particularly in the US, meant that the market expectations of interest rate cuts needed to be recalibrated with the degree and timing of interest rate easing being moderated.

The Reserve Bank of Australia (RBA) held rates unchanged during the quarter at 4.35%. However, while Governor Bullock remained steadfast on the need for more data to ensure inflation was heading to the target range, the language used indicated that there was no longer a tightening bias. The Fed in contrast provided less ambiguity and Fed Chair, Jerome Powell reiterated the outlook for three interest rate cuts this year easing market concerns that rate cuts might be pushed out further.

Given the variability of economic announcements and the adjustments to rate expectations the US 10-year bond yield gained 34 basis points for the quarter ending at 4.21%. In contrast the Australian 10-year bond closed the quarter stronger with yields falling 19 basis points to 4%.

Global equity markets performed well despite the moderating of interest rate expectations. Australian earnings season helped lift equity markets with

the All Ordinaries gaining 5.5% in the quarter as local earnings releases provided a better than expected picture of Australian corporate earnings. The Small Ordinaries Index gained 7.7% and the S&P/ASX 300 A-REITS Index gained 16.2% both showing accelerating gains into the quarter end.

The US earnings season also provided a strong underpin to equities as 76% of S&P500 companies exceeded earnings estimates. Particularly noteworthy were the results from artificial intelligence (AI) market leader, Nvidia, which beat market expectations while also raising forward guidance helping drive the S&P500 (USD) up by 10.6% for the quarter.

### **Portfolio Update**

The portfolio delivered a return of 4.73% over the past quarter.

The top asset class contributors to total return this quarter were Australian equities and global equities. Global and Australian fixed income were the principal detractors.

At a security/Fund level, Vanguard International Share Index Fund (Hedged) and MyNorth International Shares Index (Hedged) were the main contributors. Global X US Treasury Bond (Currency Hedged) ETF and Janus Henderson Global Natural Resources Fund were the principal detractors.

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

During the quarter a select number of portfolio changes were made.

The Vanguard Australian Government Bond Index Fund was replaced with MyNorth Australian Fixed Interest Fund to take advantage of an attractive fee in a vehicle that is similar to Vanguard Government Bond in terms of composition.

On the equity allocation front the Allan Gray Australian Equity Fund was redeemed in favour of strategies that are less economically sensitive to an expected downturn. The Vanguard Australian Shares Index Fund was replaced with BetaShares Australia 200 ETF to reduce fees. In the same vein the Vanguard International Share Index Fund was replaced with the MyNorth International Share Index Fund (Hedged).

The Janus Henderson Global Natural Resources Fund was removed in the interest of managing risks. The backdrop for commodities remains uncertain and volatile. The Fisher Global Equity Focused Fund was entered into as their core, macro-driven, top-down approach has adeptly steered through the choppy waters of the economic landscape thus far. We remain highly confident that the Fund's strategic direction will persist in playing a significant and valuable role within the portfolio.

In order to take advantage of a tactical and opportunistic trade in China Large Caps which are trading at attractive valuations a new position in the iShares China Large-Cap ETF was taken.

### **Market Outlook**

Central bank policy meetings have been the predominant driver of global market sentiment. This is set to continue as investors digest key economic data releases along with central bank pronouncements and actions in the coming months.

Recent economic news and trends suggests a potentially favourable "Goldilocks" scenario, where growth shows signs of stability, inflation is trending lower, and central banks are signalling potential interest rate reductions later in the year. This positive outlook is supportive of risk assets, and any potential corrections are likely to be mild because of this optimistic sentiment.

The growing breadth of market performances is also a positive indicator, as a wider set of companies across the size spectrum participate in a more broad-based market rally.

Still, sentiment indicators remain elevated, potentially adding to the risks of disappointments in the short-term, with particularly heightened risks should it become more evident that central banks will push rate cuts further into the future. In this environment a balanced approach to both portfolio growth and risk is recommended.

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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