

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.

PORTFOLIO DETAILS

Inception date:	Feb 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	3.78%*
Net Dividend Yield	3.02%

* Forecast gross yield inc franking for the next 12 months

The ASX 200 reached a new high in January rising +4.6%. The rebound in momentum was supported by better-than-expected inflation data which raised expectations for a February rate cut by the RBA. It has been the persistence of inflationary pressures that delayed the RBA cutting rates in 2024 as labour markets remained tight and the economy was bolstered by government spending. Nevertheless, growth in the domestic economy remains below its long-term average weighed down by cost-of-living pressures and subdued commodity prices for our exports.

Market expectations for the February earnings results season suggests that overall profit growth will be flat for FY25. Yet, the P/E valuation for the ASX 200 is now >18 times, 2 standard deviations above its historical average of ~14 times.

Price momentum has been the clear driver of equity market performance over the last 12-18 months, leading to the dominant performance of a small number of stocks/sectors. In Australia, this is epitomized by the major banks which are trading on record high P/E valuations of ~19 times supported by benign credit conditions and robust balance sheets. To date, this has been the winning formulae for share market outperformance.

However, we increasingly think value and opportunity resides in stocks which are offering more compelling earnings growth (i.e., CSL/Cleanaway) and/or offer better valuation support (BHP, Santos). Undoubtedly, it is an environment that is testing even the most patient investors but history suggests that staying with sound investment fundamentals is the preferred long-term option.

For January at a sector level, Gold (+15.2%), Financials (+6.1%) and Discretionary retail (6.8%) contributed the strongest returns. In marked contrast, the defensive sectors of Utilities (-2.4%), Food & Beverage (-1.2%), and Telecom (-1.1%), led the declines.

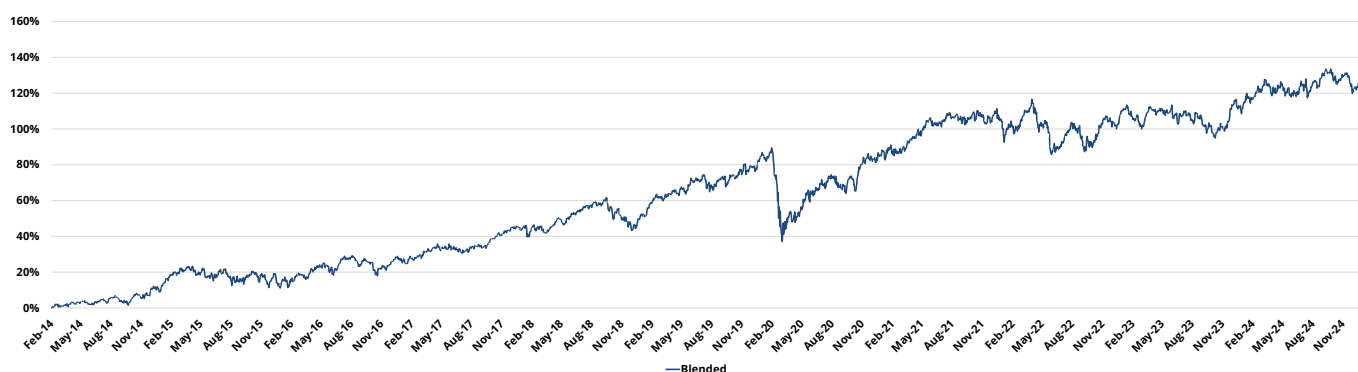
At a portfolio level, Northern Star (NST), ResMed (RMD), and James Hardie (JHX) were notable strong performers. Whereas Origin Energy (ORG), Premier Investments (PMV), and Macquarie Technology (MAQ) weighed on performance.

Portfolio additions

In January we added BlueScope Steel (BSL) to the portfolio. BlueScope operates a diverse portfolio of steel manufacturing and value-added businesses, with key assets in North America, Asia and in Australia. BlueScope has consistently demonstrated its ability to generate attractive returns, underpinned by its focus on value-added steel products and disciplined capital allocation.

Ahead of its demerger of its apparel brands to Myer, Premier Investments released a trading update highlighting challenging retail conditions, which prompted a sharp sell-off in its share price. We believe that the new-PMV (post demerger) offers compelling value with exposure to the first-class retail brands of Peter Alexander, Smiggle, and its investment in Breville. The combination of organic growth through global expansion and a balance sheet with net cash ~\$280m underpinned our decision to add to PMV in January.

CUMULATIVE RETURN FROM INCEPTION



PORTFOLIO RETURNS

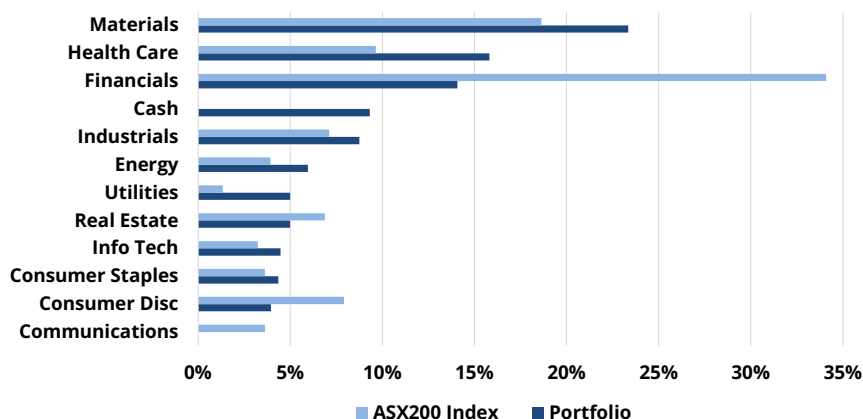
	1 month	3 months	6 months	FYTD	1 year	3 years	5 years	7 years	10 years	Inception p.a	Since inception
Portfolio performance	2.8%	0.8%	0.7%	3.5%	4.7%	5.1%	4.4%	6.7%	7.2%	7.8%	128.2%
ASX 200 Accum Index	4.6%	5.1%	7.3%	11.8%	15.2%	11.4%	8.0%	9.2%	8.6%	8.6%	146.5%

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

TOP 5 HOLDINGS

Stock	Weight
CSL	8.6%
BHP	7.7%
MQG	7.0%
CWY	6.2%
JHX	6.1%

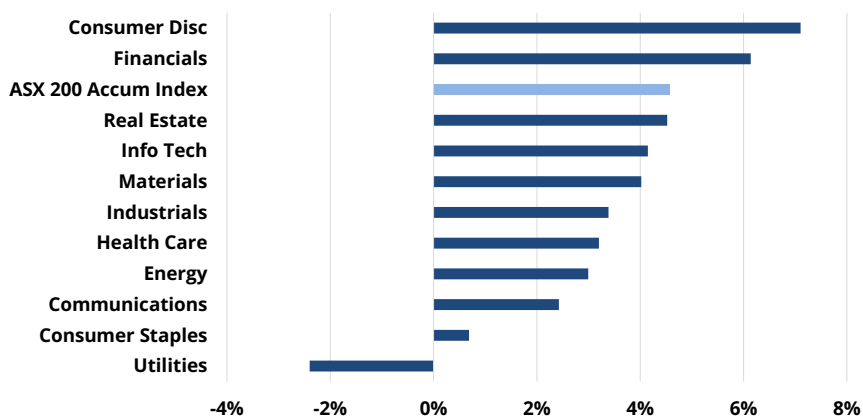
RELATIVE SECTOR WEIGHTS - JANUARY 2025



PLATFORM AVAILABILITY



SECTOR RETURNS - JANUARY 2025



RATINGS & AWARDS



Australian Equities Winner
2020 IMAP MANAGED ACCOUNT AWARDS



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