



MARKET MATTERS

INVEST

MONTHLY REPORT | FEB 2025 | EMERGING COMPANIES

PORTFOLIO DETAILS

Model Name	Emerging Companies
Benchmark	S&P/ASX Small Ords Index
Included Assets	Equities
Portfolio Manager	James Gerrish
Annual Performance	-7.98%*

OBJECTIVE

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 with an overall objective of outperformance of the S&P/ASX Small Ordinaries Index over 5 years.

*Inception Date 31.01.2022

PORTFOLIO PERFORMANCE & ACTIVITY

The Market Matters Emerging Companies Portfolio declined 4.93% in February, underperforming the Small Ordinaries Accumulation Index which fell by 2.8%. The portfolio has returned -7.5% for the rolling 12 months and -7.98% since inception.

PERIOD	1 MONTH	3 MONTH	6 MONTH	1 YEAR	2 YEAR PA	INCEPTION
PORTFOLIO %	-4.93	-7.12	-2.10	-7.50	-1.24	-5.81
BENCHMARK %	-2.8	-1.46	5.73	8.51	7.59	2.13
RELATIVE %	-2.13	-5.66	-7.83	-16.01	-8.83	-7.94

Benchmark: S&P/ASX Small Ords Accum Index

The portfolio held 21 positions at the end of February with cash sitting around 10%.

Several changes were made to the portfolio during February, which included sales in **Helloworld Travel (HLO)**, **BWP Trust (BWP)** and **Bapcor (BAP)**, while new positions were established in **ARB Corp (ARB)**, **HMC Capital (HMC)** and **SiteMinder (SDR)**.

Key detractors in the portfolio were an eclectic mix, with performance mostly driven by results. **Johns Lyng Group (JLG; -1.32%)** reported weaker results and issued guidance that was below market expectations, **Silex Systems (SLX; -1.08%)** and **Paladin Energy (PDN;-1.00%)** fell on Uranium price weakness, though Silex also experienced a delay in test results which pushes back the potential timeframe for production while **SiteMinder (SDR; -1.02%)** trailed revenue forecasts.



On a more positive note, **Nine Entertainment (NEC; +0.48%)** rallied as a **60% owner of Domian (DHG) which attracted a bid**, **Aic Mines (AIM; +0.38%)** benefitted from strong copper prices amid rising production while **Nick Scali (NCK; +0.17%)** and **Aussie Broadband (ABB; +0.03%)** were mildly positive contributors.

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

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.

Small-cap stocks, especially those in cyclical industries, have felt the impact more than others. 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.

PORTFOLIO STOCKS

NO. OF HOLDINGS	22
ESTIMATED YIELD (%)	1.65
TOP 5 POSITIONS (% OF AUM)	25.7
TOP 10 POSITIONS (% OF AUM)	45.8

STOCK CONTRIBUTION (%)

NINE ENTERTAINMENT (NEC)	0.48%
AIC MINES (AIM)	0.38%
VAULT MINERALS (VAU)	0.26%
NICK SCALI (NCK)	0.17%
AUSSIE BROADBAND (ABB)	0.03%

STOCK DETRACTION (%)

JOHNS LYNG GROUP (JLG)	-1.32%
SILEX SYSTEMS (SLX)	-1.08%
SITEMINDER (SDR)	-1.02%
PALADIN (PDN)	-1.00%
REGAL PARTNERS (RPL)	-0.82%

%	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD
FY25	-0.04	-6.02	7.30	-2.99	3.1	-5.11	5.29	-4.93					-3.4
FY24	-1.05	6.72	1.21	-7.74	4.28	5.16	-1.61	3.27	2.87	-1.13	0.93	-4.45	8.46
FY23	14.20	2.16	-9.70	-0.05	6.55	-3.29	7.51	-5.41	-1.94	2.68	-3.95	0.24	9.00
CUMULATIVE							-0.12	-7.59	6.86	-9.19	-7.06	-14.28	-17.32

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%.

DISCLOSURE

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