MyNorth Managed Portfolios

HORIZON 100% DEFENSIVE 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	NTH0259
Manager name	Mercer
Inception date	31 May 2022
Benchmark	RBA Cash Rate
Asset class	Diversified
Number of underlying assets	8
Minimum investment horizon	1 year
Portfolio income	Default - Paid to Platform Cash
Management fees and costs	'0.48%
Performance fee	'0%
Estimated net transaction costs	'0.03%
Estimated buy/sell spread	'0.05%/0.07%
Risk band/label	2/Low
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.

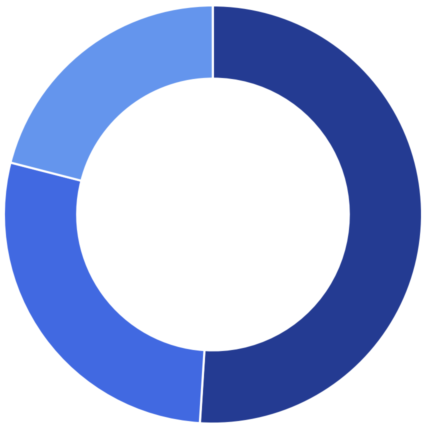
Returns

as at 31 March 2024

	Since inception*	1 Month (%)	3 Months (%)	6 Months (%)	1 Year (%)	3 Years (%)	5 Years (%)
Total return[1]	3.31	0.73	0.96	3.94	3.46	-	-
Income	3.00	0.12	0.62	1.26	2.62	-	-
Growth	0.31	0.61	0.34	2.68	0.84	-	-
Benchmark[2]	3.41	0.37	1.09	2.17	4.22	-	-

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

Asset allocation



as at 31 March 2024

Growth assets	Allocation (%)
Australian Equities	0.0
International Equities	0.0
Property	0.0
Other	0.0
Total	**0.0%**

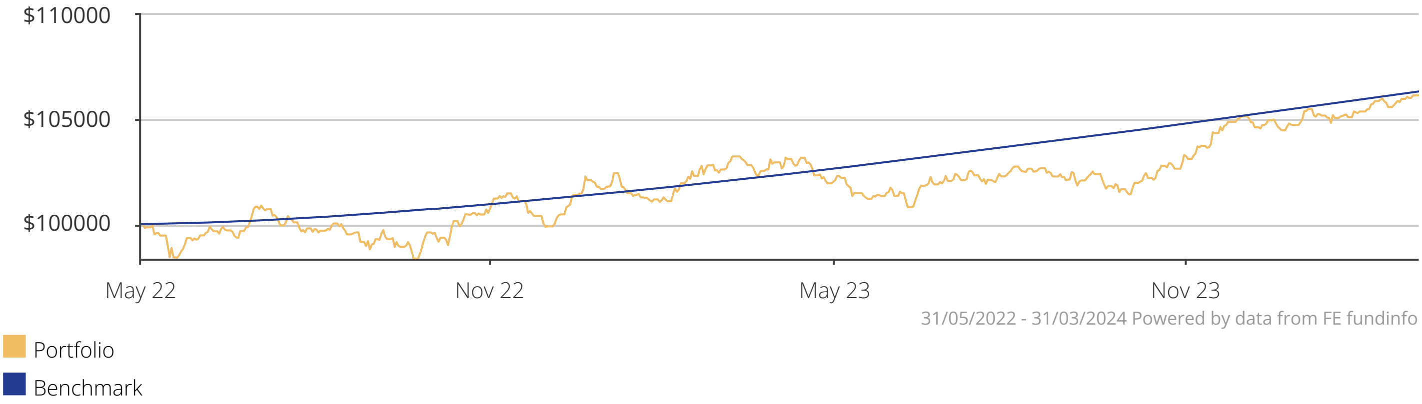
Defensive assets	Allocation (%)
Australian Fixed Interest	51.0
International Fixed Interest	28.0
Cash	21.0
Total	**100.0%**

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 31/05/2022



Managed portfolio holdings[3]

Holding	Asset class	Allocation (%)
Macquarie True Index Australian Fixed Interest	Australian Fixed Interest	35.9
Macquarie Cash	Cash	18.5
Franklin Australian Absolute Return Bond Fund - I Class	Australian Fixed Interest	12.0
Coolabah Floating-Rate High Yield Fund - Institutional Class	Australian Fixed Interest	10.2
Bentham Professional Global Income Fund - Class C	International Fixed Interest	8.4
T. Rowe Price Dynamic Global Bond	International Fixed Interest	8.0
Colchester Global Government Bond Fund - Class R	International Fixed Interest	5.9
Cash Account	Cash	1.1

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 0.96% over the past quarter.

Global government bond yields ended the quarter higher as recent economic data came in a little stronger against market estimates. This resulted in a modestly negative return (-0.3%) for global government bonds (Bloomberg Global Treasury Hedged). Market participants have lowered expectations for near-term interest rate cuts, with the market pricing in less than three cuts from the Fed as of the end of March quarter, compared to almost five cuts expected at the start of the year. Against this backdrop, credit spreads broadly contracted over the quarter aided by the more supportive economic backdrop, with the result being a modest +0.1% return from the Bloomberg Global Credit (hedged).

Australian government bond yields were more mixed, with longer-dated yields rising less than their global counterparts driven in part by the RBA's comments around future changes for interest rate softening from "a further increase in interest rates cannot be ruled out" to be one where the RBA is "not ruling anything in or out". This resulted in Australian Government Bonds (Bloomberg AusBond Treasury 0+ year) returning +0.9% for the quarter.

The Coolabah Floating Rate Note strategy returned 2.1% over the March quarter. Key contributors included (1) strong ongoing overall yields exceeding on average 8% pa across the portfolio, (2) compression in credit spreads for senior-ranking bank bonds (driving strong capital gains), and (3) ongoing active trading exploiting mispriced primary bond issues. The strategy focusses on generating higher income than traditional fixed income instruments, investing in a portfolio of investment-grade, Australian Floating-Rate Notes with enhanced yields.

The Colchester Global Government Bond Fund delivered a negative return (-0.9%) over the March quarter. The fund's underweight US, Europe and UK bond exposures were key detractors from performance. The strategy offers currency-hedged exposure to global sovereign bonds and provides diversification from high-yield fixed income.

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.