

Australian Equities Strategy

Performance (Net*)	1 Month (%)	3 Months (%)	1 Year (%)	3 Years (% pa)	5 Years (% pa)	Inception** (% pa)
JMFG Australian Equities Strategy	-4.1	-5.2	-7.2	+3.7	+2.7	+6.0
All Ords Accumulation Index	-2.6	-1.1	+2.0	+11.6	+7.6	+7.7
Outperformance	-1.5	-4.1	-9.2	-7.9	-4.9	-1.7

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 May, the JMFG Australian Equities strategy declined 4.1%, underperforming the S&P/ASX All Ordinaries Accumulation Index by 1.5%. News flow in May turned negative following the relative calm in April. The Reserve Bank of Australia unexpectedly resumed rate hikes accompanied by a more hawkish tone. China’s reopening non-event was confirmed with a weak PMI print. While in the US, regional banks issues resumed (PacWest and Western Alliance) and the approaching debt ceiling dominated headlines before an 11th hour agreement and approval. On a more positive note, US-listed NVIDIA’s strong result fuelled buying in A.I. related tech stocks, also lifting some domestic technology stocks.

This month, large-capitalisation stocks (-2.4%) outperformed small-capitalisation stocks (-3.3%), resuming the trend of the last year and a half. The best-performing sector by a significant margin during May was Technology +11.6%, accelerating from April’s strong return. Other positive sectors included Utilities +1.1%, Energy +0.2%, and HealthCare +0.1%. Consumer Discretionary -6.1% was the worst-performing sector with several soft trading updates, while Consumer Staples -4.6%, Materials -4.4%, and Financials -3.3% were also soft. Other sectors including Industrials -0.8%, Communications -1.2%, and Property -1.8%, all outperformed the broader market.

During May, several positions were reduced or exited where the investment thesis had changed, and proceeds were rotated into larger resources companies on a pullback in that sector. Cash levels remain moderately elevated in keeping with a cautious outlook.

Key Contributors and Detractors for the Month

CONTRIBUTORS

CSL (CSL)

CSL was a top contributor again this month on limited news flow. CSL exhibited its quality and defensive characteristics in a falling market, while benefiting from a strengthening USD. Early in the month CSL Vifor revealed topline results from a Phase 3 Duplex Study of Sparsentan in Focal Segmental Glomerulosclerosis where primary efficacy endpoints were not met.

Serko (SKO)

Serko jumped 48% in May, reporting FY23 results which confirmed strong revenue growth, ~8% above guidance and market expectations. Management also gave revenue guidance for FY24 and confirmed the aspirational FY25 target, both significantly ahead of market expectations. Growth was primarily driven via its relationship with Booking.com for business where the return of travel saw increased room night bookings. Serko is well funded to cashflow breakeven with \$88m cash.

DETRACTORS

BHP Group (BHP)

BHP declined 5.4% during the month with the price of its key commodity, iron ore, falling 5% due to concerns over China’s economy, which struggles to reopen post COVID restrictions. This, combined with global economic concerns, weighed on the resources index and commodities more broadly. There was limited company-specific news from BHP this month.

Silver Lake Resources (SLR)

Silver Lake launched a proposal to acquire St Barbara’s Leonora assets, competing with Genesis Minerals existing sale agreement for these assets. Silver Lake revised the competing proposal three times during May, attempting to make the proposal more attractive to St Barbara. However, the St Barbara Board continues to recommend the Genesis Minerals transaction to shareholders, taking issue with the conditional nature of the Silver Lake proposal compared to the binding Genesis Minerals transaction. St Barbara shareholders are set to vote on the Genesis Minerals Transaction on June 20th.