MyNorth Managed Portfolios

DIVERSIFIED 70 ACTIVE GROWTH STRATEGY

Monthly Update for Month Ending September 2024

Investment objective

To outperform the benchmark over the medium to longer term.

Key information

Code	NTH1064
Manager name	Mercer
Inception date	30 November 2020
Benchmark	Consumer Price Index (CPI) + 2.5%
Asset class	Diversified
Number of underlying assets	24
Minimum investment horizon	5 years
Portfolio income	Default - Reinvest
Management fees and costs	'0.76%
Performance fee	'0.1%
Estimated net transaction costs	'0.05%
Estimated buy/sell spread	'0.16%/0.15%
Risk band/label	5/Medium to 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.

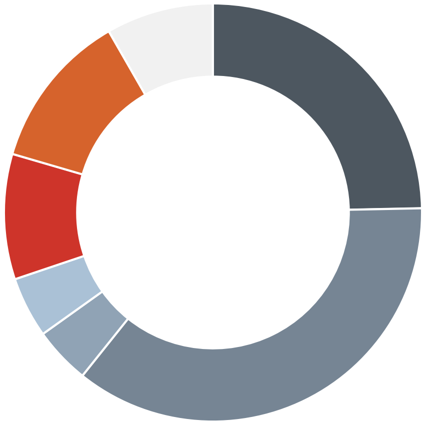
Returns

as at 30 September 2024

	Since inception*	1 Month (%)	3 Months (%)	6 Months (%)	1 Year (%)	3 Years (%)	5 Years (%)
Total return[1]	6.66	1.32	4.92	4.30	16.74	5.10	-
Income	4.10	0.01	2.05	2.24	3.34	3.28	-
Growth	2.56	1.31	2.87	2.06	13.40	1.82	-
Benchmark[2]	7.54	0.86	0.86	2.52	5.39	7.76	-

* 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	24.7
International Equities	36.1
Property	4.4
Other	4.7
Total	**69.9%**

Defensive assets	Allocation (%)
Australian Fixed Interest	9.7
International Fixed Interest	12.2
Cash	8.3
Total	**30.2%**

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 Benchmark is based on the Consumer Price Index (CPI) published by the Australian Bureau of Statistics (ABS) as of the current reporting period.

Performance history

$100,000 invested since 30/11/2020

Managed portfolio holdings[3]

Holding	Asset class	Allocation (%)
T.Rowe Price Global Equity - M Class (Hedged)	International Equities	9.8
Payden Global Income Opportunities	International Fixed Interest	8.3
Macquarie True Index Australian Fixed Interest	Australian Fixed Interest	8.1
Pendal Focus Australian Equities Fund	Australian Equities	5.8
Greencape Broadcap Fund (W)	Australian Equities	5.5
JPMorgan Global Select Equity Fund - Class I Units	International Equities	5.3
Solaris Core Australian Equity Fund (Performance Alignment)	Australian Equities	5.3
CT Global Corporate Bond Fund	International Fixed Interest	5.2
AB Concentrated Australian Equities Fund	Australian Equities	4.9
Colchester Global Government Bond Fund - Class R	International Fixed Interest	4.7
Resolution Capital Global Property Securities Fund	Property	4.5
Lazard Global Infrastructure Fund (Hedged) - S Class	International Equities	4.4
IFP Global Franchise Fund II (Wholesale) (Hedged) - Class W	International Equities	4.1
Pendal Global Select Fund - Class W	International Equities	3.2
Pzena Global Focused Value Fund - P Class	International Equities	3.2
Fairlight Global Small & Mid Cap (SMID) Fund - Class A	International Equities	3.0
Global X Physical Gold Global X Physical Gold	Other	3.0
Skerryvore Global Emerging Markets All-Cap Equity Fund - Class M	International Equities	2.9
Ausbil Australian Emerging Leaders Fund	Australian Equities	2.4
Coolabah Floating-Rate High Yield Fund - Institutional Class	Australian Fixed Interest	1.9
Man AHL Alpha (AUD) - Class B	Other	1.5
P/E Global FX Alpha No.1 Fund - Class W	Other	1.5
Cash Account	Cash	0.9
Macquarie Cash	Cash	0.8

Quarterly manager commentary

Market Update

Over the September quarter fears of a US recession grew, due to weaker conditions in labour markets and the manufacturing sector. Economic conditions weakened in the Eurozone, led by German manufacturers. Meanwhile, conditions remained lacklustre in China driven by ongoing weakness in its property markets, while economic activity improved in Japan with wage increases boosting consumption.

With greater confidence in the inflation outlook, the Fed cut interest rates by 0.5% to a range of 4.75-5.00% p.a. but also stating that the size of the cut should not be extrapolated and that future decisions will be data dependent and made at each meeting. A number of European regions, Canada and New Zealand also cut interest rates by 0.25% in the quarter due to reducing inflationary pressures. Japan was the exception raising rates from 0.1% p.a. to 0.25% p.a. Furthermore, Chinese policymakers have pledged to stop the decline in the property market with the Peoples' Bank of China cutting interest rates and reserve ratio requirements.

Within Australia economic activity remained weak over the quarter. Q2'24 GDP was 0.2% Quarter-on-Quarter (QoQ), bringing the Year-on-Year (YoY) rate to 1.0%, driven by weak household consumption. Business survey responses indicated slowing conditions, with retail facing the most challenges. The trimmed mean CPI (the RBA's preferred measure of inflation) rose by 0.8% QoQ in Q2'24, down from 1.0% QoQ in Q1'24, easing concerns about accelerating underlying inflation in Australia. More recent inflation indicators have also eased, driven by the government's energy rebate for households. The RBA kept interest rates unchanged at 4.35% p.a. over the quarter noting it "remains vigilant to the upside risks to inflation" effectively pushing back against expectations for an interest rate cut in the coming months

Oil prices ended the quarter lower, despite rising tensions in the Middle East, due to speculation of supply increases by OPEC+. Gold prices hit a record high as central banks cut interest rates internationally whilst industrial metals like iron ore ended the quarter slightly lower due to weak economic data from China, despite a late recovery after Chinese policymakers pledged to stop the decline in property markets.

The Australian dollar (AUD) recorded mixed performance against major currencies over the quarter. The AUD appreciated against the US dollar, with the latter depreciating in anticipation of Fed interest rate cuts, while the AUD depreciated against the Japanese Yen as the Bank of Japan raised interest rates and signalled more increases ahead.

Portfolio Update

Australian Shares rose as investor optimism for international interest rate cuts grew and Chinese authorities announced policy measures to support its property market. Against this backdrop, interest rate sensitive sectors such as Real Estate performed well. The Materials sector also did well in the quarter, supported by a late recovery in industrial metals prices. Australian Small Caps also performed well driven in part by a strong contribution late in the quarter from the Materials sector which benefited from the rise in precious and industrial metals prices.

The AB Concentrated Australian Equities underperformed over the quarter on a relative basis. The industrials and communication-services sectors detracted the most from relative performance, while materials and real estate contributed positively. The strategy is a high-conviction, value-oriented equity portfolio of 20 stocks that seeks to generate outperformance through superior stock selection driven by the firm's proprietary fundamental research. In contrast, the Ausbil Australian Emerging Leaders Fund outperformed its benchmark over the quarter, returning 10.2%. The fund's philosophy is style-indifferent and seeks to identify both earnings and earnings revisions at an early stage of a company's lifecycle in order to exploit inefficiencies. As such, the fund maintained substantial overweights to the Information Technology and Utilities sectors, which were key contributors to its outperformance over the period.

Global Shares ended the quarter higher, recovering from an earlier decline as US recession concerns eased and the Fed began cutting interest rates. Utilities and Real Estate were the best performing sectors, supported by interest rate cuts and a decline in government bond yields internationally. Emerging Market Shares performed well, recovering late in the quarter as Chinese policymakers pledged to address the decline in their property market.

The IFP Global Franchise Fund II strongly outperformed the benchmark over the September quarter, delivering an absolute return of 9.7%. The fund continues to focus on investing in companies that exhibit strong franchise characteristics, remaining disciplined on quality and valuations in order to preserve and steadily grow capital over time. As such, the strategy is generally underweight growth and information technology stocks, and subsequently benefitted as equity markets began to rotate away from the handful of AI-related mega cap names that have been driving much of the returns over the calendar year. Skerryvore Emerging Market Equities underperformed its benchmark by 0.9% over the quarter. At a country level, holdings in Mexico were the largest detractor, while China was their largest contributor. The strength of this strategy lies in the team's genuinely long-term view, their unconstrained absolute return mind-set, and singular focus on identifying and investing in companies with sustainable, enduring business models.

Rising anticipation of US interest rate cuts and declining bond yields boosted listed real asset markets with Australian Listed Property, Global Listed Property and Global Listed Infrastructure all recording strong returns for the quarter.

The Resolution Capital Global Property Securities underperformed the broader benchmark over the quarter, however still performed strongly on absolute terms, returning 12.5%. Stock selection and overweight positions to the residential and data centre and towers segments, stock selection in the self-storage and retail segments, and an underweight position to the office segment detracted from relative performance over the quarter. The strategy offers Global Listed Property exposure with broad sector holdings and many inflation-linked cash flows, as well as diversification to equity investments and investments driven by Australian economic activity. Similarly, the Lazard Global Listed Infrastructure Fund underperformed its benchmark over the quarter, yet delivered strong absolute performance, returning 10.4%. Stock selection within U.S. utilities detracted, as did an underweight allocation to North America. The strategy offers investors diversification benefits to a portfolio, particularly during times of high inflation.

Global Government Bonds produced healthy returns as concerns about the US economy rose and expectations for US interest rate cuts increased. Australian Government Bonds produced positive returns but lagged Global Government Bond returns as the RBA kept interest rates unchanged.

Global Credit and Emerging Market Debt also performed well, supported by the decline in government bond yields internationally and increased investor risk appetite following the US interest rate cut.

The Colchester Government Bond Fund returned 4.3% over the quarter, outperforming the benchmark. Bond selection in particular the overweight positions in Mexico, Colombia and Indonesia as well as currency selection all contributed to returns. The strategy offers currency-hedged exposure to global sovereign bonds and provides diversification from high-yield fixed income. Additionally, the Payden Global Income Opportunities returned 1.5% outperforming the benchmark for the quarter. The main drivers of positive fund performance were fixed rate spread sectors such as investment grade and high yield corporate credit along with securitized credit. The strategy seeks to provide the portfolio with exposure to growth fixed income assets, such as high yield, emerging market debt and bank loans.

Portfolio changes during the quarter:

The Mercer Managed Accounts team recently introduced Alternatives strategies within the portfolio in order to provide a number of advantages including correlation diversification, lower overall volatility, downside protection, inflation mitigation and the ability to enhance both absolute and risk adjusted returns. These strategies include the MAN AHL Alpha Fund, the P/E Global FX Alpha Fund, and the Global X Physical Gold ETF (ASX: GOLD). The MAN AHL Alpha Fund is a managed futures strategy that employs a systematic, algorithmic, trend following approach across a wide investment universe including stocks, bonds, currencies, agriculture, metals, interest rates, energy and credit. In contrast, the P/E Global FX Alpha Fund mostly invests in exchange-traded futures which provide exposure to developed and emerging market currencies.

Furthermore, the introduction of the Global X Physical Gold ETF represents a dynamic allocation to gold with the aim for it to provide risk mitigation amid increasing global market volatility which is underscored by a turbulent US election campaign and the escalating conflict in the Middle East. To implement the introduction of the above strategies, the overweight equities position was trimmed on the back of strong price appreciation over the calendar year-to-date, as well as smaller rebalancing and dynamic asset allocation trades.

Market Outlook

Looking forward through an Australian lens, Mercer expects high interest rates and cost-of-living pressures to keep household consumption and economic growth suppressed. Core inflation is expected to decline at a slower pace compared to other developed economies due to pressures in residential rental markets. While the RBA has indicated vigilance against inflation risks, we do not believe it will commence a new series of hikes. Rather, Mercer believe that interest rates have likely peaked this cycle.

Globally, Mercer expect international economic growth to remain resilient but regionally divergent. We do not expect the US to enter a recession but anticipate slowing yet growth, with corporate and consumer balance sheets remaining strong. Mercer expect US inflation to slow further, driven by a decline in services inflation, and expect the Fed to continue cutting rates. China's growth will improve from its current slow pace, supported by favourable government policies. Other emerging economies will also benefit from these policies and their own central bank policies, aiding their growth.

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.