

Leaders Strategy

Performance (Net*)	1 Month (%)	3 Months (%)	1 Year (%)	3 Years (% pa)	5 Years (% pa)	Inception** (% pa)
JMFG Leaders Strategy	-4.1	-7.1	-0.5	+5.3	+5.4	+5.6
ASX 200 Accumulation Index	-3.8	-7.2	+3.0	+8.9	+7.2	+6.8
Outperformance	-0.3	+0.1	-3.5	-3.6	-1.8	-1.2

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 October, the JMFG Leaders strategy declined 3.8%, compared to the S&P/ASX 200 Accumulation Index which declined 3.8%, thus giving back some of last month's outperformance, while remaining ahead of its benchmark for the rolling quarter. Global markets declined for a third month in a row as long-term (10-year) bond rates, driven higher by continued strong economic data, closed the month at around 5.0% in both USA and Australia. In response to strong data, the RBA lifted rates 25bps on Melbourne Cup Day, however the US Fed remained on pause and, in early November, market sentiment towards rates shifted to the view that we are past the peak, with Australian and US 10-year bond rates at 4.5% at the time of writing. Geopolitical tension ratcheted up a level with the devastating events in the Middle East, however to date, it has had limited impact on global markets.

This month, large-capitalisation stocks (-3.6%) once again outperformed small-capitalisation stocks (-5.5%). Within sectors, Utilities +1.7% was the only positive performer driven by M&A activity. Sectors exposed to rising interest rates were again the worst performers with Technology -7.6%, HealthCare -7.2%, Industrials -6.4%, and Property -5.8%. Other underperforming sectors were Energy -5.1%, Consumer Discretionary -4.9%, and Consumer Staples -4.0%. The remaining sectors, Materials -0.8%, Communications -2.9%, and Financials -3.6%, declined by less than the market.

During October, investments were made in several existing and new positions as opportunities presented in the market pullback. As a result, cash held has decreased, reflecting a more constructive view on valuations, but remains a little elevated.

Key Contributors and Detractors for the Month

CONTRIBUTORS

BHP Group (BHP)

BHP was a top contributor again this month. During the month, BHP released its quarterly activities report and remains on track to meet production and cost guidance at all assets. BHP also concluded the sale of two Queensland coal assets, Daunia and Blackwater, to Whitehaven Coal for up to A\$4.1bn depending on the earnout. At the end of the month, BHP approved a US\$4.9bn investment in stage 2 of the Jansen potash project in Saskatchewan, Canada.

Northern Star Resources (NST)

Northern Star rallied 11.8% during October, reflecting the rally in the underlying commodity. The gold price rose sharply from US\$1,828 to US\$1,984 due to increased geopolitical tensions benefiting gold producers. Northern Star also released its September quarterly activities report this month, delivering a solid production result with a record production rate delivered at its Thunderbox asset. Management reiterated guidance for the full year.

DETRACTORS

CSL (CSL)

CSL held its Capital Markets Day mid-month, outlining the recovery post COVID and an impressive product development pipeline. However, negative sentiment towards the stock continued unabated this month due to the impact of rising 10-year bond yields on the valuation of higher growth stocks like CSL, and the potential impact of GLP-1 drugs on CSL's future revenue in relation to major adverse cardiovascular events and kidney disease. Both these headwinds appear to have peaked with CSL up strongly in early November, more than reversing last month's decline.

Mineral Resources (MIN)

Mineral Resources had another busy month, completing a US\$1.1bn bond, hosting an investor site tour to its Onslow Iron development project and Mt Marion and Wodgina lithium mines, closing the revised JV agreement with Albemarle, acquiring stakes in junior lithium mines, and releasing its September quarterly activities report. Despite all this, the continuing lithium price decline weighed on the stock.