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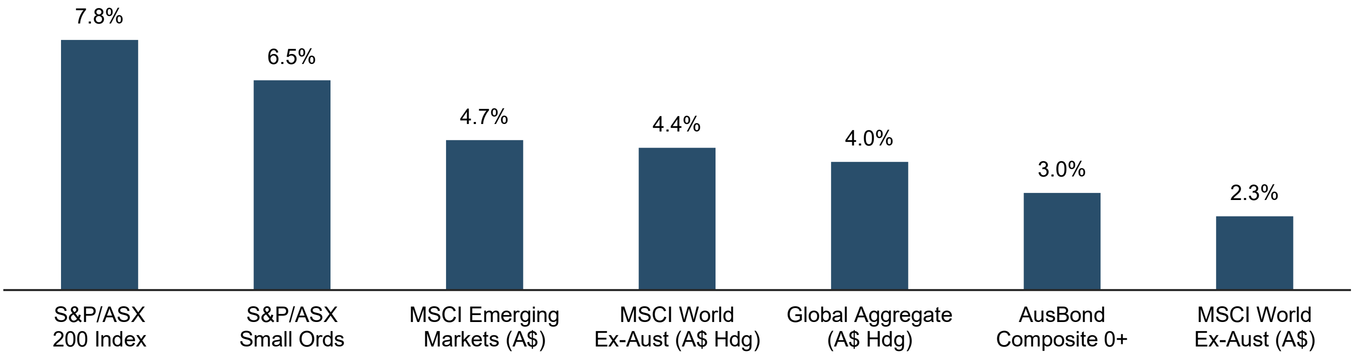
Core Income Portfolio

The Evans and Partners Core Income Portfolio utilises Evans and Partners' asset allocation methodology and investment strategy expertise to provide income focused investors with exposure to a diversified portfolio of managed investments.

Performance to 30 September 2024	3 Months	6 Months	1 Year	3 Years (P.A.)	5 Years (P.A.)	Since Inception (P.A)
Evans and Partners Core Income Portfolio	3.9%	4.3%	n/a	n/a	n/a	12.3%
RBA Cash Rate + 1.5% Index	1.4%	2.9%	n/a	n/a	n/a	5.8%
Outperformance	**2.4%**	**1.4%**	**n/a**	**n/a**	**n/a**	**6.6%**

The table above sets out the investment performance returns (AFTER investment management fees, but BEFORE administration fees, performance based fees and taxes) for the Portfolio. The performance returns have been calculated on a daily basis taking into account brokerage costs, and are accumulated for the period shown. Returns are shown as annualised if the period is over 1 year, or as total returns otherwise.These figures represent historical performance of the model portfolio only and should not be construed as an indication of future performance. Individual client returns may vary depending on investment timing and slight variances in individual weightings. An investment in this Portfolio incorporates risk, including loss of principal invested. Inception date 03/10/2023.

Quarterly market performance



Source: Bloomberg, Evans & Partners

Market review

Investment markets were positive for the quarter, with strength observed across a range of growth and defensive assets.

A key event was the US Federal Reserve cutting the Official Federal Funds Rate by 50 basis points (bp), with similar moves mirrored by the European Central Bank, People's Bank of China, and Reserve Bank New Zealand in an effort to stimulate their respective economies. US equities rallied, with the Russell 2000 (+9.3%) significantly outperforming the S&P 500 (+5.9%). The MSCI World Index ($A) returned +2.4%, with the Australian dollar hedged index returning a more robust +4.5%. The USD (-4.8%) weakened on a trade-weighted basis, while the AUD rose (+3.6%) to US$0.69. The US yield curve steepened, with the 2-year (-111bp) falling to 3.64% and the 10-year (-68bp) closing out the quarter at 3.78%.

Emerging markets (+4.7%) outperformed developed market peers, this time spurred by Chinese stimulus announcements. Key contributors were the CSI 300 (+17.9%) and Hang Seng (+21.7%). The S&P/ASX 200 (+7.8%) had a productive quarter, boosted by China's policy announcements.

Quarterly video update

Click below for a quarterly video update, provided by Co-Portfolio Manager, Max Casey.

The views expressed herein are part of a wider portfolio investment strategy and should not be considered in isolation.

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Portfolio commentary

The Core Income Portfolio (Portfolio) returned +3.9% for the quarter, providing solid outperformance over its return objective.

The portfolio's top-performing investment was the **Clearbridge RARE Infrastructure Income Fund (Hedged**) **(+13.1%)**. The global infrastructure sector performed well given the interest rate sensitive nature of these assets. Global infrastructure stocks got a boost from a larger than expected cut in the official Fed Funds Rate in response to lower than expected annual inflation and a softening in US labour market conditions. Utility stocks, which make up a large position in Clearbridge Rare Infrastructure Income Fund, also continue to ride a wave optimism around the future energy requirements of artificial intelligence and global data centers which has seen it become one of the best performing sectors year-to-date.

Strength was also displayed from our position in the **BetaShares Australia 200 ETF (+7.7%)**, which was a major contributor to performance. The domestic market had a positive quarter, with the top sector being Information Technology (+16.1%). Despite initially struggling, we saw iron ore prices rebound in response to Chinese stimulus measures, in turn, supporting the heavyweight Materials (+10.8%) sector.

We also observed strength in the **Neuberger Berman Global High Yield Fund (+7.3%)**. The fund has significant exposure to US high yield bonds (circa 60% of the portfolio) where primary and secondary market activity continues to prove resilient, and borrower fundamentals remain in solid shape thanks to buoyant economic conditions. Whilst we have seen a significant contraction in credit spreads this year, we are still attracted to the asset class and fund and believe it offers attractive risk-adjusted returns, particularly relative to other international fixed-income investments.

The worst performer in the fund was the **iShares Core Cash ETF (+1.2%)**, which still achieved a positive return for the period. The fund has a focus on capital preservation and short-dated income instruments as opposed to capital growth, offering liquidity and low-risk income. The fund looks to replicate the S&P/ASX Bank Bill Index and is currently on a trailing twelve-month yield of 4.4%. We are still comfortable with this exposure, as it is performing as designed, to allow us to reduce portfolio risk and capture income from the cash component of the portfolio.

In terms of portfolio changes for the quarter, we increased our weighting to the **Betashares Global Shares Currency Hedged ETF (HGBL)** in response to a stronger than expected global economy and commencement of the US easing cycle.

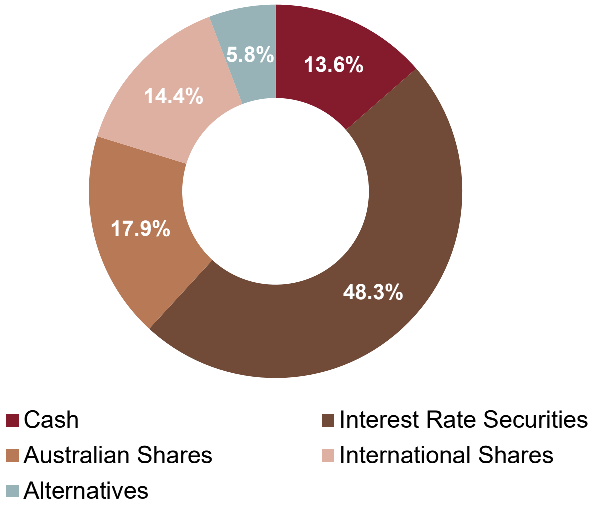
We retain a slight defensive tilt within the Portfolio's asset allocation, with underweight positions in Australian and International Shares. We are cognisant of stretched valuations across global and domestic equity market, while also aware of the potential for near-term volatility given heightened by geopolitical tensions and an impending US election.

Top and bottom performers

Top 3	**Return**
RARE Infrastructure Income Fund	13.1%
BetaShares Australia 200 ETF	7.7%
NB Global High Yield Fund	7.3%
Bottom 3	**Return**
iShares Core Cash ETF	1.2%
MCP Master Income Trust	1.5%
VanEck Australian Subordinated Debt ETF	1.6%

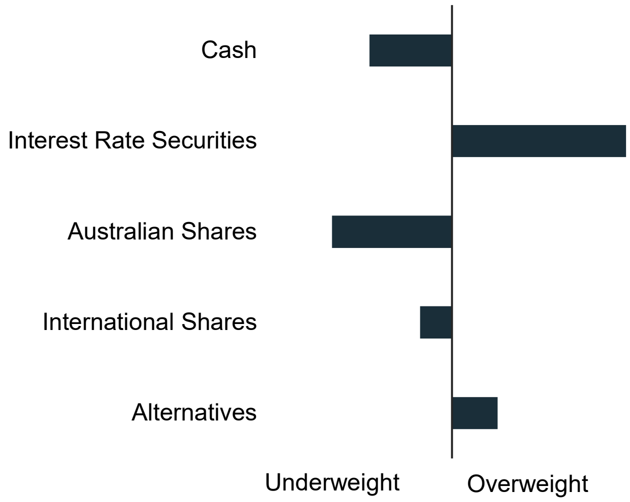
Source: Evans & Partners

Current asset allocation



Source: Evans & Partners

Portfolio Positioning: Tactical Allocation



Source: Evans & Partners

Manager In Focus

Neuberger Berman Global High Yield Fund (ETL9987AU)

About the fund

The **Neuberger Berman Global High Yield Fund (Fund)** is an actively managed credit fund that invests in non-investment grade credit opportunities across international markets.

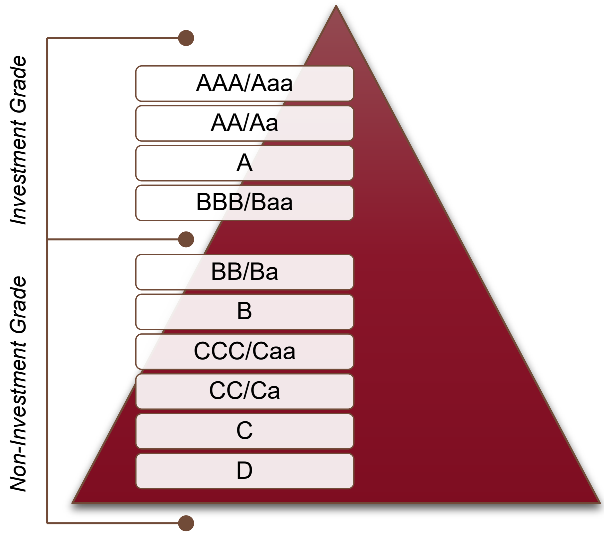
The Fund seeks to provide investors with consistent, monthly distributions and capital protection by minimizing defaults. This is achieved through a diligent investment approach that targets high-yielding, value-accretive opportunities that avoid credit deterioration. The Fund provides global diversification across a US$3tn market, with investments spread across industries, credit quality and issuers. The strategy is managed by Neuberger Berman's team of 5 seasoned portfolio managers, supported by a research team of over 50 investment professionals.

Investment return (since portfolio purchase date)	+13.2%
Management fee p.a.	0.85%
Strategy inception date	Sep 2018
Fund size (AUD)	$711.4m
Number of holdings	875
Distribution Frequency	Monthly
Target Return	ICE BofA Global High Yield Constrained Index (AUD 100% Hedged)

What is high yield credit?

High yield credit refers to issued credit that does not fall under the category of 'investment grade'. For credit to be classified as investment grade, it must surpass a given rating from a credit rating agency, such as S&P Global or Moody's. For S&P, investment grade credit is rated BBB or higher, which Moody's classify as Baa or above. Credit investments that rank below these ratings are known as 'high yield' or 'non-investment grade' credit and are considered to have speculative elements which can be subject to substantial credit risk.

Whilst high yield credit is riskier on the capital structure relative to other credit and fixed income investments, it can provide lucrative investment opportunities and remains an area that is often overlooked by investors. Due to the elevated default risk of these bonds, they tend to pay significantly higher yields than their investment grade counterparts and can still be issued by reputable companies that are in a relatively healthy financial position.



Source: S&P Global, Moody's.

Why is it in the portfolio?

We have invested in the Neuberger Berman Global High Yield Fund as an attractive source of stable, monthly income for the Portfolio. The Fund's current distribution guidance is 6.25% per annum (net of fees and expenses) and is diversified across over 500 unique issuers and offers a blend of sectors, geographic regions, and credit ratings. The fund has a yield to maturity of 6.83%, a duration of 3.4 years, and an average credit quality of B+.

We retain a high-conviction in the strategy and remain attracted to Neuberger Berman's large and reputable investment team. The global high yield credit market continues to function well with demand from investors continuing to outstrip supply thanks to solid fundamentals and strong economic footing.

The views expressed herein are part of a wider portfolio investment strategy and should not be considered in isolation.

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HUB24

Important Information

This document has been prepared by Evans and Partners Pty Ltd (ABN: 85 125 338 785, AFSL 318 075) (Evans and Partners), who is the Portfolio Manager of the managed portfolio available through the HUB24 Managed Portfolio Service.

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