

PATHWAY 85% GROWTH PORTFOLIO

Monthly Update for Month Ending December 2024

Investment objective

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

Key information

Code	NTH0272
Manager name	Mercer
Inception date	08 June 2022
Benchmark	Morningstar Australia Aggressive Target Allocation NR AUD
Asset class	Diversified
Number of underlying assets	49
Minimum investment horizon	7 years
Portfolio income	Default - Reinvest
Management fees and costs	'0.81%
Performance fee	'0.04%
Estimated net transaction costs	'0.07%
Estimated buy/sell spread	'0.13%/0.13%
Risk band/label	6/High
Minimum investment amount	\$25,000

About the manager

Mercer

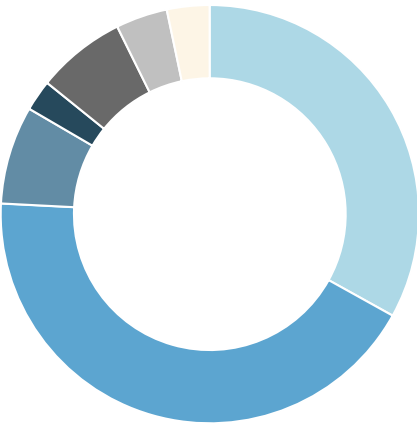
Mercer is a multi-national investment manager, using specialised investment tools and strategies to provide robust and diversified portfolios for their clients. The team manages approximately \$200 billion worldwide, with approximately \$33 billion invested in Australia and New Zealand. With Australian 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 December 2024

	Since inception*	1 Month (%)	3 Months (%)	6 Months (%)	1 Year (%)	3 Years (%)	5 Years (%)
Total return ¹	9.59	-1.19	1.95	7.70	13.13	-	-
Income	3.89	0.01	0.27	2.55	3.65	-	-
Growth	5.70	-1.20	1.68	5.15	9.48	-	-
Benchmark ²	11.29	-1.13	2.40	8.26	16.31	-	-

Asset allocation



as at 31 December 2024

Growth assets		Allocation (%)
	Australian Equities	33.1
	International Equities	42.8
	Property	7.6
	Other	2.4
Total		85.9%
Defensive assets		Allocation (%)
	Australian Fixed Interest	6.9
	International Fixed Interest	4.0
	Cash	3.3
Total		14.2%

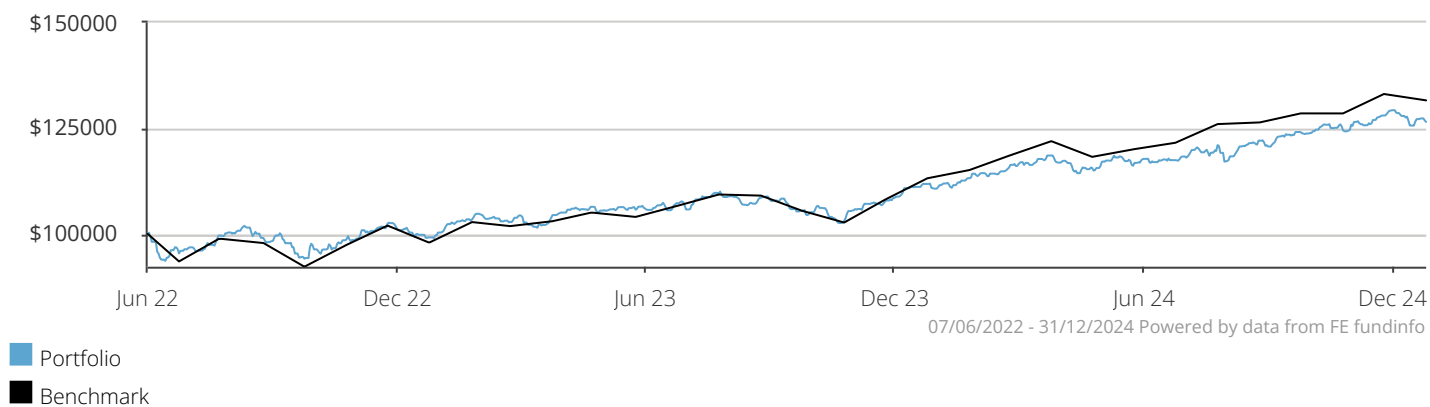
Asset allocation data sourced via Morningstar® from the underlying fund manager.

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 07/06/2022



Managed portfolio holdings³

Holding	Asset class	Allocation (%)
Vanguard International Shares Index Fund (Hedged)	International Equities	10.8
AB Concentrated Australian Equities Fund	Australian Equities	7.4
Resolution Capital Global Property Securities Fund - Class C	Property	7.1
William Blair Global Leaders M	International Equities	7.1
JPMorgan Global Research Enhanced Index Equity Trust - Class A	International Equities	7.1
Macquarie True Index Australian Fixed Interest	Australian Fixed Interest	6.2
Pzena Global Focused Value Fund - P Class	International Equities	5.5
Fairlight Global Small & Mid Cap (SMID) Fund - Class A	International Equities	4.5
Hyperion Australian Growth Companies Fund	Australian Equities	4.4
Lazard Global Infrastructure Fund (Hedged) - S Class	International Equities	3.7
Fairview Equity Partners Emerging Companies Fund	Australian Equities	3.2
T. Rowe Price Dynamic Global Bond	International Fixed Interest	3.2
Schroder Real Return CPI +5% Fund - Professional Class	Other	3.0
CT Global Corporate Bond Fund	International Fixed Interest	2.8
Skerryvore Global Emerging Markets All-Cap Equity Fund - Class M	International Equities	2.3
Janus Henderson Global Multi-Strategy Fund - Institutional Class	Other	2.2
BHP Group Limited Ordinary Fully Paid	Australian Equities	1.8
CSL Limited Ordinary Fully Paid	Australian Equities	1.6
Commonwealth Bank Of Australia Ordinary Fully Paid	Australian Equities	1.5
National Australia Bank Limited Ordinary Fully Paid	Australian Equities	1.1
Westpac Banking Corporation Ordinary Fully Paid	Australian Equities	1.1
Telstra Group Limited Ordinary Fully Paid	Australian Equities	1.1
Cash Account	Cash	1.0
Xero Limited Ordinary Fully Paid	Australian Equities	1.0
Qantas Airways Limited Ordinary Fully Paid	Australian Equities	0.8
Aristocrat Leisure Limited Ordinary Fully Paid	Australian Equities	0.7
Santos Limited Ordinary Fully Paid	Australian Equities	0.6
Goodman Group Fully Paid Ordinary/Units Stapled Securities	Property	0.6

Holding	Asset class	Allocation (%)
QBE Insurance Group Limited Ordinary Fully Paid	Australian Equities	0.6
Macquarie Group Limited Ordinary Fully Paid	Australian Equities	0.5
Suncorp Group Limited Ordinary Fully Paid	Australian Equities	0.5
RIO Tinto Limited Ordinary Fully Paid	Australian Equities	0.5
Technology One Limited Ordinary Fully Paid	Australian Equities	0.4
Treasury Wine Estates Limited Ordinary Fully Paid	Australian Equities	0.4
Scentre Group Fully Paid Ordinary/Units Stapled Securities	Property	0.4
James Hardie Industries PLC Chess Depositary Interests 1:1	Australian Equities	0.3
Metcash Limited Ordinary Fully Paid	Australian Equities	0.3
Nextdc Limited Ordinary Fully Paid	Australian Equities	0.3
Downer Edi Limited Ordinary Fully Paid	Australian Equities	0.3
Northern Star Resources Ltd Ordinary Fully Paid	Australian Equities	0.3
Medibank Private Limited Ordinary Fully Paid	Australian Equities	0.3
Seek Limited Ordinary Fully Paid	Australian Equities	0.2
Nine Entertainment Co. Holdings Limited Ordinary Fully Paid	Australian Equities	0.2
Mineral Resources Limited Ordinary Fully Paid	Australian Equities	0.2
Brambles Limited Ordinary Fully Paid	Australian Equities	0.2
Pro Medicus Limited Ordinary Fully Paid	Australian Equities	0.2
Resmed Inc Cdi 10:1 Foreign Exempt NYSE	Australian Equities	0.2
Viva Energy Group Limited Ordinary Fully Paid	Australian Equities	0.2
Orora Limited Ordinary Fully Paid	Australian Equities	0.2

Quarterly manager commentary

Market Update

Many Central Banks around the world cut interest rates in December and are likely to continue at a more gradual pace, except in Japan where rates are expected to rise as it emerges from a period of deflation.

Fears of a US recession grew, due to weaker conditions in labour markets and the manufacturing sector. However, other data showed strong overall conditions including Q2'24 GDP growth, driven by household consumption. 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. during the quarter.

The US Federal Reserve (Fed) cut interest rates by 0.5% to 4.75 - 5.00% p.a. as confidence grew around the inflation outlook. A number of European regions, Canada and New Zealand also cut interest rates by 0.25% in the quarter due to reducing inflationary pressures.

In Australia, 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. 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.

International Shares overall continued to produce strong returns. The quarter saw some volatility, with markets initially declining due to fears of a US recession before recovering as the Fed began cutting interest rates. International Government Bonds rose due to US recession concerns and anticipation of a US interest rate cut with Australian Government Bonds also producing a positive return, albeit lagging global peers.

Gold prices hit a record high during the quarter as central banks cut interest rates internationally. 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. Finally, oil prices ended the quarter lower, despite rising tensions in the Middle East, due to speculation of supply increases by OPEC+.

Portfolio Update

Portfolio changes during the quarter:

Mercer replaced Antipodes with the Pzena Global Focused Value Fund due to Antipodes' downgrade stemming from team turnover and underperformance. Pzena aims to target undervalued stocks through conducting deep, bottom-up fundamental research. The switch also reduces total portfolio investment fees.

Following the U.S. election results and the strengthening of the U.S. dollar, Mercer unwound its short-term gold position, while increasing allocations to Global Equities due to a favourable macroeconomic outlook. This resulted in an increased allocation to Australian fixed income and Global SMID equities.

Additionally, Mercer removed Pandal Global Select and replaced with JP Morgan Global Research Enhanced Index Fund in the Core Global Equities allocation. Key factors driving this trade was JP Morgan's more consistent longer-term outperformance, sector neutral portfolio construction approach and lower fees.

Market Outlook

Looking forward, Mercer expect international economic growth to remain resilient but regionally divergent. Mercer do not expect the US to enter a recession but anticipate slowing yet positive growth, with corporate and consumer balance sheets remaining strong. We expect US inflation to slow further, driven by a decline in services inflation, and expect the Fed to continue cutting rates. Furthermore, Mercer expect China's growth to 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.

In Australia, Mercer expect 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, Mercer do not believe it will commence a new series of hikes. Rather, we believe that interest rates have likely peaked this cycle.

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.

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