

MyNorth Managed Portfolios



FAMILY WEALTH CORE SATELLITE PORTFOLIO 70% GROWTH

Monthly Update for Month Ending September 2024

Investment objective

To outperform the benchmark over the medium to longer term.

Key information

Code	NTH1030
Manager name	Mercer
Inception date	04 September 2019
Benchmark	Morningstar Australia Growth Target Allocation NR AUD
Asset class	Diversified
Number of underlying assets	21
Minimum investment horizon	5 years
Portfolio income	Default - Paid to Platform Cash
Management fees and costs	'0.6%
Performance fee	'0.12%
Estimated net transaction costs	'0.02%
Estimated buy/sell spread	'0.12%/0.12%
Risk band/label	5/Medium to high
Minimum investment amount	\$500

About the manager

Mercer

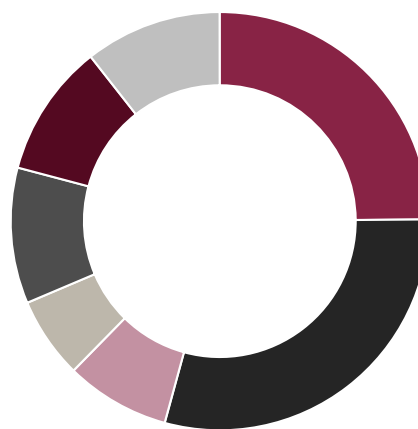
Mercer is a multi-national investment manager, using specialised investment tools and strategies to provide robust and diversified portfolios for their clients. The team manages approximately \$200 billion worldwide, with approximately \$33 billion invested in Australia and New Zealand. With Australian 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 30 September 2024

	Since inception*	1 Month (%)	3 Months (%)	6 Months (%)	1 Year (%)	3 Years (%)	5 Years (%)
Total return ¹	6.21	1.17	5.45	4.76	16.29	4.18	6.11
Income	3.61	0.03	1.87	2.29	3.61	2.95	3.55
Growth	2.60	1.14	3.58	2.47	12.68	1.23	2.56
Benchmark ²	6.93	1.49	5.33	4.83	18.51	5.63	6.79

Asset allocation



as at 30 September 2024

Growth assets	Allocation (%)
Australian Equities	24.9
International Equities	29.4
Property	8.1
Other	6.3
Total	68.7%
Defensive assets	Allocation (%)
Australian Fixed Interest	10.5
International Fixed Interest	10.3
Cash	10.6
Total	31.4%

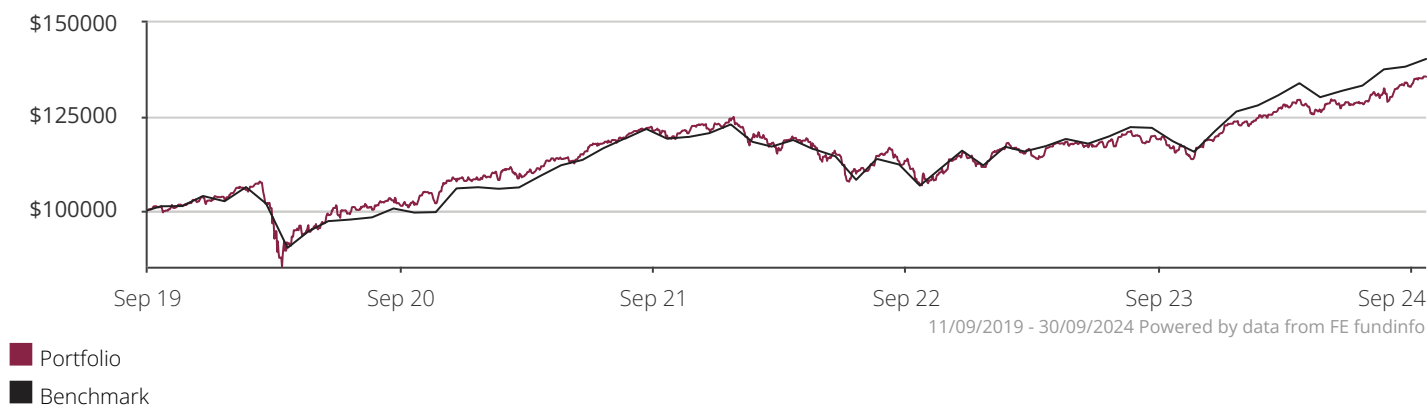
Asset allocation data sourced via Morningstar® from the underlying fund manager.

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 applicable Benchmark for this portfolio is shown in the Key Information section.

Performance history

\$100,000 invested since 11/09/2019



Managed portfolio holdings³

Holding	Asset class	Allocation (%)
Vanguard Australian Shares Index Fund (W)	Australian Equities	11.5
Vanguard International Shares Index Fund (Hedged)	International Equities	11.4
Vanguard Australian Fixed Interest Index Fund (W)	Australian Fixed Interest	7.8
Resolution Capital Global Property Securities Fund - Class C	Property	7.3
AB Dynamic Global Fixed Income Fund	International Fixed Interest	7.3
AB Concentrated Australian Equities Fund	Australian Equities	7.2
Macquarie Cash	Cash	5.9
William Blair Global Leaders M	International Equities	5.7
Lazard Global Listed Infrastructure Fund	International Equities	4.6
Hyperion Australian Growth Companies Fund	Australian Equities	4.4
Global X Physical Gold Global X Physical Gold	Other	4.0
Vanguard International Fixed Interest Index Fund (Hedged) (W)	International Fixed Interest	3.7
Vanguard Global Infrastructure Index Fund (Hedged)	International Equities	2.7
Fairview Equity Partners Emerging Companies Fund	Australian Equities	2.7
P/E Global FX Alpha No.1 Fund - Class W	Other	2.4
Coolabah Floating-Rate High Yield Fund - Institutional Class	Australian Fixed Interest	2.3
Man AHL Alpha (AUD) - Class B	Other	2.3
Fairlight Global Small & Mid Cap (SMID) Fund - Class A	International Equities	2.1
Pzena Global Focused Value Fund - P Class	International Equities	2.0
Skerryvore Global Emerging Markets All-Cap Equity Fund - Class M	International Equities	1.8
Cash Account	Cash	0.9

Quarterly manager commentary

Market Update

Over the September quarter fears of a US recession grew, due to weaker conditions in labour markets and the manufacturing sector. Economic conditions weakened in the Eurozone, led by German manufacturers. Meanwhile, conditions remained lacklustre in China driven by ongoing weakness in its property markets, while economic activity improved in Japan with wage increases boosting consumption.

With greater confidence in the inflation outlook, the Fed cut interest rates by 0.5% to a range of 4.75-5.00% p.a. but also stating that the size of the cut should not be extrapolated and that future decisions will be data dependent and made at each meeting. A number of European regions, Canada and New Zealand also cut interest rates by 0.25% in the quarter due to reducing inflationary pressures. Japan was the exception raising rates from 0.1% p.a. to 0.25% p.a. Furthermore, Chinese policymakers have pledged to stop the decline in the property market with the Peoples' Bank of China cutting interest rates and reserve ratio requirements.

Within Australia economic activity remained weak over the quarter. Q2'24 GDP was 0.2% Quarter-on-Quarter (QoQ), bringing the Year-on-Year (YoY) rate to 1.0%, driven by weak household consumption. Business survey responses indicated slowing conditions, with retail facing the most challenges. The trimmed mean CPI (the RBA's preferred measure of inflation) rose by 0.8% QoQ in Q2'24, down from 1.0% QoQ in Q1'24, easing concerns about accelerating underlying inflation in Australia. More recent inflation indicators have also eased, driven by the government's energy rebate for households. The RBA kept interest rates unchanged at 4.35% p.a. over the quarter noting it "remains vigilant to the upside risks to inflation" effectively pushing back against expectations for an interest rate cut in the coming months

Oil prices ended the quarter lower, despite rising tensions in the Middle East, due to speculation of supply increases by OPEC+. Gold prices hit a record high as central banks cut interest rates internationally whilst industrial metals like iron ore ended the quarter slightly lower due to weak economic data from China, despite a late recovery after Chinese policymakers pledged to stop the decline in property markets.

The Australian dollar (AUD) recorded mixed performance against major currencies over the quarter. The AUD appreciated against the US dollar, with the latter depreciating in anticipation of Fed interest rate cuts, while the AUD depreciated against the Japanese Yen as the Bank of Japan raised interest rates and signalled more increases ahead.

Portfolio Update

Australian Shares rose as investor optimism for international interest rate cuts grew and Chinese authorities announced policy measures to support its property market. Against this backdrop, interest rate sensitive sectors such as Real Estate performed well. The Materials sector also did well in the quarter, supported by a late recovery in industrial metals prices. Australian Small Caps also performed well driven in part by a strong contribution late in the quarter from the Materials sector which benefited from the rise in precious and industrial metals prices.

AB Concentrated Australian Equities underperformed over the quarter on a relative basis. The industrials and communication-services sectors detracted the most from relative performance, while materials and real estate contributed positively. The strategy is a high-conviction equity portfolio of 20 stocks that seeks to generate outperformance through superior stock selection driven by the firm's proprietary fundamental research. Hyperion's Australian equity strategy continued its positive momentum throughout the September quarter end producing a strong relative performance, with a return of 12.2%. The strategy offers investors exposure to high quality Australian companies with superior long-term growth opportunities arising from attaining a sustainable competitive advantage.

Global Shares ended the quarter higher, recovering from an earlier decline as US recession concerns eased and the Fed began cutting interest rates. Utilities and Real Estate were the best performing sectors, supported by interest rate cuts and a decline in government bond yields internationally. Emerging Market Shares performed well, recovering late in the quarter as Chinese policymakers pledged to address the decline in their property market.

The September quarter was a rewarding period for Value managers with the Pzena Global Focused Value Fund returning 4.8% and outperforming its benchmark. In contrast to Q2, key holdings in Healthcare as well as the broader underweight to the Information Technology sector benefitted relative performance. While the narrow momentum-driven market has posed a challenge to Pzena's deep value fundamental style over the last twelve months, portfolio exposure continues to broaden out across sectors and is heavily weighted toward businesses with company specific improvement opportunities. The Vanguard International Shares Index Hedged Fund returned 4.5% for the September quarter.

Rising anticipation of US interest rate cuts a declining bond yields boosted listed real asset markets with Australian Listed Property, Global Listed Property and Global Listed Infrastructure all recording strong returns for the quarter.

The Resolution Capital Global Property Securities underperformed the broader benchmark over the quarter, however still performed strongly on absolute terms, returning 12.5%. Stock selection and overweight positions to the residential and data centre and towers segments, stock selection in the self-storage and retail segments, and an underweight position to the office segment detracted from relative performance over the quarter. The strategy offers Global Listed Property exposure with broad sector holdings and many inflation-linked cash flows, as well as diversification to equity investments and investments driven by Australian economic activity. The Lazard Global Listed Infrastructure Fund underperformed its benchmark over the quarter, however still performed strongly on absolute terms, returning 10.4%. Stock selection within U.S. utilities detracted, as did an underweight allocation to North America. The strategy offers investors diversification benefits to a portfolio, particularly during times of high inflation.

Global Government Bonds produced healthy returns as concerns about the US economy rose and expectations for US interest rate cuts increased. Australian Government Bonds produced positive returns but lagged Global Government Bond returns as the RBA kept interest rates unchanged.

Global Credit and Emerging Market Debt also performed well, supported by the decline in government bond yields internationally and increased investor risk appetite following the US interest rate cut.

Over the September quarter, Coolabah returned 1.82% outperforming the RBA Cash rate benchmark. The strategy focusses on generating higher income rather than traditional fixed income instruments, investing in a portfolio of investment-grade, Australian Floating-Rate Notes with enhanced yields. The Vanguard International Fixed Interest Index Fund (Hedged) produced a positive return of 3.8% over the quarter.

Ongoing financial market volatility, weakening economic fundamentals and the US Federal Reserve's first rate cut since the pandemic saw high volatility which challenged Trend managers across the board. MAN AHL returned -5.7% over the quarter, with key detractors being the short JPY/USD position as well as long Japanese Equities and Oil trades. As a Trend manager, MAN AHL seeks to profit from ongoing market movements (either up or down) across Equities, Fixed Interest, Currencies & Commodities.

Portfolio changes during the quarter:

Mercer conducted a review of the Liquid Alternatives allocations and ultimately decided to replace the exposure to Janus Henderson Global Multi-Strategy with a 50/50 blend of the MAN AHL Alpha Fund and the P/E Global FX Alpha Fund.

Given the global economic landscape and the specific uncertainties surrounding the upcoming U.S. elections, Mercer also implemented a short-term

allocation to Gold in September. To fund the allocation, Mercer trimmed allocations to Global Equities, Listed Real Assets, and Australian Floating Rate Note exposure.

Market Outlook

Looking forward through an Australian lens, Mercer expects high interest rates and cost-of-living pressures to keep household consumption and economic growth suppressed. Core inflation is expected to decline at a slower pace compared to other developed economies due to pressures in residential rental markets. While the RBA has indicated vigilance against inflation risks, we do not believe it will commence a new series of hikes. Rather, Mercer believe that interest rates have likely peaked this cycle.

Globally, Mercer expect international economic growth to remain resilient but regionally divergent. We do not expect the US to enter a recession but anticipate slowing yet growth, with corporate and consumer balance sheets remaining strong. Mercer expect US inflation to slow further, driven by a decline in services inflation, and expect the Fed to continue cutting rates. China's growth will improve from its current slow pace, supported by favourable government policies. Other emerging economies will also benefit from these policies and their own central bank policies, aiding their growth.

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.

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