



PORTFOLIO UPDATE

Australian Equity SMA

As of February 29 2024



Portfolio Manager:

Randal Jenneke

Joined Firm:

2010

Investment Experience:

32 Years



SMA COMPOSITE INFORMATION

Inception Date	2 July 2018
Benchmark	S&P/ASX 200 Total Return Index

INVESTMENT OBJECTIVE

The Australian Equity SMA Composite seeks long-term capital appreciation primarily through investment of at least 90% of its market value in securities of high quality growing Australian companies listed/to be listed on ASX.

TOP 10 HOLDINGS (%)

	Country	Industry	% of Rep. Portfolio
Bhp	Australia	Metals & Mining	11.6
CSL	Australia	Biotechnology	9.5
Westpac Banking	Australia	Banks	6.6
Goodman Group	Australia	Industrial Reits	6.0
Aristocrat Leisure	Australia	Hotels Restaurants & Leisure	6.0
Woodside Energy	Australia	Oil, Gas & Consumable Fuels	5.9
Brambles	Australia	Commercial Services & Supplies	4.4
ResMed	United States	Health Care Equipment & Supplies	3.5
Telstra	Australia	Diversified Telecommunication Services	3.5
Transurban	Australia	Transportation Infrastructure	3.4

PERFORMANCE

Figures Shown in Australian Dollars

	One Month	Three Months	Year-to-Date	One Year	Three Years	Five Years	Since Inception 31 Jul 2018 ²
Australian Equity SMA Composite (Gross) [^]	2.59%	9.44%	3.67%	10.01%	8.28%	8.84%	7.21%
S&P/ASX 200 Total Return Index (AUD)	0.79	9.39	1.99	10.64	9.32	8.61	7.90
Value Added (Gross) ¹	1.80	0.05	1.68	-0.63	-1.04	0.23	-0.69

Past performance is not a reliable indicator of future performance.

[^] Gross returns are presented before the deduction of expenses and all other fees, but may include transaction costs. Returns include reinvestment of dividends and capital gains. Actual fees assessed by the SMA platforms will vary and are not included in the gross returns.

¹ The Value Added is shown as the SMA Composite (Gross) minus its Index.

² The SMA Composite's inception date is 2 July 2018. Statistics shown are since the month end date after inception.

SECTOR EXPOSURE (%)

	% of Rep. Portfolio	Rep. Portfolio vs. S&P/ASX 200 Total Return Index (AUD)
Financials	16.1	-14.1
Materials	16.1	-6.4
Health Care	13.0	3.4
Communication Services	9.9	6.0
Consumer Discretionary	9.5	2.1
Industrials & Business Services	7.8	1.0
Real Estate	7.5	1.0
Energy	5.9	1.1
Information Technology	4.2	1.4
Consumer Staples	3.7	-0.4
Utilities	0.0	-1.3

PORTFOLIO CHARACTERISTICS

	Rep. Portfolio	S&P/ASX 200 Total Return Index (AUD)
Number of Holdings	28	200
Top 20 Issuer as Percent of Total	83.6%	62.8%
Percent of Portfolio in Cash	6.2%	-
Active Share	55.0%	-
Portfolio Turnover	64.9%	-

Annualised

PORTFOLIO REVIEW

The Australian equity market rose over the month, continuing its positive start to the year. However, it underperformed both developed and emerging markets in local currency terms in February.

The top performing sectors included information technology, consumer discretionary, and real estate investment trusts (REITs) while the key underperforming sectors were energy, materials, and health care. Energy prices were steady, while iron ore prices retreated from recent highs, reflecting ongoing concerns about China's economic growth and the outlook for the country's property sector.

10-year U.S. Treasury bond yields rose by 29 basis points* to 4.24%, as solid economic data led the market to revise down its previous expectations for aggressive interest rate cuts by the U.S. Federal Reserve. Similarly, Australian 10-year bond yields rose by 12 basis points* to 4.14%. The Australian dollar fell on the back of U.S. dollar strength.

PORTFOLIO HIGHLIGHTS

The portfolio outperformed the S&P/ASX 200 Total Return Index in February. Good performances were posted by WiseTech Global, Pilbara Minerals, and Goodman Group. Notable underperformers were ResMed, BHP, and Woodside Energy Group.

Goodman Group outperformed on the back of a strong profit result for the first half of FY2024. Not only did the company beat market expectations, it also revised up its estimate for data centre developments. Goodman has now secured 4GW of power for data centre developments and has an estimated AUD \$50-60bn in its project pipeline. Goodman is rapidly becoming a beneficiary from the artificial intelligence mega trend, as businesses ramp up their use of the technology which requires vast amounts of data centre capacity. The company is still in the early stages of its data centre development rollout, with many years of strong growth expected, in our view.

In contrast, BHP underperformed on the back of weakness in the iron ore price. Expectations of Chinese stimulus and seasonal restocking had seen the iron ore price recently hit a one-year high. However, continued concerns over China's economic growth, particularly the state of its property market, remain. While macroeconomic conditions are mixed, we believe BHP is well placed to generate strong free cash flow. Additionally, the company has low debt levels, giving it greater flexibility to take advantage of opportunities.

OUTLOOK

Markets have quickly shifted to an expectation of interest rate cuts in 2024. While inflation is moderating, the key questions remain: to what level and how quickly? Expectations of near-term rate cuts look premature, particularly if we get a reacceleration in activity caused by the loosening of financial conditions seen in recent months. It is likely we will be stuck in a period of subdued economic and earnings growth and greater market volatility. Australia is lagging the interest rate cycle of other economies and therefore is much less likely to cut rates any time soon. Additionally, the acceleration of wage growth will need to be carefully monitored, particularly given the parlous state of Australia's productivity performance.

We continue to be cautious on earnings growth, particularly from the more cyclical sectors of the market. We maintain a defensive posture in the face of these risks and continue to selectively look for opportunities in oversold quality growth names with strong valuation appeal. We continue to expect the more cyclical parts of the market to come under earnings pressure, which should see quality and defensive growth companies outperform as their earnings will likely be more resilient.

* A basis point is 0.01 percentage points.

GIPS® COMPOSITE REPORT**Australian Equity SMA Composite**

Period Ended 31 December 2023

Figures shown in Australian dollar

	2018 ²	2019	2020	2021	2022	2023
Gross Annual Returns (%) ¹	-10.75	26.26	0.20	21.77	-6.32	10.38
S&P/ASX 200 Total Return Index (%)	-8.11	23.40	1.40	17.23	-1.08	12.42
Composite 3-Yr St. Dev.	N/A	N/A	N/A	15.56	17.83	12.45
S&P/ASX 200 Total Return Index 3-Yr St. Dev.	9.69	8.51	N/A	16.82	19.32	13.32
Composite Dispersion	N/A	N/A	N/A	N/A	N/A	N/A
Comp. AUM (Millions)	1.8	2.3	2.3	2.8	2.6	2.9
# of Accts. in Comp.	1	1	1	1	1	1
Total Firm AUM (Billions)	1,381.6	1,733.0	1,921.2	2,274.4	1,824.6 ³	2,057.43
SMA Portfolio (%)	0%	0%	0%	0%	0%	0%

¹Investment return and principal value will vary. Past performance is not a reliable indicator of future performance. Monthly composite performance is available upon request.

²July 31, 2018 through December 31, 2018.

³Preliminary - subject to adjustment.

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