JM Financial Group

Investment Update
August 2023

Australian Equities Strategy

Performance *(Net*)*	1 Month (%)	3 Months (%)	1 Year (%)	3 Years (% pa)	5 Years (% pa)	Inception** (% pa)
JMFG Australian Equities Strategy	**-2.1**	**+2.9**	**-0.2**	**+1.5**	**+3.1**	**+6.2**
All Ords Accumulation Index	-0.7	+4.2	+8.9	+10.5	+7.2	+8.0
Outperformance	**-1.4**	**-1.3**	**-9.1**	**-9.0**	**-4.1**	**-1.8**

*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 August, the JMFG Australian Equities strategy declined 2.1%, versus the S&P/ASX All Ordinaries Accumulation Index which was down by 0.7%. After a strong July, the Australian market pulled back a little in August, led by a slowing Chinese economy with its well-publicised property market issues. Australia fared better than most global markets with a somewhat positive FY23 reporting season that demonstrated revenue growth generally ahead of expectations, earnings in line with expectations, and unsurprisingly cautious outlook statements. The RBA's interest rate strategy remains on pause as it assesses economic data. This month, unemployment came in a little softer at 3.7% (up from 3.5%) though it remains historically low. Retail sales were stronger, up 0.5% for the month of July and 2.1% for the year, whilst inflation continues to recede below economists' expectations at 4.9% for the year to 31 July.

This month, large-capitalisation stocks (-0.7%) outperformed small-capitalisation stocks (-1.3%). Within sectors, Consumer Discretionary +5.7% was the surprise top performer through reporting season, while Property +2.6% and Energy +0.5% were the only other positives. Utilities -3.9% and Consumer Staples -3.2% were the worst sectors this month. Communications, Financials, and HealthCare were clustered around -0.8%, slightly below the market return. Meanwhile Technology, Industrials, and Materials all returned approximately -2.0%.

During August, several new positions were added, and other positions adjusted around result releases as new information came to light. Cash remains moderately elevated in keeping with a cautious outlook.

Key Contributors and Detractors for the Month

CONTRIBUTORS

Goodman Group (GMG)

Goodman Group released its FY23 result this month. It was another solid result delivering 16% EPS growth with the quality and location of its sites underpinning rental growth, property values, and development assets. Goodman Group remains well positioned for growth into FY24 due to exposure to the digital economy, the need for more productive and sustainable assets, and the limited supply of these assets. Guidance of 9% EPS growth in FY24 was provided by company management.

Paladin Energy (PDN)

Paladin Energy released its FY23 result in August, following its quarterly activity report in July. These releases confirmed Paladin is progressing restart activities at the Langer Heinrich project and is on track to recommence production by the end of first quarter 2024. Uranium stocks were supported during the month as both the spot and term markets remain tight, and the underlying uranium price strengthened as a result.

DETRACTORS

Judo Capital (JDO)

Judo was a strong contributor last month, however, was a detractor this month after releasing FY23 results. While progress continues and Judo remains on track towards "metrics at scale", loans growth appears to be slowing and credit quality deteriorating. In addition, FY24 was described as a transition year with NIM guidance lower than expectations due to Judo rolling off cheap TFF funding.

ResMed (RMD)

ResMed released its fourth quarter and FY23 results at the beginning of the month, reporting margin decline worse than market expectations. This was due to a slower transition from the lower margin AS10 sleep apnoea device to the newer and higher margin AS11 device. Shortly after the result, Novo Nordisk reported strong results from a GLP-1 trial with potential disruptive weight-loss threats to the prevalence of sleep apnoea and therefore demand for ResMed devices. ResMed continues to take market share with the main competitor, Philips, out of the market with a product recall.