



MARKET MATTERS
INVEST

MONTHLY REPORT | APRIL 2024 | ACTIVE GROWTH

PORTFOLIO DETAILS

Portfolio Name	Active Growth
Structure	Separately Managed Account
Benchmark	S&P/ASX 200 Accumulation
Management Fee	0.85% incl GST
Platform	Open Wealth Praemium
Included Assets	Equities, ETFs
Portfolio Manager	James Gerrish
Annual Performance	9.68%*

OBJECTIVE

The objective of the Market Matters Active Growth Portfolio is to provide an active exposure to Australian large-cap shares, with reduced volatility. Returns will be achieved through a combination of capital appreciation and income with an overall objective of outperformance of the S&P/ASX 200 Accumulation Index over the medium term, (3 years).

*Inception Date 10.05.2016

MARKETS & PERFORMANCE

The Market Matters Active Growth Portfolio declined by -1.88% in April, outperforming the S&P/ASX 200 Accumulation Index which fell by -2.94%. The portfolio has returned 14.92% for the rolling 12 months against the benchmark return of 9.07% and 11.79% per annum for 3 years, outperforming the market return of 7.30% per annum.

PERIOD	1 MONTH	3 MONTH	6 MONTH	1 YEAR	2 YEAR PA	3 YEAR PA	5 YEAR PA
PORTFOLIO %	-1.88	5.46	18.69	14.92	12.87	11.79	9.78
BENCHMARK %	-2.94	1.04	15.17	9.07	5.90	7.30	7.99
RELATIVE %	1.06	4.42	3.52	5.85	6.97	4.67	1.79

Benchmark: S&P/ASX 200 Accumulation

More broadly, the MSCI Developed Markets Index fell (-3.2%), while the S&P 500 also decreased (-4.1%) in local currency terms, underperforming local stocks. The Australian 10-year government bond yield moved up 46 bps over the month to 4.42%. US yields also increased, stepping up 48 bps to 4.68%. Geopolitics supported commodity prices, with Brent Oil up by US\$0.92 over the month to US \$88.40/bbl, whilst Iron Ore prices increased by US\$16.00 to US\$118.00/Mt. April saw Gold prices hit another record high, increasing by US\$119.20 to US\$2,333.55 per ounce.

On a sector basis in Australia, Utilities (+4.8%) & Materials (+0.6%) were the only sectors to make gains. Property (-7.8%) was the weakest link after being the strongest in March, Consumer Discretionary (-5.1%), Communication Services (-4.9%), Energy (-4.7%), Industrials (-4.0%), IT (-3.9%), Financials (-3.5%), Consumer Staples (-3.3%) & Healthcare (-2.5%) all declined.



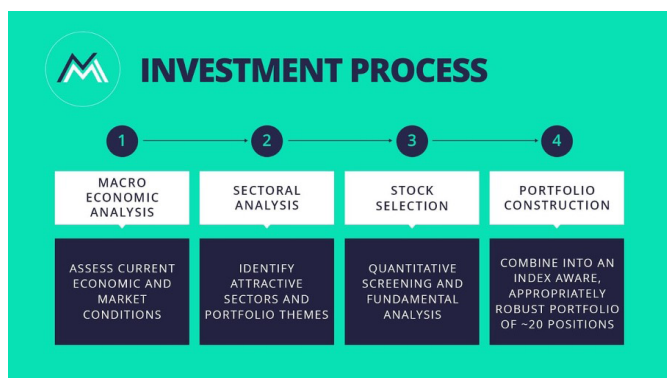
PORTFOLIO POSITIONING

The portfolio held 20 positions at the end of April, and after a period of outperformance relative to a strong market, it was pleasing to see the portfolio outperform in a down market, finishing the month 106bps above the benchmark.

There were several changes to the portfolio during the month; we sold or trimmed **Orora (ORA)** following a poor update, **Paladin Energy (PDN)** and **Evolution Mining (EVN)** into strength and **Resmed (RMD)**, too early in hindsight. New portfolio additions included; **CSL Limited (CSL)**, **South32 (S32)** and **CAR Group (CAR)**.

At a macro level, April was characterised by a significant change in market pricing of future interest rates; stronger economic (growth) data and stickier inflation led to reduced expectations around interest rate cuts, pushing bond yields sharply higher. The sell-off in bonds cast a shadow over equity markets with broad based weakness across both development & emerging markets.

Our investment process (outlined below) incorporates macroeconomic analysis with bottom-up stock picking and will generally be more active in periods of change, and this was the case in April with around 20% portfolio turnover.



Packaging company **Orora (ORA)** provided a disappointing trading update at the start of the month downgrading FY24 earnings guidance only 6 weeks after they reported 1H24 results (at which time they maintained guidance). At the group level, they forecasted a profit of ~\$390m which was an 8% downgrade vs our numbers, however, they now expect leverage to be around 2.8x at FY24, which is elevated and is increasingly in focus given a more uncertain earnings growth outlook. The rising stress on their balance sheet was the primary catalyst to cut the position.

PORTFOLIO STOCKS

NO. OF HOLDINGS	20
ESTIMATED YIELD (%)	3.84
TOP 5 POSITIONS (% OF AUM)	30.66
TOP 10 POSITIONS (% OF AUM)	53.65

STOCK CONTRIBUTION (%)

EVOLUTION MINING (EVN)	0.64
SOUTH32 (S32)	0.54
SANDFIRE RESOURCES (SFR)	0.46
WHITEHAVEN COAL (WHC)	0.37
ILUKA (ILU)	0.28

STOCK DETRACTION (%)

ORORA (ORA)	-0.84
NATIONAL STORAGE REIT (NSR)	-0.52
MAGELLAN FINANCIAL GROUP (MFG)	-0.46
XERO (XRO)	-0.44
RESMED (RMD)	-0.40

%	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD
FY24	4.82	-1.54	-1.48	-4.76	4.70	7.58	-0.08	1.70	5.69	-1.88			14.75
FY23	8.16	2.80	-5.71	3.68	7.75	-3.20	8.18	-1.93	2.08	2.63	-1.72	1.71	24.43
FY22	0.25	2.53	0.78	1.75	-3.49	2.72	-4.00	2.06	5.51	-2.30	-4.69	-7.70	-6.58
FY21	0.27	4.94	-4.10	-1.07	14.87	1.34	-0.50	3.08	0.66	4.10	1.17	2.70	27.46
FY20	1.21	-2.16	3.75	-1.55	0.80	0.34	2.06	-10.25	-24.12	12.66	5.30	2.02	-9.94
FY19	1.11	1.64	-0.77	-2.16	-1.22	-1.94	3.39	4.98	-1.00	2.39	1.72	4.41	12.55
CUMULATIVE													62.67

PORTFOLIO POSITIONING CONTINUED

Recent portfolio addition **South32 (S32)** was one of the strongest in the portfolio, following an improved March quarter production report. While they largely maintained FY24 guidance across their suite of commodities which include Copper, Manganese, Zinc, Alumina & Coal, better financial performance saw net debt fall while the recently announced sale of their Illawarra Met Coal asset for a strong price will do wonders for their balance sheet.

Copper was strong during April underpinning our primary Copper exposure, **Sandfire Resources (SFR)**, which posted fresh all-time highs. While the majority of sell side analysts are bearish on SFR based on valuation, we think a combination of ongoing strength in the Copper price due to growing supply deficits combined with rising production will keep SFR well supported, with a move over \$10 on the cards in the short term.

In recent years, it has been wise to exercise caution towards **Evolution Mining (EVN)** ahead of quarterly production updates and given our ~5% holding in the stock that had rallied ~30%, we had a meaningful position in the WA based Gold/Copper company. We trimmed this back to ~4% before Murphies Law kicked in and they surprised on the upside. Despite the more cautious stance taken, EVN was our top-performing position in April adding over 1% to portfolio returns.

Lithium remains well covered in the portfolio via positions in **Pilbara Minerals (PLS)** and **Mineral Resources (MIN)**, with both stocks booking gains in April. Benchmark lithium prices started 2024 at roughly \$14,000/mt, having started 2023 at about \$73,000/mt; however, they have risen about \$2,000/mt from recent lows. Albemarle (ALB US), the world's largest Lithium company now expects prices to range from \$15,000 to \$25,000, with more price discovery likely as they move a higher proportion of product through transparent auctions. We think Lithium is at or near the bottom of the range, and better times are ahead for the sector. (Lithium Spodumene prices are currently ~\$US1200).

On the negative side, property stocks gave back some recent strength with **Goodman Group (GMG)** and **National Storage REIT (NSR)** ending the period lower, ultimately detracting ~80bps from the month's return on a combined basis. The positions remain core holdings in the portfolio, and we are prepared to look through the short-term noise given the quality of the underlying businesses and our view around the likely trajectory of bond yields in the months ahead (we think they will fall).

DISCLOSURE

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