MyNorth Managed Portfolios

MORNINGSTAR HIGH GROWTH PORTFOLIO

North

Quarterly update for month ending December 2023

Investment objective

To achieve capital growth through investing in a diversified portfolio of predominantly growth asset classes, with a small proportion of defensive asset classes. The portfolio aims to outperform the benchmark over rolling nine-year periods.

Key information

Code	NTH0301
Manager name	Morningstar
Inception date	30 September 2022
Benchmark	ABS Consumer Price + 4.5%
Asset class	Diversified
Number of underlying assets	31
Minimum investment horizon	9 years
Portfolio income	Reinvested
Management fees and costs	'0.80%
Performance fee	'0.00%
Estimated net transaction costs	'0.07%
Estimated buy/sell spread	'0.04%/0.04%
Risk band/label	6/High
Minimum investment amount	$25,000

About the manager

Morningstar

Morningstar is a provider of investment management, asset allocation, portfolio construction and investment research services with over 35 years' experience in the United States, Australia and other international markets. Morningstar advises on, and manages funds for superannuation funds, institutions, platform distributors, financial advisers and individuals.

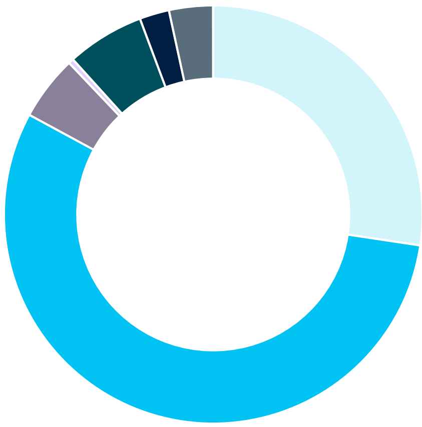
Returns

as at 31 December 2023

	Since inception*	1 Month (%)	3 Months (%)	6 Months (%)	1 Year (%)	3 Years (%)	5 Years (%)
Total return[1]	16.42	3.30	4.46	3.39	11.93	-	-
Income	3.91	0.01	0.54	3.05	4.38	-	-
Growth	12.51	3.29	3.92	0.34	7.55	-	-
Benchmark[2]	9.45	1.70	1.70	4.05	8.71	-	-

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

Asset allocation



as at 31 December 2023

Growth assets	Allocation (%)
Australian Equities	27.4
International Equities	55.6
Property	5.0
Other	0.4
Total	**88.4%**

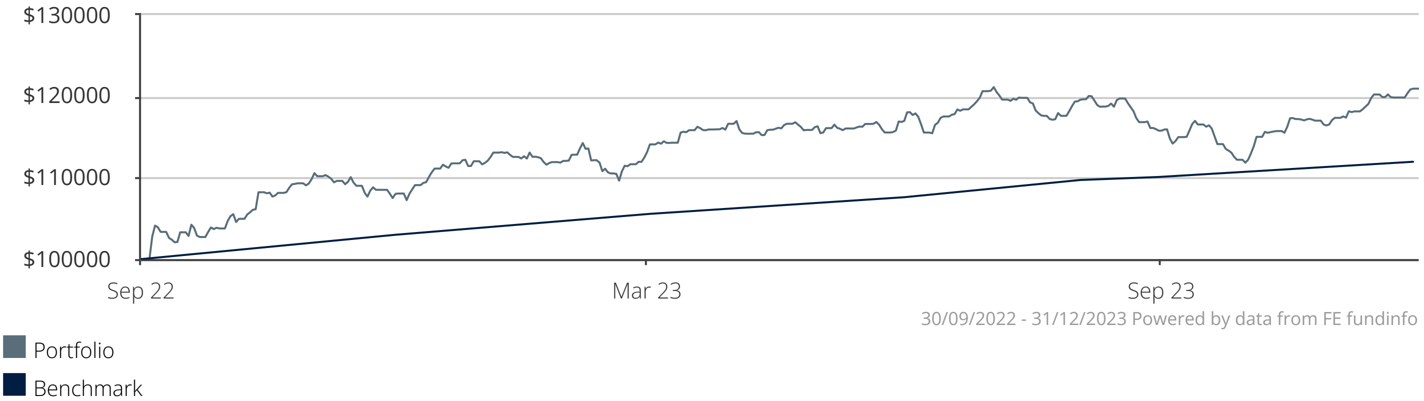
Defensive assets	Allocation (%)
Australian Fixed Interest	6.0
International Fixed Interest	2.3
Cash	3.4
Total	**11.7%**

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 30/09/2022



Managed portfolio holdings[3]

Holding	Asset class	Allocation (%)
Morningstar Global Opportunities Fund	International Equities	12.7
Ishares Core S&P/ASX 200 Etf Ishares Core S&P/ASX 200 Etf	Australian Equities	9.2
Morningstar International Shares Core (Unhedged)	International Equities	8.5
Morningstar International Shares Core (Hedged)	International Equities	6.1
Morningstar International Shares Active Etf (Managed Fund) Morningstar	International Equities	5.4
Ishares Core Composite Bond Etf Ishares Core Composite Bond Etf	Australian Fixed Interest	5.2
Ishares Msci Japan Etf Ishares Msci Japan Etf	International Equities	5.1
Morningstar Australian Share Fund	Australian Equities	5.0
Betashares Ftse 100 Etf Betashares Ftse 100 Etf	International Equities	5.0
Morningstar Multi Asset Real Return Fund - Class Z	International Equities	4.7
Ishares Core Msci World EX Australia Esg Etf Ishares Core Msci World E	International Equities	4.4
Ishares Msci South Korea Etf Ishares Msci South Korea Etf	International Equities	3.9
Ishares China Large-Cap Etf Ishares China Large-Cap Etf	International Equities	3.2
Vaneck Ftse International Property (Hedged) Etf Vaneck Ftse Internatio	Property	3.0
Cash Account	Cash	2.8
CSL Limited Ordinary Fully Paid	Australian Equities	1.6
Morningstar International Bonds (Hedged) Fund - Class Z	International Fixed Interest	1.5
Westpac Banking Corporation Ordinary Fully Paid	Australian Equities	1.5
Resmed Inc Cdi 10:1 Foreign Exempt NYSE	Australian Equities	1.4
Woodside Energy Group Ltd Ordinary Fully Paid	Australian Equities	1.3
ANZ Group Holdings Limited Ordinary Fully Paid	Australian Equities	1.2
Dexus Fully Paid Units Stapled Securities	Property	0.9
Amcor PLC Cdi 1:1 Foreign Exempt NYSE	Australian Equities	0.9
Brambles Limited Ordinary Fully Paid	Australian Equities	0.9
GPT Group Fully Paid Ordinary/Units Stapled Securities	Property	0.8
BHP Group Limited Ordinary Fully Paid	Australian Equities	0.7
Ramsay Health Care Limited Ordinary Fully Paid	Australian Equities	0.7
Insurance Australia Group Limited Ordinary Fully Paid	Australian Equities	0.7

Holding	Asset class	Allocation (%)
Medibank Private Limited Ordinary Fully Paid	Australian Equities	0.6
Newmont Corporation Cdi 1:1 Foreign Exempt NYSE	Australian Equities	0.6
James Hardie Industries PLC Chess Depositary Interests 1:1	Australian Equities	0.6

Quarterly manager commentary

Market Update

As we wrap up 2023, investors are likely to look back with satisfaction, aided by the robust performance in the final quarter. The strength was largely driven by the expectation the Federal Reserve will cut interest rates as many as six times in 2024 (implied market expectations) as the worst of the inflation spike is now considered behind us. The RBA and other central banks in the developed world are expected to cut interest rates throughout the year.

Several equity markets now sit at or near all-time highs—including Japan, France, Brazil, India, Mexico, and many others in local currency terms. Notably, small companies outperformed large companies by a large margin in the last quarter, reversing a long-term trend. At a sector level, 10 of the 11 major sectors delivered positive returns for the quarter, with energy the only sector to record a modestly negative number.

The Morningstar Global Market index, a barometer of global large-cap equities, posted an impressive gain of 11.2% for the quarter and 22.1% for the year, defying earlier predictions of a difficult year due to an economic downturn. To that end, the global economy has been resilient despite earlier expectations, especially in the U.S. where unemployment has stayed low and recession probabilities are falling.

At a country level, U.S. stocks did particularly well with large gains through 2023 in the so-called "Magnificent Seven" driving the broad market higher, finishing just below all-time highs. Gains were also recorded in Europe, including the U.K., although not quite as strong. Japan continued its stellar run through 2023 and had a great quarter in Japanese yen terms, as did several emerging markets including Brazil and India. At the other end, China saw losses, with poor investor sentiment and slower-than-expected economic activity. The overall strength in equities painted a positive picture of global investor health. The surge in small-cap stocks could also be indicative of the market's renewed appetite for risk, often a harbinger of economic optimism.

On the fixed-income front, bonds also delivered a strong performance in the final quarter of 2023, benefiting from the anticipated interest rate cuts by the Federal Reserve. The correlation between falling interest rates and increasing bond prices played out, with longer-dated bonds doing especially well. That said, it was corporate bonds that stood tall among their peers. These bonds, which are typically more sensitive to economic conditions, outperformed government bonds. Contrastingly, inflation-linked bonds, which are designed to help protect investors from inflation, failed to keep up with their counterparts. Given the falling inflation prints around the developed world, these securities were unable to attract the same level of demand, leading to underperformance for the period.

Commodities and commercial real estate underperformed compared to other asset classes. Meanwhile, the U.S. dollar fell against major peers.

Portfolio Update

1. Strong market performance through November stemming out of regions such as the US, Germany and Japan yielded positive results across the portfolios as we approached the close of 2023
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2. A key driver of markets performing strongly are expectations that the U.S Federal Reserve will be cutting rates in 2024 and is reflected in falling Treasury yields.
3. We used this opportunity to capitalise on positions that have been positive contributors to the portfolios where valuations have become expensive.
4. The extent of market performance has varied across regions and that has invited opportunity. The Australian market has lagged in performance relative to international counterparts which has seen the portfolios experience some rotation from international to domestic exposures and with it, reducing the divergence across positioning.

Recent months have revealed subdued reporting from consumer cyclicals in the U.S. providing strong evidence that monetary policy tightening is working its way through the economy and contracting inflation. This has resulted in markets having higher conviction that the Fed will cut rates by the June quarter of 2024 which has been reflected in the 10-year treasury yield slumping 66 basis points to 4.26% in November alone.

This not only supported markets rising more broadly but saw the theme of international equities outperforming Australian equities in 2023 both continue and intensify. For instance, the ASX 200 on a standalone basis performed reasonably well climbing 4.5% for the month but was a relatively poor performer compared to the S&P 500, the Nikkei and DAX which achieved gains of 8.9%, 8.5% and 9.5% respectively.

With international equities outperforming Australian equities in 2023, particularly yield-sensitive mega tech stocks that are largely attributable to the Magnificent Seven, we used this as an opportunity to loc in some profits from our allocation to the iShares Core MSCI World (ex Australia) ESG Leaders ETF and rotate our exposure to Australian equities in the iShares Core S&P/ASX 200 ETF.

Domestic underperformance in the short-term is not necessarily a reflection of long-term outperformance achieved in the portfolio from single stock positions. James Hardie Industries is one such example and has been a solid contributor to portfolio returns. Although it continues to be a wonderful business with a strong brand and superior cost advantages over its competitors, it is experiencing price divergence and we have resultantly reduced the holding to take profits.

Insurance Australia Group is another contributor to the portfolio up north of 20% for the year and that like James Hardie, is seeing price levels exceed valuation by a degree that warrants a reduced allocation in the portfolio. IAG continues to be a quality business as a large domestic general insurer in Australia and New Zealand that exercise strong underwriting discipline and have been capitalising in a benign claims environment.

The reduction in these allocations has in part funded an increase in the position of Woodside Energy Group. (WDS). With concerns of supply growth and the demand outlook acting as a catalyst for recent weakness in oil price, WDS's share price is down approximately 16% year-to-date but we view this reaction by markets as overdone and we therefore feel comfortable adding to this high-quality business.

Market Outlook

As we enter 2024, it's essential we remind investors that the presence of uncertainty does not imply a scarcity of opportunities. Our approach to the year will be a blend of caution and optimism.

To that end, we see positives in this environment, with opportunities to add value in fixed income and select equity markets, among other ideas. A short list of our convictions include:

1. Defensive equities, like healthcare
2. U.S. banks
3. Chinese technology stocks
4. Emerging-markets debt
5. Government bonds and inflation-protected securities

Of course, the path of interest rates and inflation will continue to act as key talking points among investors. Let's not forget that investors went into 2023 worried about inflation and expecting a recession by the second half of the year. This never transpired. Now in 2024, investors are expecting low inflation, no recession, and significant interest rate cuts. This is a Goldilocks-like scenario if it plays out, but it's worth bearing in mind that it is far from guaranteed.

Most investors have long-term goals, such as retirement, and should therefore focus on long-term value creation. Similarly, it is worth noting that risk management is a critical pillar of successful investing. An effective risk management strategy balances investment opportunities with future uncertainty, equipping investors to navigate through market volatility.

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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