

**The objective** of the Market Matters Active High Conviction Portfolio is to provide an active exposure to Australian large-cap shares, with reduced volatility. 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).

## Portfolio Details

Portfolio Name	<b>Active High Conviction</b>
Structure	<b>Separately Managed Account (SMA)</b>
Benchmark	<b>S&amp;P/ASX 200 Accumulation Index</b>
Platform Availability	<b>Praemium &amp; OpenInvest</b>
Estimated fee	<b>1.2%</b>
Portfolio Manager	<b>James Gerrish</b>

## MARKETS & PERFORMANCE

**The Market Matters Active High Conviction portfolio returned +5.51% in March, underperforming its benchmark of the S&P/ASX 200 Accumulation Index which added 6.89%. The portfolio has returned +16.83% for the rolling 12-months.**

PERIOD	PORTFOLIO	BENCHMARK	RELATIVE
March	5.51%	6.89%	-1.38%
3 Month	3.38%	2.24%	1.14%
6 Month	4.28%	4.38%	-0.10%
1 Year	16.83%	14.97%	1.86%
2 Year	30.32%	25.76%	4.56%
3 Year pa	9.48%	10.59%	-1.11%

March was a strong month for Australian equities, the strongest March since 2009 with the ASX 200 adding +6.89% on an accumulation basis.

It's not often that the Utilities sector rallies 9.04% in a month, particularly against a backdrop where interest rates have risen so sharply. Energy +8.58% & Materials were also strong while Healthcare's +1.20% move was the weakest sector performance. Our market also enjoyed strong outperformance versus our

overseas peers supported by a broadly positive domestic reporting season in February and higher exposure in the large-cap index toward later-cycle industry sectors such as retail banks, supermarkets, and resources.

Commodities & Energy remained front & centre. Having already started to rally on supply chain issues & inflationary expectations, the ongoing conflict in Ukraine, the world's largest exporter of grain by one of the largest global energy producers continued to fuel a fire that was already burning bright.

Inflation often provides the death knell for bull markets and it certainly felt that way back in January, with the majority of global equity markets experiencing their worst monthly decline since March 2020.

However, February started the recovery that continued into March and now we find equity markets back near all-time highs even though interest rates have risen sharply.

While this has been one of the more challenging periods in recent history, we're pleased to say that the portfolio has handled the volatility well, and we believe our active strategy is very wellpositioned for the likely volatility as the year progresses.

## PORTFOLIO STOCKS

Number of Holdings	17
Estimated Yield	2.17%
Top 5 Positions (% of AUM)	33%
Top 10 Positions (% of AUM)	60%

The **portfolio holds concentrated positions in 17 stocks** and applies specific stock & sector tilts with a focus on risk-adjusted returns over the medium term. It was a reasonable month from a return perspective with the portfolio up +5.51%, building on a solid performance in February. The past 2 years have been very challenging and it's pleasing to see the portfolio outperform by 4.56% pa over this time frame. Consistency in delivering returns in excess of the market with lower risk & volatility is the primary objective of this portfolio.

We made some large changes to the portfolio during the month going from overweight to underweight commodities, selling **Whitehaven Coal (WHC)**, **Alumina (AWC)**, **Oz Minerals (OZL)**, **Northern Star Resources (NST)** & **Santos (STO)**, many of these being our top performers of recent times.

While we are bullish over the longer-term firmly believing that the world has entered a commodity "Super Cycle", our short-term perspective is a more cautious one as the advance from the 2020 COVID low appears to be maturing fast. We used the proceeds to increase out tilt towards technology and other longer

duration assets that had been sold down aggressively. We also tightened up the portfolio in the number of positions held and backed our highest conviction positions with bigger weightings.

STOCK	CONTRIBUTION
Whitehaven Coal (WHC)	1.33%
BHP Group (BHP)	0.68%
Commonwealth Bank (CBA)	0.61%
Xero (XRO)	0.60%
Macquarie (MQG)	0.57%
STOCK	DETRACTION
A2 Milk (A2M)	-0.22%
Virgin Money (VUK)	-0.16%
Resmed (RMD)	-0.15%
HUB 24 (HUB)	-0.09%
Aristocrat Leisure (ALL)	-0.05%

One position we added to was **Xero (XRO)**, a global company that provides a cloudbased accounting software platform that is primarily used by small and medium-sized enterprises (SMEs). We have held XRO for some time and it is a high-quality business demonstrating strong subscriber growth as well as a very high retention rate. It is exposed to several strong tailwinds, including the technology shift to the cloud and the recovery of SMEs. Like many technology companies, the fundamental value in XRO has improved yet the share price had declined.

	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%	-4.00%	2.06%	5.51%				<b>8.11%</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>38.18%</b>

## 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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