# MyNorth Managed Portfolios

HORIZON PENSION 100% GROWTH PORTFOLIO

Quarterly update for Month ending March 2024

## Investment objective

Aims to deliver return outperformance against the benchmark over the medium to longer term.

## Key information

| | |
|---|---|
| **Code** | NTH0263 |
| **Manager name** | Mercer |
| **Inception date** | 31 May 2022 |
| **Benchmark** | Morningstar Australia Aggressive Target Allocation NR AUD |
| **Asset class** | Diversified |
| **Number of underlying assets** | 15 |
| **Minimum investment horizon** | 10 years |
| **Portfolio income** | Default - Paid to Platform Cash |
| **Management fees and costs** | '0.84% |
| **Performance fee** | '0.11% |
| **Estimated net transaction costs** | '0.05% |
| **Estimated buy/sell spread** | '0.13%/0.13% |
| **Risk band/label** | 7/Very high |
| **Minimum investment amount** | $500 |

## About the manager

**Mercer**

Mercer is a multi-national investment manager, using specialised investment tools and strategies to provide robust and diversified portfolios for their clients. The team manages approximately $200 billion worldwide, with approximately $33 billion invested in Australia and New Zealand. With Australian operations commencing in 1972, Mercer's primary driver in portfolio construction is risk management - spreading investments across investment types and different risks to mitigate periods of market volatility and protecting investments from loss. Using a multi-dimensional framework, Mercer uses active management in asset classes offering the greatest opportunity for skilled investment managers to add value while using passive management to manage risk or constructing a portfolio to deliver close to market returns.

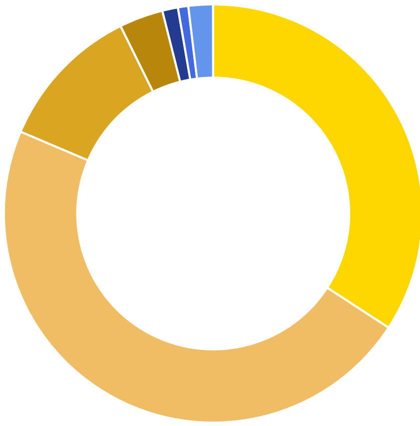
## Returns

as at 31 March 2024

| | Since inception* | 1 Month (%) | 3 Months (%) | 6 Months (%) | 1 Year (%) | 3 Years (%) | 5 Years (%) |
|---|---|---|---|---|---|---|---|
| Total return[1] | 10.02 | 3.10 | 7.43 | 14.41 | 15.84 | - | - |
| Income | 5.22 | 0.01 | 0.53 | 1.16 | 4.06 | - | - |
| Growth | 4.80 | 3.09 | 6.90 | 13.25 | 11.78 | - | - |
| Benchmark[2] | 11.43 | 2.91 | 7.77 | 15.61 | 18.40 | - | - |

* Since inception returns begin from the month end immediately following portfolio launch.

## Asset allocation



as at 31 March 2024

| Growth assets | Allocation (%) |
|---|---|
| Australian Equities | 34.2 |
| International Equities | 47.2 |
| Property | 11.3 |
| Other | 3.4 |
| **Total** | **96.1%** |

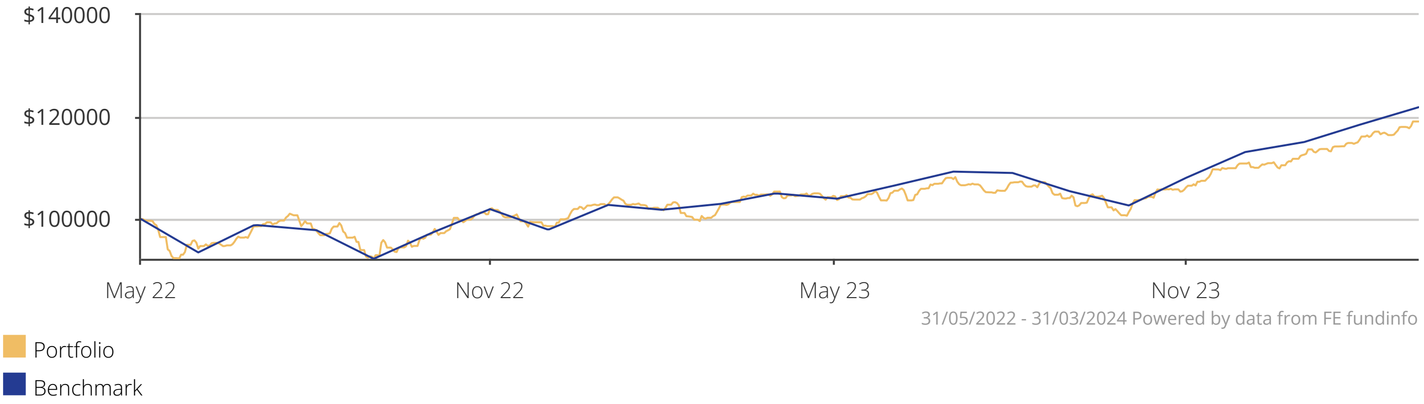
| Defensive assets | Allocation (%) |
|---|---|
| Australian Fixed Interest | 1.2 |
| International Fixed Interest | 0.8 |
| Cash | 1.9 |
| **Total** | **3.9%** |

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 31/05/2022




## Managed portfolio holdings[3]

| Holding | Asset class | Allocation (%) |
|---|---|---|
| Vanguard International Shares Index Fund (Hedged) | International Equities | 14.6 |
| Plato Australian Shares Income Fund | Australian Equities | 9.7 |
| Robeco Emerging Conservative Equity Fund (AUD) - Class C | International Equities | 9.5 |
| Legg Mason Martin Currie Equity Income Fund - Class M | Australian Equities | 8.9 |
| Epoch Global Equity Shareholder Yield Fund - Class B | International Equities | 8.7 |
| MFS Global Equity Trust II - I Class Unhedged | International Equities | 7.5 |
| Lazard Global Infrastructure Fund (Hedged) - S Class | International Equities | 7.3 |
| Alphinity Concentrated Australian Share Fund | Australian Equities | 7.1 |
| Vanguard Australian Shares Index Fund (W) | Australian Equities | 7.0 |
| Resolution Capital Global Property Securities Fund - Class C | Property | 6.1 |
| Australian Property Index Fund | Property | 3.8 |
| Man AHL Alpha (AUD) - Class B | Other | 3.5 |
| Schroder Multi-Asset Income Fund | Australian Fixed Interest | 3.0 |
| Fairview Equity Partners Emerging Companies Fund | Australian Equities | 2.9 |
| Cash Account | Cash | 0.6 |

## Quarterly manager commentary

**Market Update**

Global equity markets delivered very strong returns over the March quarter, driven by a combination of resilient economic conditions and better-than-expected US earnings reports. Once again, gains were heavily skewed towards a handful of US mega-cap companies with chip manufacturer, Nvidia, leading the way with a 90.8% gain over the quarter. Australian equity markets produced strong returns, supported by encouraging economic data releases and supportive commentary from global central banks. That said, returns lagged international markets on the back of a weaker mining sector based on falling iron ore prices.

Global government bond yields rose in the March quarter. Declining market expectations for interest rate cuts this year, as economic conditions remain more resilient, was the key driver. However, the rise in yields was not without volatility, with yields declining late quarter after the US Federal Reserve Bank (Fed) indicated it still expects interest rate cuts later this year despite the recent uptick in inflation data. Movements in Australian government bond yields were mixed, with international market developments pushing longer-term bond yields modestly higher, whilst some shorter-term bonds experienced a decline in yields driven in part by Reserve Bank of Australia (RBA) rhetoric shifting from potential interest rate hikes to a more neutral tone. This shift, combined with a fall in iron prices, also contributed to the Australian dollar (AUD) depreciating against most major currencies for the quarter. The AUD dropped 4.3% to $0.6521 against the US Dollar (USD) during the period.

Commodity prices ended the quarter mostly higher. Gold prices jumped 8.1% over the period, recording an all-time high of $2,214/oz spurred by the prospects of interest rate cuts in most developed economies. Oil prices were also higher with positive economic data and concerns regarding supply disruptions in the Middle East among the drivers. Iron ore prices meanwhile ended the quarter substantially lower (-28.0%) driven by rising inventories, ongoing woes for the Chinese property sector and government stimulus struggling to gain traction.

**Portfolio Update**

The portfolio delivered a return of 7.43% over the past quarter.

Australian equities enjoyed a solid March quarter, with the S&P/ASX 300 Accumulation Index returning 5.4%. Encouraging economic data releases and supportive global central bank comments around the outlook for interest rates underpinned performance. Financials (16.2%), Real Estate (16.2%) and Consumer Discretionary (13.4%) were the stronger performing sectors, whilst Materials (-5.9%), Consumer Staples (2.1%) and Utilities (3.4%) were among the poorer performers. Many of the themes that influenced the broader market were also evident in the Australian small-cap sector, which outperformed its large counterparts with the ASX Small Ordinaries index delivering 7.5% for the period.

The Plato Australian Shares Income Fund generated a return of 5.3% over the March quarter, performing in line with the benchmark. Plato's systematic approach to capturing income modestly detracted as dividend yield was not rewarded over the period. However, the fund outperformed in the Consumer Discretionary and Industrials sectors, partially offset by underperformance in Information Technology and Financials. The Martin Currie Equity Income Fund outperformed the benchmark over the March quarter, returning 7.8%. Its focus on selecting high quality securities, which typically exhibit higher income characteristics, contributed to portfolio outperformance. Specifically, its allocation to the Non-Bank Financials and Consumer Discretionary sectors were particularly additive.

Global equities delivered another remarkable quarter with the MSCI World ex-Australia Index returning 10.1% in hedged terms and 14.1% in unhedged AUD terms. This momentum was driven by a series of positive economic releases, from GDP growth to labour data, which signalled global economies remain resilient. Further, with the Fed, European Central Bank (ECB) and Bank of England (BoE) each indicating rate cuts are still on the table for later in 2024, plus a solid US corporate earnings season, equities pushed higher. Emerging markets lagged developed market counterparts, returning 7.1% on an unhedged basis over the period. China's equity market remained a key drag despite rebounding during the quarter. Performance was balanced between the positive factors of lowered requirements in banking reserves, a tightening in short selling restrictions and an increase in a government-owned investment company's ability to hold exchange traded funds (ETFs), against the negative headlines around its property developer sector.

The Epoch Global Equity Shareholder Yield Fund underperformed its benchmark by 3.0% over the March quarter. Communication Services detracted most, primarily due to the portfolio's exposure to Canadian Telecommunications companies. The strategy seeks to invest in companies that use free cashflow in a manner that benefits equity investors, generally through cash dividends, stock repurchases and debt reduction. The Robeco Emerging Conservative Equity Fund outperformed its benchmark by 0.3%, returning 2.3% over the quarter. Its allocation to TSCM was the largest contributor to performance. This strategy aims to give access to low-risk and attractively valued (high-income) stocks within Emerging Markets.

The rise in government bond yields proved to be a headwind for listed real assets, with Global REITs (FTSE EPRA/NAREIT Developed, -0.1% in AUD hedged terms) marginally lower and Global Listed Infrastructure (FTSE Developed Core Infrastructure index, AUD hedged) returning a modest 2.5% for the three months to end March.

In contrast, Australian Listed Property (S&P/ASX 300 A-REIT Accumulation Index) produced a very strong 16.2% return for the quarter. Its largest constituent security, Goodman Group (GMG), was 34.0% higher as analysts lifted forecasts post GMG's raising of its full-year profit guidance based on strong growth in its data centre division.

The Lazard Global Listed Infrastructure Fund outperformed its benchmark over the March quarter, returning 3.3% in absolute terms. Exposure to Railroads and Transport contributed positively to performance. The strategy offers investors diversification benefits to a portfolio, particularly during times of high inflation. Resolution Capital Global Property Securities outperformed its benchmark over the quarter, returning 0.7%. Stock selection in the Diversified, Office and Hotel segments and an underweight position and stock selection in the Industrial segment contributed to relative performance. The strategy offers Global Listed Property exposure with broad sector holdings and many inflation-linked cashflows, as well as diversification to equity investments and investments driven by Australian economic activity.

The Man AHL Alpha strategy returned 6.5% in the March quarter. Strong performances across Commodities and Equities drove returns. The strategy is seen as a valuable addition to the portfolio as it provides an idiosyncratic return that can deliver positive returns irrespective of movements in Equity and Fixed Interest markets.

**Portfolio changes during the quarter:**
No portfolio changes occurred during the quarter.

**Market Outlook**
Whilst economic conditions in Australia have remained broadly resilient of late, as can be seen in labour market data, Mercer expects growth to slow in time. Previous supportive factors, such as population growth, (low) fixed rate mortgages and savings accrued over the Covid pandemic period, are fading and the impact of tightened monetary conditions growing in influence. Company insolvencies have also been rising led by cost pressures across the building construction sector. Inflation is also likely to slow, albeit less than other developed economies with pressures from residential rental markets, in particular, a key driver.

Globally, Mercer expects growth to remain resilient but may exhibit regional divergences. As the lingering impact of higher interest rates and tighter financial conditions take their toll in the US, economic activity is likely to marginally slow over the next few quarters. In contrast, we anticipate stronger growth for the Eurozone as manufacturing activity picks up and inflation eases. Conditions in Japan are likely to strengthen as it emerges from a prolonged period of deflation. China is also likely to experience stronger growth in part driven by supportive fiscal, monetary, and regulatory policies, as well as a recovery in the manufacturing inventory cycle and potential stabilisation in the housing sector. Stronger growth is also expected in other emerging economies with their central banks better positioned to lower interest rates having raised interest rates earlier and more aggressively this cycle than their developed economy counterparts.

From an asset class perspective, Mercer favours emerging markets over developed markets. A view based on the more promising economic prospects and attractive valuations in emerging 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.