

Australian Equities Strategy

Performance (Net*)	1 Month (%)	3 Months (%)	1 Year (%)	3 Years (% pa)	5 Years (% pa)	Inception** (% pa)
JMFG Australian Equities Strategy	-4.4	-1.6	-0.5	+3.9	+4.3	+6.8
All Ords Accumulation Index	-2.5	+0.4	+6.0	+8.5	+8.1	+8.1
Outperformance	-1.9	-2.0	-6.5	-4.6	-3.8	-1.3

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 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 February, the JMFG Australian Equities strategy declined 4.4%, underperforming the All Ordinaries Accumulation Index by 1.9%. The strategy's bias to small capitalisation stocks has weighed on performance of late, however the positive longer-term thesis of these positions has been retested and remains strong. The market gave up some of the gains from the prior month as generally positive economic data led to more hawkish rate expectations. The half-year reporting season during February showed companies are performing well, with revenue generally ahead of expectations and earnings in line with expectations, however forward-looking statements generally indicated a more cautious tone.

This month, small-capitalisation stocks underperformed large-capitalisation stocks by 1.3%. Sector returns, as measured by the S&P/ASX 200 Accumulation Index, showed a significant decline for Materials -6.6% after a strong January and Financials -3.1%. Top performing sectors were Utilities +3.4%, Technology +2.7%, Industrials +1.6%, and Consumer Staples +1.1%. Other sectors (Communications, Property, Consumer Discretionary, HealthCare and Energy) were less volatile.

During February, several positions with valuation support were added to. The cash level remains moderately elevated, providing opportunity to take advantage of any volatility.

Key Contributors and Detractors for the Month

CONTRIBUTORS

Judo Capital Holdings (JDO)

During February, Judo reported solid first-half results which showed the company was on track to achieve full-year guidance. Gross loans and advances (GLA) rose 23% over the first half of the financial year reaching \$7.5bn and is on track to hit \$9bn by the end of June. Judo also showed a detailed sector analysis of the loans to highlight its credit quality. This result contrasted well against other bank results with each of the big 4 banks falling during February while Judo rose more than 7%.

Seven Group Holdings (SVW)

Boral, of which Seven Group owns more than 70%, reported strong half-year revenue and earnings growth in early February. Boral also managed to maintain its profit margins despite cost inflation that impacted many other companies as revealed during reporting season. Seven Group also reported half-year results later in February showing another good result from WesTrac and Coates with revenue and operating margins increasing.

DETRACTORS

BHP Group (BHP)

BHP released its half-year report during February, which was in line with expectations following the earlier release of its December 2022 quarterly activities report where production guidance for FY23 was maintained. The price of BHP's underlying commodities weakened through February with USD strength and increasing economic uncertainty.

Northern Star Resources (NST)

Gold stocks underperformed the broader market in February as the US dollar strengthened and global interest rates pushed higher. Northern Star also reported its half-year results during February, although these were largely pre-released with the quarterly activities report provided in January.