Leaders Strategy

Performance *(Net*)*	1 Month (%)	3 Months (%)	1 Year (%)	3 Years (% pa)	5 Years (% pa)	Inception** (% pa)
JMFG Leaders Strategy	**+5.4**	**+2.7**	**+0.3**	**+5.6**	**+6.0**	**+6.3**
ASX 200 Accumulation Index	+6.0	+0.7	-2.0	+4.8	+7.2	+7.3
Outperformance	**-0.6**	**+2.0**	**+2.3**	**+0.8**	**-1.2**	**-1.0**

*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 reasons, 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 the month*

For the month of October, the JMFG Leaders strategy returned 5.4%. Although 0.6% behind the S&P/ASX 200 Accumulation Index, the strategy outperformed on a 3-month basis, continuing the relative improvement in recent months. The market recovered this month with macro-economic factors remaining a key driver of returns. Investors continued to focus on the timing of a move to a more dovish stance by central banks, ending the current and rapid rate rise cycle. Amongst other factors, global policy makers continued to watch inflation and the labour market in their respective regions, both of which remain stubbornly strong.

This month, small-capitalisation stocks (+6.5%) marginally outperformed large-capitalisation stocks (+5.9%) by 0.6%, reflecting a broad-based market rally. As measured by the S&P/ASX 200 Accumulation Index, most sectors rallied – the best sectors being Financials +12.2%, Property +9.9%, Energy +9.5%, and Consumer Discretionary +8.9%. The worst performers were Staples -0.2%, Materials -0.1%, and HealthCare +0.6%. The remaining sectors performed in line with the market, being Utilities +7.2%, Industrials +6.5%, Technology +5.4%, and Communications +5.0%.

During October, additions to the portfolio were made in rate-sensitive sectors in anticipation of the markets expectations of a dovish pivot. At the end of the month, profits were taken, trimming Banks which had run hard, and the proceeds reinvested in more defensive HealthCare stocks. Cash levels remain moderately elevated, reflecting a cautious stance and allowing the ability to take advantage of any market volatility, as was done through October.

Key Contributors and Detractors for the Month

CONTRIBUTORS

Commonwealth Bank of Australia (CBA)

CBA was a key contributor as Financials significantly outperformed all other sectors this month. The three major banks ex-CBA usually report full year results late-October/early-November and expectations of strong earnings from net-interest-margin (NIM) expansion lifted all bank share prices higher. During the month, CBA held its Annual General Meeting and successfully refinanced its PERLS VII capital notes with a new Hybrid offering, PERLS XV.

Woodside Energy (WDS)

Woodside issued a strong third quarter production report, with record production and revenue following the integration of BHP petroleum. WDS also took the opportunity to upgrade FY23 production guidance (tightening the range), as well as increasing exploration expenditure and decreasing expected capital expenditure. The oil price strengthened during the month as OPEC+ unexpectedly cut production more than expected (by 2 million barrels per day), reversing recent production increases.

DETRACTORS

BHP Group (BHP)

BHP was a detractor this month as the Iron Ore price came under pressure. Restrictive COVID-zero policies being implemented in China weighed on the price of BHP's key commodity. An Iron Ore Briefing day early in the month provided further clarity on BHP's iron ore expansion, however the quarterly activities report later in the month highlighted continuing global macro uncertainty that is impacting supply chains and elevating costs.

CSL (CSL)

CSL underperformed the market this month. At its mid-month Annual General Meeting, CSL reaffirmed FY23 guidance of 7%-11% revenue growth and US$2.4-2.5bn NPAT (pre Vifor acquisition) and confirmed plasma collection volumes have now exceeded pre-pandemic levels, though collection costs remain elevated. A Vifor market briefing provided additional information on the recent acquisition, with expectations of >10% revenue growth and new guidance including Vifor.

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