MyNorth Managed Portfolios

RESEARCH AUSTRALIAN EQUITY INCOME PORTFOLIO

Quarterly Update for Month Ending June 2024

Investment objective

Aims to produce a return above that of benchmark over a rolling 5-year period with a higher income and lower volatility than the market.

Key information

Code	NTH0257
Manager name	NMMT's Internal Investments Team
Inception date	24 June 2022
Benchmark	S&P/ASX 200 TR Index
Asset class	Australian Equities
Number of underlying assets	26
Minimum investment horizon	5 years
Portfolio income	Default - Paid to Platform Cash
Management fees and costs	'0.39%
Performance fee	'0%
Estimated net transaction costs	'0.14%
Estimated buy/sell spread	'0.00%/0.00%
Risk band/label	6/High
Minimum investment amount	$25,000

About the manager

NMMT's Internal Investments Team

The NMMT's Internal Investments Team has substantial experience in fund manager research and portfolio management. In constructing and managing the portfolios, the team believe that equity markets are inefficient and that shares often trade at significant premiums or discounts to their fair value. They aim to capture these anomalies through a disciplined, research focused approach can generate attractive returns over time.

Returns

as at 30 June 2024

	Since inception*	1 Month (%)	3 Months (%)	6 Months (%)	1 Year (%)	3 Years (%)	5 Years (%)
Total return[1]	9.01	1.09	-0.69	4.61	8.28	-	-
Income	5.16	0.01	0.53	2.03	4.30	-	-
Growth	3.85	1.08	-1.22	2.58	3.98	-	-
Benchmark[2]	11.83	1.01	-1.05	4.22	12.10	-	-

Sector Allocation

as at 30/06/2024

Financials	34.3
Materials	16.0
Health Care	10.7
Real Estate	9.1
Utilities	6.4
Energy	4.7
Communication Services	4.5
Consumer Discretionary	4.3
Consumer Staples	4.1
Other	6.0

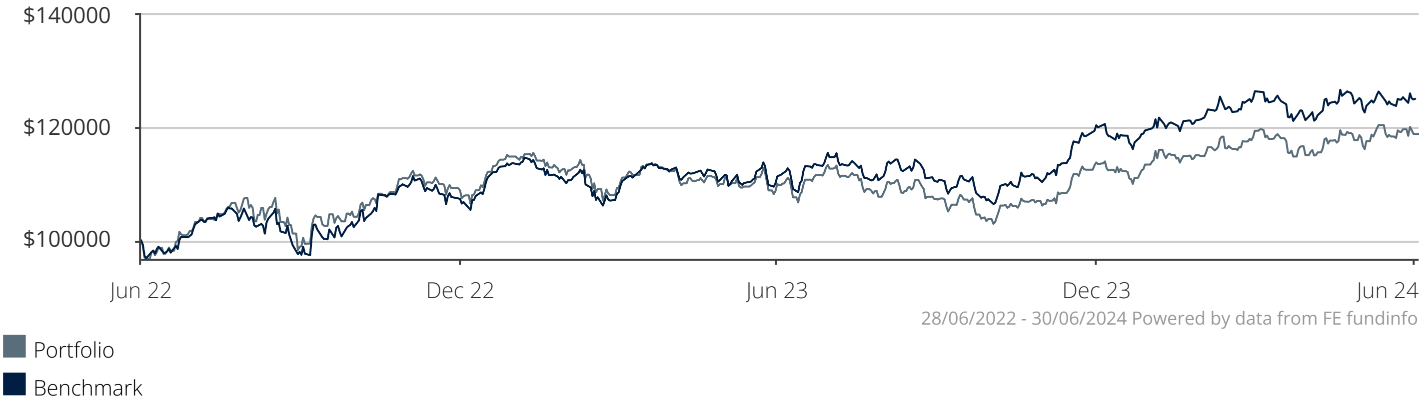
Asset allocation data sourced via Morningstar® from the underlying fund manager.

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 28/06/2022



Managed portfolio holdings[3]

Holding	Allocation (%)
ANZ Group Holdings Limited Ordinary Fully Paid	3.1
APA Group Fully Paid Units Stapled Securities	2.3
Aristocrat Leisure Limited Ordinary Fully Paid	2.9
AUB Group Limited Ordinary Fully Paid	2.6
BHP Group Limited Ordinary Fully Paid	10.9
Cash Account	3.2
Challenger Limited Ordinary Fully Paid	2.8
Coles Group Limited. Ordinary Fully Paid	4.1
Commonwealth Bank Of Australia Ordinary Fully Paid	6.0
CSL Limited Ordinary Fully Paid	6.0
Dexus Fully Paid Units Stapled Securities	2.4
Goodman Group Fully Paid Ordinary/Units Stapled Securities	5.1
Macquarie Group Limited Ordinary Fully Paid	4.9
Mineral Resources Limited Ordinary Fully Paid	2.3
National Australia Bank Limited Ordinary Fully Paid	7.6
Nib Holdings Limited Ordinary Fully Paid	2.4
Origin Energy Limited Ordinary Fully Paid	4.3
QBE Insurance Group Limited Ordinary Fully Paid	1.8
Resmed Inc Cdi 10:1 Foreign Exempt NYSE	2.6
RIO Tinto Limited Ordinary Fully Paid	2.9
Telstra Group Limited Ordinary Fully Paid	4.4
The Lottery Corporation Limited Ordinary Fully Paid	2.4
Transurban Group Fully Paid Ordinary/Units Stapled Securities	3.5
Waypoint Reit Fully Paid Ordinary/Units Stapled Securities	1.7
Westpac Banking Corporation Ordinary Fully Paid	3.4
Woodside Energy Group Ltd Ordinary Fully Paid	4.5

Quarterly manager commentary

Market Update

The ASX200 reached all time highs during the March quarter end after seeing month on month gains. This was driven by increased investor confidence following a mostly positive February reporting season where companies generally produced more earnings beats than misses, coupled with takeover announcements and economic data which suggested central banks may cut interest rates in the latter half of the year.

The IT sector was the clear standout benefitting from the global AI thematic and strong earnings momentum, with the growth factor being the key driver of share price performance over the quarter. Consumer names also saw largely positive earnings revisions as the spending remained more resilient than expectations. Materials and mining were impacted by weaker commodity prices, particularly in lithium, in part offset by a surge in gold prices, reaching over US$2,000/oz for the first time ever. REITS also benefitted from expectations of lower rates and from improving occupancy prospects.

Portfolio Update
The portfolio delivered a return of -0.69% over the June quarter.

Portfolio changes during the quarter:
Company Investment View

ORG Description: ORG is a leading energy retailer and power generation company. ORG explores for natural gas reserves and is increasingly using renewable technologies in its portfolio.

View: Dividend policy formally under review, and to be announced at an April/May 2024 investor day. The current policy in our view looks dated given the prospects of ORG's strong free cash flow generation over coming years. A payout policy which results in ~10% lift in the consensus DPS to 54pcs vs the current estimate of 49cps would imply a $10.80 share price assuming a 5% dividend yield.

Key Risks: As an integrated utility ORG is exposed to the movement in both gas and electricity prices, commodity prices (coal and natural gas). ORG operators in a sector with a significant level of regulation and political intervention. ORG is moving to reposition its generation portfolio away from the current high level of carbon intensity. This is likely to require additional (large amounts) capital and could provide earnings challenges over time. ORG has been subject to M&A in the past.

AUB Description: AUB is an insurance company in Australia and New Zealand providing insurance broking, advisory services, and technology solutions to SME clients.

View: AUB continues to be a strong operating business. Tysers (UK acquisition) continues to perform below expectations, but we expect this shall improve over the medium term.

Strong operating conditions continue to drive margin expansion in most business segments. This comes as a strong positive and displays the strength in the earnings base in each segment.

The balance sheet remains in a good position with leverage ratio at ~2x. AUB is trading in-line with its long-term average PER. We continue to see upside given the strength in segment earnings and the prospects of future growth.

Key Risks: Slower than expected organic growth across broking and agencies divisions; a deterioration across Australian insurance markets, which leads to declines in insurance premiums; lower than expected investments in non-organic growth opportunities; execution and integration risks of acquired businesses, unfavourable findings in relation to the ongoing review into volume based incentives and commission payments, and greater than indemnified regulatory risks / financial penalties in relation to Tysers acquisition.

RIO Description: RIO is a global mining company with operations in iron ore, copper, aluminium and minerals.

View: Share price has retracted on lower iron ore prices and rotation into the Banks. We are buyers of the weakness. We see the prospects of global cyclical recovery improving through 2024, leading indicators are already suggesting this (including in China).

Key Risks: Changes to commodity prices, operational efficiency (volumes and unit costs), foreign exchange and interest rates plus relevant regulation and legislation in each geography present the key risks to earnings.

CSL Description: CSL Limited (CSL) is a biotechnology company engaged in developing and delivering biotherapies and influenza vaccines that treat people with serious diseases and chronic medical conditions.

View: We have moved CSL to a market weight position. We have lingering question marks around the Vifor acquisition, and with near growth optionality of CSL's 112 product now removed, it's difficult to see where the material acceleration of CSL's earnings growth profile can come from. Relative to global healthcare leaders, CSL organic growth looks subdued.

Key Risks: The Vifor acquisition is now complete and its integration with CSL is underway. Progress on this will reveal any challenges or changes to views of the benefits and costs. Global blood products markets have been impacted (plasma collections) and this may also present challenges if further variants emerge causing disruptions. Regulatory approvals of new products also remain a risk to future growth prospects.

GMG Description: GMG is a global property company based in Australia. It focuses on owning, developing, and managing industrial and business spaces worldwide, with segments in Australia/New Zealand, Asia, Europe, UK, and the Americas.

View: Profit taking/portfolio rebalancing following a period of strong share price outperformance. We remain favourably disposed to GMG given track record, global logistics and data centre opportunity.

Key Risks: Slowing of industrial rents due to lower industry demand. Bond yields continue to move higher on inflation fears. Downside risk if no upgrade is given at 1H result.

S32 Description: S32 is a global commodities producer of bauxite, alumina, aluminium, copper, zinc, and nickel. It has operations in Australia, South Africa, North America and South America. Its focus is base metals.

View: S32's earnings and free cash flow profile are likely to remain pressured over the coming years in the absence of material higher commodity prices. The recent approval for the new Hermosa (US) copper mine committed S32 to a $US2.2bn CAPEX program, with first cash flows not due until 2027. The combination of lower commodity prices and the new mine development has seen S32 cancel the on-market share buyback. In the absence of materially higher commodity prices, the share price is likely unlikely to outperform the market. We see stronger opportunities for the portfolio elsewhere.

Key Risks:

Changes to commodity prices, operational efficiency (volumes and unit costs), foreign exchange and interest rates plus relevant regulation and legislation in each geography present the key risks to earnings.

Market Outlook

Though tighter policy is beginning to temper global growth, we expect falling inflation, a strong jobs market and resilient consumer to see the US and Australia avoid a recession. A soft landing is now largely the consensus view, with interest rate cuts set to follow towards the end of 2024, though further evidence of falling inflation will need to be seen before cuts can begin.

We maintain a positive outlook for Australian equities with the economy showing strong signs of resilience. Corporate balance sheets remain in good shape, with earnings and margins throughout the February reporting season largely being maintained, as inflation led top-line growth and cost-out initiatives both assisting. Our view remains that companies can continue to grow earnings, which should drive share prices higher.

Commodities performance is likely to remain mixed, though some initial signs of improving manufacturing activity globally and in China are beginning to emerge. We expect demand will continue to grow as companies work through the end of destocking and begin new purchase orders. China we believe will return to growth through more fiscal stimulus measures, assisting iron ore and other commodities which the portfolio is exposed to.

Over the next two quarters, equity markets will likely consolidate the strong gains since 4Q23. We may see pullbacks of ~5% in the major indices as investors pause to reflect on the timing of future earnings and interest cuts. Pullbacks of ~5 are not uncommon in equity market bull markets which we continue to believe we are in.

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.