JM Financial Group

Investment Update
November 2022

Leaders Strategy

Performance *(Net*)*	1 Month (%)	3 Months (%)	1 Year (%)	3 Years (% pa)	5 Years (% pa)	Inception** (% pa)
JMFG Leaders Strategy	**+6.2**	**+6.0**	**+5.8**	**+6.3**	**+6.9**	**+7.0**
ASX 200 Accumulation Index	+6.6	+6.0	+5.0	+5.9	+8.2	+8.0
Outperformance	**-0.4**	**0.0**	**+0.8**	**+0.4**	**-1.3**	**-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 time-weighted rate of return 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 November, the JMFG Leaders strategy returned 6.2%. Although 0.4% behind the S&P/ASX 200 Accumulation Index for the month, the strategy's recent performance remains strong, ahead of the benchmark in reported periods over the last three years. Macro-economic factors continue to drive the market. Central bank rate decisions early in the month and accompanying commentary, followed by softening US inflation data mid-month, fuelled the market rally. Talk in China of relaxing its COVID-zero policy accompanied by a cut in its Reserve Required Ratio were further positive news items for the market as the Hang Seng index rallied 26.6% this month. The November AGM season resulted in net negative trading updates and, as a result, we will be watching for further volatility into the new year.

This month, large-capitalisation stocks (+6.7%) outperformed small-capitalisation stocks (+4.9%) by 1.8% with the broad-based market rally continuing in November. All sectors within the S&P/ASX 200 Accumulation Index rallied, with notably strong returns from Utilities +20.9%, and Materials +16.3%. All other sectors underperformed the market with HealthCare +6.0%, Industrials +5.9%, Property +5.8%, Staples +3.9% and the remaining sectors (Consumer Discretionary, Technology, Energy, Financials, and Communications) returning between +2% and +3%.

During November, portfolio trading was limited, mainly adjusting position sizes around valuation levels as the market ground higher. Cash levels remain moderately elevated reflecting a cautious stance, providing opportunity to take advantage of market volatility.

Key Contributors and Detractors for the Month

CONTRIBUTORS

BHP Group (BHP)

BHP was a top contributor this month as the narrative on China's COVID-zero policy changed to a more relaxed tone. This change reversed the decline in the price of BHP's key commodity, iron ore, which rallied to finish the month back above US$100/ton. During the month, BHP held its AGM and raised its offer for OZ Minerals to $28.25 per share. This revised proposal was recommended by the OZ Minerals board for acceptance by shareholders.

CSL (CSL)

CSL outperformed the market this month as it rallied through the month to finish above $300 per share. CSL held its annual Research and Development Day early in the month where it highlighted the progress made in its development pipeline over the year and provided additional detail on several near-term commercialisation opportunities. CSL also announced a new licence agreement with Arcturus Therapeutics to access its Next Generation mRNA Vaccine platform technology.

DETRACTORS

Elders (ELD)

Reporting its annual result during November, Elders flagged potential impacts of flooding on business outlook. The company's long-serving Managing Director and CEO, Mark Allison, also announced his planned retirement, flagging that he would remain in the position for 12 months to manage the CEO transition.

James Hardie Industries (JHX)

James Hardie was a detractor this month as it released its second quarter FY23 result in which it reported reduced volumes, citing weakening housing market and declining economic conditions. This news saw full year guidance revised lower, resulting in downgrades to broker forecasts. FY23 earnings are still expected to exceed FY22 earnings, despite the slowing housing market.

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