

Monthly Update for Month Ending September 2024

### Investment objective

Aims to match or outperform the benchmark return over a rolling five-year period.

### Key information

<b>Code</b>	NTH0203
<b>Manager name</b>	BetaShares Capital
<b>Inception date</b>	29 November 2021
<b>Benchmark</b>	Morningstar Australia Balanced Target Allocation NR AUD
<b>Asset class</b>	Diversified
<b>Number of underlying assets</b>	15
<b>Minimum investment horizon</b>	5 years
<b>Portfolio income</b>	Default - Paid to Platform Cash
<b>Management fees and costs</b>	'0.4%
<b>Performance fee</b>	'0%
<b>Estimated net transaction costs</b>	'0.03%
<b>Estimated buy/sell spread</b>	'0.00%/0.00%
<b>Risk band/label</b>	4/Medium
<b>Minimum investment amount</b>	\$500

### About the manager

#### BetaShares Capital

BetaShares is an Exchange Traded Fund (ETF) and Managed Portfolios specialist Australian fund manager. Founded in 2009, their aim is to provide intelligent investment solutions to help Australian investors meet their financial objectives.

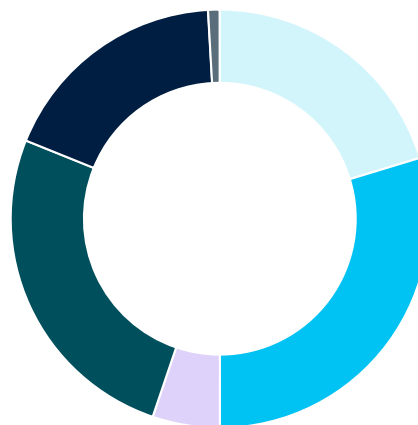
### Returns

as at 30 September 2024

	Since inception*	1 Month (%)	3 Months (%)	6 Months (%)	1 Year (%)	3 Years (%)	5 Years (%)
Total return <sup>1</sup>	3.49	1.33	4.26	3.68	15.33	-	-
Income	3.12	0.10	1.00	1.62	3.47	-	-
Growth	0.37	1.23	3.26	2.06	11.86	-	-
Benchmark <sup>2</sup>	3.68	1.18	4.62	4.28	15.29	-	-

\* 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	20.3
International Equities	29.7
Property	0.0
Other	5.2
<b>Total</b>	<b>55.2%</b>

Defensive assets	Allocation (%)
Australian Fixed Interest	25.9
International Fixed Interest	18.0
Cash	0.9
<b>Total</b>	<b>44.8%</b>

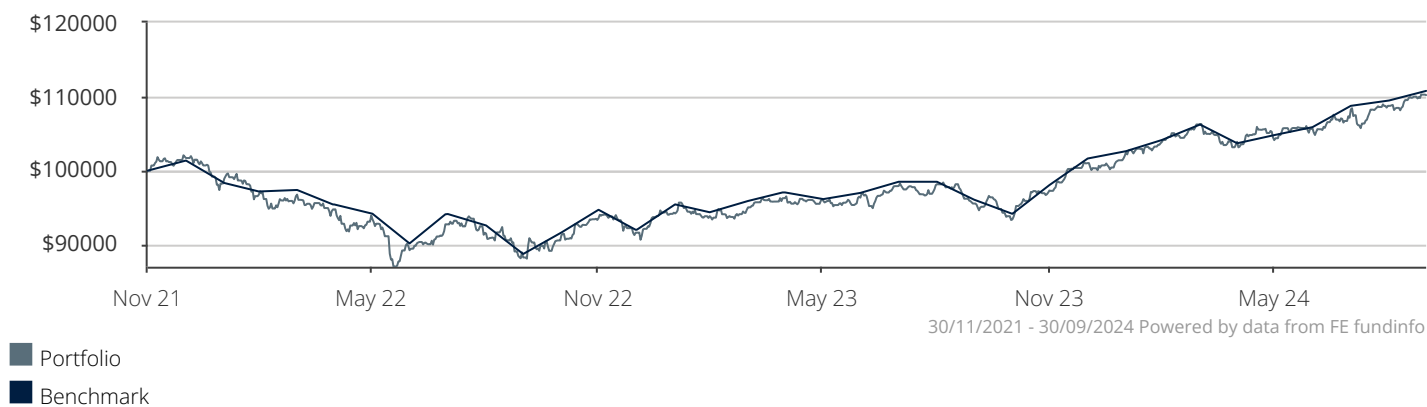
Asset allocation data sourced via Morningstar® from the underlying fund manager.

<sup>1</sup> 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

<sup>2</sup> The applicable Benchmark for this portfolio is shown in the Key Information section.

## Performance history

\$100,000 invested since 30/11/2021



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

Holding	Asset class	Allocation (%)
Betashares Australian Composite Bond Etf Betashares Australian Composi	Australian Fixed Interest	22.3
Vanguard Global Aggregate Bond Index (Hedged) Etf Vanguard Global Aggr	International Fixed Interest	18.0
Betashares Australia 200 Etf Betashares Australia 200 Etf	Australian Equities	12.0
Betashares Global Shares Etf - Currency Hedged Betashares Global Share	International Equities	9.0
Vanguard US Total Market Shares Index Etf Vanguard US Total Market Sha	International Equities	7.5
Vanguard All-World Ex-Us Shares Index Etf Vanguard All-World Ex-Us Sha	International Equities	6.8
Betashares Ftse Rafi Australia 200 Etf Betashares Ftse Rafi Australia	Australian Equities	5.3
Betashares Australian Bank Senior Floating Rate Bond Etf Betashares Au	Australian Fixed Interest	3.8
Betashares S&P 500 Equal Weight Etf Betashares S&P 500 Equal Weight Et	International Equities	3.8
Betashares Global Quality Leaders Etf Betashares Global Quality Leader	International Equities	3.0
Betashares Australian Quality Etf Betashares Australian Quality Etf	Australian Equities	2.8
iShares Core FTSE Global Infrastructure (AUD Hedged) ETF	Other	2.5
Betashares Gold Bullion Etf - Currency Hedged Betashares Gold Bullion	Other	2.5
Cash Account	Cash	1.0

## Quarterly manager commentary

### Market Update

A sizable decline in global bond yields helped propel both equity and bond markets higher over the period to end-August. These gains came despite a brief period of market volatility in early August as slowing US employment and weakness in manufacturing led to renewed recession concerns. The volatility was heightened by a surprise lift in Japanese official interest rates, which caused a sudden liquidation of global investments relying on borrowing Japanese yen at near-zero interest rates.

Although geo-political concerns persisted in Europe and the Middle East, they remained largely contained. Lower global bond yields mainly reflected greater market conviction that the US Federal Reserve, along with many other central banks, would cut interest rates over the coming year. Despite some renewed growth concerns, this shift mainly reflected further progress in bringing down inflation to pre-COVID levels. In the US, core inflation for the private consumption deflator fell to 2.6% in July from a peak of 5.6% in March 2022.

Several central banks, including those in the Eurozone, the UK, Canada, and New Zealand, began cutting interest rates over the period. US Federal Reserve chair Jerome Powell indicated in his August Jackson Hole speech that the "time had come" to begin cutting US interest rates. Consequently, US 10-year bond yields fell by 0.6% over the three months to end-August to 3.9%, as financial markets priced in three 0.25% rate cuts this year and several more in 2025.

In Australia, the annual gain in consumer prices of 3.8% for the June quarter was in line with the Reserve Bank's forecast, allowing it to leave interest rates on hold in August. However, the trimmed mean inflation was slightly higher than expected at 3.9%. The RBA has maintained that interest rates will not be cut until inflation falls closer to the 2-3% target band.

### Portfolio Update

As noted, a decline in bond yields boosted bond market returns over the period to end-August and helped produce positive equity returns. For the balanced portfolio, defensive assets returned 2.7%, while growth assets returned 4.1%.

Fixed-rate bonds within defensive assets produced solid positive returns, while cash and floating-rate bonds experienced smaller gains. For growth

assets, Australian quality produced the strongest return, followed by global infrastructure. Global equities overall returned 3.3%, with US equities delivering 2.4% and non-US equities returning 3.7%. The performance was enhanced by an overweight to bonds within defensive assets.

Australian equities slightly outperformed global equities, with the A200 ETF returning 4.7%. The quality factor also performed well, with the Australian quality ETF (AQLT) returning 5.2%. Within smart beta equity exposures, the global quality ETF (QLTY) slightly underperformed with a 3.0% return, while the equally-weighted US stock ETF (QUS) outperformed with a 5.3% return.

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

The portfolio remains overweight in growth assets, particularly currency-hedged global equities, due to stronger global earnings forecasts compared to Australia. Hedged equity exposure also reflects expectations of a stronger Australian dollar, driven by improving global economic optimism and deeper US interest rate cuts.

In bonds, a neutral outlook remains for Australian versus global bonds, as the yield differential is narrow, and Australian long-term bond yields are expected to move lower in line with global trends. To fund overweight exposures to global equities and gold, the portfolio has increased its underweight exposure to cash and reduced some bond positions. The Investment Committee will continue to monitor risks, including slower-than-expected service sector inflation reductions, potential economic slowdowns, and geopolitical tensions.

### **Market Outlook**

Economic and market developments over the past few months have been broadly encouraging. The US Federal Reserve's confirmation of impending interest rate cuts has bolstered confidence in the economic outlook. Inflation continues to ease, and with US household and corporate balance sheets in good shape, there seems little reason for a recession. Despite ongoing geopolitical tensions in the Middle East and Europe, they remain contained without putting upward pressure on global energy or food prices.

The base case scenario remains one of "immaculate disinflation," where inflation returns to pre-COVID levels without the need for a recession. Though US equity valuations appear elevated, other global markets show less premium, and the global earnings outlook remains strong, particularly in large-cap tech names.

Long-term bond yields are expected to rise as the Federal Reserve begins cutting rates, while the US dollar could weaken further, which would support gold prices. This has led to a modest exposure to gold within defensive assets as a hedge against geopolitical risks and further central bank buying.

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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