MyNorth Managed Portfolios

DIVERSIFIED ACTIVE BOND STRATEGY

wealth.truth varria Personal Financial Advisers

Quarterly update for quarter 30 June 2023

Investment objective

To achieve a return of at least CPI.

Key information

Code	NTH1067
Manager name	Mercer
Inception date	30 November 2020
Benchmark	ABS Consumer Price
Asset class	Diversified
Number of underlying assets	8
Minimum investment horizon	1 year
Portfolio income	Paid to Cash Account
Management fees and costs	'0.43%
Performance fee	'0.00%
Estimated net transaction costs	'0.04%
Estimated buy/sell spread	'0.02%/0.06%
Risk band/label	2/Low
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 2023

	Since inception*	1 Month (%)	3 Months (%)	6 Months (%)	1 Year (%)	3 Years (%)	5 Years (%)
Total return[1]	-1.26	-0.59	-0.73	1.63	1.21	-	-
Income	1.67	0.10	0.40	0.74	1.28	-	-
Growth	-2.93	-0.69	-1.13	0.89	-0.07	-	-
Benchmark[2]	5.59	0.83	0.83	2.22	6.03	-	-

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

Asset allocation

as at 30 June 2023

Growth assets	Allocation (%)
Australian Equities	0.0
International Equities	0.0
Property	0.0
Other	0.0
Total	**0.0%**

Defensive assets	Allocation (%)
Australian Fixed Interest	34.8
International Fixed Interest	36.9
Cash	28.3
Total	**100.0%**

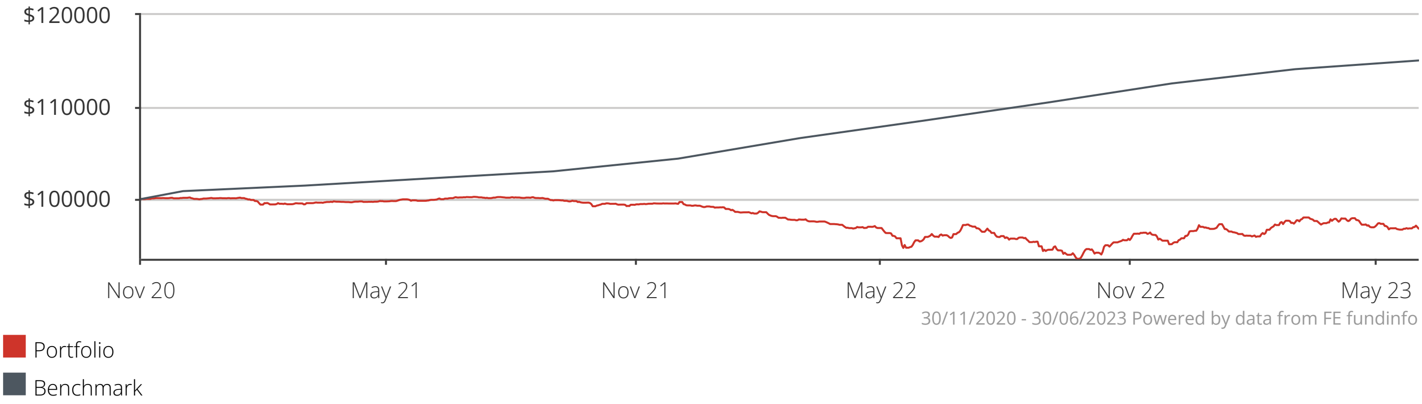
Asset allocation data sourced via Morningstar® from the underlying fund manager.

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 30/11/2020



Managed portfolio holdings[3]

Holding	Asset class	Allocation (%)
UBS Cash Fund	Cash	29.8
Macquarie True Index Australian Fixed Interest	Australian Fixed Interest	28.4
Franklin Australian Absolute Return Bond Fund - I Class	International Fixed Interest	14.9
PIMCO Global Credit Fund — Wholesale Class	International Fixed Interest	14.3
Colchester Global Government Bond Fund - Class R	International Fixed Interest	6.7
AB Dynamic Global Fixed Income Fund	International Fixed Interest	5.0
Cash Account	Cash	1.0

Quarterly manager commentary

Market update

The second quarter of 2023 was positive for growth assets and generally flat to slightly negative for fixed income.

Globally, inflation continued to ease, although at different rates depending on country or region. However, major central banks continued to raise rates during the quarter though, notably, the US Federal Reserve kept rates on hold at its June meeting. Looking forward, with the global economy continuing to show resilience, despite tighter credit conditions, markets appear to be more optimistic. Growth assets, in particular, reflect this optimism and are pricing in an increased likelihood of a "soft landing".

Hedged Developed Market Overseas Shares returned 7.1% over the June quarter as inflationary expectations receded, and Unhedged Overseas shares outperformed, adding 7.6%. Australian Shares posted a modest gain of 1.0% over Q2 as performance was mixed across sectors. Materials (-2.6%) and Healthcare (-3.1%) sectors were the most significant detractors, offset by gains in Information Technology (18.5%) and Financial (3.1%) sectors. Emerging market equities returned 1.5%, lagging behind developed markets, as the tailwinds expected from China's post-covid reopening have disappointed so far. Brazil was a top performer (15.9%), given its early monetary policy intervention and apparent success with fighting inflation.

Hedged Overseas Government Bonds returned -0.7% as bond yields moved higher over the quarter. The period was marked by the machinations and subsequent resolution of US Debt ceiling negotiations, leading to a substantial drop in market volatility. High yield outperformed investment grade bonds as fixed interest markets are also pricing in a more optimistic "soft landing" scenario. Over the quarter, US inflation expectations were mostly unchanged with the 10-year inflation breakeven rate ending June at 2.2%.

The Australian Dollar (AUD) depreciated against most major developed market currencies over the June quarter with the US Dollar (-0.6%), Pound Sterling (-3.3%) and Euro (-1.0%). Against the trend, the AUD appreciated against the Japanese Yen (7.9%). On a trade-weighted basis, the local currency appreciated by 2.3% over the quarter.

In terms of commodities, the S&P GSCI Commodity Total Return Index decreased by 2.1% over the quarter. Gold prices finished June at US$1,916.00/oz, falling 3.1% over the three months, and Iron Ore prices were decidedly weaker, dropping 10.6% to US$113.50/t. Oil was another key commodity that fell over the quarter, down 6.6% to US$74.51/barrel (Brent Crude) and a large contributor to the drop in the headline inflation rate.

Portfolio Update

The portfolio delivered a return of -0.73% for the June quarter compared to its benchmark return of 0.83%.

Second quarter 2023 brought mixed results for bond investors. Government bond yields rose, causing long duration assets to suffer, particularly in the UK and Australia, due to higher-than-expected inflation and central banks' firm stance on combating inflation. With the exception of the Bank of

Japan, major central banks continued to raise interest rates during the period. However, in June the US Federal Reserve was the first to pause, keeping rates steady at its 5% to 5.25% range after a year of consecutive increases, although its accompanying rhetoric remained "hawkish".

Short-term interest rates continued to rise, with the Australian Reserve Bank implementing two 0.25% rate hikes, bringing the cash interest rate to 4.10%. Credit spreads tightened during Q2 2023 as confidence in issuers' ability to meet debt obligations grew. The Australian dollar finished the quarter lower, influenced by lower commodity prices and a weaker Chinese economy. It fell from U.S. 67.1 cents to U.S. 66.3 cents but saw gains against the Japanese Yen.

PIMCO Global Credit returned -0.17%, outperforming its benchmark by 0.24%. Australian and US duration positioning contributing positively to performance. Furthermore, selective exposures to investment grade corporates and securitised assets also benefitted the fund's performance. This strategy offers investors high-yield global corporate bond exposure that diversifies the growth asset and core fixed interest exposure in the portfolio. Macquarie True Index Australian Fixed Interest Fund produced a negative return of -2.9% over the quarter.

Portfolio changes during the quarter
No changes were made to the portfolio over the quarter.

Market Outlook
Looking ahead, Mercer expects weak growth for the next few quarters for much of the developed world as central banks are likely to maintain restrictive policy settings to temper inflation. However, Mercer does not believe a hard landing is likely, given the health of household and corporate balance sheets. One important and potentially brighter spot is China. In Mercer's view, despite a disappointing economic performance post its Covid lockdown, it expects policy to remain supportive and for economic conditions to improve.

In Australia, whilst economic conditions have held up, Mercer continues to believe that risks to economic growth remain to the downside with the rise in mortgage rates and flow-on impact for domestic consumption the main driver. Meanwhile, maintaining a view that inflation is likely to moderate this year, albeit with the risk that core inflation will decline more slowly, given the pressures in both labour and residential rental markets. Consequently, Mercer believes the critical risk is the RBA cash rate being held higher for longer, as the central bank seeks to manage these various pressures.

From an asset class perspective, given market pricing relative to potential downside macroeconomic risk, Mercer maintains a neutral view on global equities though persisting with its cautious bias. Mercer also retains a neutral view on Australian equities with a similar, cautious bias in light of potential risks to the domestic economic outlook. However, Mercer holds a more favourable view of growth fixed income, given the yields on offer.

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.