

Monthly Update for Month Ending September 2024

Investment objective

Aims to outperform its benchmark over a rolling seven-year period.

Key information

Code	NTH0216
Manager name	Mercer
Inception date	29 November 2021
Benchmark	Morningstar Australian Multi-Sector Balanced Average Category
Asset class	Diversified
Number of underlying assets	31
Minimum investment horizon	7 years
Portfolio income	Default - Paid to Platform Cash
Management fees and costs	'0.61%
Performance fee	'0%
Estimated net transaction costs	'0.12%
Estimated buy/sell spread	'0.03%/0.04%
Risk band/label	5/Medium to 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.

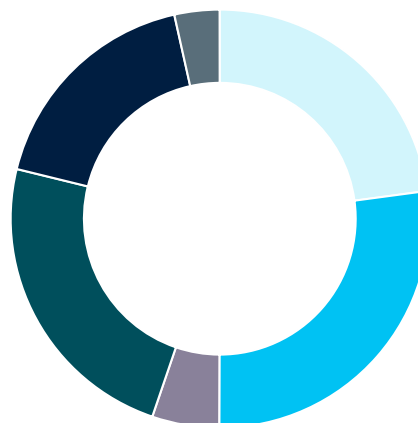
Returns

as at 30 September 2024

	Since inception*	1 Month (%)	3 Months (%)	6 Months (%)	1 Year (%)	3 Years (%)	5 Years (%)
Total return ¹	3.26	1.33	3.95	3.24	14.10	-	-
Income	3.22	0.06	1.56	2.17	3.63	-	-
Growth	0.04	1.27	2.39	1.07	10.47	-	-
Benchmark ²	4.30	1.22	4.21	3.70	13.81	-	-

* Since inception returns commence from the month end of the portfolio's launch.

Asset allocation



as at 30 September 2024

Growth assets		Allocation (%)
■	Australian Equities	22.9
■	International Equities	27.2
■	Property	5.2
■	Other	0.0
Total		55.3%
Defensive assets		Allocation (%)
■	Australian Fixed Interest	23.6
■	International Fixed Interest	17.7
■	Cash	3.5
Total		44.8%

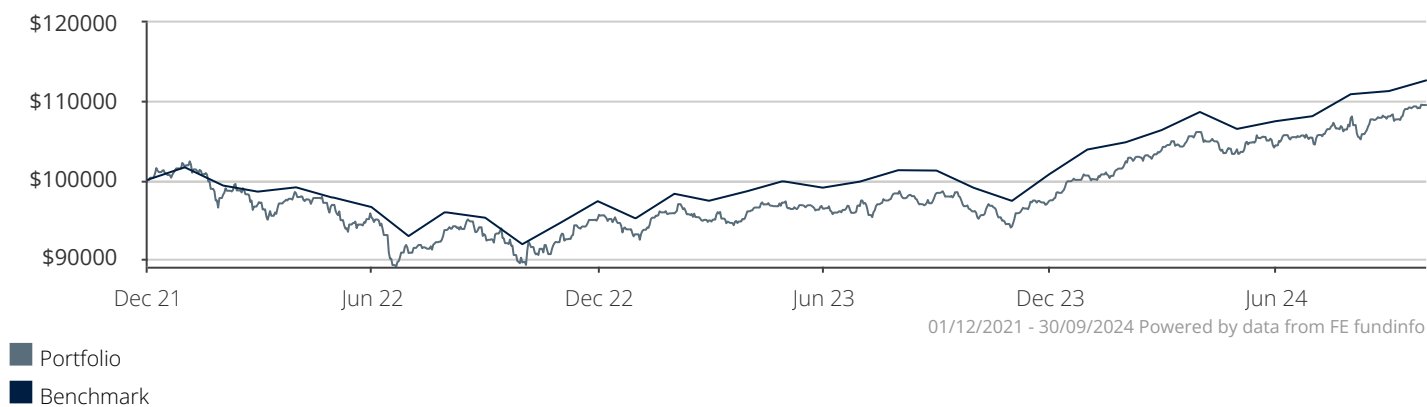
Asset allocation data sourced via Morningstar® from the underlying fund manager.

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 benchmark is calculated based on the average performance from peers in the same multi sector category, as compiled and sourced from Morningstar Direct™ in September 2024.

Performance history

\$100,000 invested since 01/12/2021



Managed portfolio holdings³

Holding	Asset class	Allocation (%)
Vanguard International Fixed Interest Index (Hedged) Etf Vanguard Intl	International Fixed Interest	12.7
Betashares Australia 200 Etf Betashares Australia 200 Etf	Australian Equities	10.3
Pendal Sustainable Australian Fixed Interest Fund	Australian Fixed Interest	10.1
Macquarie Australian Shares Fund	Australian Equities	6.0
Vanguard Msci Index International Shares (Hedged) Etf Vanguard Msci In	International Equities	5.6
Vanguard Msci Index International Shares Etf Exchange Traded Fund Unit	International Equities	5.2
Vanguard Australian Corp Fixed Interest Index Etf Vanguard Australian	Australian Fixed Interest	5.0
GMO Quality Trust	International Equities	4.4
Vanguard Australian Government Bond Index Etf Vanguard Australian Gove	Australian Fixed Interest	4.0
Pendal Focus Australian Share Fund	Australian Equities	4.0
Vaneck Australian Subordinated Debt Etf Vaneck Australian Subordinated	Australian Fixed Interest	3.5
Jpmorgan EQ Prem Income Active Etf (Managed Fund) Jpmorgan EQ Prem Income Active Etf (Managed Fund)	International Equities	3.0
Robeco Glb Dev Sust Enhncd Idx Eq (AUD)B	International Equities	2.9
JPMorgan Global Select Equity Fund - Class I Units	International Equities	2.5
Vanguard Global Infrastructure Index Etf Vanguard Global Infrastructur	Property	2.2
Resolution Capital Global Property Securities Fund - Class C	Property	2.1
Capital Group Global Corporate Bond Hedged	International Fixed Interest	2.0
PIMCO Global Bond Fund - Wholesale Class	International Fixed Interest	2.0
Vaneck Msci International Quality Etf Vaneck Msci International Qualit	International Equities	1.9
Cash Account	Cash	1.9
Vanguard Australian Shares High Yield Etf Vanguard Australian Shares H	Australian Equities	1.5
Invesco Wholesale Senior Secured Income Fund	International Fixed Interest	1.5
Regnan Credit Impact Trust	Australian Fixed Interest	1.5
Vanguard Australian Property Securities Index Etf Vanguard Australian	Property	1.0
Ishares Msci Emerging Markets Etf Ishares Msci Emerging Markets Etf	International Equities	1.0
Betashares NASDAQ 100 Currency Hedged Etf Betashares NASDAQ 100 Currency Hedged Etf	International Equities	1.0
Vaneck Australian Resources Etf Vaneck Australian Resources Etf	Australian Equities	0.9
Betashares Australian High Interest Cash Etf Betashares Australian Hig	Cash	0.5

Quarterly manager commentary

Market Update

Over the September quarter fears of a US recession grew, due to weaker conditions in labour markets and the manufacturing sector. Economic conditions weakened in the Eurozone, led by German manufacturers. Meanwhile, conditions remained lacklustre in China driven by ongoing weakness in its property markets, while economic activity improved in Japan with wage increases boosting consumption.

With greater confidence in the inflation outlook, the Fed cut interest rates by 0.5% to a range of 4.75-5.00% p.a. but also stating that the size of the cut should not be extrapolated and that future decisions will be data dependent and made at each meeting. A number of European regions, Canada and New Zealand also cut interest rates by 0.25% in the quarter due to reducing inflationary pressures. Japan was the exception raising rates from 0.1% p.a. to 0.25% p.a. Furthermore, Chinese policymakers have pledged to stop the decline in the property market with the Peoples' Bank of China cutting interest rates and reserve ratio requirements.

Within Australia economic activity remained weak over the quarter. Q2'24 GDP was 0.2% Quarter-on-Quarter (QoQ), bringing the Year-on-Year (YoY) rate to 1.0%, driven by weak household consumption. Business survey responses indicated slowing conditions, with retail facing the most challenges. The trimmed mean CPI (the RBA's preferred measure of inflation) rose by 0.8% QoQ in Q2'24, down from 1.0% QoQ in Q1'24, easing concerns about accelerating underlying inflation in Australia. More recent inflation indicators have also eased, driven by the government's energy rebate for households. The RBA kept interest rates unchanged at 4.35% p.a. over the quarter noting it "remains vigilant to the upside risks to inflation" effectively pushing back against expectations for an interest rate cut in the coming months

Oil prices ended the quarter lower, despite rising tensions in the Middle East, due to speculation of supply increases by OPEC+. Gold prices hit a record high as central banks cut interest rates internationally whilst industrial metals like iron ore ended the quarter slightly lower due to weak economic data from China, despite a late recovery after Chinese policymakers pledged to stop the decline in property markets.

The Australian dollar (AUD) recorded mixed performance against major currencies over the quarter. The AUD appreciated against the US dollar, with the latter depreciating in anticipation of Fed interest rate cuts, while the AUD depreciated against the Japanese Yen as the Bank of Japan raised interest rates and signalled more increases ahead.

Portfolio Update

Australian Shares rose as investor optimism for international interest rate cuts grew and Chinese authorities announced policy measures to support its property market. Against this backdrop, interest rate sensitive sectors such as Real Estate performed well. The Materials sector also did well in the quarter, supported by a late recovery in industrial metals prices. Australian Small Caps also performed well driven in part by a strong contribution late in the quarter from the Materials sector which benefited from the rise in precious and industrial metals prices.

The portfolio delivered a return of 3.95% over the June quarter. The Pandal Australian Focus Fund outperformed its benchmark over the quarter, returning 8.0%. The strategy is style-neutral and utilises fundamental analysis to exploit market inefficiencies in stock forecasts and valuations. Sector selection within Information Technology, such as Xero and Technology One, contributed positively to performance.

Global Shares ended the quarter higher, recovering from an earlier decline as US recession concerns eased and the Fed began cutting interest rates. Utilities and Real Estate were the best performing sectors, supported by interest rate cuts and a decline in government bond yields internationally. Emerging Market Shares performed well, recovering late in the quarter as Chinese policymakers pledged to address the decline in their property market.

Vanguard International Shares Index Fund returned 2.4% for the September quarter with its hedged counterpart returning 4.5%.

Rising anticipation of US interest rate cuts and declining bond yields boosted listed real asset markets with Australian Listed Property, Global Listed Property and Global Listed Infrastructure all recording strong returns for the quarter.

The Resolution Capital Global Property Securities underperformed the broader benchmark over the quarter, however still performed strongly on absolute terms, returning 12.5%. Stock selection and overweight positions to the residential and data centre and towers segments, stock selection in the self storage and retail segments, and an underweight position to the office segment detracted from relative performance over the quarter. The strategy offers Global Listed Property exposure with broad sector holdings and many inflation-linked cash flows, as well as diversification to equity investments and investments driven by Australian economic activity. The Vanguard Global Infrastructure ETF returned 10.2% over the September quarter.

Global Government Bonds produced healthy returns as concerns about the US economy rose and expectations for US interest rate cuts increased. Australian Government Bonds produced positive returns but lagged Global Government Bond returns as the RBA kept interest rates unchanged.

Global Credit and Emerging Market Debt also performed well, supported by the decline in government bond yields internationally and increased investor risk appetite following the US interest rate cut.

The Vanguard International Fixed Interest Index Fund produced a positive return of 3.8% over the quarter.

Portfolio changes during the quarter:

On 31st of July 2024, Mercer Investments Australia Limited (MIAL) or "Mercer" became the Investment Manager for the Mercer APS CoreSeries portfolios, previously known as the 'Morgan Stanley MAPS Core Portfolios'.

As part of the ongoing review of these portfolios, Mercer identified opportunities to incorporate Mercer's best ideas in relation to both manager selection and portfolio construction across Global Equities, which also included a new allocation to Global Listed Real Estate.

Market Outlook

Looking forward through an Australian lens, Mercer expects high interest rates and cost-of-living pressures to keep household consumption and economic growth suppressed. Core inflation is expected to decline at a slower pace compared to other developed economies due to pressures in residential rental markets. While the RBA has indicated vigilance against inflation risks, we do not believe it will commence a new series of hikes. Rather, Mercer believe that interest rates have likely peaked this cycle.

Globally, Mercer expect international economic growth to remain resilient but regionally divergent. We do not expect the US to enter a recession but anticipate slowing yet growth, with corporate and consumer balance sheets remaining strong. Mercer expect US inflation to slow further, driven by a decline in services inflation, and expect the Fed to continue cutting rates. China's growth will improve from its current slow pace, supported by favourable government policies. Other emerging economies will also benefit from these policies and their own central bank policies, aiding their growth.

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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Mercer took over the investment management of this portfolio from 31 July 2024.