

Small Companies Strategy

Performance (Net*)	1 Month (%)	3 Months (%)	1 Year (%)	3 Years (% pa)	5 Years (% pa)	Inception** (% pa)
JMFG Small Companies Strategy	-6.9	-8.8	-8.6	-5.7	+5.0	+9.7
Small Ords Accumulation Index	-5.5	-10.5	-5.1	+0.5	+2.5	+5.0
Outperformance	-1.4	+1.7	-3.5	-6.2	+2.5	+4.7

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 October, the JMFG Small Companies strategy declined 6.9%, compared to the Small Ords Accumulation Index which declined 5.5%, 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

Imdex (IMD)

During October, Imdex held its Annual General Meeting at which it provided a trading update on 1Q24 and on the performance of Devico. The update showed revenue ex-Devico was up 2% on the prior corresponding period indicating potentially the early stages of a turn in the cycle for exploration activity from contraction to expansion. It was also revealed that the average monthly revenue for Devico in the 7 months since deal completion was higher than the average monthly revenue for CY22 by 8%. Later in October, it was announced that the Imdex CEO was buying shares on market.

Silver Lake Resources (SLR)

Silver Lake rallied 24.3% during October. The gold price rose sharply during October from US\$1,828 to US\$1,984 due to increased geopolitical tensions, benefiting gold producers. Silver Lake also released its September quarterly activities report this month, producing a strong result and reiterating guidance for the full year.

DETRACTORS

Bapcor (BAP)

At the Annual General Meeting during October, Bapcor provided a trading update calling out short-term margin pressures resulting from cost inflation which has impacted the 1Q24 result more than expected. Despite this, Bapcor reiterated expectations of a solid performance for FY24. Later in October several directors were buying shares on market.

Telix Pharmaceuticals (TLX)

Telix reported its September quarterly results with revenue from Illucix sales up strongly to A\$133m for the quarter. This is an impressive result from a standing start just one year ago. The strong result was overshadowed by the release of data from its ProstACT SELECT study, which achieved its primary objectives of safety and tolerability, however investors took the efficacy data negatively. Telix is recovering strongly in November.