

Quarterly update for month ending December 2023

Investment objective

Aims to generate 4% p.a. income with some capital growth over the suggested minimum investment timeframe.

Key information

Code	NTH1046
Manager name	Lonsec
Inception date	12 February 2020
Benchmark	Morningstar Australia Moderate Target Allocation NR
Asset class	Diversified
Number of underlying assets	18
Minimum investment horizon	3 years
Portfolio income	Paid to Cash Account
Management fees and costs	0.95%
Performance fee	0.00%
Estimated net transaction costs	0.05%
Estimated buy/sell spread	0.12%/0.13%
Risk band/label	3/Low to medium
Minimum investment amount	\$500

About the manager

Lonsec

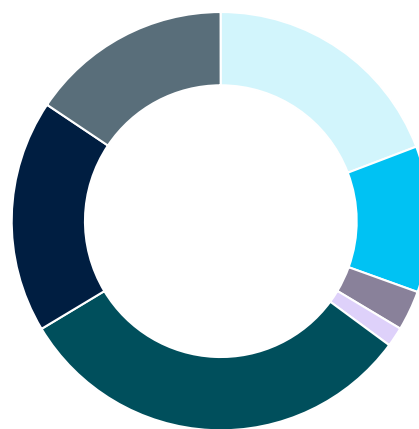
Lonsec Investment Solutions is a specialist model portfolio manager with extensive expertise in portfolio construction, asset allocation and investment selection, with our best ideas encapsulated in a series of Lonsec managed portfolios to meet different client needs. Lonsec's research-driven approach to portfolio construction and building quality investment solutions is underpinned by four key beliefs: 1. Dynamic approach to portfolio management. 2. Investing in high quality products rated 'Recommended' or higher. 3. Risk management focus and a rigorous governance process. 4. Diversification across asset classes.

Returns

as at 31 December 2023

	Since inception*	1 Month (%)	3 Months (%)	6 Months (%)	1 Year (%)	3 Years (%)	5 Years (%)
Total return ¹	2.10	2.86	3.92	3.38	6.86	3.07	-
Income	4.30	0.07	0.82	2.48	4.17	4.07	-
Growth	-2.20	2.79	3.10	0.90	2.69	-1.00	-
Benchmark ²	1.37	3.15	4.95	4.12	8.07	1.40	-

Asset allocation



as at 31 December 2023

Growth assets		Allocation (%)
■	Australian Equities	19.2
■	International Equities	11.3
■	Property	3.1
■	Other	1.5
Total		35.1%
Defensive assets		Allocation (%)
■	Australian Fixed Interest	31.3
■	International Fixed Interest	18.0
■	Cash	15.6
Total		64.9%

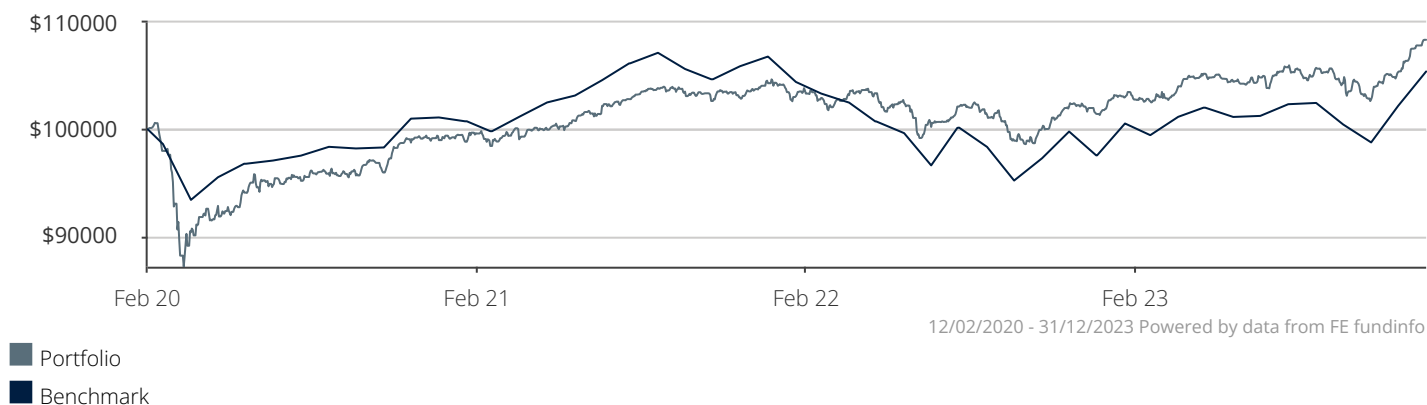
Asset allocation data sourced via Morningstar® from the underlying fund manager.

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 12/02/2020



Managed portfolio holdings³

Holding	Asset class	Allocation (%)
PIMCO Global Bond Fund - Wholesale Class	International Fixed Interest	10.5
Schroder Fixed Income Fund - Professional Class	Australian Fixed Interest	9.0
Legg Mason Western Asset Australian Bond Fund - Class M	Australian Fixed Interest	8.0
Macquarie Income Opportunities Fund	Australian Fixed Interest	8.0
Ishares Core Cash Etf Ishares Core Cash Etf	Cash	7.5
Talaria Global Equity Fund	International Equities	7.0
Investors Mutual Equity Income Fund	Australian Equities	6.5
Martin Currie Real Income Fund - Class A	Property	6.5
Plato Australian Shares Income Fund	Australian Equities	6.5
abrdn Multi-Asset Income Fund	Other	5.0
Janus Henderson Tactical Income Fund	Australian Fixed Interest	5.0
Ardea Real Outcome Fund	Australian Fixed Interest	4.0
AB Managed Volatility Equities Fund - MVE Class	Australian Equities	3.0
ClearBridge RARE Infrastructure Income Fund - Hedged	International Equities	3.0
Colchester Emerging Markets Bond Fund - Class I	International Fixed Interest	3.0
Ishares Government Inflation Etf Ishares Government Inflation Etf	Australian Fixed Interest	3.0
Cash Account	Cash	2.5
Betashares Global Shares Etf - Currency Hedged Betashares Global Share	Australian Equities	2.0

Quarterly manager commentary

Market Update

The Australian share market ended the year on a high note, with the ASX200 benchmark gaining a remarkable 12.7% in November and December. The quarterly rally was driven by the rate sensitive sectors, including REITs (+16%), while Materials (+13%) and Banks (+10%) also outperformed. Energy (-9%) was the weakest performer as crude oil prices declined over the quarter.

Global equities rose 5% over the quarter and 23% over calendar 2023. Year to date returns were in positive territory in the major regions (US +20%, Europe +13% and Japan +24%). Real assets enjoyed a strong month and quarter, with the prospect of 2024 rate cuts boosting these sectors after they underperformed for most of the year. Within REITs, the S&P/ASX 200 A-REIT Accumulation Index and the FTSE EPRA/NAREIT Developed Ex Australia Index (AUD Hedged) returned 17% and 13%, respectively over the quarter. The Global Infrastructure sector (as represented by the FTSE Global Core Infrastructure 50/50 Index (AUD Hedged)) finished 3% higher for December and 8% higher for the quarter.

The RBA left rates on hold in its final meeting of 2023, although remained less dovish about rate cuts in 2024 compared to other central banks. Australian bond yields followed US yields lower over the month, with 10-year yields falling 45bps to 3.96%. US bond yields fell again in December, down 48bps, as markets reacted to Federal Reserve's flagging of potential rate cuts in the coming months. The domestic and global fixed interest indices rose over the quarter, with markets starting to price in potential rates cuts in 2024. The Bloomberg AusBond Composite 0+ Years Index gained 3.8% for the quarter, while the Bloomberg Global Aggregate Index (AUD Hedged) rose 5.4%.

Portfolio Update

The portfolio delivered a return of 3.92% in the December quarter and underperformed its benchmark. The structural overweight to Australian equities (to capture the benefits of franking credits) detracted this quarter as domestic equities were again unable to keep pace with their global equity counterparts.

Manager selection was also a detractor for the quarter. The embedded value bias within our equity allocations, along with our defensive low volatility exposures lagged in an environment where risk assets rallied strongly. From an Australian equities perspective, Investors Mutual Equity Income Fund and AB Managed Volatility Equities Fund were the worst performers. The decision to add Betashares Global Shares Currency Hedged ETF during the quarter added good value as the AUD strengthened 5.8% against the USD. In fixed income, it was the more traditional duration managers (Schroder Fixed Income Fund and PIMCO Global Bond Fund) that performed the strongest as bond markets rallied. The alternatives exposures within the portfolio contributed positively to returns over the quarter. Colchester Emerging Markets Bond Fund has returned 4.5% for the quarter, taking the strategy's 12-month return to 18.3%.

From an income perspective, the portfolio has delivered in excess of the 4% income target through the cycle (3-5 years). Over the 12 months to December 2023 the portfolio generated 4.17% income (before franking). Pleasingly, income was sourced from a wide range of strategies and asset classes, from equities to infrastructure, emerging market debt and option premia.

Market Outlook

Macroeconomic conditions continue to decelerate, consistent with our ongoing thesis that we have entered the end of this cycle. However, beyond just trying to identify the point where we will begin to shift our portfolios into more of a defensive posture, we note that the cycle is impacting different groups, regions and even stocks differently. Without a consensus or majority of factors moving negatively and few signs that this "muddle through" situation breaks into a definitive trend, we continue to hold a cautious but not bearish stance on markets.

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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