

Leaders Strategy – Investment Newsletter

Performance (As at 30 th April 2021)	Month (%)	Rolling 3 Months (%)	Rolling 1yr (%)	Rolling 3yrs (%)	Inception Gross (%)	Inception Annualised (%pa)
JMFG Leaders Strategy	+2.65	+2.55	+18.94	+21.22	+56.52	+6.78
ASX 200 Accumulation Index	+3.47	+7.54	+30.76	+31.28	+72.94	+8.35
Outperformance	-0.82	-4.99	-11.82	-10.06	-16.42	-1.57

Although the JMFG Leaders Strategy is generally representative of client portfolios, Individual performance may differ from the results above. These differences can arise due to various issues, some of which may relate to initial timing of investments, and cash inflows and outflows. Performance is calculated on a TWRR basis after management fees (post 1 Jan 2017), performance fees (paid or accrued), GST, and excludes the effect of franking credits. Strategy Inception for Performance Data is July 1st, 2014.

Month in Review – A review of the share market and overview of the portfolio for April

The JMFG Leaders Strategy, with its income bias, rose 2.65% for the month of April, underperforming the S&P/ASX 200 Accumulation Index which had a strong month, rising 3.47%, resulting in underperformance against the benchmark of 0.82%. The Strategy underperformed its benchmark by 4.99% for the rolling 3 months and has underperformed the benchmark by 11.82% for the rolling year. The annualised return since inception, over six year ago, is 6.78%, compared to its benchmark return of 8.35% p.a. It should be noted that while the strategy is benchmarked against the S&P/ASX 200, it has an income focus and will likely underperform in a rising market.

The I.T. sector was the strongest performing sector in the broader market, rising 9.7% for the month, reversing the losses of the prior month. Other strong sectors included Materials +6.8%, Industrials +4.3%, Financials +3.1%, HealthCare +3.1%, and Property Trusts +2.9%. The weaker performing sectors included Energy -4.9%, Consumer Staples -2.5%, Utilities -1.2%, Telecommunications +2.72%, and Consumer Discretionary +2.8%. Commodity prices had another strong month with iron ore rising a further 7%, whilst spot copper, nickel, and lead rose between 8-12% – but tin was the standout for the month, rising 18% to be over double its price of 12 months ago.

Smaller companies also performed stronger than the broader market for April, with the S&P/ASX Emerging Companies Index returning 7.47% for the month and the S&P/ASX Small Companies Index returning 4.98% for the month. This compares to the top 200 companies, the S&P/ASX 200 Index, only returning 2.65% for the month.

Trading was very light for the month of April. During the month, we exited Nuix which has twice now released disappointing results and downgraded its FY21 guidance, despite having only recently listed.

The strongest performers for the portfolio during the month included:

- Megaport +30%, Pro Medicus +14%, Fortescue Metals Group +13%, and Smartgroup Corporation +11%

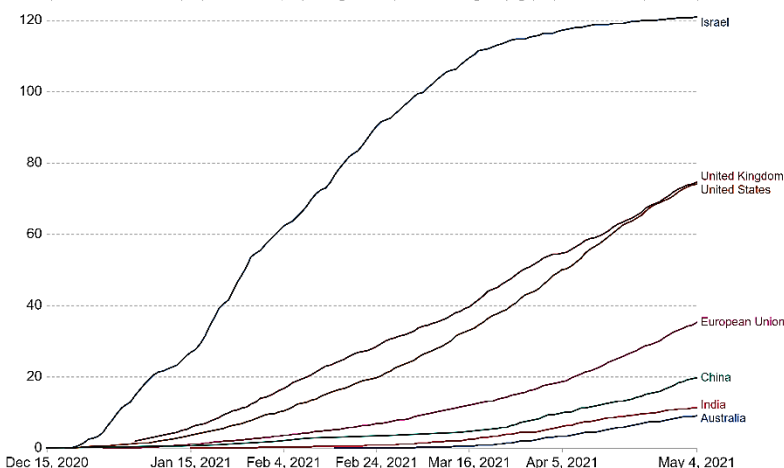
The weakest performers for the portfolio during the month included:

- Woodside Petroleum -5%, Seven Group Holdings -4%, Aurizon Holdings -4%, and Woolworths Group -4%

Chart of the Month – The Global COVID-19 Vaccine Rollout

COVID-19 vaccine doses administered per 100 people

Total number of vaccination doses administered per 100 people in the total population. This is counted as a single dose, and may not equal the total number of people vaccinated, depending on the specific dose regime (e.g. people receive multiple doses).



Our World in Data

Over the past few months, various COVID-19 vaccines have been rolled out around the globe with great variability between countries regarding the speed of their rollout. The chart to the left shows the number of doses administered per 100 people and shows a few countries of interest. It should be noted that the number of doses administered does not equal the number of people fully vaccinated, as many vaccines require more than one dose and some countries do not report the number of fully vaccinated people, only the number of doses. Israel is a standout performer with the country now having administered more than one dose per person. The UK and USA have been two of the better-performing large population countries with vaccinations still accelerating. The slow rollout in India has been further hampered by the soaring case numbers in recent weeks. Then there is Australia, where the vaccine rollout has not managed to ramp up due to supply and logistics issues.

JMFG Leaders Strategy		S&P/ASX 200 Index	
Best	Worst	Best	Worst
Megaport (MP1)	Woodside Petroleum (WPL)	Megaport (MP1)	Whitehaven Coal (WHC)
Pro Medicus (PME)	Seven Group Holdings (SVW)	Cleanaway Waste (CWY)	Beach Energy (BPT)
Fortescue Metals Group (FMG)	Aurizon Holdings (AZJ)	Mineral Resources (MIN)	Challenger (CGF)

Hits & Misses – A summation of the top hits and misses for the month of April

Megaport (MP1) – up 30% for the month. Megaport released its quarterly report which showed that QoQ port growth was continuing and reiterated guidance to be EBITDA breakeven by year-end. The company also provided insight into its ports pipeline which looks to provide a clear pathway to cash-flow breakeven by financial year-end. Megaport also launched its new network product, the Megaport Virtual Edge (MVE), a vendor-neutral on-demand branch-to-cloud interconnection service.

Cleanaway Waste (CWY) – up 30% for the month (Not held). In early April, Cleanaway announced that it had entered into an agreement to acquire the Suez Recycling and Recovery Australia business. During April, Cleanaway competitor Bingo entered into a scheme implementation deed to be acquired by Macquarie Infrastructure and Real Assets (MIRA).

Woodside Petroleum (WPL) – down 5% for the month. Woodside released its first quarter production report which showed Q1 production of 23.7 MMboe, lower than both the prior corresponding period and the previous quarter. The company blamed cyclone activity for the reduced production. However, Woodside previously provided guidance for FY21 of 90-95 MMboe so this quarterly production is in line with annual guidance.

Whitehaven Coal (WHC) – down 27% for the month (Not held). Whitehaven Coal released its quarterly report which included revised guidance for FY21 production and cost forecasts. The company reduced its coal production and managed coal sales guidance while increasing its average unit cost per tonne guidance.

Due Diligence – A closer look at a stock of interest

Goodman Group (GMG)

Goodman Group is a global commercial property group that owns, develops, and manages real estate assets in 17 countries to a diverse range of customers. As at 31 December 2020, Goodman Group had assets under management of \$51.8 billion and net annual rental receipts of \$268.7 million. Goodman group has managed to maintain low vacancy rates for the last 12 months, with occupancy currently at 97.9%.

Goodman Group Leasing Operations










Region	Leasing area SQM	Net annual rent \$M	Average lease term YEARS
Australia / New Zealand	772,135	112.0	4.9
Asia	930,092	135.7	3.3
UK / Continental Europe	242,444	21.0	6.4
Total	1,944,671	268.7	4.2

Source: Goodman Group – Half Year Results Presentation

Unlike most listed property companies, Goodman Group does not just directly own its property assets but has partnerships with institutional investors seeking commercial and industrial property exposure. Goodman Group typically co-invests along with these institutional investors and then collects fee revenues for Investment Management and Development Management services. The table below gives an overview of the company's asset portfolio and includes information about the portion of co-investment attributable to Goodman Group.

Goodman Group is very conservatively geared with only 4.8% direct gearing and 18.4% average gearing for its partnerships. This conservatism, and solid management, has led to Goodman Group thriving through a tough year for listed property companies and is well-positioned with improving logistical conditions in 2021.

Goodman Group Management Portfolio

	 GAIP Australia	 GHKLP Hong Kong	 GEP Europe	 GCLP China	 GAP Australia	 GNAP USA	 GJCP Japan	 GMT New Zealand	 GUKP UK
Total assets (\$B)	9.5	8.3	5.8	5.3	4.6	4.3	4.1	3.2	1.1
GMG co-investment (%)	29.1	20.3	20.4	20.0	19.9	55.0	14.7	21.4	33.3
GMG co-investment (\$B)	2.0	1.4	0.7	0.8	0.7	2.0	0.4	0.5	0.3
Number of properties	100	11	92	36	34	16	18	11	7
Occupancy ¹ (%)	95	98	99	98	97	100	100	100	100
Weighted average lease expiry ¹ (years)	4.3	3.3	4.8	3.0	4.0	7.0	3.5	5.4	8.8
WACR (%)	5.0	4.2	4.4	5.6	5.0	4.1	4.3	5.2	4.2
Gearing ² (%)	17.3	15.2	19.7	8.0	21.8	13.5	29.8	21.5	23.1
Weighted average debt expiry (years)	4.3	4.8	5.9	3.8	5.0	5.3	5.6	5.1	4.8

Source: Goodman Group – Half Year Results Presentation