

Leaders Strategy

Performance (Net*)	1 Month (%)	3 Months (%)	1 Year (%)	3 Years (% pa)	5 Years (% pa)	Inception** (% pa)
JMFG Leaders Strategy	+1.1	-0.7	+10.0	+8.3	+5.6	+6.6
ASX 200 Accumulation Index	+2.9	+2.0	+11.7	+12.0	+7.5	+7.9
Outperformance	-1.8	-2.7	-1.7	-3.7	-1.9	-1.3

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 July, the JMFG Leaders strategy returned 1.1%, underperforming the S&P/ASX 200 Accumulation Index by 1.8%. It was a strong start to FY24 as the market rally broadened from technology stocks (led by mega-cap US stocks). Declining inflation allowed the RBA to pause rate rises for two consecutive months at its July and August meetings. Softer June retail sales is a further indication that we may have seen the last of the rate rises in this cycle. For confirmation of this, we would expect softening employment data, however employment remained strong at the June readout. In the US, the Fed also appears to have done enough on rates to get inflation under control, while Fitch was late to the party in downgrading its US credit rating on debt ceiling concerns, which saw the market soften into August.

This month, small-capitalisation stocks (+3.5%) outperformed large-capitalisation stocks (+2.8%) as the usual rebound from the prior month's tax-loss selling played out. Sector performance this month was diverse with Energy +8.8% the top performer, while defensive sectors HealthCare -1.5% and Consumer Staples -1.0% were the only negative returning sectors, and the worst performers. Other sectors to outperform were Financials +4.9%, Technology +4.5%, Utilities +4.0%, Property +3.8%, and Consumer Discretionary +3.4%. Underperforming sectors, though still making gains, were Communications +2.7%, Industrials +2.4%, and Materials +1.4%.

During July, the strategy's sizing was optimised in several positions and some positions were exited in preparation for August reporting season. Cash remains moderately elevated in keeping with a cautious outlook.

Key Contributors and Detractors for the Month

CONTRIBUTORS

BHP Group (BHP)

BHP continued to rally, up 2.3% in July. This was despite the price of its key commodity, iron ore, softening in the month as government support for China's faltering economy underwhelmed. BHP reported its fourth quarter production report during the month with FY23 production across its commodity suite in line with guidance. Realised prices were generally weaker than last year. FY24 guidance was also provided with small production increases expected other than Copper, where growth is expected to be 0-11%.

Woodside Energy Group (WDS)

Woodside was up 10.3% in July, led by the rally in the oil price, with the Brent oil price up 14.2%. Woodside reported its Q2 production result with slightly lower production and sales, due to planned maintenance, and has maintained FY23 guidance. An update on the Sangomar project was provided – it is 88% complete but is now targeting first oil production mid-2024 and at a cost of US\$4.9-5.2B, which is up 7-13% on prior expectations.

DETRACTORS

CSL (CSL)

CSL continued to decline, down 3.2% in July, on no additional company news. As we await further information from the FY23 result, market sentiment continued to drag from last month's market update. At that time, CSL advised the impact from currency movements was a larger headwind than expected, and provided FY24 earnings guidance that was significantly below market expectations.

IGO (IGO)

During July, IGO announced that it expected to record a non-cash impairment charge in its FY23 results, following a reassessment of the Cosmos and Forresteria Nickel operations acquired in the Western Areas transaction. The reassessment reflects higher capital and operational costs, along with challenges to the mine production schedule and development delays. Later in July, IGO reported its Q4 financial result, which included record underlying EBITDA and free cash flow, reflecting the strength of its operating assets.