

**The objective** of the Market Matters Active High Conviction SMA is to provide an active exposure to Australian large cap shares, with reduced volatility through stock selection, targeted hedging & managing cash. Returns will be achieved through a combination of capital appreciation and income with an overall objective of outperformance of the S&P/ASX 200 Accumulation Index over the medium term, (3 years) but with lower volatility.

## PORTFOLIO DETAILS

<b>Structure:</b>	Separately Management Account
<b>Benchmark:</b>	ASX 200 Accumulation Index
<b>Management Fee:</b>	0.70% incl GST
<b>Performance Fee:</b>	10% over benchmark with high water mark
<b>Platform:</b>	Praemium
<b>Portfolio Manager:</b>	James Gerrish

## MARKETS & POSITIONING

**The Market Matters Active High Conviction portfolio returned 2.53% in August, marginally outperforming its benchmark of the S&P/ASX 200 Accumulation Index. The portfolio has returned 26.81% for the rolling 12-months.**

Australian equity markets experienced slightly lower levels of volatility than July, despite being the month of full-year reporting releases. From a bigger picture standpoint, earnings season was strong although companies became increasingly reluctant to provide guidance as a consequence of ongoing east coast lockdowns.

The Technology sector was the best performer driven by significant gains in Afterpay (APT), on the back of a takeover bid from US tech giant Square, and Wisetech, which had one of the strongest results of the period. Resource stocks were underperformers as the Delta strain cast a shadow over the market's confidence in global growth.

This sent the Australia Dollar lower over the period while bond yields were marginally higher. Global

global economic data, strong corporate profit results during quarterly earnings in the US and a more dovish update from US Federal Reserve Chairman Jerome Powell underpinned the +3% gain from the S&P 500, recording its seventh month of consecutive gains in the process.

Industrial stocks underwhelmed with the Dow Jones Industrial index up ~1% while the Technology centric NASDAQ rallied ~4%.

Commodities were mostly softer through August, Crude Oil & Iron Ore the weakest links however we saw large gains in markets for thermal coal & uranium.

M&A has been another obvious tailwind for equities with completed deals for Bingo (BIN) & Vocus (VOC), an ongoing battle for Sydney Airports (SYD) with a consortium of overseas infrastructure investors & local superannuation funds making a play, while offers for embattled casino operator Crown (CWN) & software business Altium (ALU) were rebuffed.

We expect more M&A to come as high levels of liquidity and cheap funding remain in play.

## PORTFOLIO STOCKS

Key contributors to portfolio performance during the month were investment platform business **HUB 24 (HUB)** that rallied following a strong FY21 result and a material increase in funds under administration (FUA) guidance, with the company now expecting FUA to reach \$63-70bn by FY23. HUB rallied ~25% during August.

The 'reopening trade' trade gained momentum during the month as vaccination rates increased and a recent position taken in **Qantas (QAN)** performed well, rallying more than 10% shortly after purchase. We are bullish QAN given their intelligent restructuring during the pandemic will likely set them on course for strong profitability once normality returns.

Alongside Qantas, we added three further positions to the portfolio during August, namely **Independence Group (IGO)**, a battery metals focussed mining company with key operations in Nickel & Lithium, **CSR Limited (CSR)**, a more traditional value orientated stock that is benefitting from increased construction activity and demand for building products domestically alongside **IAG Insurance (IAG)** which is showing signs of a turnaround in their earnings outlook after a difficult few years.

**BHP Billiton (BHP)** was the primary detractor of performance for the month and while the big Australian did trade ex-dividend, the share price closed over 20% below its July high. A combination of tumbling iron prices, a \$5.7bn investment in Potash, unification of its listing structure and BHP's planned petroleum demerger with Woodside (WPL) has hurt short term performance. We view their move towards 'future facing' commodities as overall positive.

We sold Lendlease (LLC) on the belief that a turnaround in fortunes will be a story for FY23 rather than FY22.

## PERFORMANCE

### POSITIONING

Number of Holdings	20
Current Cash Weighting	5.07%
Top 5 Positions (% of AUM)	33.28%
Top 10 Positions (% of AUM)	58.11%

### BREAKDOWN

PERIOD	RETURN	BENCHMARK
August	2.53%	2.50%
3 month	5.56%	5.97%
6 Month	11.94%	14.96%
1 Year	26.81%	28.15%
3 Year pa	8.06%	9.87%

### MONTHLY BREAKDOWN - ACTIVE HIGH CONVICTION

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUNE	YTD
FY22	0.25%	2.53%											2.78%
FY21	0.27%	4.94%	-4.10%	-1.07%	14.87%	1.34%	-0.50%	3.08%	0.66%	4.10%	1.17%	2.70%	27.46%
FY20	1.21%	-2.16%	3.75%	-1.55%	0.80%	0.34%	2.06%	-10.25%	-24.12%	12.66%	5.30%	2.02%	-9.94%
FY19	1.11%	1.64%	-0.77%	-2.16%	-1.22%	-1.94%	3.39%	4.98%	-1.00%	2.39%	1.72%	4.41%	12.55%
CUMULATIVE													32.85%

## DISCLOSURE

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Performance of the Model Portfolio is based on a model portfolio and is gross of investment management, administration fees and transaction costs. The total return performance figures quoted are historical and include franking credits. Total returns assume the reinvestment of all portfolio income.

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