

Quarterly Update for Month Ending June 2024

Investment objective

Aims to outperform its benchmark over a rolling seven-year period.

Key information

Code	NTH0217
Manager name	Mercer
Inception date	29 November 2021
Benchmark	Morningstar Australian Multi-Sector Aggressive Average Category
Asset class	Diversified
Number of underlying assets	26
Minimum investment horizon	7 years
Portfolio income	Default - Paid to Platform Cash
Management fees and costs	0.63%
Performance fee	0.01%
Estimated net transaction costs	0.12%
Estimated buy/sell spread	0.06%/0.06%
Risk band/label	6/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.

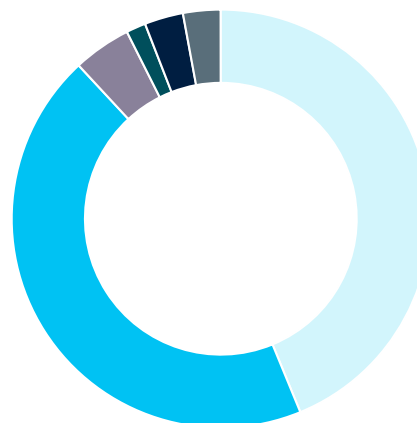
Returns

as at 30 June 2024

	Since inception*	1 Month (%)	3 Months (%)	6 Months (%)	1 Year (%)	3 Years (%)	5 Years (%)
Total return ¹	4.45	1.11	-1.16	7.72	13.15	-	-
Income	3.72	0.02	0.42	1.16	3.74	-	-
Growth	0.73	1.09	-1.58	6.56	9.41	-	-
Benchmark ²	5.30	1.00	-0.47	7.61	13.44	-	-

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

Asset allocation



as at 30 June 2024

Growth assets		Allocation (%)
■	Australian Equities	43.8
■	International Equities	44.3
■	Property	4.5
■	Other	0.0
Total		92.6%
Defensive assets		Allocation (%)
■	Australian Fixed Interest	1.5
■	International Fixed Interest	3.0
■	Cash	2.9
Total		7.4%

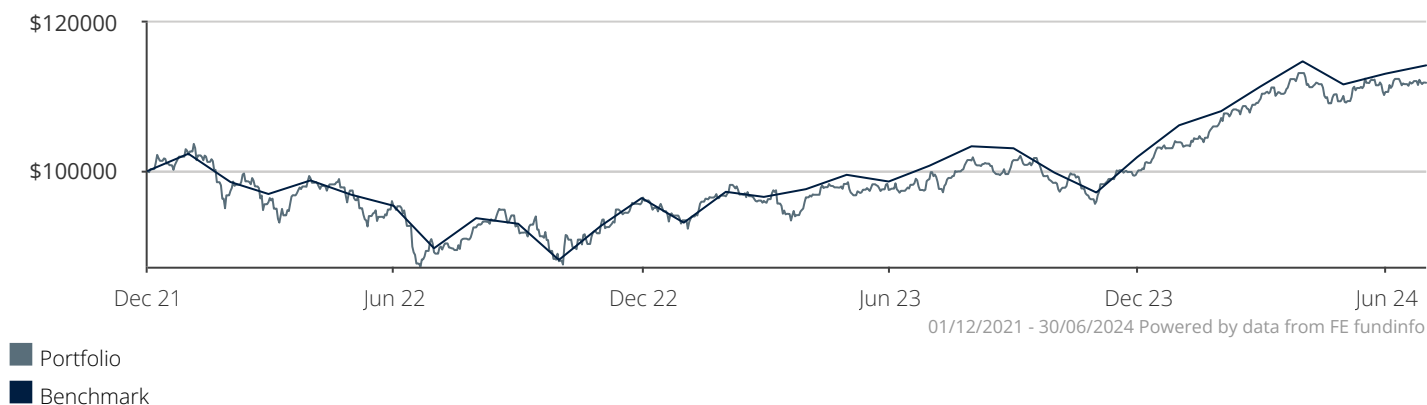
Asset allocation data sourced via Morningstar® from the underlying fund manager.

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 benchmark is calculated based on the average performance from peers in the same multi sector category, as compiled and sourced from Morningstar Direct in June 2024.

Performance history

\$100,000 invested since 01/12/2021



Managed portfolio holdings³

Holding	Asset class	Allocation (%)
Betashares Australia 200 Etf	Australian Equities	16.5
Macquarie Australian Shares Fund	Australian Equities	11.0
Pendal Focus Australian Share Fund	Australian Equities	10.0
GMO Quality Trust	International Equities	6.5
Vanguard Msci Index International Shares Etf Exchange Traded Fund Unit	International Equities	6.5
Vanguard Msci Index International Shares (Hedged) Etf Vanguard Msci In	International Equities	6.0
Jpmorgan EQ Prem Income Active Etf (Managed Fund)	Australian Equities	4.5
JPMorgan Global Select Equity Fund - Class I Units	International Equities	4.5
Robeco Glb Dev Sust Enhncd Idx Eq (AUD)B	International Equities	4.0
Ishares Msci Japan Etf	International Equities	3.5
Vaneck Msci International Quality Etf	International Equities	3.5
Vanguard Global Infrastructure Index Etf	Property	3.0
Vanguard International Fixed Interest Index (Hedged) Etf	International Fixed Interest	3.0
Global X Euro Stoxx 50 Etf	International Equities	2.5
Betashares NASDAQ 100 Etf - Currency Hedged	International Equities	2.0
Cash Account	Cash	2.0
Ishares Msci Emerging Markets Etf	International Equities	2.0
Vanguard US Total Market Shares Index Etf	International Equities	2.0
Global X India Nifty 50 Etf	International Equities	1.5
Vaneck Australian Resources Etf	Australian Equities	1.5
Vanguard Australian Government Bond Index Etf	Australian Fixed Interest	1.5
Vanguard Australian Property Securities Index Etf	Property	1.5
Vanguard Australian Shares High Yield Etf	Australian Equities	1.0

Quarterly manager commentary

Market Update

The second quarter (2Q) saw weak performance from most major asset classes except International equities (MSCI ACWI ex Australia Net Total Return (TR) Index: +0.5%) and Cash (Bloomberg AusBond Bank Bill

Index: +1.1%) in Australian dollar (AUD) terms with AREITs being the worst performing asset class (S&P/ASX 300 A-REIT TR Index -5.7%).

Australian Equities: Australian equities continued to improve in June, with the S&P/ASX 300 TR Index advancing 0.9%. While falling 1.2% over the 2Q, Australian Equities finished the financial year returning 11.9%. Technology has been a strong performing sector calendar year-to-date.

Global Equities: Global equities continued their momentum in June (MSCI ACWI ex Australia Net TR Index: June +1.7%, 2Q +0.5%, FY24 +19.4%). US stocks exhibited solid returns in AUD terms (S&P 500 TR Index: June +3.1%, 2Q +1.8%, FY24 +24.5%) amid strength in technology shares.

Developed Markets (DM) broadly recovered in June (MSCI World ex Australia Net TR Index: +1.6%) to finish the financial year returning 19.9%, although Japanese equities continued their retreat in AUD terms (TOPIX Net TR Index: June -1.4%, 2Q -6.6%). European equities were the greatest laggard for

the month (MSCI Europe Net TR Index -2.7%) although returned 11.5% over the financial year. Emerging Markets (EM) retraced last month's losses in June despite weakness in China equities (MSCI Emerging Net TR Index: +3.4%, MSCI China Net TR Index: -2.4%). In AUD terms, China was the best performing major equity market for the quarter but the weakest over the financial year (MSCI China Net TR Index: 2Q +4.6%, FY24 -1.7%).

Fixed Income: In June, Australian Fixed Income continued the advance which occurred in May, but remains negative for the quarter (Bloomberg AusBond Composite Index: June +0.8%, 2Q -0.8%). This consecutive monthly advance also occurred for International bonds (Bloomberg Global Aggregate TR Hedged AUD Index: June +0.8%, 2Q -0.2%).

Leveraged Loans have been a standout in the financial year, despite declining across the month and the quarter in AUD terms (Morningstar LSTA US Leveraged Loan TR Hedged AUD Index: June -0.1%, 2Q -0.4%, FY24 +11.0%).

Hybrids have been a consistent outperformer within

Australian Fixed Income (Solactive Australian Hybrid Securities (Gross) Index: June +1.4%, 2Q +1.9%, FY24 +9.2%). Over FY24 International High Yield was the second best performing International Fixed Income asset class (Bloomberg Global High Yield TR Hedged AUD Index: +10.8%) after Leveraged Loans.

Commodities: Commodities as a broad asset class have seen mixed performance, retracing some of May's underperformance in June but still finishing the quarter lower. The asset class was a strong performer over FY24 (S&P GSCI TR Index: June +0.9%, 2Q 1.7%, FY24 +14.9%) in AUD terms. Energy and Oil were the only two commodities that posted positive returns in AUD terms for the month of June (S&P GSCI Energy TR Index: +5.3%, Brent Oil A\$/barrel:

+4.6%).

Foreign Currencies: All major currencies depreciated against the AUD in June and the 2Q (USD/AUD: June -0.3%, 2Q -2.2%. Chinese Renminbi/AUD: June -0.7%, 2Q -2.9%. British Pound/AUD: June -1.0% 2Q: -2.2%. Euro/AUD: June -1.5%, Q2 -3.0%. Japanese yen (JPY)/AUD: June 2.5%, 2Q -8.1%). The JPY/AUD continues to be the laggard returning -10.4% in the financial year.

Portfolio Update

We continued to build our equity allocation and ended the financial year with a mild Overweight given the broadly constructive 12-month outlook. Momentum remains strong with US markets reaching all-time highs in the last few weeks of the quarter.

Australian Equities remained as a mild Underweight in our model portfolios although gained further exposure to global commodities via an exposure to Australian miners.

Within International equities, we added to our megacap Technology exposure via a position in Nasdaq Index tracking funds. We liquidated our direct allocations to the Minimum Volatility and Value factors given the current environment is typically more favourable to Growth and Quality style stocks. We initiated an allocation to Europe in anticipation of easing monetary policy.

We also initiated a position in India equities. Multipolar world trends are supporting foreign direct investment and portfolio flows, while positive demographics and success in macro stability underpin a strong capex and profit outlook. Following the election with government continuity now in place, we believe the market can look forward to further structural reforms, giving us more confidence in the earnings cycle.

In Fixed Income, we remain with an Overweight duration in international bonds. We are most positive on sub-investment grade assets, especially US loans. In our Core Balanced portfolio, we added to US senior loans and we have reduced our allocation to

Australian corporate credit and floating rate credit.

We like Alternative Assets the most in the current environment and are positioned with a mix of gold, hedge funds as well as select private investments to enhance returns, lower portfolio volatility and manage equity beta risk. In our Core+ Balanced portfolio we added to global private debt.

Market Outlook

Recent price movements for US equities have clearly shown that markets prefer a weaker macro/inflation backdrop given it supports the perspective of the Federal Reserve cutting interest rates later this year - although only up to a certain level and as long as recession concerns do not re-emerge. On the other end of the risk spectrum, (geo)political risks and inflation pressures remain and we therefore proceed with a recommendation of a cautious increase of our equity allocation.

Within Developed Markets, Japan, Europe and Quality remain our preferred exposures, but we also see the mega-cap growth segment (including artificial intelligence beneficiaries) as continuing to lead from an earnings generation standpoint. We recently increased our positioning through an exposure to the Nasdaq Index.

In addition, we believe the recent inflation data across several measures (US PCE, CPI and PPI) add to our view that the rebound in inflation was temporary and normalization will unfold throughout the rest of this year. This will likely facilitate the Federal Reserve lowering rates in September and bond yields to fall further. This is also supportive of the Growth cohort - (as opposed to Value) and our mild duration Overweight in global bonds.

Finally we re-hedged a portion of our International Equity exposure. The AUD/USD has seen steady resistance around the 67 US cent level in the past few months. However, if our scenario of i) stronger markets, ii) Chinese growth improvement, and iii) weaker growth as well as rate cuts in the US materialise - together with a mix of hawkish monetary policy and expansionary fiscal policy in Australia - we will likely see a stronger AUD in the second half of the year which could potentially overshoot our 12-month target of 68 US cents.

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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Mercer took over the investment management of this portfolio from 31 July 2024.