

**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 & PERFORMANCE

**The Market Matters Active High Conviction portfolio returned +2.72% in December, just underperforming its benchmark of the S&P/ASX 200 Accumulation Index which added +2.75%. The portfolio has returned +16.72% for the rolling 12-months.**

PERIOD	PORTFOLIO	BENCHMARK
December	2.72%	2.75%
3 month	0.87%	2.09%
6 Month	4.50%	3.84%
1 Year	16.72%	17.23%
3 Year pa	10.90%	13.62%

December is traditionally positive for equity markets with specific focus on the Christmas rally that takes place more often than not, and while it was very late turning up this year, it did arrive pushing the market higher late in the month. The ASX 200 finished up +2.75% on an accumulation basis bringing the quarterly performance into positive territory.

Last month we spoke of the Material sector being down due to weakness in Iron Ore while Technology was also weak.

This month we saw Materials bounce back ~6% however the technology stocks remained under pressure (down~5%) as a result of rising interest rates.

Looking internationally, US stocks were stronger than our own while the Australian Dollar ended a very volatile quarter higher, settling just shy of 73c.

Sector rotation has been a dominant theme over the past year or so and it's a dynamic that is likely to persist. Significant changes to expectations around economic growth, inflation and subsequently monetary policy and the markets interpretation of this has a profound influence of market segments.

While tech has been a market leader in recent years as growth was hard to find, we are now seeing more cyclical parts of the market show growth reducing the relative appeal of this more expensive subset.

Alternatively, the outlook for resources & energy in our view are very strong. In an environment of higher inflation at a time when a large energy transition towards renewables is taking place underpins demand for raw materials and prices should rise.

We believe these are standout sectors for the remainder of the year.

## PORTFOLIO STOCKS

Number of Holdings	21
Estimated Yield	3.48%
Top 5 Positions (% of AUM)	32%
Top 10 Positions (% of AUM)	56%

The **portfolio holds concentrated positions in 21 stocks** and applies specific stock & sector tilts with a focus on risk adjusted returns over the medium term.

It was a reasonable month for the portfolio, largely inline with a strong market however it's important to recognise that running a concentrated portfolio will generally have more movement against the index than a diversified quasi-index fund – or in other words, it is rare to see us track the index so closely.

We made no major changes to the portfolio during the month having been quite active in November. As discussed in last month's update, our key tilts are towards resources & to a lesser degree technology.

While we are bullish resources this year generally, that's not the case with Technology, although we do like the companies we currently hold.

At the halfway mark of FY22 we are generally comfortable with portfolio performance metrics

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUNE	YTD
<b>FY22</b>	0.25%	2.53%	0.78%	1.75%	-3.49%	2.72%							<b>4.54%</b>
<b>FY21</b>	0.27%	4.94%	-4.10%	-1.07%	14.87%	1.34%	-0.50%	3.08%	0.66%	4.10%	1.17%	2.70%	<b>27.46%</b>
<b>FY20</b>	1.21%	-2.16%	3.75%	-1.55%	0.80%	0.34%	2.06%	-10.25%	-24.12%	12.66%	5.30%	2.02%	<b>-9.94%</b>
<b>FY19</b>	1.11%	1.64%	-0.77%	-2.16%	-1.22%	-1.94%	3.39%	4.98%	-1.00%	2.39%	1.72%	4.41%	<b>12.55%</b>
<b>CUMULATIVE</b>													<b>34.61%</b>

with the portfolio having increased by 4.50%.

**BHP Billiton (BHP)** remains our largest holding and we are very comfortable with such a stance. The reunification of BHP's listing structure will be a positive while we are likely to see capital returns and dividends between now & September totalling ~\$8. This is likely to remain a core holding in your portfolio.

CSL Limited (CSL) raised \$6.3b in fresh equity during the month to purchase the Swiss company Vifor Pharma for an equity value of \$US11.7b. We like the deal and remain positive on CSL as a result.

STOCK	CONTRIBUTION
Foretscue Metals (FMG)	0.73%
Oz Minerals (OZL)	0.51%
BHP Billiton (BHP)	0.44%
Appen (APX)	0.41%
Altium (ALU)	0.40%
STOCK	DETRACTION
A2 Milk (A2M)	-0.34%
CSL Limited (CSL)	-0.32%
HUB 24 (HUB)	-0.14%
Xero (XRO)	-0.12%
QBE Insurance (QBE)	-0.10%

Finally, welcome to the growing number of investors backing this portfolio and reading this monthly update.

## DISCLOSURE

Market Matters, its employees, associates and / or contributors may hold stocks mentioned in this report.

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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