JM Financial Group

Investment Update
August 2023

Small Companies Strategy

Performance (Net*)	1 Month (%)	3 Months (%)	1 Year (%)	3 Years (% pa)	5 Years (% pa)	Inception** (% pa)
JMFG Small Companies Strategy	**-2.6**	**+3.8**	**-5.5**	**-3.8**	**+4.7**	**+10.7**
Small Ords Accumulation Index	-1.3	+2.2	-1.1	+3.0	+2.4	+6.3
Outperformance	**-1.3**	**+1.6**	**-4.4**	**-6.8**	**+2.3**	**+4.4**

*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 August, the JMFG Small Companies strategy declined 2.6%, versus the S&P/ASX Small Ordinaries Accumulation Index which was down by 1.3%. Returns over the last three months remain positive and ahead of the benchmark. 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, some positions exited, and other positions adjusted around result releases as new information came to light. Cash remains elevated in keeping with a cautious outlook.

Key Contributors and Detractors for the Month

CONTRIBUTORS

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.

Seven Group (SVW)

Seven Group released its FY23 result in August, delivering strong 20% revenue growth and 18% earnings growth. Growth was driven by WesTrac, Coates, and Boral, the three largest divisions, while Energy and Media declined. Strength is expected to continue in FY24 with group guidance indicating high single digit EBIT growth. At the end of the month, a 1% stake in Boral was sold for $4.90 per share, realising a profit on stock that was purchased in October 2022 for $2.90 per share.

DETRACTORS

Imdex (IMD)

Imdex released its FY23 result in August delivering record revenue with growth of 20%, supported by the recent acquisition of Devico. However, second-half earnings were lower than first-half due to slower exploration activity, particularly in Canada and Australia, and increased R&D spend to support new growth initiatives. Margins were adversely impacted by the mix shift resulting from lower exploration. Demand in all regions remains steady into FY24.

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.

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