Small Companies Strategy

Performance (Net*)	1 Month (%)	3 Months (%)	1 Year (%)	3 Years (% pa)	5 Years (% pa)	Inception** (% pa)
JMFG Small Companies Strategy	**+4.6**	**+2.1**	**-0.5**	**+0.3**	**+6.7**	**+11.1**
Small Ords Accumulation Index	+3.5	+0.2	+0.8	+5.9	+3.2	+6.5
Outperformance	**+1.1**	**+1.9**	**-1.3**	**-5.6**	**+3.5**	**+4.6**

*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 July, the JMFG Small Companies strategy returned 4.6%, outperforming the S&P/ASX Small Ordinaries Accumulation Index by 1.1%. 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

Mach7 Technologies (M7T)

Early in July, Mach7 announced a contract to provide its VNA and viewer solutions as part of the Veterans Health Administration's (VA's) National Teleradiology Program. The program is composed of two phases, with the first being to implement and maintain the VNA and viewer over a three-year term for the potential TCV of A$11.7M. The second phase, contingent on the success of the first phase, would expand usage across the VA hospital network, with a potential additional TCV of A$47.9M.

Judo Capital (JDO)

Following the end of financial year, Judo announced it had achieved its target balance of Gross Loans and Advances (GLAs) of A$9B. The announcement also revealed a record month for loan growth with A$478M net growth in GLAs for June. Judo also gave its AAA (applications accepted and approved) balance at $A1.5B, which suggests the company will likely continue to add to its loan book at a similar level.

DETRACTORS

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 Forrestania 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.

Silver Lake Resources (SLR)

Silver Lake released its Q4 quarterly activities report during July, having achieved FY23 production and cost guidance with 261,604 ounces of gold at an AISC of A$1,941/oz. However, the company revealed that for FY24 Sugar Zone, Silver Lake's Ontario asset, would be idling its mining and processing activities to focus on drill data acquisition. Consequently, forward production guidance for FY24 was lowered, now at 210k to 230k ounces with an AISC of A$1,850 to A$2,050.

JM Financial Group
AFSL 238397 ABN 68 007 364 132

Level 8, 140 Bourke St, Melbourne, VIC, 3000
Ph: +61 3 9627 9900

Web: www.jmfg.com.au
Email: enquiries@jmfg.com.au