

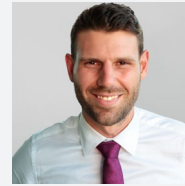
# North Professional Conservative Fund

Portfolio Manager Update  
March 2024 Quarter

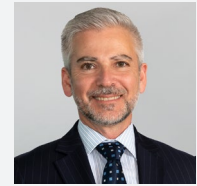
The North Professional Conservative Fund offers investors an actively-managed and diversified exposure to a variety of asset classes including shares, property, fixed interest, cash and alternatives – both in Australia and overseas.

**Investments are made in managed investment schemes whose assets are managed by specialist managers selected for their expertise in that asset class.**

## Portfolio Managers



**Stephen Flegg**  
Senior Portfolio Manager



**Stuart Eliot**  
Head of Portfolio Management

## FUND AT A GLANCE

### Investment objective

The Fund aims to provide investors with moderate long-term investment returns which outperform its own composite index benchmark and aims to outperform the Morningstar OE Multisector Moderate Survey.

The Fund may be suitable for investors seeking to invest in a mix of growth and defensive assets. Growth assets will have an average allocation of 35% with the balance in defensive assets.

### Fund details

<b>APIR code</b>	IPA0176AU
<b>Minimum investment timeframe</b>	3 years
<b>Total fund size (millions)</b>	\$171.4
<b>Product inception date</b>	19 January 2015
<b>Risk level (1-7)</b>	4 – Medium
<b>Product status</b>	Open

### Designed for

Investors seeking some capital growth and regular income while preserving capital, to be used as either a satellite, core or standalone holding within a portfolio where the consumer has a medium to long investment timeframe and a high risk/return profile. The fund provides daily access to capital.

### Asset allocation range



### Key features

Long-term track record of performance.	Active stock selection, active asset allocation and efficient portfolio construction.
Access to some of the best managers and assets from around the globe.	Diversification across asset classes, geographies and sectors of the economy.

## PERFORMANCE

Returns (as at 31 March 2024)

	3 months (%)	1 year (% pa)	3 years (% pa)	5 years (% pa)	7 years (% pa)	10 years (% pa)
<b>Professional Conservative – Gross</b>	3.17	8.41	2.75	3.60	4.08	N/A
<b>Professional Conservative – Net</b>	3.00	7.68	2.04	2.91	3.37	N/A
<b>Peer survey<sup>(i)</sup></b>	3.04	7.06	2.66	3.20	3.43	N/A

(i) Morningstar OE Multisector Moderate Survey – Peer Group Average. Peer survey data is published as at 10<sup>th</sup> January 2024 sourced from Morningstar Direct and may differ to what is published on [www.morningstar.com.au](http://www.morningstar.com.au)

Past performance is not a reliable indicator of future performance.

Source: AMP Investments as at 31 March 2024. Performance is shown before tax and management fees and costs and assumes all distributions are reinvested.

## Asset performance (as at 31 March 2024)

	3 months (%)	1 year (% pa)	5 years (% pa)	10 years (% pa)	Since inception (% pa)
<b>Australian shares</b>	6.39	16.72	10.19	8.75	9.13
<b>Benchmark</b>	5.43	14.40	9.15	8.27	8.35
<b>Global shares – hedged</b>	8.42	22.00	10.67	10.04	9.25
<b>Benchmark</b>	9.41	23.19	9.87	9.56	9.11
<b>Global shares – unhedged</b>	12.51	26.05	13.88	13.39	10.69
<b>Benchmark</b>	13.34	26.84	12.80	12.58	9.92
<b>Global listed property</b>	-1.56	5.61	0.97	5.51	9.77
<b>Benchmark</b>	-1.73	5.68	1.12	5.07	N/A
<b>Global listed infrastructure</b>	3.61	4.72	4.56	7.53	9.73
<b>Benchmark</b>	2.11	1.84	2.50	5.62	8.29
<b>Alternatives</b>	0.34	-2.09	-1.22	0.63	3.50
<b>Benchmark</b>	N/A	N/A	N/A	N/A	N/A
<b>Opportunistic credit</b>	0.80	0.90	2.10	2.79	5.05
<b>Benchmark</b>	N/A	N/A	N/A	N/A	N/A
<b>Australian bonds</b>	0.83	1.71	0.80	2.85	3.70
<b>Benchmark</b>	0.72	1.38	0.34	2.50	3.43
<b>Global bonds</b>	-0.36	2.49	-0.06	2.29	3.97
<b>Benchmark</b>	-0.31	2.53	-0.13	2.33	3.94
<b>Investment grade credit</b>	0.90	5.90	1.08	2.92	4.21
<b>Benchmark</b>	0.34	4.20	0.92	2.37	3.26

Past performance is not a reliable indicator of future performance. Performance noted above is of the active building blocks in those asset classes.

Source: AMP Investments as at 31 March 2024. Performance is shown before tax and management fees and costs and assumes all distributions are reinvested.

## QUARTERLY COMMENTARY

### Performance

The March quarter saw continued strong performance from most growth asset markets, as traders bet on inflation continuing to fall and any near-term recessionary conditions to be mild. The anticipated path of US interest rates changed over the quarter, with markets pricing in significantly fewer cuts later in the year. While we typically would expect this to weigh on equity markets, it appeared to have little to no impact, as markets rose steadily over the period. Amidst the cheers of equity investors over robust economic data, fixed income investors faced a tougher March quarter as yields rose, resulting in negative performance from global government bonds, though this was offset by positive returns from the credit segment.

Over the quarter, the Fund produced a strong absolute return which was ahead of the strategic benchmark, as well as most peers. Longer-term performance remains solid and in line with returns we have historically expected from this strategy. The largest contributors to absolute performance were allocations to international shares as well as Australian shares.

### Portfolio management

At quarter end, the Fund's asset allocation can be summarised as:

**Australian shares** – We expect Australian equities to generate a solid return premium versus risk-free assets over the medium to long-term, bolstered by franking credits and a healthy earnings yield. The sector makeup, which is dominated by banks and mining, is not as attractive to us as some offshore markets. The current positioning in this asset class is neutral vs the benchmark.

**International shares** – We believe global share markets particularly are well positioned for growth over the medium to long-term. We are expecting higher volatility moving forward, and thus we anticipate our active managers will have considerable opportunity to add value. We are currently overweight this asset class vs the benchmark.

**Real assets** – The different return drivers for real assets versus listed equities provide useful diversification and improved consistency of returns. Our current positioning in this asset class is neutral vs the benchmark.

**Defensive assets** – With increased yields on offer, we have continued to target more of these returns by buying bonds and increasing the duration. Selected areas in credit also potentially offer good risk adjusted returns, which we are excited about allocating capital to through our line-up of quality active managers. Our credit exposure has been increasing and we expect this trend to continue in the near-term. We are overweight credit, neutrally positioned in bonds and underweight cash.

## Outlook

Looking ahead, we anticipate 2024 to be a broadly positive year for markets, helped by relatively lower inflation and central banks looking to cut rates where possible. However, with economic growth now struggling in many regions outside the US and an unstable global geopolitical environment, we believe it may be a rougher and more constrained ride than in 2023; particularly given significant recent price rises in growth asset markets. As always, we remain highly diversified across asset classes and strategies, as we focus on generating long-term wealth for our investors.

## Manager in focus

### Lazard

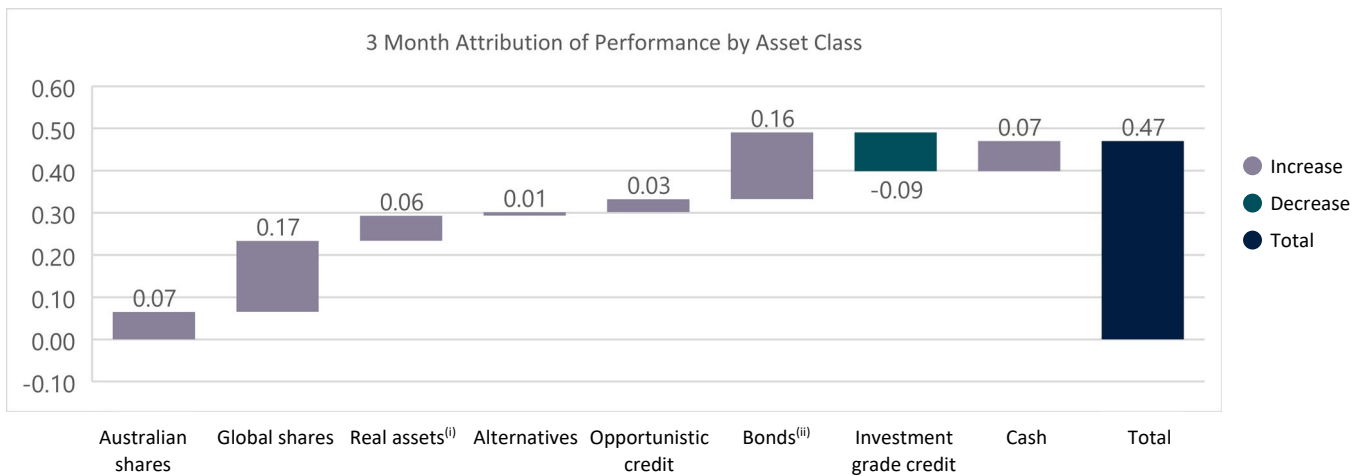
Australian Equities manager, Lazard, adopt a fundamental, high conviction approach to investing, targeting absolute returns over the long-term. Stock selection is founded on deep fundamental research. Risks, including from a benchmark-perspective, also form a significant consideration in building their portfolio. Lazard also believe ESG considerations can affect a security's valuation and financial performance, thus have integrated ESG into their research approach and investment decision process.

## Stock story

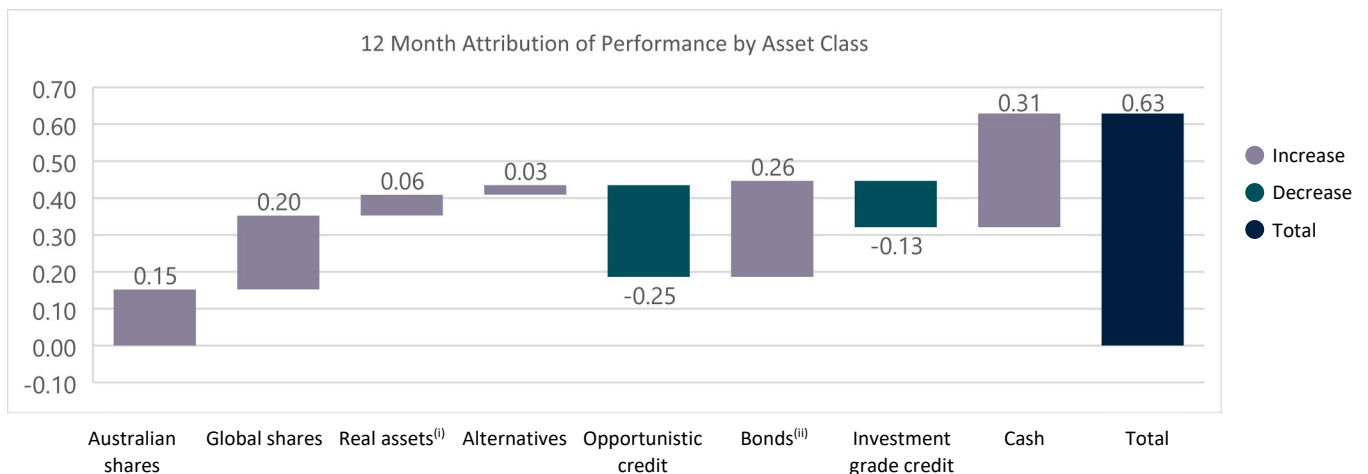
### Underweight to banks

For some time, Lazard has been materially reducing their exposure to banks, in both absolute and relative terms. While the shares have been rising in price for some time, Lazard believe there are significant headwinds in the industry the market is not pricing in. Net Interest Margins, an important indicator of bank profitability, have continued to decline. When combined with the cost of credit still being priced for an economic boom, along with bank stocks now trading at very high multiples, they've elected to mitigate risk by preferring other sectors with better cashflow prospects, such as general insurance, or stocks exposed to the energy transition.

## PERFORMANCE ATTRIBUTION



(i) Real assets includes property and infrastructure.  
(ii) Bonds includes Australian and international bonds.



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## Underlying managers (at 31 March 2024)

Manager	Strategy	End of month weight (%)
<b>Australian shares</b>		
Lazard Asset Management	Fundamental - Relative value	2.6
Vinva Investment Management	Quantitative - Multi-factor	3.0
ECP Asset Management	Fundamental - Quality growth	2.4
UBS Asset Management	Passive - Index	2.7
Futures	Futures	0.5
<b>Global shares</b>		
Arrowstreet Capital, Limited Partnership	Quantitative - Multi-factor core	1.2
C WorldWide Asset Management	Fundamental - Quality growth	0.9
Intech Investment Management	Mathematical - Core	1.5
Intech Investment Management (Enhanced Index)	Mathematical - Core	2.5
Dimensional Fund Advisors	Quantitative - Quality with large cap biased	0.7
LSV Asset Management	Quantitative - Diversified value	0.7
Pzena Investment Management	Fundamental - Focused value	0.9
GMO Emerging Markets	Quantitative - Value biased	0.2
UBS Asset Management (Index Developed Market)	Passive - Index	0.0
Janus Henderson Investors	Multi-strategy	3.2
AQR Capital Management, LLC	Quantitative	3.3
Ninety One	Fundamental - Core	0.8
Schroders Investment Management	Quantitative - Core	0.4
Lazard Asset Management	Quantitative - Core	0.8
Futures	Futures	-1.5
<b>Global listed property</b>		
Macquarie Investment Management Global Limited	Fundamental - Core	3.1
<b>Global listed infrastructure</b>		
Dimensional Fund Advisors	Quantitative - Core	4.5
<b>Alternatives</b>		
AQR Capital Management	Hedge fund strategies	0.8
South Peak Investment Management	Specialist risk premia (Volatility)	0.8
Volt Capital Management	Systematic macro	0.5
Neuberger Berman	Discretionary macro	0.5
<b>Opportunistic credit</b>		
Blackstone Inc.	<i>*in wind-down</i>	0.2
Credit Suisse Securities (Europe) Limited	Life Settlement Swaps	0.6
TCW Asset Management	Opportunistic credit (sector-specialist)	0.9
Ares Management	Infrastructure Debt	1.3
Ninety One	Emerging Market Debt	0.2
<b>Australian bonds</b>		
Macquarie Asset Management	Top down, Macro-thematic	8.7
Pendal Institutional Limited	Relative value, Bottom Up	13.0
Futures	Futures	0.0
<b>Global bonds</b>		
UBS Asset Management	Passive - Index	7.7
Futures	Futures	-0.5
<b>Investment grade credit</b>		
PIMCO	Top down, Macro-thematic global fixed income	7.1
Morgan Stanley	Fundamental, Bottom up global credit	7.1
<b>Diversified credit</b>		
Roc Partners	Private Debt	0.2
Revolution Asset Management	Private Debt	0.2

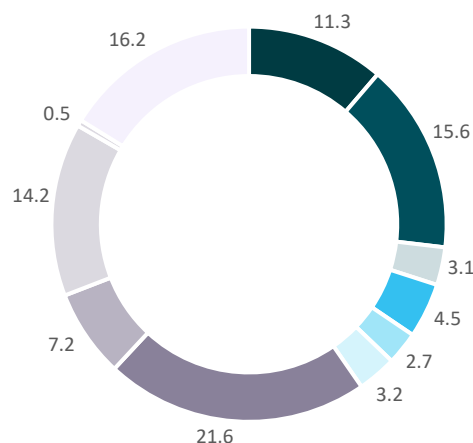
Cash		
Macquarie Investment Management Global Limited (Enhanced Cash)	Actively managed cash	8.7
Macquarie Investment Management Global Limited (Transactional Cash)	Cash	7.4

**Note:** Allocations and underlying investment managers may change without prior notice.  
**Source:** AMP Investments as at 31 March 2024.

## ASSET ALLOCATION

### Asset allocation by sector

Asset class	Target	Current	Tilt
<b>Growth assets</b>	<b>%</b>	<b>%</b>	<b>%</b>
● Australian shares	11	11.3	0.3
● Global shares	14	15.6	1.6
● Global listed property	3	3.1	0.1
● Global listed infrastructure	4	4.5	0.5
● Alternatives <sup>(i)</sup>	2	2.7	0.7
● Opportunistic credit	2	3.2	1.2
<b>Defensive assets</b>	<b>%</b>	<b>%</b>	<b>%</b>
● Australian bonds	22	21.6	-0.4
● Global bonds	7	7.2	0.2
● Investment grade credit	13	14.2	1.2
● Diversified credit	2	0.5	-1.5
● Cash	20	16.2	-3.8



(i) Alternatives has a 50% allocation to growth and 50% allocation to defensive.

## WE'RE HERE TO SUPPORT YOU

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If you are an adviser, you can contact Client Services as above or your State Account Manager.

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The information provided in this document is current as at 31 March 2024.