

Small Companies Strategy

STRATEGY

The JMFG Small Companies Strategy provides exposure to a diversified portfolio of high quality, Australian-listed, small companies with sustainable business models and attractive investment fundamentals.

OBJECTIVE

To outperform the S&P/ASX Small Ordinaries Accumulation Index after fees over a rolling 3-year period.

WHY JMFG?

When investing in a JMFG Managed Strategy, clients benefit from having their portfolio managed by a professional investment team whilst retaining the value of beneficial stock ownership.

JMFG client investments are individually held in trust by a Custodian, unlike investments in a Unit Trust. Retaining beneficial ownership allows for consideration of clients' individual circumstances, gaining the benefit of franking credits and greater tax planning flexibility.

Portfolios do not inherit realised or unrealised capital gains as may occur with investments in unit trusts. This also allows existing investments to be easily transferred into (and out of) JMFG Managed Strategies without triggering capital gains events.

The client's portfolio will be invested alongside the JMFG Strategy model portfolio that best suits the client's investment goals, time horizon, and appetite for risk.

INVESTMENT PHILOSOPHY

All JMFG's Strategies are managed in a style-neutral fashion, with a focus on utilising the team's extensive market experience and knowledge base to outperform in rising markets and limit the downside for our clients in falling markets.

Our investment approach targets companies with strong management and sound business models operating in industries with long term structural growth.

The stock selection process incorporates both macro and sector considerations as well as extensive direct company and senior management contact.

Although we consider all qualifying stocks for selection in JMFG's Strategies, we seek to position the Strategies towards sectors and companies with an acceptable level of risk given our expected return. As such, we have a natural aversion to extremely high-risk speculative companies, companies with binary outcomes (such as some bio-techs and explorers), companies with unsustainable earnings, and companies we believe will be unprofitable for the foreseeable future.



ASSET ALLOCATION

We will typically aim to invest within the following structure:

- S&P/ ASX Small Ordinaries – 50-100%
- Ex-S&P/ASX Small Ordinaries – 0-50%

From time to time, the Strategy may hold different percentages than indicated above, when stocks are moving outside the relevant index or if we consider they are still consistent with the investment strategy. This may lead to the Strategy holding a small portion of stocks from within the ASX 100 for a period of time.

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WHO THE STRATEGY SUITS

The Small Companies Strategy is tailored towards investors with a very high risk tolerance as the Strategy invests in smaller companies with much greater volatility and risk/reward profile. The large majority of these companies will be growth companies and at earlier stages of maturity. Given the focus on less mature and faster growing companies, the Small Companies Strategy will have very little yield and the potential for large capital gains and capital losses.

FEES

A Management Fee of 1.5% p.a (plus GST) is charged on the portfolio's net asset value.

A Performance Fee of 20% (plus GST) is charged on performance of the portfolio above the benchmark¹, subject to a high-water mark² and positive portfolio performance³ in the period. Payable six monthly. JMFG may reduce the amount of performance fees payable in any given period subject to overall performance. Foregone fees are not accrued.

TRANSPARENCY

Our web portal allows clients easy access to information on their portfolio holdings and transactions.

SUMMARY

Risk Profile	Very High
Investment Horizon	3 years +
¹ Benchmark	ASX Small Ordinaries Accum. Index
² High-Water Mark	Any underperformance since the last performance fee was earned is required to be recovered before a performance fee is payable.
³ Positive Portfolio Performance Hurdle	>3% p.a (after mgmt. fees) annualised portfolio return in the period.
Typical Portfolio Composition	50-100% ASX Small Ords, 0-50% Ex-Small Ords