

Australian Equities Strategy – Investment Newsletter

Performance (As at 30 th April 2021)	Month (%)	Rolling 3 Months (%)	Rolling 1yr (%)	Rolling 3yrs (%)	Inception Gross (%)	Inception Annualised (%pa)
JMFG Australian Equities Strategy	+4.88	+2.54	+29.94	+28.47	+82.73	+9.23
All Ords Accumulation Index	+3.92	+7.34	+33.89	+33.97	+78.49	+8.85
Outperformance	+0.96	-4.80	-3.95	-5.50	+4.24	+0.38

Although the JMFG Australian Equities 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 Australian Equities Strategy rose steadily for the month of April, rising 4.88%, pleasingly outperforming the All Ordinaries Accumulation Index which also had a strong month, rising 3.92%, resulting in outperformance against the benchmark of 0.96%. The Strategy underperformed its benchmark by 4.80% for the rolling 3 months and has underperformed the benchmark by 3.95% for the rolling year. The annualised return since inception, over six years ago, is 9.23%, outperforming its benchmark return of 8.85% p.a.

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.

During the month, we exited Nuix and Temple & Webster Group. Nuix has twice now released disappointing results and downgraded its FY21 outlook despite having only recently listed. Temple & Webster was an outstanding discretionary retail performer last year, although, given the online boom last year, we expect growth to slow over the coming months. We also moderated our position in Universal Biosensors having risen significantly since our previous buying, and we added to our Alcidion holding on its capital raising. Betmakers Technology Group was the only new company added to the portfolio during the month. Betmakers is a technology company that manages data and wagering for bookmakers.

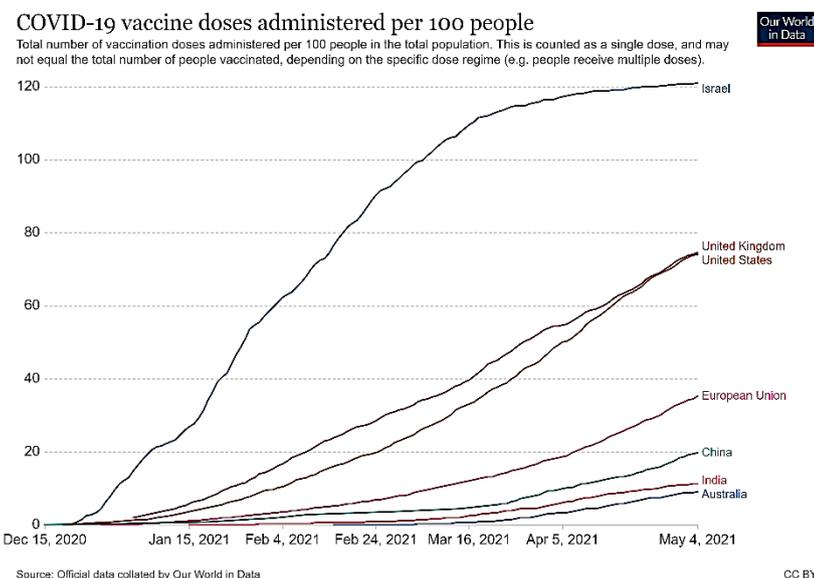
The strongest performers for the portfolio during the month included:

- Universal Biosensors +41%, Alcidion +31%, Megaport +30%, and Uniti Group +20%

The weakest performers for the portfolio during the month included:

- Webjet -10%, Opthea -9%, Mach7 Technology -6%, and St Barbara -6%

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



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 Australian Equities Strategy		ASX All Ordinaries Index	
Best	Worst	Best	Worst
Universal Biosensors (UBI)	Webjet (WEB)	Anteotech (ADO)	Greenland Minerals (GGG)
Alcidion Group (ALC)	Opthea (OPT)	Imugene (IMU)	Coronado Global Resources (CRN)
Megaport (MP1)	Mach7 Technologies (M7T)	PPK Group (PPK)	Whitehaven Coal (WHC)

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

Universal Biosensors (UBI) – up 41% for the month. During April, Universal Biosensors announced several distribution deals for its Sentia wine testing device; however, these deals gave no firm commitments for orders or revenue. The company also announced an exclusive licensing and supply agreement with Lubris BioPharma to develop and commercialise a Tn Antigen biosensor for cancer diagnostics.

Anteotech (ADO) – up 74% for the month (Not held). Anteotech is a research and development company focusing on Point of Care diagnostic technology and energy storage technology. In April, Anteotech announced that it had entered a Project Participation Agreement with the Future Battery Industries CRC to improve Australia's battery industry processes and technology. The company also announced a pathway to commercialisation for AnteoX, an additive in the production of battery anodes.

Webjet (WEB) – down 10% for the month. Webjet announced a raising of AUD250 million via the issues of convertible notes; this is after the company raised AUD275 million in April 2020 and EUR100 million (approx. A\$163m) in July last year. With a monthly cash burn of \$4.8m for 1H21, the company needs cash to maintain the company until travel can ramp up again.

Greenland Minerals (GGG) – down 54% for the month (Not held). On April 6, the 2021 Greenlandic General Election was held where the Inuit Ataatigiit party won the most seats. Rare earth and uranium mining was considered the key election issue with the Greenland Minerals mine proposal being particularly controversial. While the incumbent party supported the project and rare earth mining overall, Inuit Ataatigiit strongly opposed the project and has called for a national halt on uranium mining.

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	 GNAF 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