Letter to investors

- Stephen Flegg, Portfolio Manager

Compared to the first half of the year, the heat certainly came out of the market in the September quarter. Though global share markets managed to achieve positive returns overall, there was a notable softening from the double-digit levels we saw up until June; and this was not unexpected. The world's major share markets have rallied 30% plus up until that point, a trajectory that history tells us is not sustainable.

In any case, there was enough going on to give markets pause. While global economic activity continued to pick up overall, we saw some comparatively subdued data points (GDP revised down and lower than expected employment in the US, for example) and supply chain and capacity issues alongside evidence of rising inflation – a potentially troubling combination. Markets vacillated against the backdrop of these dynamics, rising in July and August, before giving most of it back in September. While developed markets basically ended up where they started, emerging and Asian markets went backwards, heavily affected by issues in China, namely strict new regulatory moves and debt woes for property developer China Evergrande. Chinese shares were down 5% for the quarter, while emerging markets fell almost 7%, compared to an increase of 0.6% for global shares.

Despite this mixed environment, our diversified portfolios again produced positive returns over the quarter and outperformed their benchmark. Year-to-date returns remained very strong, contributing to double-digit returns over that period.

Once again, the portfolio's share investments were the main source of performance over the quarter, while returns from bonds were muted. Like share markets, bond yields were ultimately little changed, despite moving around intra-quarter as markets clung to the US Federal Reserve's every word on the timing of interest rate hikes, the planned withdrawal of stimulus and inflation news. Compared to government bonds, the portfolios' positions in credit and other fixed income sectors were more fruitful this quarter. Real assets, i.e., those based on physical assets such as property or infrastructure, also performed relatively well. This once again demonstrates the value of holding a diversified portfolio of assets. Diversification provides that, regardless of market conditions, there is almost always some part of the portfolio that is performing well and generating positive returns.

Despite the recent pull-back, it is clear the global economy remains in a recovery phase. This should continue to be supportive of asset markets, particularly shares, which should benefit our portfolios across all risk profiles. However, the momentum of the recovery is shifting and likely slowing, which means that further corrections and heightened volatility are increasingly likely. Stimulus measures remain in place, another positive for asset prices, but these are slated to begin tapering off and concerns about inflation remain elevated. In addition, the pandemic still looms large as we continue to grapple with the reality of the disease and the effects of the extraordinary financial and social measures taken in response. However, vaccination progress and the resulting improvement in hospitalisation and mortality statistics give hope for a more sustained reopening and recovery, putting us on a firmer footing on the pathway to 'normal'.

Though the push and pull of these dynamics may seem daunting, it's important to look through the noise and remember that the diversified funds are designed and invested for the long-term. Over long time horizons, they have delivered strong returns and are ahead of benchmark and peers. We look forward to continuing this success and delivering great outcomes for our investors.

NORTH PROFESSIONAL

Global shares
International shares posted another quarter of gains, rising by 0.58% as measured by the MSCI World ex Australia index during the September quarter. Through July and August, markets remained buoyant driven by global reopening and the ongoing recovery. Economic and corporate fundamentals continued remained solid, particularly in the US, where earnings generally surprised on the upside through the 6-monthly reporting season and strong US employment data was released. As the quarter drew on into September however, a marked turn in sentiment was evident, emanating from a combination of factors including inflation concerns, volatile commodity prices reflecting slowing Chinese demand for steel, and global supply issues creating turbulence for energy resource prices. Adding further to the bearish turn in sentiment were solvency concerns with a major Chinese property developer, China Evergrande Group, and the perceived threat of an international spill-over. Emerging markets meanwhile fell by 6.69%, as measured by the MSCI Emerging Markets index, underperforming developed markets amid concerns around Chinese economic growth and regulatory risks, volatile commodity prices, vaccination challenges and further inflation concerns.

Australian shares
Australian shares continued to rise through July and August to new record highs, before pulling back in September in line with global volatility to finish the quarter up by 1.71%, as measured by the S&P/ASX 200 index on a total return basis, with dividends being a major contributor to the index's return. Capital management activity was a feature through the quarter, reflected in announcements of significant dividend increases, buybacks and takeovers. The August reporting season was generally positive, with many companies reporting strong revenue and earnings growth, though outlook statements unsurprisingly remained cloudy in nature as the pandemic continues to play out. Keeping a lid on further optimism however were several lockdowns around the country, which continued to heavily hit employment and growth. During September, share prices were also impacted by broader global concerns such as Chinese growth, volatile commodity prices, solvency concerns for Chinese property developer, China Evergrande Group and US-centred inflationary concerns. On a sector basis performance was quite divergent over the quarter. Energy stocks were strong performers amid soaring energy commodity prices, due to global supply issues. Materials stocks however were weak performers, mainly due to Chinese demand concerns for the medium-term.

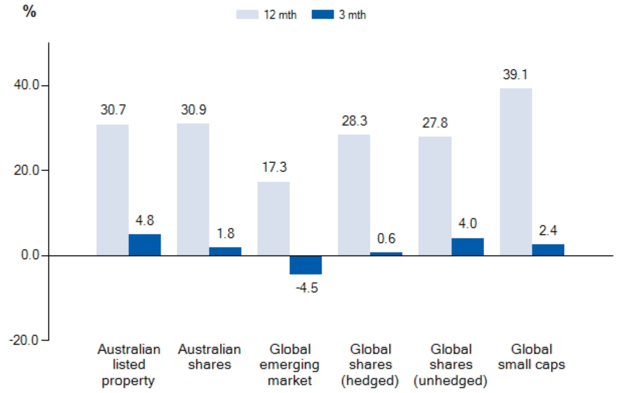
Global Government bonds
US government bond yields shifted lower in July amid increasing concerns over the spread of the Delta variant and its potential impact on growth. Yields subsequently reversed course and headed higher, with the Fed saying in August that "it could be appropriate to start reducing the pace of asset purchases this year" and making a similar comment in September. The rise in yields was reinforced late in the period, as a deepening global energy shortage ahead of the northern winter exacerbated concerns that presently elevated inflation may become more durable than central bankers are anticipating. The US 10-year bond yield ended the quarter two basis points higher at 1.49%. Its Japanese counterpart ended two basis points higher at 0.07% and the German 10-year bond yield rose by one basis point to -0.20%. Global bonds, as measured by the Bloomberg Barclays Global Aggregate Index (hedged), rose by 0.05% for the period (in Australian dollar terms).

Australian government bonds
Domestic yields moved lower for most of the September quarter as a deteriorating COVID-19 situation led to the progressive expansion of ongoing lockdown measures across much of Eastern Australia. The economic impact was particularly evident in high-frequency measures of activity, such as hospitality and entertainment, which sank to depressed levels. The decline in yields was largely reversed in September amid cautious optimism regarding business conditions and the RBA saying that the Delta variant has "delayed, but not derailed, the recovery". With the economy expected "to return to its pre-Delta path by mid-2022", the central bank maintained its view that the "central scenario" for an increase in the cash rate "will not be met before 2024".The Commonwealth Government 10-year bond yield ended the quarter four basis points lower at 1.49% while its 2-year counterpart ended two basis points lower at 0.04%. Australian bonds, as measured by the Bloomberg AusBond Composite (All Maturities) Index, rose by 0.31% during the period, in Australian dollar terms.

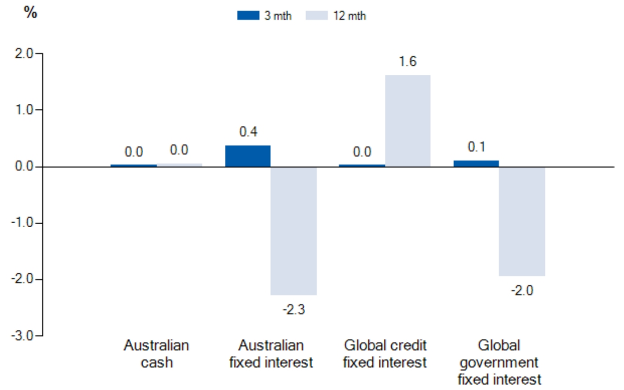
Australian listed property
The Australian listed real estate market rose strongly in the September quarter to outperform the broader Australian share market overall, which fell slightly. The S&P/ASX 200 A-REIT index rose by 4.24% on a total return basis. The impacts of COVID-19 continued to dominate markets, which initially benefited as most states continued to reopen, however gains were muted by a second wave of infections in Victoria and the reintroduction of lockdown measures in July. Thereafter, listed real estate was buoyed by positive surprises coming out of the financial year 2019-20 reporting season, as expectations had previously been very low based on soft rent collections. Markets were also supported as new Victorian COVID-19 cases started to trend downwards, several vaccines entered final trials and interest rates remained very low, with the central bank also extending its term funding facility to underpin business lending later in the period. Australian 10-year bond yields meanwhile declined by 0.08% to 0.79% over the period. In the retail segment, rent collection was soft and negative re-leasing spreads are likely to continue into the foreseeable future. In the office segment, metrics were resilient although leasing activity was limited, and in the residential segment sales rose due to economic stimulus. The industrial segment meanwhile continued to shine, with vacancy remaining very low as the segment benefits from the accelerating trend towards online shopping.

- International shares posted another quarter of gains, though sentiment turned more bearish late in the period on various global concerns
- Australian shares performed similarly to their global counterparts
- US bond yields rose towards the end in the period, as a deepening global energy shortage ahead exacerbated inflation concerns

Growth markets



Defensive markets



Growth: Global emerging markets: MSCI Emerging Markets Index in A$; Global small caps: MSCI Global Smaller Companies in A$; Australian shares: S&P/ASX 300 Accum Index; International shares (unhedged): MSCI World Ex Australia Index in A$; International shares (hedged): MSCI World Ex Australia Index (Hedged) in A$; Australian listed property: S&P/ASX 300 A-REIT Index; Global listed property: UBS Global Investors Index (Hedged) in A$; **Defensive:** Australian cash: UBSA Bank Bill Index; Australian fixed interest: UBSA Government/Treasuries; Global government fixed interest: Barclays Global Aggregate Govt (Hedged) in A$; Global credit fixed interest: Barclays Global Aggregate Credit (Hedged) in A$.

A complex macroeconomic and political backdrop characterised the September quarter, pulling markets in varying directions. Major themes included ongoing fears on the persistency of inflation, a focus shifting towards living with COVID-19 rather than persisting with lockdowns - particularly given much of the population has now had the opportunity to be vaccinated - and the mixed interpretation of central bank communications leading to continued speculation on the path towards 'normalisation' of monetary and fiscal policy. Geopolitics was also heavily in focus, as the US withdrew from Afghanistan, leading to a swift and unopposed takeover by the Taliban regime. China was also in the spotlight during the period, coming under criticism for adopting an apparent conciliatory tone towards the Taliban, in addition to its continued regulatory crackdown on technology and the property sector amid its continuing broader shift towards 'big government' policy

Later in the quarter, volatility rose in markets on heavily fluctuating commodity prices, as well as the news that major Chinese property developer, China Evergrande Group, had run into financial stress, with concerns that a failure to pay its debts could spread to global markets, given its significant size. This volatility was further exacerbated by concerns on the Biden administration's upcoming tax rises and an impending debt-ceiling in the US, with the risk of a government shutdown possible.

Fund performance (net of all fund manager fees)

	Since Inception	7 yr (% pa)	5 yr (% pa)	3 yr (% pa)	1 yr (%)	3 mth (%)	1 mth (%)
North Professional Conservative	4.5	n/a	4.8	4.9	7.8	1.0	-0.7
North Professional Moderately Conservative	7.1	6.3	6.6	6.5	14.0	1.2	-1.3
North Professional Balanced	8.3	7.6	8.3	8.0	20.1	1.9	-1.3
North Professional Growth	9.3	8.8	9.9	9.4	25.7	2.1	-1.6
North Professional High Growth	10.1	9.8	11.2	10.3	29.0	2.5	-1.6
North Professional Alternative Balanced Fund	5.2	5.7	6.2	5.4	16.3	1.0	-1.5

Past performance is not a reliable indicator of future performance. Performance shown is for class(es) K, L. The inception date(s) for Fund class(es) K, L are respectively 19/04/2006, 31/03/2011, 19/01/2015, 31/03/2011, 31/03/2011, 31/03/2011. Performance is annualised for periods greater than one year. Performance is calculated using the unit price based on net asset values for the relevant month end. This price may differ from the actual unit price for an investor applying for or redeeming an investment, and therefore the performance you experience may be different from that shown above. Actual unit prices will be confirmed following any transaction by an investor. Returns shown are before tax, after class K, L fees and costs and assume all dividends are reinvested.