

Monthly Update for Month Ending September 2024

### Investment objective

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

### Key information

<b>Code</b>	NTH1048
<b>Manager name</b>	Lonsec Investment Solutions Pty Ltd
<b>Inception date</b>	12 February 2020
<b>Benchmark</b>	Morningstar Australia Growth Target Allocation NR AUD
<b>Asset class</b>	Diversified
<b>Number of underlying assets</b>	21
<b>Minimum investment horizon</b>	5 years
<b>Portfolio income</b>	Default - Paid to Platform Cash
<b>Management fees and costs</b>	'1.1%
<b>Performance fee</b>	'0.06%
<b>Estimated net transaction costs</b>	'0.05%
<b>Estimated buy/sell spread</b>	'0.17%/0.17%
<b>Risk band/label</b>	6/High
<b>Minimum investment amount</b>	\$500

### About the manager

#### Lonsec Investment Solutions Pty Ltd

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 30 September 2024

	Since inception*	1 Month (%)	3 Months (%)	6 Months (%)	1 Year (%)	3 Years (%)	5 Years (%)
Total return <sup>1</sup>	3.94	1.46	5.10	3.62	13.14	4.28	-
Income	4.70	0.05	2.43	3.12	5.01	4.60	-
Growth	-0.76	1.41	2.67	0.50	8.13	-0.32	-
Benchmark <sup>2</sup>	6.21	1.49	5.33	4.83	18.51	5.63	-

### Asset allocation



as at 30 September 2024

Growth assets		Allocation (%)
<span style="color: #00AEEF;">■</span>	Australian Equities	37.4
<span style="color: #00728F;">■</span>	International Equities	25.5
<span style="color: #4F4F4F;">■</span>	Property	5.3
<span style="color: #9999CC;">■</span>	Other	4.0
<b>Total</b>		<b>72.2%</b>
Defensive assets		Allocation (%)
<span style="color: #00728F;">■</span>	Australian Fixed Interest	8.7
<span style="color: #003366;">■</span>	International Fixed Interest	8.6
<span style="color: #4F4F4F;">■</span>	Cash	10.5
<b>Total</b>		<b>27.8%</b>

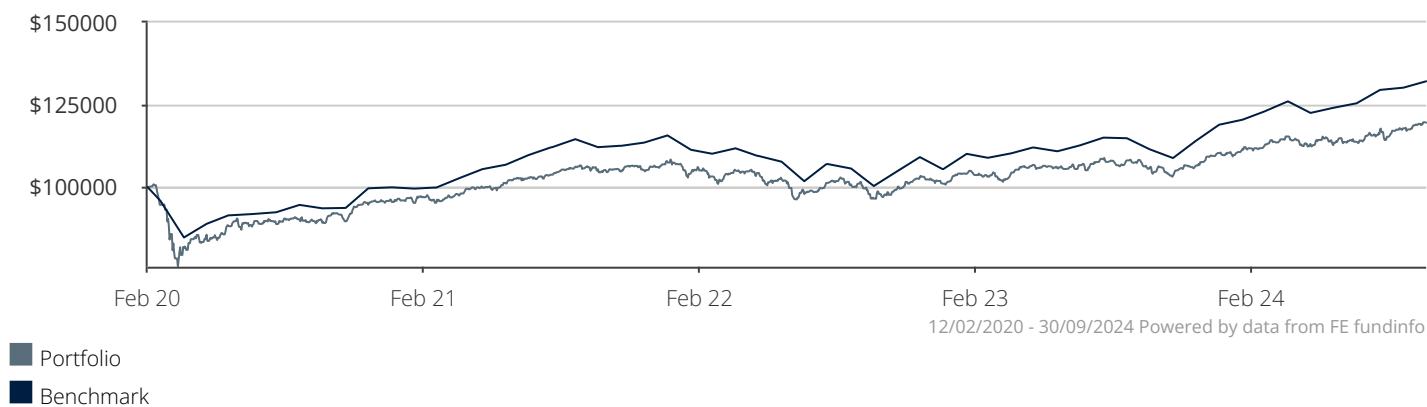
Asset allocation data sourced via Morningstar® from the underlying fund manager.

<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 12/02/2020



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

Holding	Asset class	Allocation (%)
Fidelity Australian Equities Fund	Australian Equities	9.0
Investors Mutual Equity Income Fund	Australian Equities	8.5
Martin Currie Real Income Fund - Class A	Other	8.5
Plato Australian Shares Income Fund	Australian Equities	8.5
Talaria Global Equity Fund	International Equities	8.0
Eiger Australian Small Companies Fund - Class A	Australian Equities	7.0
GQG Partners Global Quality Dividend Income Fund	International Equities	6.5
AB Managed Volatility Equities Fund - MVE Class	Australian Equities	6.0
abrdrn Multi-Asset Income Fund	Other	5.0
Betashares Global Shares Etf - Currency Hedged Betashares Global Share	International Equities	4.5
Macquarie Income Opportunities Fund	Australian Fixed Interest	4.5
Cash Account	Cash	3.0
ClearBridge RARE Infrastructure Income Fund - Hedged	Property	3.0
Colchester Emerging Markets Bond Fund - Class I	International Fixed Interest	3.0
Global X Physical Gold Global X Physical Gold	Other	3.0
GQG Partners Emerging Markets Fund	International Equities	3.0
PIMCO Global Bond Fund - Wholesale Class	International Fixed Interest	3.0
Janus Henderson Tactical Income Fund	Australian Fixed Interest	2.0
Legg Mason Western Asset Australian Bond Fund - Class M	Australian Fixed Interest	2.0
Schroder Fixed Income Fund - Professional Class	Other	2.0

## Quarterly manager commentary

### Market Update

Global and domestic equities moved higher and created new highs in the quarter ending September 2024 despite periods of heightened volatility. The S&P 500 gained 5.5% while the ASX 200 rose 7.8%. The MSCI World ex AU increased by a relatively muted 2.3% as the Australian dollar strengthened in the quarter; in AUD hedged terms, the index gained 4.4%.

Global investment markets experienced a sharp spike in volatility in early August as investors were increasingly concerned about a US recession following a rise in the unemployment rate and some unwinding of Yen carry trade positions. However, since then, the market has recovered, supported by resilient economic conditions and corporate earnings. The Federal Reserve has seemingly gained comfort that US inflation has sufficiently eased and began its cutting cycle by a 50bps reduction in interest rates in September.

The Australian sharemarket enjoyed strong performance over the quarter, supported by a new round of stimulus measures from China. The materials sector was a key beneficiary and rose 13% in the quarter. Information Technology (7.4%) and Property (6.6%) also gained while Health Care (-3.2%) and Consumer Staples (-1.7%) were the worst-performing sectors.

### Portfolio Update

The portfolio delivered a return of 5.10% over the June quarter. The portfolio has a natural bias towards the Value factor which consists of companies that typically pay dividends unlike most growth companies which retain earnings for future growth. As such, the portfolio benefitted from the broadening out of market performance from the growth-oriented mega cap technology stocks, with the equal-weighted S&P 500 index outperforming the S&P 500 index in the quarter.

Australian equities rallied strongly in the quarter, particularly in September, as a new round of stimulus measures were announced in China. Given the portfolio's structural bias to this sector to benefit from higher yields and franking credits, Australian Equities provided significant contribution to portfolio returns from a sector perspective.

The portfolio's exposure to Alternatives added meaningful value while also delivering important diversification to the portfolio. In particular, our position in gold provided protection against increased geopolitical tensions in the middle east, rising 9.2% in the September quarter, and 30.3% over one-year.

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

No Changes over the quarter

#### **Market Outlook**

We continue to be positioned in the soft landing camp and maintain a tentative but constructive approach to risk in our portfolios. Forward-looking macroeconomic indicators and consensus forecasts have improved toward at least a modest macroeconomic outlook. In addition, developed market central banks have begun their rate-cutting cycles, which creates a tailwind for markets, although the pace of cuts will not be uniform.

Looking ahead, the recent stimulus announced by the Chinese government has brought optimism to markets that the Chinese economy is poised to turn higher. If China's demand conditions improved, this would mitigate some of our growing concerns that the Australian market lacks a catalyst to close its relative underperformance against other Developed Market equities. Without China or other significant catalysts, the Australian Financial and Resources sectors (which make up about half of the market) face limited growth prospects and stretched valuations, especially for the major banks.

<sup>3</sup> 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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