MyNorth Managed Portfolios

STRATEGIC 90 PORTFOLIO

Monthly Update for Month Ending December 2024

Investment objective

Aims deliver a return in line with the benchmark, after fees, over a rolling nine-year period with lower than benchmark drawdown.

Key information

Code	NTH0329
Manager name	Drummond Capital Partners
Inception date	20 March 2023
Benchmark	Morningstar Australia Aggressive Target Allocation NR AUD
Asset class	Diversified
Number of underlying assets	15
Minimum investment horizon	9 years
Portfolio income	Default - Paid to Platform Cash
Management fees and costs	'0.75%
Performance fee	'0.09%
Estimated net transaction costs	'0.03%
Estimated buy/sell spread	'0.15%/0.14%
Risk band/label	7/Very high
Minimum investment amount	$500

About the manager

Drummond Capital Partners

Drummond is a specialist multi-asset investment manager. It is 100% focused on providing institutional quality portfolio management under the transparent and efficient managed account structure. The business is owned and managed by the investment team that has 70+ years of investment management experience. Drummond is an asset allocation specialist with proprietary strategic and tactical asset allocation processes; this combined with their independent investment manager research delivers high quality, risk aware portfolio solutions.

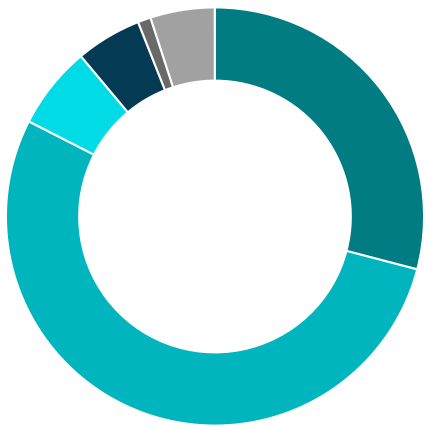
Returns

as at 31 December 2024

	Since inception*	1 Month (%)	3 Months (%)	6 Months (%)	1 Year (%)	3 Years (%)	5 Years (%)
Total return[1]	12.77	-1.59	1.89	6.62	15.20	-	-
Income	4.73	0.03	0.27	4.53	6.06	-	-
Growth	8.04	-1.62	1.62	2.09	9.14	-	-
Benchmark[2]	15.00	-1.13	2.40	8.26	16.31	-	-

* Since inception returns commence from the month end of the portfolio's launch.

Asset allocation



as at 31 December 2024

Growth assets	Allocation (%)
Australian Equities	29.1
International Equities	53.5
Property	6.4
Other	0.0
Total	**89.0%**

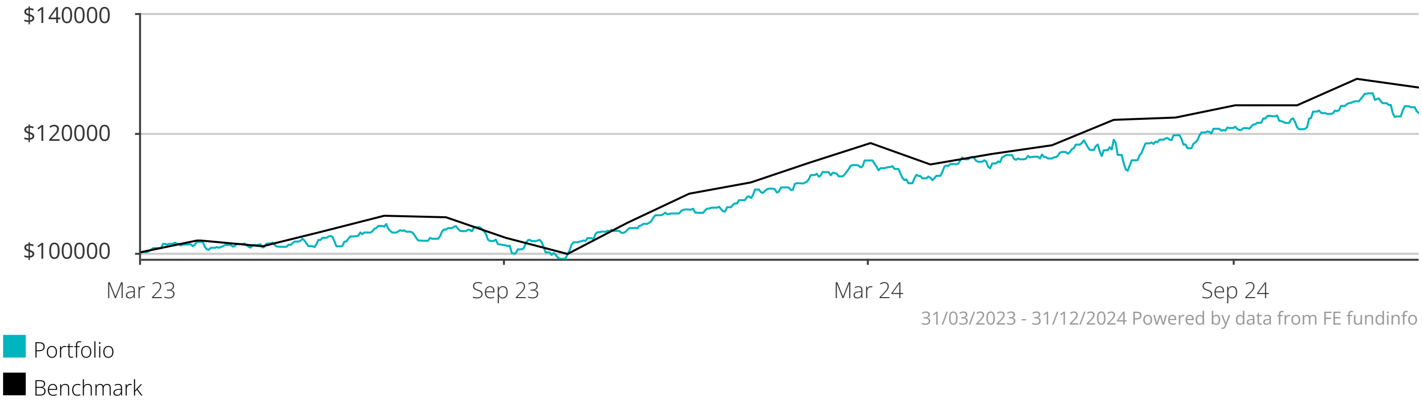
Defensive assets	Allocation (%)
Australian Fixed Interest	5.1
International Fixed Interest	1.0
Cash	5.0
Total	**11.1%**

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 31/03/2023



Managed portfolio holdings[3]

Holding	Asset class	Allocation (%)
iShares Hedged International Equity Index Fund - S class	International Equities	13.5
iShares Wholesale Australian Equity Index Fund - S class	Australian Equities	11.5
Arrowstreet Global Equity No.2 Fund - Class W Units	International Equities	10.5
Solaris Core Australian Equity Fund (Performance Alignment)	Australian Equities	10.0
GQG Partners Global Equity Fund (AUD Hedged Class)	International Equities	8.0
Alphinity Global Fund - Class P	International Equities	7.5
DNR Capital Australian Equities High Conviction Fund	Australian Equities	7.5
American Century Global Small Cap Fund - Class W	International Equities	6.0
ClearBridge RARE Infrastructure Income Fund - Hedged Class C Units	International Equities	5.0
Quay Global Real Estate-Daily Series	Property	5.0
Barrow Hanley Global Share Fund - Class S	International Equities	4.0
Vanguard Ftse Asia EX Japan Shares Index Etf Vanguard Ftse Asia EX Jap	International Equities	3.5
Janus Henderson Diversified Credit Fund	Other	3.0
Realm Short Term Income Fund	Australian Fixed Interest	3.0
Cash Account	Cash	2.0

Quarterly manager commentary

Market Update

Global equities delivered a positive return of 1.4% over the quarter and the US S&P 500 and Nasdaq indices added 2.4% and 6.4%, respectively. The market sectors that led gains were consumer discretionary (+14.3%), communication services (+8.9%), financials (+7.1%) and information technology (+4.8%). European equities saw declines (-1.8%) due to recession worries, political risks in several European union countries as well as apprehension over the impact of Trump's trade policies. The Japanese equity market boasted stellar gains (+5.4%) as a weak Japanese Yen supported sentiment towards exporters. Australian equities lost ground for the quarter, with the S&P ASX 200 index down -0.8%. As did emerging market equities, which experienced a sharp decline (-7.8%), as Trump's win resulted in concern about the potential impact of tariffs on China's exports. Fixed income markets also fell due to a rapid rise in bond yields with US government bonds declining -3.3% and Australian bonds down -1.1%. Pleasingly, domestic floating rate high grade corporate bonds continued to generate positive returns due to strong fundamentals. The broad commodity market gained in the fourth quarter, rising 3.8%, with energy markets performing well (+5.4%) whilst gold took a breather (-0.3%) after a stellar year of gains. The AUD declined materially (-10.3%) versus the USD as stickiness in US core inflation led to the market pencilling in fewer rate cuts in 2025.

Portfolio Update

The portfolio delivered a return of 1.89% over the December quarter. This was below the FE AMI Aggressive peer index that returned 2.5% over the period. As is shown in the below, the portfolio continues to perform well when compared to the institutional peer group over the longer term.

At the manager level, given the outperformance of US technology and communication services companies, strong absolute returns were generated by global growth managers relative to value managers, with the latter particularly adversely impacted by materials. Australian equity managers underperformed the benchmark and underperformed global equities as the local market was also dragged down by steep losses in the materials sector due to concerns about an economic slowdown in China and the potential risks around Trump's trade policy. We continue to maintain an overall core, relatively style neutral tilt in the portfolios.

During the quarter, activity consisted of an increase in growth assets. With China unveiling its largest stimulus in years in late September, we initiated a position in Asian (ex-Japan) equities. As the US economy continued to improve, we also added to global equites and moved our exposure to overweight. The large sell-off in bonds drove a pullback in interest rate sensitive sectors such as global real estate and infrastructure and we added to our positions here which moved the exposure to overweight. Conversely, weak earnings and extended valuations in Australian equites resulted in us reducing portfolio exposure to underweight.

These changes brought growth exposure to 92% vs. 88% at the beginning of the quarter. The portfolio continues to be well diversified by asset class and manager.

Portfolio changes during the quarter:
Allocations to international equities were increased, and cash was decreased in the quarter

Market Outlook
Our base case for 2025 is that the global economy is expected to continue to experience reasonable growth, inflation will remain mostly under control and central banks will maintain their easing bias. Whilst Trump's victory has resulted in a high degree of uncertainty about US domestic and foreign policy, the labour market is healthy as corporates remain optimistic about the future.

Outside of the US, the picture is less rosy, but still generally positive as most central banks are easing monetary policy. Importantly China's government continues to announce its commitment to more stimulus (though has been frustratingly opaque on details). Domestically, after some reasonable inflation prints, it looks as though the RBA will begin its easing cycle early this year. While none of these economies are as strong as the US relative to their potential, none are circling the drain.

Despite this better than average economic backdrop, we expect a bumpier ride for markets this year and a more constrained path of returns than 2024. Indeed, it is rare for markets to produce back-to-back annual gains above 20% as the S&P500 has just done. Historical market returns post such performance is mixed and it is hard to imagine what could cause the economy to perform even better than expected, for credit spreads to tighten even further or bond yields to fall too much lower, which would be necessary in our view to lift PE multiples even higher. Given the reasonable economic environment and high valuations concentrated in a relatively small part of the market, we also wouldn't be surprised to see some rotation over the next year away from US mega-cap technology companies which had been evident at times in 2024. While overall estimates for earnings growth in 2025 sits at around 14%, earnings growth estimates for those companies in the S&P 500 outside the magnificent seven are expected to exceed their mega cap technology peers, supporting the broadening thesis.

For investors it is therefore important to respect not fret the historically high valuations today, given this has been driven by some incredibly strong company earnings rather than on dot com thin-air valuation metrics. Nothing is fundamentally amiss, but the probability of better than average returns over the long term is also now lower given this positivity is fully reflected in market valuations. And while valuations provide little foresight to shorter term market movements, other risks could present themselves to dent current optimism. Higher tariffs might have a detrimental impact on growth, China's stimulus could disappoint, inflation could reassert itself in an environment of strong growth, or the credibility of global governments could be stretched by ongoing unsustainable deficits.

We expect that as these factors evolve, the portfolio will be adjusted accordingly. Greater dispersion and higher macroeconomic volatility across regions, styles and asset classes bodes well for Drummond's tactical asset allocation process.

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.