

# MyNorth Managed Portfolios



## FAMILY WEALTH INDEX PORTFOLIO 50% GROWTH

Monthly Update for Month Ending September 2024

### Investment objective

To outperform the benchmark over the medium to longer term, whilst maintaining low investment costs.

### Key information

<b>Code</b>	NTH1033
<b>Manager name</b>	Mercer
<b>Inception date</b>	04 September 2019
<b>Benchmark</b>	Morningstar Australia Balanced Target Allocation NR AUD
<b>Asset class</b>	Diversified
<b>Number of underlying assets</b>	12
<b>Minimum investment horizon</b>	4 years
<b>Portfolio income</b>	Default - Paid to Platform Cash
<b>Management fees and costs</b>	'0.35%
<b>Performance fee</b>	'0%
<b>Estimated net transaction costs</b>	'0%
<b>Estimated buy/sell spread</b>	'0.08%/0.08%
<b>Risk band/label</b>	4/Medium
<b>Minimum investment amount</b>	\$500

### About the manager

#### Mercer

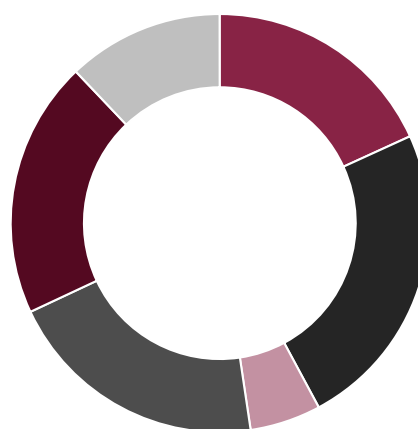
Mercer is a multi-national investment manager, using specialised investment tools and strategies to provide robust and diversified portfolios for their clients. The team manages approximately \$200 billion worldwide, with approximately \$33 billion invested in Australia and New Zealand. With Australian 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 <sup>1</sup>	4.42	1.34	5.05	5.12	14.57	3.23	4.33
Income	3.42	0.04	1.11	1.79	3.47	2.65	3.34
Growth	1.00	1.30	3.94	3.33	11.10	0.58	0.99
Benchmark <sup>2</sup>	4.99	1.18	4.62	4.28	15.29	3.73	4.90

### Asset allocation



as at 30 September 2024

Growth assets	Allocation (%)
Australian Equities	18.2
International Equities	24.0
Property	5.5
Other	0.0
<b>Total</b>	<b>47.7%</b>
Defensive assets	Allocation (%)
Australian Fixed Interest	20.4
International Fixed Interest	19.9
Cash	12.1
<b>Total</b>	<b>52.4%</b>

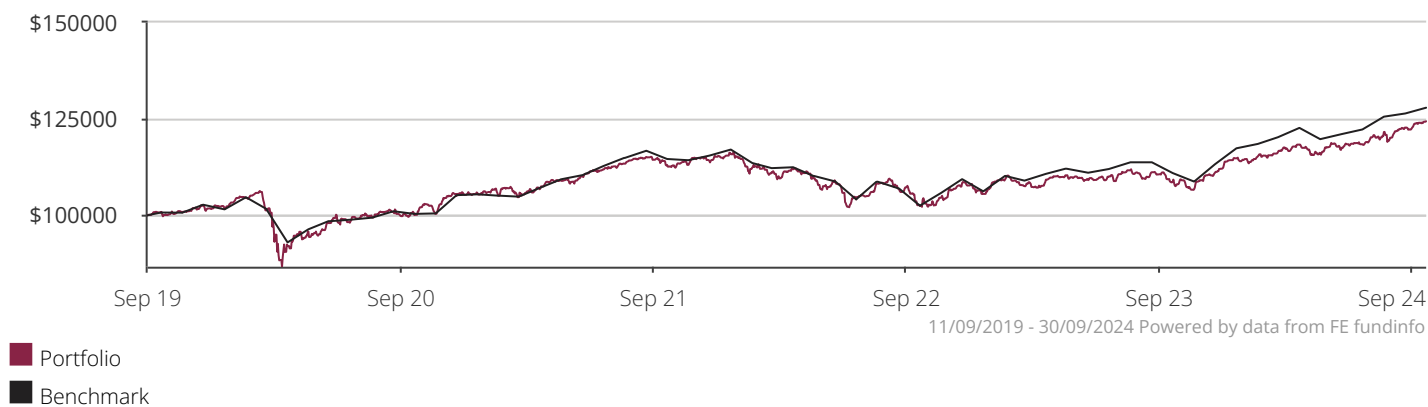
Asset allocation data sourced via Morningstar® from the underlying fund manager.

<sup>1</sup> 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

<sup>2</sup> The applicable Benchmark for this portfolio is shown in the Key Information section.

## Performance history

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



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

Holding	Asset class	Allocation (%)
Vanguard Australian Fixed Interest Index Fund (W)	Australian Fixed Interest	21.1
Vanguard Australian Shares Index Fund (W)	Australian Equities	18.4
Vanguard International Credit Securities Indexed Hedged Fund	International Fixed Interest	11.2
Macquarie Cash	Cash	11.1
Vanguard International Fixed Interest Index Fund (Hedged) (W)	International Fixed Interest	10.1
Vanguard International Shares Index Fund	International Equities	7.5
Vanguard International Shares Index Fund (Hedged)	International Equities	7.4
Vanguard Global Infrastructure Index Fund (Hedged)	International Equities	5.5
Vanguard International Property Securities Index Fund (Hedged)	Property	4.1
Vanguard Emerging Markets Shares Index Fund	International Equities	2.7
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.

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.

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.

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.

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

No portfolio changes occurred during the quarter.

#### **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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