

# MyNorth Managed Portfolios

## PRIVATE PORTFOLIO COLLECTION BALANCED

Monthly Update for Month Ending March 2025

### Investment objective

To outperform the benchmark over the medium to longer term.

### Key information

Code	NTH1078
Manager name	Mercer
Inception date	07 May 2021
Benchmark	Morningstar Australia Growth Target Allocation NR AUD
Asset class	Diversified
Number of underlying assets	22
Minimum investment horizon	5 years
Portfolio income	Default - Reinvest
Management fees and costs	'0.64%
Performance fee	'0.05%
Estimated net transaction costs	'0.05%
Estimated buy/sell spread	'0.15%/0.15%
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.

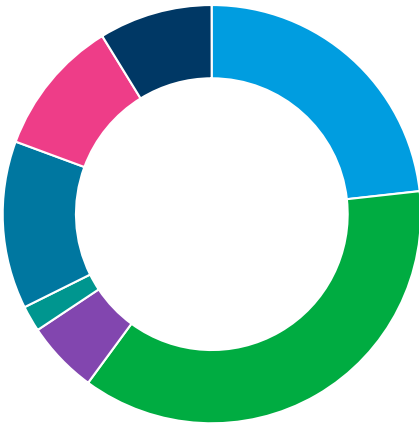
Returns








as at 31 March 2025

	Since inception*	1 Month (%)	3 Months (%)	6 Months (%)	1 Year (%)	3 Years (%)	5 Years (%)
Total return <sup>1</sup>	5.04	-2.49	-0.72	0.63	5.01	5.08	-
Income	3.41	0.01	0.70	0.90	2.87	2.87	-
Growth	1.63	-2.50	-1.42	-0.27	2.14	2.21	-
Benchmark <sup>2</sup>	6.12	-2.51	-1.00	0.52	5.38	5.92	-

Asset allocation

as at 31 March 2025



Growth assets		Allocation (%)
	Australian Equities	23.3
	International Equities	36.9
	Property	5.6
	Other	2.0
Total		67.8%
Defensive assets		Allocation (%)
	Australian Fixed Interest	13.0
	International Fixed Interest	10.6
	Cash	8.8
Total		32.4%

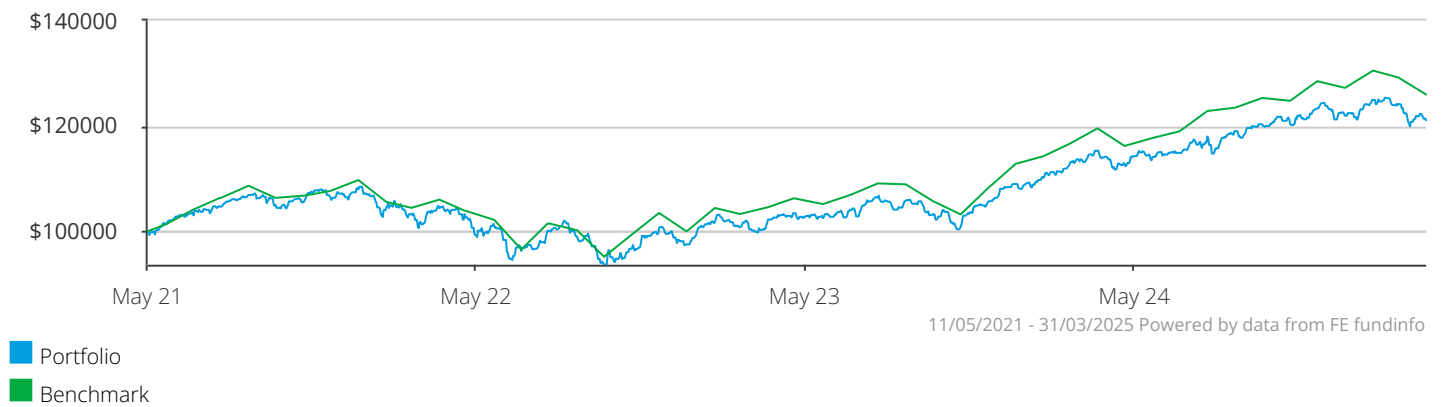
Asset allocation data sourced via Morningstar® from the underlying fund manager.

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 11/05/2021



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

Holding	Asset class	Allocation (%)
JPMorgan Global Research Enhanced Index Equity Fund (Hedged)	International Equities	12.7
Macquarie True Index Australian Fixed Interest	Australian Fixed Interest	11.9
AB Concentrated Australian Equities Fund	Australian Equities	8.1
William Blair Global Leaders M	International Equities	6.9
Payden Global Income Opportunities	International Fixed Interest	6.5
Resolution Capital Global Property Securities Fund - Class C	Property	5.7
Pendal Focus Australian Equities Fund	Australian Equities	5.4
Solaris Core Australian Equity Fund (Performance Alignment)	Australian Equities	5.1
Fairlight Global Small & Mid Cap Fund - Class I	International Equities	4.4
CT Global Corporate Bond Fund	International Fixed Interest	4.2
Pzena Global Focused Value Fund - P Class	International Equities	4.1
Lazard Global Infrastructure Fund (Hedged) - S Class	International Equities	3.9
JPMorgan Global Research Enhanced Index Equity Trust - Class A	International Equities	3.7
Macquarie Cash	Cash	3.3
Fairview Equity Partners Emerging Companies Fund	Australian Equities	2.8
Coolabah Floating-Rate High Yield Fund - Institutional Class	Australian Fixed Interest	2.7
Hyperion Australian Growth Companies Fund	Australian Equities	2.3
Man AHL Alpha (AUD) - Class B	Other	2.0
P/E Global FX Alpha No.1 Fund - Class W	Other	2.0
Skerryvore Global Emerging Markets All-Cap Equity Fund - Class M	International Equities	1.5
Cash Account	Cash	0.7
T. Rowe Price Dynamic Global Bond	International Fixed Interest	0.3

## Quarterly manager commentary

### Market Update

In early January, President Trump imposed tariffs on the US's three largest trading partners: Canada, Mexico and China. This was expanded over the quarter to include steel, aluminium, auto and auto parts. Reciprocal tariffs, designed to match the import duties placed on US goods and services by other nations were announced in early April.

The US Federal Reserve (Fed) left interest rates unchanged at 4.25-4.5% for the quarter. Following the latest Fed meeting, Governor Powell noted that while short-term consumer inflation expectations had risen due to tariffs and uncertainty, he did not see any long-term shift in expectations based on market-based measures. The US unemployment rate remains steady at 4.1% over the quarter.

Australian Q4'24 CPI showed an increase of 2.4% year-on-year, broadly in line with market expectations and within the RBA's inflation target of 2-3%. This softening in inflation allowed the RBA to cut the cash rate by 0.25% to 4.10% in February, marking the first rate cut since 2020. However, the RBA cautioned against expecting further easing as the labour market conditions remain relatively tight, evidenced by limited labour supply and stagnant productivity growth. It further warned that easing monetary policy too much too soon could stall progress on reducing inflation.

International shares saw negative returns over the quarter, as US tariff concerns rattled investor confidence. US technology shares fell significantly, as the Mag 7 shares (Alphabet, Amazon, Apple, Meta Platforms, Microsoft, NVIDIA and Tesla) underperformed the broader market. Interestingly, the

shares that underperformed are not those most exposed to tariffs, but rather those broadly seen as the most overvalued shares in the US share market.

Gold surged 18.2% over the quarter to a new high of US\$3,122 at the end of March, driven by increased investor demand for the safe-haven asset amid rising trade rhetorics. Copper also rose significantly, as the threat of tariffs led to a rush of orders to avoid price increases.

### **Portfolio Update**

The portfolio delivered a return of -0.72% over the March quarter.

Australian shares underperformed global share markets, down by -2.9%. Information technology (-17.6%) was the worst performing sector in the quarter, followed by healthcare (-9.7%). Within the technology sector, Nuix Ltd was the poorest performer due to an earnings downgrade and growing negative investor sentiment around AI companies. The best performing sector was industrials, which was up 1.5% for the quarter.

The AB Concentrated Australian Equities Fund outperformed the benchmark over the quarter, returning 0.8%. Stock selection within communication services and materials contributed the most to relative performance. The deep value investment style of AB continues to outperform in a period of economic uncertainty as the market seeks other opportunities outside of the narrow momentum securities. The Hyperion Australian Growth Companies Fund underperformed the benchmark over the quarter, returning -15.2% over the quarter as the manager's holdings in Block, Inc and Wistech Global saw the largest share price declines. As a high growth-style strategy, it is more likely to underperform when there is a significant sell off in equity markets. The manager continues to take a long-term risk adjusted approach, and is of the view that a couple of their larger holdings in CSL and Fisher & Paykel are potentially exempt from Reciprocal Tariffs.

International shares saw negative returns in in Q1'25, down -2.6% as US tariff concerns rattled investor confidence. US technology shares fell significantly with the Magnificent 7 shares underperforming the broader market. International shares (unhedged) also fell, but only by -2.4%, as the AUD declined over the quarter. The best performing sectors were energy (9.2%) and utilities (6.1%).

The Pzena Global Focused Value Fund outperformed its benchmark over the quarter, returning 6.1%. The fund's underweight exposure to the technology sector was beneficial, as was solid stock selection within the health care sector. Over the quarter there was a reversal of the narrow, momentum-driven market sentiment which is conducive to Pzena's deep value fundamental investment approach. The JPMorgan Research Enhanced Index Fund marginally underperformed its benchmark over the quarter returning -2.7%. Stock selection in technology was the main detractor from returns, however, this was partially offset by stock selection in financial services. The fund continues to maintain a style-neutral, enhanced index outcome, weighted towards the JPMorgan analysts' recommendations.

The performance of interest rate sensitive assets was mixed in Q1'25. Global listed property was up 0.9%, on the back of falling US bond yields, while global listed infrastructure performed better, up 4.1% in the quarter.

The Lazard Global Listed Infrastructure Fund outperformed its benchmark over the quarter, returning 7.2%. Stock selection within diversified utilities and toll roads were the main contributors to relative performance. Infrastructure assets generally offer stable returns and protect against inflation, this typically benefits portfolios during periods of economic uncertainty and rising inflation.

Global sovereign bonds were up 0.7% in Q1'25. US 10-year government bond yields fell 40bps over the quarter. Government bonds in the EU experienced a significant rise in yields over the quarter, especially after the announcement of Germany's new fiscal spending package. Australian sovereign bonds were up 1.2%, as Australian bond yields were largely flat.

The Colchester Government Bond Fund outperformed its benchmark over the quarter, returning 2.9%. Security selection in small, high-quality markets like New Zealand, Norway and Australia contributed positively. Within currency selection, overweight positions in the Japanese yen, Swedish Krona and British pound also positively contributed to relative performance. The fund offers currency-hedged exposure to global sovereign bonds, developed and emerging markets and provides diversification from lower investment grade high-yield fixed income exposures. The Macquarie True Index Australian Fixed Interest Fund performed in line with its benchmark, 1.3% over the quarter.

### **Portfolio changes during the quarter:**

Over the quarter, Mercer reduced the allocation to global equities within the portfolio in light of high equity valuations, continued geopolitical risks, uncertainty of a Trump administration and proposed tariff uplifts, and direction of monetary and fiscal policies. This along with reduction in T.Rowe Global Dynamic Bond fund and Payden Global Income Opportunities fund was allocated to alternatives funds, P/E Global FX Alpha fund and Man AHL Alpha fund. These new funds provide a number of advantages including correlation diversification, lower overall volatility, downside protection, inflation mitigation and the ability to enhance both absolute and risk-adjusted returns within multi-asset portfolios.

### **Market Outlook**

Central banks around the world are likely to continue to cut rates as inflation moderates, with cuts expected at a slower pace. The exception is Japan, where we expect interest rates to rise as it emerges from a multi-decade deflation period.

Continued introduction of new tariffs will likely negatively impact business and consumer confidence. The longer this continues, the greater the implications are for economic growth.

Increased spending by European governments on infrastructure and defence ends the period of fiscal austerity that began during the financial crisis. This is likely to support European economic growth in the near term, while lifting the supply capacity in the longer term.

In Australia, while the RBA delivered a cut at its February meeting, the labour market likely remains stronger than the RBA would be comfortable with. Therefore, we do not expect the RBA to rush into further rate cuts.

Market expectations are for a further three interest rate cuts in 2025, which will likely depend on sustained signs of loosening labour market conditions and/or weakening wage growth. While unemployment remains low, both wage growth and job vacancies continue to fall, which suggests we should see the labour market begin to soften and a modest rise in unemployment in 2025. We continue to expect growth to remain weak, as higher interest rates and cost-of-living pressures are likely to keep consumption suppressed. Geo-political concerns are likely to make businesses cautious about investing.

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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