



MARKET MATTERS
INVEST

MONTHLY REPORT | JULY 2023 | EMERGING COMPANIES

PORTFOLIO DETAILS

Portfolio Name	Emerging Companies
Structure	Separately Managed Account
Benchmark	S&P/ASX Small Ords Index
Management Fee	0.85% incl GST
Platform	OpenInvest
Included Assets	Equities
Portfolio Managers	James Gerrish & Harrison Watt
Annual Performance	2.89%*

OBJECTIVE

The objective of the Market Matters Emerging Companies Portfolio is to provide an active exposure to Australian emerging companies defined as all listed stocks outside the S&P/ASX 100. Returns will primarily be achieved through capital appreciation rather than income with an overall objective of outperformance of the S&P/ASX Small Ordinaries Index over 5 years.

*Inception Date 31.01.2020

MARKETS & PERFORMANCE

The Market Matters Emerging Companies Portfolio fell -1.16% in July, underperforming the S&P/ASX Small Ords Accumulation Index which advanced +3.54%. The portfolio has returned -2.73% for the rolling 12 months (against the benchmark return of +0.77%) and -3.64% per annum for 3 years

PERIOD	1 MONTH	3 MONTH	6 MONTH	1 YEAR	2 YEAR PA	3 YEAR PA
PORTFOLIO %	-1.16	-4.94	-8.9	-2.73	-10.49	-3.64
BENCHMARK %	3.54	0.2	-1.54	0.77	-5.27	5.9
RELATIVE %	-4.7	-5.14	-7.36	-3.5	-5.22	-9.54

Benchmark: S&P/ASX Small Ords Accum Index

FY24 started on the front foot with solid gains in July underpinned by the local energy sector on the back of rising oil prices. The S&P/ASX 200 Accumulation Index (+2.9%) rose, in line with the MSCI Developed Markets Index (+2.9%), while the S&P 500 gained (+3.2%) in local currency terms.

Australian 10-year bond yields edged marginally lower to 4.05% as the RBA's Jul-23 meeting saw the cash rate stay at 4.10%. US yields on the other hand ticked up 14bps to 3.95%, as the Fed passed through another 0.25% hike to 5.5% in July. Amongst commodities, prices were generally up across the board headlined by Oil which rallied US\$10.09 to US\$84.99/bbl, on tighter market fundamentals and improved US macroeconomic data. Iron Ore prices rose by US\$1.00 to US\$114.50/Mt while Gold prices held steady despite dollar fluctuations, rising by US\$42.00 to US\$1,954.

There continued to be significant sector divergence locally, with the Energy sector bouncing back from recent weakness, up (+8.8%), while Financials (+4.9%), IT (+4.5%), Utilities (+4.0%), REITS (+3.8%) and Consumer Discretionary (+3.4%) all outperformed the broader index.



PORTFOLIO STOCKS

The portfolio held 20 positions at the end of July with cash sitting around 12% as we headed into reporting season. The elevated cash levels will provide flexibility at a crucial time for listed companies which are forced to show their hand over August.

We made one change to the portfolio in the month, switching gold exposure from **St Barbara (SBM)** to **Silver Lake Resources (SLR)**. St Barbara was in the process of selling its flagship WA asset near Leonora to Genesis (GMD) mining in a scrip and cash offer. We sold it from the portfolio before the split as we had no interest in taking Genesis shares.

Silver Lake Resources (SLR) struggled after its quarterly production update late in the month. Production and costs were in line with expectations for the last quarter, however, guidance for FY24 was weak with concerns around the company's handling of their Sugar Zone asset in Canada. Silver Lake has decided to put Sugar Zoe on care and maintenance while they struggle with mining equipment and process at the site. Silver Lake will use the downtime to drill out the asset further while working on an improved mine plan to reduce costs when it is returned online.

Another detractor to the portfolio was Queensland-based coal junior **Bowen Coking Coal (BCB)**. From a production standpoint, the company is in a great position, producing 27% more coal in the June quarter vs the March quarter with their two key assets ticking boxes. Logistics is the main issue for Bowen who is struggling to get coal to port, due to the lack of train drivers, and then on to boats due to the demand for freight. So, while the company continues to pay to mine the coal, it isn't seeing the revenue which is causing balance sheet issues. From here, we see a chance of a takeover in play given how cheap the stock is (-\$200m market cap) leading to a short-term improvement for shares. Otherwise, if Bowen can work through the issues, the current share price will prove far too cheap.

A key contributor to the portfolio was **EML Payments (EML)** which continues to rally out of recent lows. We will be watching the company's FY report closely this month.

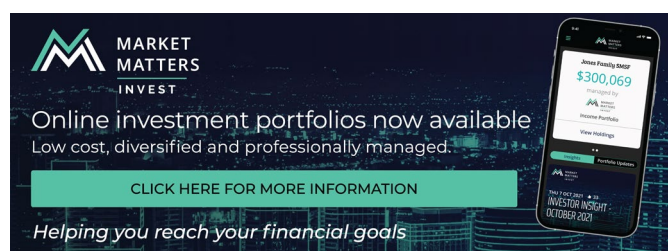
They have been plagued by regulatory issues with the Central Bank of Ireland (CBI) over recent years, stemming from their European business. The company recently replaced their CEO with an ex-CBI employee, Kevin Murphy taking the job, at least for the interim using his experience to improve the progress with the regulator. The company also announced it was conducting a strategic review of the business, perhaps flagging the possibility of asset sales down the line.

PORTFOLIO STOCKS

NO. OF HOLDINGS	20
ESTIMATED YIELD (%)	2.51
TOP 5 POSITIONS (% OF AUM)	38.41
TOP 10 POSITIONS (% OF AUM)	59.79

STOCK	CONTRIBUTION (%)
BAPCOR (BAP)	0.48
GLOBAL LITHIUM (GL1)	0.40
NINE ENTERTAINMENT (NEC)	0.33
PREMIER INVESTMNETS (PMV)	0.39
EML PAYMENTS (EML)	0.25

STOCK	DETRACTION (%)
SILVER LAKE RESOURCES (SLR)	-0.84
BOWEN COKING COAL (BCB)	-0.65
CAPITOL HEALTH (CAJ)	-0.58
PRAEMIUM (PPS)	-0.58
AUSSIE BROADBAND (ABB)	-0.51



MARKET MATTERS INVEST

Online investment portfolios now available
Low cost, diversified and professionally managed.

[CLICK HERE FOR MORE INFORMATION](#)

Helping you reach your financial goals

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD
FY24	-1.16												-1.16
FY23	14.48	3.07	-9.21	0.87	5.76	-6.42	8.36	-4.24	-2.29	2.33	-5.22	1.47	8.96
FY22	2.97	1.17	5.91	1.13	2.19	-2.47	-10.29	-5.93	6.68	-5.19	-7.80	-15.25	-26.88
FY21	10.92	17.19	-10.89	0.63	0.58	0.57	-0.86	5.91	-7.10	4.38	-3.81	2.37	19.89
FY20								-16.09	-27.07	37.98	21.26	5.66	21.74
CUMULATIVE													22.55

PORTFOLIO STOCKS CONTINUED

Media company **Nine Entertainment (NEC)** was also higher in July despite seemingly softer ad booking data coming through. There has been a significant rollover in marketing spending as is typical for an economy where companies are looking to taper costs. June data, out in July, showed a 15.7% fall in bookings, though this was broadly in line with commentary provided by Nine in the previous quarter. Around 60% of EBITDA still comes from traditional media sources which are facing a headwind, but the company is trading on around 13x earnings despite a large portion of the valuation coming from their stakes in real estate classifieds company **Domain Holdings (DHG)** and streaming platform Stan where a higher multiple is justified.

Exposure to retail helped support the portfolio last month with both **Premier Investments (PMV)** and **Bapcor (BAP)** adding to performance. Bapcor, the auto parts business, has had consistent communication throughout FY23 regarding guidance and the progress of their Better Than Before strategy which aims to improve efficiency and margins while setting the business up for access into the growing EV space. We are backing management to hit guidance, which they have reiterated a number of times, and we see upside with growth in international markets which is supported by their wholesale business.

DISCLOSURE

Market Matters, its employees, associates and / or contributors may hold stocks mentioned in this report.

DISCLAIMER

Market Matters Invest is distributed by Market Matters, ACN 137462536, AFSL 488 798; and administered by OpenInvest Limited ACN 614 587 183, the responsible entity of the Service, via the OpenInvest Portfolio Service ARSN 628 156 052. It is general advice only and is not intended to provide you with financial advice, and has been prepared without taking into account your objectives, financial situation or needs.

Before making any investment decision, please review the PDS and Target Market Determination (available here at www.openinvest.com.au). Should you require assistance in determining whether an investment in the service is right for you, you may wish to seek personal advice from an appropriately licensed financial adviser.

All figures contained from sources believed to be accurate. Past performance is not an indication of future performance. Investing and trading carry financial risk, when judging performance please consider the different types of investments and levels of risk associated.

Market Matters does not make any representation of warranty as to the accuracy of the figures and disclaims any liability resulting from any inaccuracy. Performance of the Portfolio is based on a model portfolio and is gross of investment management, administration fees and transaction costs. The total return performance figures quoted are historical and include franking credits. Total returns assume the reinvestment of all portfolio income.