MARKET MATTERS
INVEST

MONTHLY REPORT | FEB 2025 | ACTIVE INCOME

PORTFOLIO DETAILS

Model Name	Active Income
Benchmark	RBA Cash +4%
Included Assets	Equities, Hybrids, Trusts, ETFs
Portfolio Manager	James Gerrish
Annual Performance	8.69%*

Inception Date 05.07.2017

OBJECTIVE

To provide a high level of regular tax-effective income with lower volatility than the underlying share market. This is achieved by actively managing a portfolio of high-yielding equities combined with ASX listed income securities that offer diversification benefits to both Australian equities and cash or term deposits.

PORTFOLIO PERFORMANCE & ACTIVTY

The **Market Matters Active Income Portfolio declined 1.71%%** in February, underperforming its RBA Cash +4% Benchmark which increased 0.62%. The portfolio has returned 7.26% for the rolling 12 months, and 10.31% per annum for 5 years.

PERIOD	1 MONTH	3 MONTH	6 MONTH	1 YEAR	2 YEAR PA	3 YEAR PA	5 YEAR PA
PORTFOLIO %	-1.71	-0.73	1.75	7.26	7.62	7.71	10.31
BENCHMARK %	0.62	2.02	4.09	8.37	8.06	7.15	5.80
RELATIVE %	-2.33	-2.75	-2.34	-1.11	-0.44	0.56	4.51

Benchmark: RBA Cash Rate +4%

The portfolio held 19 positions at the end of February with cash sitting around 13%.

The defensive, lower volatility income strategy continues to produce solid risk-adjusted returns and a high level of tax-effective income. Domestic shares and property detracted from returns during the month, while fixed income was mildly positive.

A weak month for Australian and International Equities with tariff headlines and local reporting season dominating the news flow. The income strategy was weaker, though the decline was less than 50% of the broader equity market.

We made only one change to the portfolio, selling salary packaging & novated leasing company Smart Group (SIQ).

Key detractors in the portfolio were both resources stocks, with **New Hope Corp (NHC; -0.75%)** and **Fortescue Metals (FMG; 0.46%)** weighing on returns, while weaker than hoped results from **Super Retail (SUL; -0.44%)** and cautious guidance from **AGL Energy (AGL; -0.31%)** saw both stocks decline.

On a more positive note, **Telstra (TLS; +0.48%)** reported well and pushed up through $4.00, **APA Group (APA; +0.32%)** allayed market concerns about a potential capital raise at their 1H results, and **Dalrymple Bay Infrastructure (DBI; +0.17%)** announced an increase in their dividend.

We remain positioned with a defensive portfolio skew, generally in high-yield defensive equities and high-yielding fixed-income-style investments. Volatility in portfolio returns remains modest, while income generation remains high.

MARKETS IN FEBRUARY

Since the start of the year, market volatility has been the dominant theme, and that trend carried through the February reporting season. In fact, UBS data showed this was the most volatile reporting season in 20 years, based on the number of outsized share price moves.

Driving this volatility has been a renewed sense of caution around the economic outlook, uncertainty over inflation and interest rates, and ongoing geopolitical risks. On top of that, tariff threats from the Trump administration have only added to market jitters, increasing the risk of stagflation due to slower growth and rising inflation.

These risks were reflected in an overall cautious tone across company guidance and outlook commentary. Earnings revisions continued to decline across most sectors through the reporting season, reflecting the pressure of higher interest rates on growth and demand.

Many companies also flagged that high inflation is still squeezing margins, though this varies depending on how well a company can pass rising costs on to customers.

One major shift this reporting season was how the market responded to results.

PORTFOLIO STOCKS	
NO. OF HOLDINGS	19
ESTIMATED YIELD (%)	5.63
TOP 5 POSITIONS (% OF AUM)	29.20
TOP 10 POSITIONS (% OF AUM)	54.24

STOCK	CONTRIBUTION (%)
TELSTRA (TLS)	0.48
APA GROUP (APA)	0.44
DALRYMPLE BAY INFRASTRUCTURE (DBI)	0.17
ANZ HYBRID (AN3PI)	0.07
SUNCORP HYBRUD (SUNPI)	0.04

STOCK	DETRACTION (%)
NEW HOPE CORP (NHC)	-0.75
FORTESCUE METAILS (FMG)	-0.46
SUPER RETAIL (SUL)	-0.44
CENTURIA CAPITAL (CNI)	-0.40
AGL ENERGY (AGL)	-0.31

%	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD
FY25	3.10	-0.54	4.41	-3.27	1.49	0.06	0.92	-1.71					**4.46**
FY24	2.79	-0.44	0.09	-3.32	2.67	4.63	0.80	-1.45	2.36	-1.45	-0.22	1.94	**8.4**
FY23	4.22	0.30	-3.64	3.31	4.82	-0.07	3.49	-1.61	0.06	2.16	-2.01	2.07	**13.10**
FY22	0.10	3.04	0.58	-1.58	-1.31	3.01	-2.45	4.05	4.25	-0.09	-1.80	-6.54	**1.26**
FY21	1.16	2.22	-1.21	-0.17	9.29	1.46	0.47	0.96	2.73	2.79	1.91	2.39	**24.00**
FY20	1.54	-0.57	2.90	-4.54	1.16	-0.51	1.78	-3.97	-15.53	7.33	6.24	1.94	**-2.23**
FY19	1.35	0.76	-0.62	-3.09	-0.61	-0.40	2.42	3.92	-0.21	1.17	3.13	1.37	**9.19**
CUMULATIVE													**58.18**

Over the past year, high-quality companies delivering strong numbers had been rewarded, but that changed in February. Many of the recent market leaders saw their share prices fall despite impressive earnings, as investors took profits after strong runs and increased valuations.

Meanwhile, some of the recent laggards bounced higher even on average results, driven in part by investor positioning and heavy short interest.

Overall, the ASX recorded its weakest February since 2020. The market initially rebounded to a new all-time high but trended lower as earnings reports came in.

The Reserve Bank of Australia (RBA) lowered the cash rate by 25bps to 4.10%, as expected. Governor Bullock suggested that the market may be overly optimistic about further rate cuts. Economists expect another rate cut in May, though there are risks of a shallower or prolonged easing cycle. Employment data showed strong job growth in January, with 44K jobs added, although the unemployment rate rose slightly to 4.1%. Inflation remained stable at 2.5% year-over-year for January, with trimmed mean inflation rising to 2.8%.

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