

Quarterly update for month ending December 2023

### Investment objective

The managed portfolio aims to achieve a return of CPI +4% p.a. by investing in a mix of asset classes.

### Key information

Code	NTH1052
Manager name	InvestSense
Inception date	12 February 2020
Benchmark	ABS Consumer Price + 4%
Asset class	Diversified
Number of underlying assets	23
Minimum investment horizon	10 years
Portfolio income	Paid to Cash Account
Management fees and costs	'0.77%
Performance fee	'0.10%
Estimated net transaction costs	'0.04%
Estimated buy/sell spread	'0.11%/0.12%
Risk band/label	6/High
Minimum investment amount	\$500

### About the manager

#### InvestSense

InvestSense is an investment management firm founded in 2014. The investment team have extensive experience in financial markets across investment consulting, portfolio management and investment research. InvestSense's investment philosophy is underpinned by the belief that prevailing market valuations tend to be indicative of final outcomes over long-time periods. By undertaking a forward-looking view of expected returns and implied risks, InvestSense aims to understand if the market is sufficiently rewarding investors for the risks they're undertaking across different asset classes.

### Returns

as at 31 December 2023

	Since inception*	1 Month (%)	3 Months (%)	6 Months (%)	1 Year (%)	3 Years (%)	5 Years (%)
Total return <sup>1</sup>	4.78	4.20	5.99	5.31	13.11	7.08	-
Income	5.28	0.14	0.81	3.06	4.27	5.60	-
Growth	-0.50	4.06	5.18	2.25	8.84	1.48	-
Benchmark <sup>2</sup>	8.45	1.58	1.58	3.80	8.19	9.30	-

### Asset allocation



as at 31 December 2023

Growth assets		Allocation (%)
<span style="color: #00AEEF;">■</span>	Australian Equities	37.1
<span style="color: #00728F;">■</span>	International Equities	36.0
<span style="color: #4F4F4F;">■</span>	Property	6.6
<span style="color: #808080;">■</span>	Other	0.0
<b>Total</b>		<b>79.7%</b>
Defensive assets		Allocation (%)
<span style="color: #00728F;">■</span>	Australian Fixed Interest	8.3
<span style="color: #003366;">■</span>	International Fixed Interest	3.4
<span style="color: #4F4F4F;">■</span>	Cash	8.7
<b>Total</b>		<b>20.4%</b>

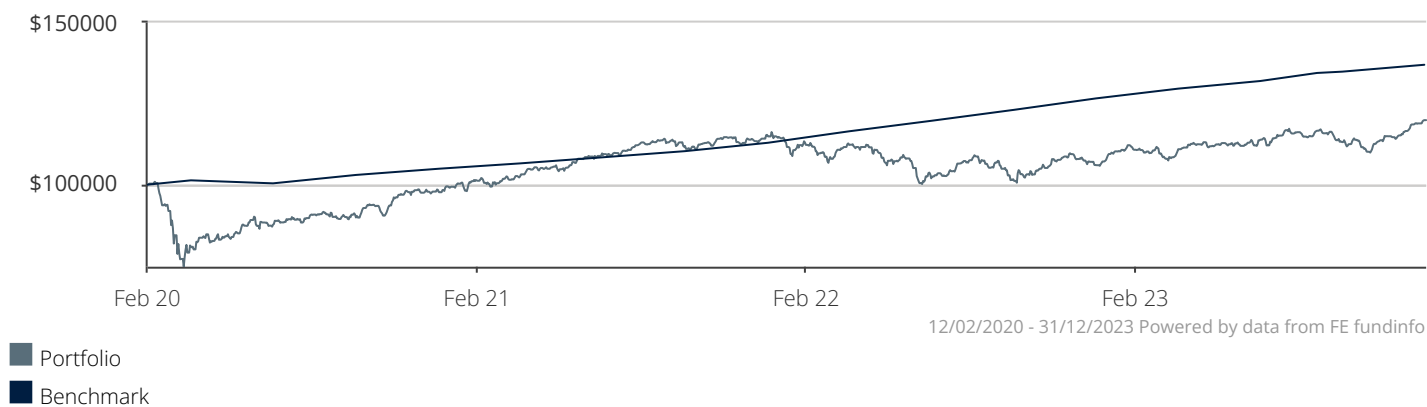
Asset allocation data sourced via Morningstar® from the underlying fund manager.

<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> Benchmark is based on the Consumer Price Index (CPI) published by the Australian Bureau of Statistics (ABS) as of the current reporting period.

## Performance history

\$100,000 invested since 12/02/2020



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

Holding	Asset class	Allocation (%)
Vanguard Australian Shares Index Fund (W)	Australian Equities	18.4
Vanguard International Shares Index Fund	International Equities	10.1
Antares Elite Opportunities Fund	Australian Equities	9.6
Betashares Australian High Interest Cash Etf Betashares Australian Hig	Cash	6.4
Ironbark Royal London Concentrated Global Share - Class M	International Equities	5.7
Realindex Global Share Fund - Class A	International Equities	5.7
Langdon Global Smaller Companies Fund (Class I)	International Equities	4.8
Vanguard Emerging Markets Shares Index Fund	International Equities	4.8
Macquarie True Index Listed Property Fund	Property	4.6
Platinum Japan Fund	International Equities	3.6
Macquarie Hedged Index Global Infrastructure Securities Fund	International Equities	3.5
Eley Griffiths Group Emerging Companies Fund	Australian Equities	3.1
Spheria Australian Smaller Companies Fund	Australian Equities	2.9
Global X US Treasury Bond Etf (Currency Hedged). Global X US Treasury	International Fixed Interest	2.8
Macquarie True Index Australian Fixed Interest	Australian Fixed Interest	2.8
L1 Capital Catalyst Fund - Founders Class	Australian Equities	2.8
Janus Henderson Tactical Income Fund	Australian Fixed Interest	2.2
Yarra Enhanced Income Fund - Class A	Australian Fixed Interest	1.8
Artesian Corporate Bond Fund - Class C	Australian Fixed Interest	1.7
Cash Account	Cash	1.5
Fortlake Real Income	Australian Fixed Interest	1.3

## Quarterly manager commentary

### Market Update

After a volatile 2022, markets staged a significant recovery in 2023 buoyed by cooling inflation and an easing of Federal Reserve policy. The US economy showed particular resilience with technology stocks rebounding strongly - the Nasdaq index rose over 50% led by the mega-cap "Magnificent 7" tech giants. Eurozone markets also displayed renewed optimism, though Asian equities declined notably in China and Hong Kong.

In Australia, materials and financials drove a solid return despite global economic challenges. The year saw large-cap stocks outperform smaller counterparts amidst polarized volatility. Fixed income returns diverged between robust global fixed interest and lagging Australian fixed interest. Sentiment began turning more positive in October, with a strong November rally in growth stocks. December saw markets continue their upward trajectory to end the year on a high note, though some pullbacks occurred.

While the rebound seemed robust, some speculate it was driven more by credit conditions and market liquidity rather than economic fundamentals. This raises questions regarding stability risks from potential overtightening and market dependency on accommodative Fed policy.

### Portfolio Update

Throughout the quarter, the portfolio witnessed fluctuations in its performance, with different asset classes alternating in their roles as top and bottom performers. Initially marked by a downturn, the portfolio later rebounded, reflecting the inherent volatility and unpredictability of the market. Notably, Alternatives, which started as the strongest asset class, transitioned into the weakest by the end of the quarter. In contrast, Property & Infrastructure consistently emerged as a robust performer, highlighting the sector's resilience during this period.

Asset allocation played a pivotal role in shaping the portfolio's performance throughout the quarter. The strategic distribution of investments across various asset classes, including top-performing assets such as the Macquarie True Index Listed Property Fund and less successful ones like the Global X Physical Gold, highlighted the intricacies of portfolio management. This variance in performance underscored the importance of a nuanced approach to selecting and balancing different asset classes. Initially, an overweight position in Alternatives proved advantageous, but as the quarter progressed, this strategy presented challenges, illustrating the need for a dynamic and responsive approach to asset allocation in order to adapt to changing market conditions.

The international equities component of the portfolio also played a significant role. After a challenging start, this segment rebounded, contributing positively to the overall portfolio return. The performance of funds in global growth and smaller companies sectors was particularly noteworthy, demonstrating the potential benefits of geographical and sectoral diversification.

In summary, the quarter was characterized by a series of contrasts and shifts. The change in the leading and lagging asset classes over the three months highlighted the fluid nature of the market. The period underscored the importance of adaptive asset allocation, vigilant security selection, and the benefits of diversification across sectors and geographies. These dynamics collectively shaped the portfolio's performance, offering valuable insights into the complexities of managing an investment portfolio in a fluctuating market environment.

## Market Outlook

Heading into 2024, cautious optimism could continue if the soft landing scenario persists, with inflation remaining muted and allowing further Fed easing. Key indicators to monitor include steady job growth without triggering price increases, stabilized housing, resilient corporate earnings and consumer discretionary spending.

Upside factors include China's reopening and no worsening of geopolitical tensions like the Ukraine conflict. However, risks linger from lingering supply chain disruptions, resurgent inflation if demand suddenly surges, and high debt levels threatening solvency if rates spike again. Markets may continue exhibiting periodic volatility and pullbacks, especially if liquidity tightens. But expectations lean toward ongoing stable growth rather than severe recession.

If the Goldilocks environment endures, equities and bonds could grind higher with tech and cyclicals preferred over defensive stocks. Still, achieving sustained growth remains tricky given structural vulnerabilities like debt and globalization's weaknesses. Policy missteps also pose ever-present risks.

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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