

Blended Australian Equities Portfolio

Monthly Update | January 2024

In January, the ASX 200 recorded a 1.2% increase, driven by Energy (+5.2%) and Financials (+4.9%) sectors, and partially offset by the decline in the Materials sector (-5.7%). By end of January, the Australian equity market gained 14% on the October lows, reaching an all-time high at 7681pts.

We have had 2 inflation prints locally. The CPI has declined from a peak of 8.4%/year in December 2022 to 4.3%/year in November 2023, and 3.4%/year in December 2023. Important for the outlook for monetary policy, the Q4-23 trimmed mean CPI is 4.1%, below the Reserve Bank of Australia's forecast of 4.5%. Yet, spending was weak toward the end of 2023. Retail trade fell by 2.7% in December, below the market consensus of -1.7%.

At a portfolio level, ResMed (RMD) and Iluka Resources (ILU) were notable contributors. The share price for RMD increased 14.7% in January, following a strong improvement in gross margin (+90bps to 56.9%) and recovery from perceived threats from weight loss treatment drugs on Continuous Positive Airway Pressure (CPAP) machines. We have increased our position in RMD in early January since our initiation in 4Q23. ILU's 4Q23 activities report indicated signs of stabilising demand and prices for the mineral sands market.

Negative contributors to portfolio performance include Commonwealth Bank of Australia (CBA) (not owned), Cleanaway Waste Management (CWY) and Pilbara Minerals (PLS). Australian Banks have seen a broad rise in share prices, reflecting recent optimism around softer inflation, interest rate cuts and a benign credit cycle. The share price of Pilbara Minerals, as a pure lithium producer, felt the fluctuations faced by Australian lithium producers, with disappointing lithium prices and uncertainty in the near-term outlook for lithium demand from global EV sales.

We included a new position in IDP Education (IEL) during the month. IEL is a global leader in the tertiary student placement market and owner of the International English Language Testing System (IELTS) tests. A quality growth company with a long track record of double-digit EPS growth underpinned by migration level and demand for global education.

In the immediate term, our focus is on the upcoming February earnings season for ASX listed companies. Consensus Earnings Per Share expectations for the ASX 200 is negative, while ASX 200 is trading at a slight premium, reflecting hopes of an imminent easing cycle. This is occurring before any material earnings outlook changes, though could prove justified if earnings recovery catch up. We remain cautious, observing limited room for further valuation expansion. In particular, we expect more moderate top line growth with the orderly decline in inflation, margins remain under pressure from elevated interest expenses and labour costs.

Portfolio details

Inception date:	February 2014
Investment minimum:	\$25,000
Investment time horizon:	5+ years
Management fee:	0.6%
Maximum holding limit:	12%
Number of stocks:	20 - 40
Gross Dividend Yield	4.33%*
Net Dividend Yield	3.35%

* Forecast gross yield inc franking for the next 12 months

Portfolio objective

The portfolio seeks to generate long-term capital appreciation by investing in Australian listed equities. The portfolio aims to do so with lower volatility and greater downside protection relative to the S&P/ASX 200 Accumulation Index benchmark.

Top 5 holdings

Stock	Weight
CSL	9.8%
BHP	9.6%
NAB	6.6%
MQG	5.8%
GMG	5.7%

Portfolio returns

	1 month	3 months	6 months	FYTD	1 year	3 years	5 years	7 years	Inception p.a	Since inception
Portfolio performance	1.1%	11.7%	4.1%	4.8%	3.3%	6.1%	7.6%	8.2%	8.1%	118.0%
ASX 200 Accum Index	1.2%	14.0%	5.8%	8.8%	7.1%	9.6%	9.7%	8.8%	7.9%	114.0%
Relative performance	-0.1%	-2.3%	-1.7%	-4.0%	-3.8%	-3.5%	-2.1%	-0.6%	0.2%	4.0%

* Returns are net of management fees. Performance includes reinvestment of all dividends and excludes franking credits.

Platform availability



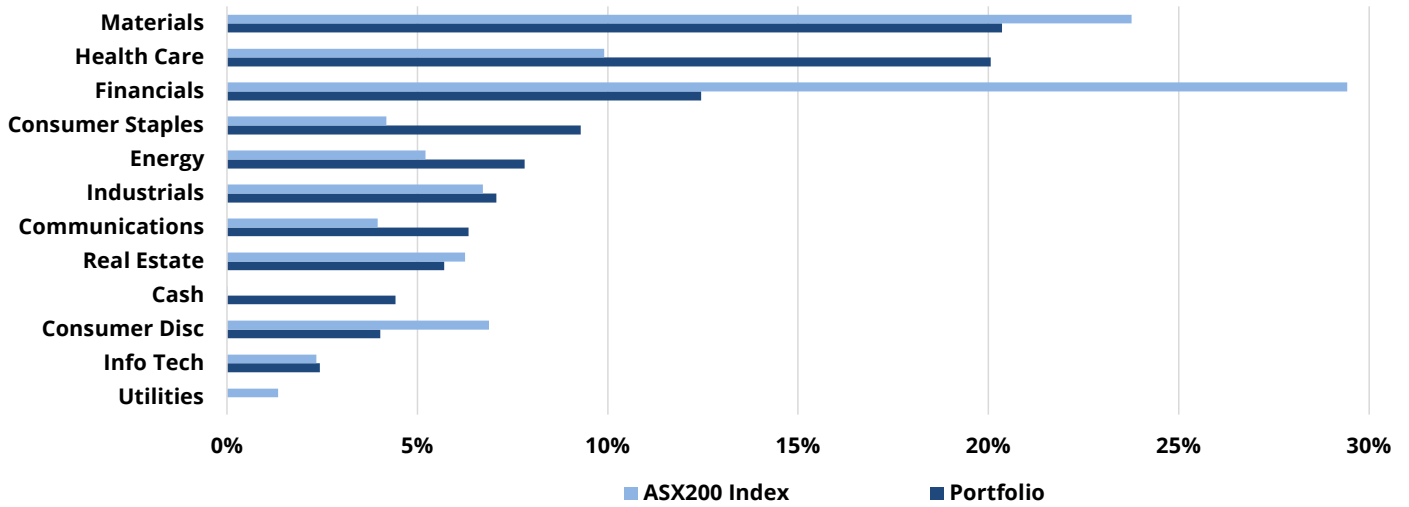
Powerwrap



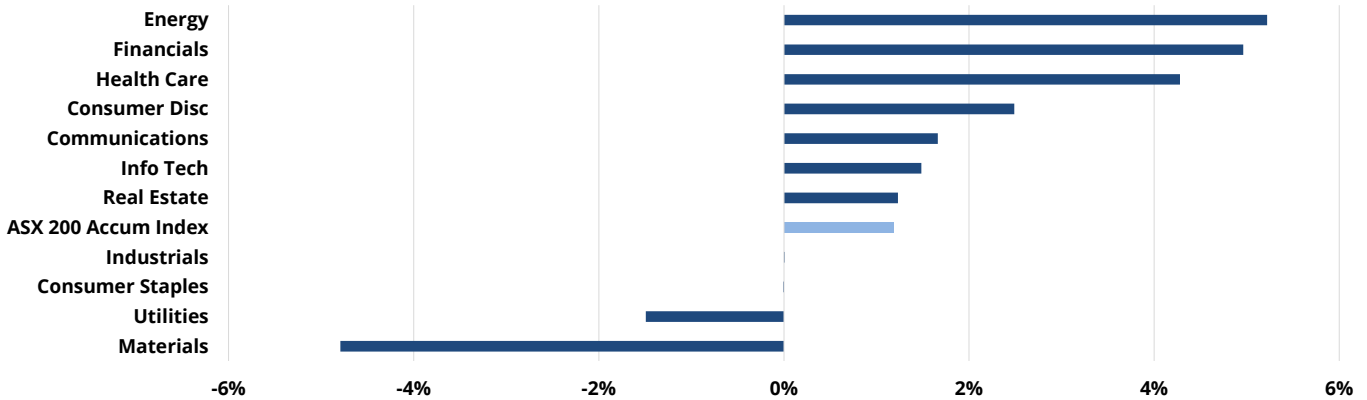
BT Panorama

North

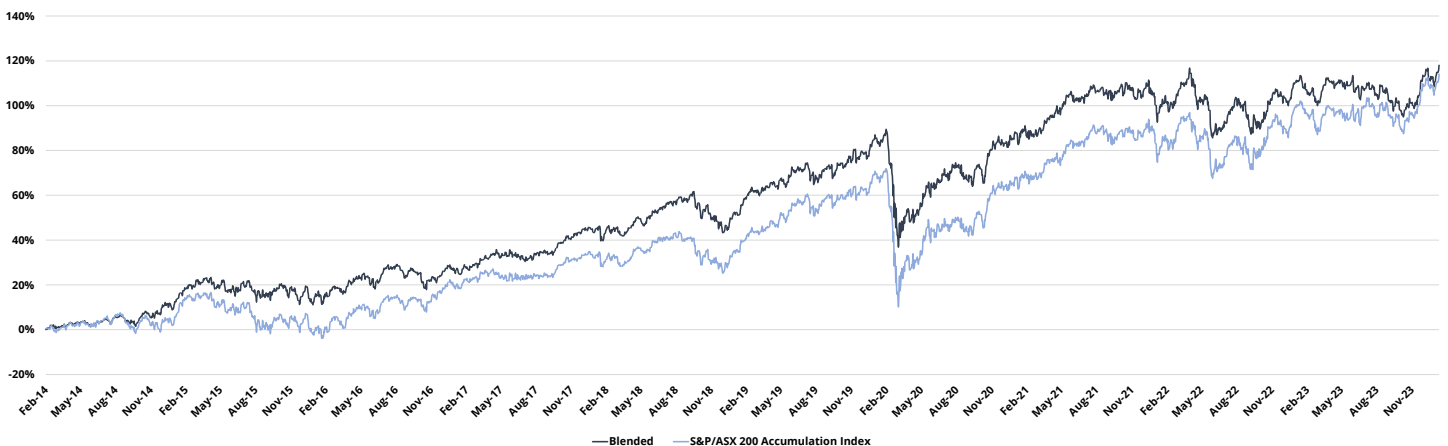
Relative sector weights - January 2024



Sector returns - January 2024



Cumulative return from inception



Ratings & Awards



Australian Equities Winner
2020 IMAF MANAGED ACCOUNT AWARDS



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