JM Financial Group

Investment Update
January 2023

Small Companies Strategy

Performance *(Net*)*	1 Month (%)	3 Months (%)	1 Year (%)	3 Years (% pa)	5 Years (% pa)	Inception** (% pa)
JMFG Small Companies Strategy	**+5.1**	**+5.1**	**-7.2**	**+2.6**	**+7.1**	**+12.5**
Small Ords Accumulation Index	+6.6	+7.6	-4.4	+2.4	+4.4	+7.1
Outperformance	**-1.5**	**-2.5**	**-2.8**	**+0.2**	**+2.7**	**+5.4**

*Although the JMFG Small Companies 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 January, the JMFG Small Companies strategy returned 5.1%, a positive result albeit 1.5% behind the Small Ordinaries Accumulation Index. The market recovery resumed in January as China's economy reopened after removing its COVID-zero policy, along with increasing confidence that central banks will be able to engineer a soft landing. The Small Ordinaries Index is up ~16% over the last four months, however it remains significantly below the post-COVID highs, while large caps have generally recovered this level.

This month, small-capitalisation stocks marginally outperformed large-capitalisation stocks as the rising tide lifted all boats. As measured by the S&P/ASX 200 Accumulation Index, most sectors rallied, with Utilities -3.0% the only sector to decline. Top-performing sectors were Consumer Discretionary +9.9%, Materials +8.9%, and Property +5.8%; due to increasing confidence and declining bond yields. Other sectors (Staples, Technology, Financials, and Communications) returned between 5% and 6%, largely in line with the market. The remaining sectors (Industrials +4.8%, Healthcare +3.9%, and Energy +1.3%) underperformed the market.

Strategy trading for the month was relatively light, trimming some positions in stocks that had rallied to valuation. Cash levels remain moderately elevated, providing opportunity to take advantage of any volatility through reporting season.

Key Contributors and Detractors for the Month

CONTRIBUTORS

Mach7 Technologies (M7T)

During January, Mach7 announced that it has signed a significant $16.7m 10-year contract with Akumin, an outpatient radiology service provider. This is the largest customer contract in Mach7's history and utilises the entire enterprise imaging platform. As a result, Mach7 reported record quarterly sales orders at its second quarter update late in the month and is well on the way to achieving target full-year sales orders.

Webjet (WEB)

While Webjet made no material announcements during January, the stock continued to rally with strong momentum following its result in November. This was fuelled during the month as Flight Centre reported a strong outlook statement for FY23 and announced the acquisition of UK travel brand Scott Dunn for A$211m.

DETRACTORS

Credit Clear (CCR)

In its quarterly activities report, Credit Clear showed slightly lower receipts than the prior quarter and a lower level of operating cashflow. The company also announced the pending release from escrow of shares that were issued for the acquisition of ARMA Group Holdings.

Elders (ELD)

Elders made no material announcements during January although it trended lower as the market considered the impact of peaking agricultural conditions and continued wet weather and flooding. Following several years of strengthening outlook, the company now appears to be facing a softening, although still elevated, pricing environment.

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