

Quarterly update for month ending December 2023

Investment objective

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

Key information

Code	NTH1047
Manager name	Lonsec
Inception date	12 February 2020
Benchmark	Morningstar Australia Balanced Target Allocation NR
Asset class	Diversified
Number of underlying assets	21
Minimum investment horizon	4 years
Portfolio income	Paid to Cash Account
Management fees and costs	1.04%
Performance fee	0.00%
Estimated net transaction costs	0.04%
Estimated buy/sell spread	0.14%/0.15%
Risk band/label	4/Medium
Minimum investment amount	\$500

About the manager

Lonsec

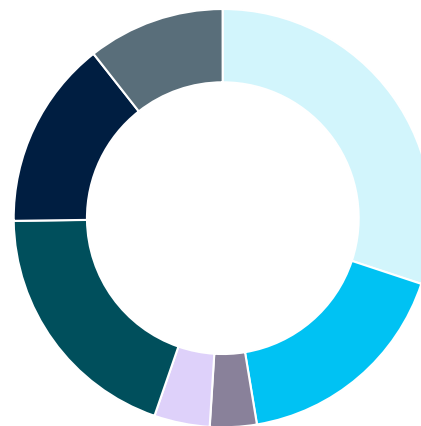
Lonsec Investment Solutions is a specialist model portfolio manager with extensive expertise in portfolio construction, asset allocation and investment selection, with our best ideas encapsulated in a series of Lonsec managed portfolios to meet different client needs. Lonsec's research-driven approach 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 January 2024

	Since inception*	1 Month (%)	3 Months (%)	6 Months (%)	1 Year (%)	3 Years (%)	5 Years (%)
Total return ¹	2.52	0.00	6.03	2.17	5.69	4.31	-
Income	4.32	0.00	0.11	1.06	3.40	4.21	-
Growth	-1.80	0.00	5.92	1.11	2.29	0.10	-
Benchmark ²	2.93	0.00	7.94	3.19	6.49	3.76	-

Asset allocation



as at 31 December 2023

Growth assets		Allocation (%)
	Australian Equities	30.1
	International Equities	17.3
	Property	3.6
	Other	4.3
Total		55.3%
Defensive assets		Allocation (%)
	Australian Fixed Interest	19.5
	International Fixed Interest	14.6
	Cash	10.6
Total		44.7%

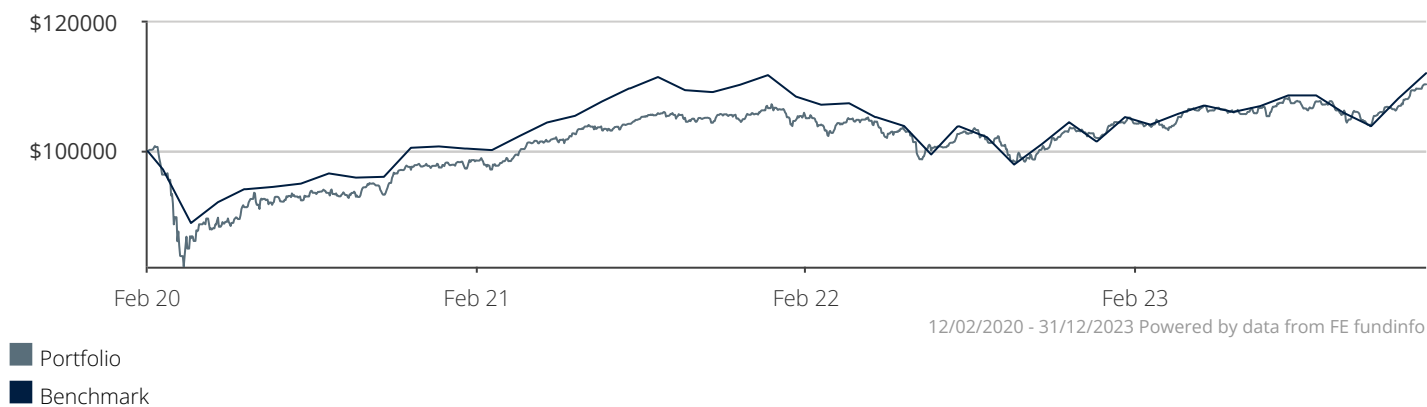
Asset allocation data sourced via Morningstar® from the underlying fund manager.

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 (%)
Talaria Global Equity Fund	International Equities	9.5
PIMCO Global Bond Fund - Wholesale Class	International Fixed Interest	8.5
Investors Mutual Equity Income Fund	Australian Equities	7.5
Martin Currie Real Income Fund - Class A	Property	7.5
Plato Australian Shares Income Fund	Australian Equities	7.5
Fidelity Australian Equities Fund	Australian Equities	6.0
Legg Mason Western Asset Australian Bond Fund - Class M	Australian Fixed Interest	6.0
Macquarie Income Opportunities Fund	Australian Fixed Interest	6.0
Schroder Fixed Income Fund - Professional Class	Australian Fixed Interest	6.0
abrdn Multi-Asset Income Fund	Other	5.0
AB Managed Volatility Equities Fund - MVE Class	Australian Equities	4.0
Betashares Global Shares Etf - Currency Hedged Betashares Global Share	Australian Equities	4.0
AB Global Equities Fund	International Equities	3.5
ClearBridge RARE Infrastructure Income Fund - Hedged	International Equities	3.0
Colchester Emerging Markets Bond Fund - Class I	International Fixed Interest	3.0
Global X Metal Securities Australia Limited. Global X Physical Gold	Other	3.0
Janus Henderson Tactical Income Fund	Australian Fixed Interest	3.0
Cash Account	Cash	2.5
Ishares Core Cash Etf Ishares Core Cash Etf	Cash	2.5
Ardea Real Outcome Fund	Australian Fixed Interest	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. In contrast, the Japanese Nikkei was flat in local currency terms, and negative in USD terms as the yen strengthened into year end, due to the anticipated end of the Bank of Japan's yield curve control policy. 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 returned 4.55% over the December quarter, as both equities and bonds rallied into year-end after indications from central banks that the end of the current rate hiking cycle is imminent, with markets starting to price in potential rates cuts in 2024. On the back of a strong Q4, rolling year portfolio returns were positive, and ahead of the benchmark.

The portfolio's developed markets global equities allocation outperformed over the month, led by the Betashares Global Shares Currency Hedged ETF (+4%) and the Barrow Hanley Global Share Fund ETF (+2%). For the quarter, the top performer was the Betashares Global Shares Currency Hedged ETF (+9%).

The Vanguard AREIT ETF and active Resolution GREIT rose in December and returned 15.7% and 15.1% respectively over the quarter, while IFRA returned 8.9%. The overall portfolio allocation to real assets has been a key detractor to portfolio performance over the rolling year, despite a very strong December quarter.

Portfolio changes during the quarter:

A number of changes were implemented.

In Australian equities, the Core portfolio returned 6.4% over December, lagging the benchmark by 82bps. This was primarily driven by the portfolio's exposure to the rate sensitive businesses including Insurance (SUN, QBE, SDF) and the underweight exposure to Banks and Resources. The resources sector outperformed in December (MVR 7.6%), but underperformed the market over the quarter, with base metals and Energy lagging the strong rally in iron ore over the period.

The portfolio's fixed income allocations were mixed against the benchmark over the quarter, as the shorter duration exposures continued to underperform in December due to ongoing declines in bond yields, benefiting funds with duration exposure. This was a sharp reversal from earlier in the year when these exposures protected the portfolios as yields rose sharply. All funds posted positive absolute returns for the month and quarter, with the exception of the Ardea Real Outcome Fund.

In addition to adding duration within the fixed income allocation over the year, we have also recently adjusted the portfolio's global bonds allocation by reducing exposure to Japanese bonds, on concerns that the Bank of Japan could start raising rates in 2024. Japan is one of the very few countries with a negative cash rate and yield curve control over their 10-year bonds, with a reference rate of less than 1%.

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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