

## Small Companies Strategy

Performance (Net*)	1 Month (%)	3 Months (%)	1 Year (%)	3 Years (% pa)	5 Years (% pa)	Inception** (% pa)
<b>JMFG Small Companies Strategy</b>	<b>-4.1</b>	<b>-6.8</b>	<b>-12.5</b>	<b>+1.4</b>	<b>+4.7</b>	<b>+10.6</b>
Small Ords Accumulation Index	-3.3	-1.3	-5.8	+4.5	+2.5	+6.2
<b>Outperformance</b>	<b>-0.8</b>	<b>-5.5</b>	<b>-6.7</b>	<b>-3.1</b>	<b>+2.2</b>	<b>+4.4</b>

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 May, the JMFG Small Companies strategy declined 4.1%, underperforming the S&P/ASX Small Ordinaries Accumulation Index by 0.8%. 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 11<sup>th</sup> 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. Cash levels increased over the month and remain moderately elevated ahead of the typically seasonally weaker month for small companies relative to large companies which may offer opportunities to redeploy capital at lower levels.

### Key Contributors and Detractors for the Month

#### CONTRIBUTORS

##### Allkem (AKE)

During May, an all-stock merger of equals was announced between Allkem and US-listed Livent, a deal that had been in the works for over a year and would create a A\$15b vertically integrated lithium business. While the deal did not offer an immediate premium for Allkem, the deal makes strategic sense for Allkem, allowing it to access Livent's downstream operations while also offering US\$125m in cost savings. The combined business will be listed on the NYSE and ASX following completion of the merger which is expected by the end of the calendar year.

##### Metro Mining (MMI)

Following on from a strong April, Metro continued to rally through May. During the month, the company confirmed Final Investment Decision on its expansion to 7 Mtpa with expected delivery by the end of the calendar year. The initial expansion plan was also modified to include an offshore floating terminal, financed through a joint venture with buy-out options.

#### DETRACTORS

##### Mach7 Technologies (M7T)

After a strong rally in April, Mach7 drifted lower in May while issuing no significant announcements during the month.

##### Silver Lake (SLR)

Early in May, Silver Lake issued a media release detailing a proposal the company had made to the board of St Barbara to acquire the Leonora assets, arguing its offer was superior to the existing sale agreement with Genesis Minerals to acquire these assets. Silver Lake made the media release following unsuccessful attempts to engage with the board of St Barbara. Following this initial media release, Silver Lake went on to revise 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 20<sup>th</sup>.