

Quarterly Update for Month Ending June 2024

Investment objective

Aims to exceed the investment returns of the benchmark over rolling five-year periods.

Key information

Code	NTH0256
Manager name	Elston Asset Management
Inception date	24 June 2022
Benchmark	S&P/ASX 100 TR Index
Asset class	Australian Equities
Number of underlying assets	29
Minimum investment horizon	7 years
Portfolio income	Default - Paid to Platform Cash
Management fees and costs	'0.49%
Performance fee	'0%
Estimated net transaction costs	'0.09%
Estimated buy/sell spread	'0.00%/0.00%
Risk band/label	6/High
Minimum investment amount	\$25,000

About the manager

Elston Asset Management

Elston Asset Management is an active investment manager, focused on delivering investment solutions with the aim of helping investors build and preserve their wealth. The business is majority owned by its senior investment professionals.

Returns

as at 30 June 2024

	Since inception*	1 Month (%)	3 Months (%)	6 Months (%)	1 Year (%)	3 Years (%)	5 Years (%)
Total return ¹	8.25	2.12	-3.82	3.74	6.97	-	-
Income	3.79	0.02	0.54	1.78	3.65	-	-
Growth	4.46	2.10	-4.36	1.96	3.32	-	-
Benchmark ²	13.61	1.20	-0.79	4.33	12.24	-	-

Sector Allocation



as at 30/06/2024

Financials	20.9
Health Care	18.7
Materials	13.0
Consumer Discretionary	11.5
Consumer Staples	8.6
Communication Services	7.9
Industrials	7.7
Energy	4.3
Real Estate	3.4
Cash	4.0

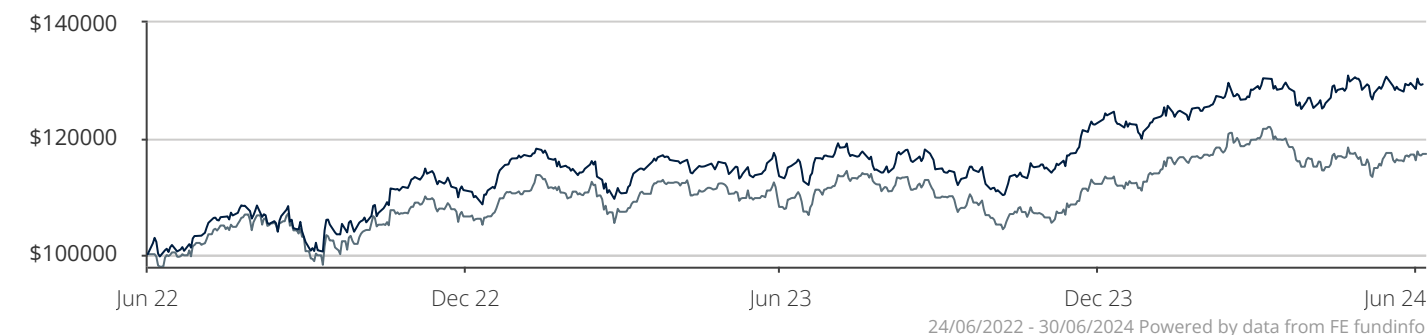
Asset allocation data sourced via Morningstar® from the underlying fund manager.

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 24/06/2022



- Portfolio
- Benchmark

Managed portfolio holdings³

Holding	Allocation (%)
Amcor PLC Cdi 1:1 Foreign Exempt NYSE	3.8
AMP Limited Ordinary Fully Paid	2.4
ANZ Group Holdings Limited Ordinary Fully Paid	5.5
Aristocrat Leisure Limited Ordinary Fully Paid	3.4
Aurizon Holdings Limited Ordinary Fully Paid	2.6
BHP Group Limited Ordinary Fully Paid	6.2
Brambles Limited Ordinary Fully Paid	2.9
CAR Group Limited Ordinary Fully Paid	2.4
Cash Account	4.0
Challenger Limited Ordinary Fully Paid	2.4
Cochlear Limited Ordinary Fully Paid	2.4
CSL Limited Ordinary Fully Paid	6.2
Endeavour Group Limited Ordinary Fully Paid	3.4
Flight Centre Travel Group Limited Ordinary Fully Paid	2.4
Idp Education Limited Ordinary Fully Paid	2.4
James Hardie Industries PLC Chess Depositary Interests 1:1	2.4
Macquarie Group Limited Ordinary Fully Paid	5.0
Mirvac Group Fully Paid Ordinary/Units Stapled Securities	2.9
Nine Entertainment Co. Holdings Limited Ordinary Fully Paid	2.4
Ramsay Health Care Limited Ordinary Fully Paid	2.6
Resmed Inc Cdi 10:1 Foreign Exempt NYSE	3.8
Sonic Healthcare Limited Ordinary Fully Paid	3.6
Telstra Group Limited Ordinary Fully Paid	3.1
The A2 Milk Company Limited Ordinary Fully Paid	2.4
The Lottery Corporation Limited Ordinary Fully Paid	3.4
Treasury Wine Estates Limited Ordinary Fully Paid	3.8
Westpac Banking Corporation Ordinary Fully Paid	4.8
Woodside Energy Group Ltd Ordinary Fully Paid	4.3

Quarterly manager commentary

Market Update

After a strong Q1 2024, the second quarter of the year proved to be more benign. In part, this reflects continued uncertainty around the outlook for economic growth and inflation (and, by extension, the timing and magnitude of future interest rate cuts by central banks around the world), while a host of elections (culminating in the U.S. Presidential election later this year) have further added to an already heightened geopolitical environment.

Portfolio Update

Against this backdrop, Australian shares recorded a modestly negative return for the quarter, thereby extending their underperformance against global shares over the past year (notwithstanding that most key sharemarkets, including Australia, have extraordinarily delivered double-digit returns over this period). Further, the portfolio has underperformed its benchmark on both a 3- and 12-month view. While this short-term underperformance is frustrating, it is by no means unprecedented. Within our portfolio construction process, we maintain a number of portfolio guardrails that aim to mitigate the risk associated with overconcentration to any one stock or sector by limiting the size of any investment. This may result in performance that is different to the index from time to time, especially over shorter time periods, but in the long run, typically adds significant value to investors on a return/risk basis.

Perhaps the most notable consequence of these portfolio construction rules is that we are structurally underweight the financial sector (which is the largest sector on the ASX), owning two of the 'big 4' banks (ANZ & Westpac), along with Macquarie. As it happens, however, the financial sector has done quite well of late, delivering the highest return of any sector over the past 12 months. As such, the Elston portfolio's contribution from financials has lagged that received by the index. Indeed, our decision to not own Commonwealth Bank and NAB at all, let alone at their benchmark weight, along with not owning Goodman Group entirely accounts for the variation between the portfolio's 12-month return, and that of its index. The decision to not own Commonwealth Bank & NAB is a valuation one – in short, we find CBA, in particular, to be too expensive at current levels, especially given its underwhelming earnings growth outlook. By contrast, we see much better value in ANZ, Westpac and Macquarie. Similarly, we believe Goodman Group to be overvalued, preferring instead to own Mirvac Group within the real estate sector.

Elsewhere, a number of portfolio holdings, namely Endeavour, IDP Education and Nine Entertainment Company continue to endure pretty torrid headwinds, which have weighed on the companies' share prices of late. Nonetheless, we continue to see compelling long-term value in these investments. For balance, Aristocrat Leisure has recently enjoyed a strong period of performance, while not owning Fortescue has also added relative value.

Portfolio changes during the quarter:

Challenger Group Limited (ASX:CGF) was added to the portfolio in May. It was funded through a reweighting of a number of existing portfolio holdings.

Market Outlook

Looking forward, the arm wrestle between economic growth and inflation may well continue over the short term but taking a longer-term perspective is helpful. With this in mind, economic growth, both domestically and abroad, is expected to eventually improve, while inflation and interest rates will likely be lower 12-months from now. In this regard, we continue to see value in the Australian market, especially outside of a traditional market-cap based approach. As such, we must look past aberrations in short term performance versus the index, with us believing that the portfolio is appropriately positioned to continue to deliver longer-term returns.

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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