



**MARKET MATTERS**  
INVEST

**MONTHLY REPORT | SEPTEMBER 2022 | EMERGING COMPANIES**

**PORTFOLIO DETAILS**

Portfolio Name	Emerging Companies
Structure	Separately Managed Account
Benchmark	S&P/ASX Small Ords Index
Management Fee	0.85% incl GST
Platform	OpenInvest
Included Assets	Equities
Portfolio Managers	James Gerrish & Harrison Watt
Annual Performance	3.02*

**OBJECTIVE**

The objective of the Market Matters Emerging Companies Portfolio is to provide an active exposure to Australian emerging companies defined as all listed stocks outside the S&P/ASX 100. Returns will primarily be achieved through capital appreciation rather than income with an overall objective of outperformance of the S&P/ASX Small Ordinaries Index over 5 years.

\*Inception Date 31.01.2020

**MARKETS & PERFORMANCE**

The Market Matters Emerging Companies Portfolio fell -9.21% in September, outperforming the S&P/ASX Small Ords Index which fell by -11.2%. The portfolio returned 7.31% for the first quarter of FY23, -8.74% per annum over 2 years & 3.02% per annum since inception.

PERIOD	1 MONTH	3 MONTH	6 MONTH	1 YEAR	2 YEAR PA	INCEPTION
<b>PORTFOLIO %</b>	-9.21	7.31	-18	-24.85	-8.74	3.02
<b>BENCHMARK %</b>	-11.2	-0.47	-20.76	-22.56	0.49	-2.19
<b>RELATIVE %</b>	1.99	7.78	2.76	-2.29	-9.23	5.21

Benchmark: S&P/ASX Small Ords Index

Equities struggled in September on the back of global recession fears and an increasingly hawkish US central bank. The MSCI Developed Markets Index fell 8.3% while the US S&P 500 was worse, dropping 9.2% in local currency terms.

Australian stocks were down but outperformed global peers. The S&P/ASX 200 fell 6.2% over the course of the month, as investors priced in the most aggressive RBA rate hiking cycle since the 1990s. There was carnage in bond markets as they reflected an increasingly hawkish outlook, the Australian 10-year yield hitting a yield of 4.10%.

Over the pond, US yields rose 67bps to 3.80%, driven by better-than-expected economic data firming expectations around future interest rate hikes.

Commodity prices fell in September, Brent Oil prices declined US\$9 to US\$88/bbl amid concerns of slower global growth. Iron Ore prices held up relatively well, off just US\$1 to US\$98/Mt while gold prices were hit by continued strength in the US dollar, bullion down US\$44 to US\$1,672.

Locally, the material sector was the top relative performer down by 'only' 2.3% for the month, while Energy -3.8%, Healthcare -4.4%, Consumer Staples -5.4% & Communication Services -6.1% did better than the broader market. The underperforming sectors included Financials -6.5%, Consumer Discretionary -9.1%, Industrials -9.8%, IT -10.6%, Property -13.6% and Utilities -13.8%.



## PORTFOLIO STOCKS

The portfolio held 20 positions at the end of September having added copper miner Sandfire Resources (SFR) to the portfolio in the period. Markets were weak which weighed on performance however, the portfolio did manage to outperform the Small Ords Accumulation Index. Several holdings still managed to close out the month higher than they started while three positions paid dividends:

**Austal (ASB), Capitol Health (CAJ) and Lovisa (LOV).**

We added copper miner **Sandfire (SFR)** to the portfolio, initially seeing a swift rally before giving back those gains into the end of the month as markets weakened. They own three main assets. DeGrussa in WA which is in wind-down phase, newly acquired MATSA in Spain which is ramping up, and Motheo, also in WA, which is in development.

Operationally they are doing well leading the company to upgrade FY23 guidance at the end of September. The copper price has been under pressure with a strong US currency and weakening global growth outlook weighing on most commodities, however, we see demand increasing over the next few years given the leverage to renewable energy integration.

The best performer in the portfolio was **Pilbara Minerals (PLS)**, gaining nearly 25% in a tough market. The lithium company sold a cargo of 5,000 dry metric tons at record prices through the digital Battery Material Exchange at the equivalent of \$US7,708/dmt. The price was 10% higher than the previous cargo in August, highlighting the lithium market's ongoing strength. We continue to believe it is important to have exposure to future-facing commodities such as lithium.

Almond producer **Select Harvests (SHV)** was another positive contributor in September, largely on the back of a better-than-expected crop update. The company confirmed they had secured enough beehives to pollinate the almond crop sufficiently and expected to harvest 30,000 tonnes in 2023 as a result. Almond prices have also firmed as drought through California and Spain weighs on supply.

**Pinnacle Investments (PNI)** was one of the weaker positions as sentiment weighed on the investment manager. Understandably, the company is highly leveraged to asset prices. The underlying business is in a great position though, with plenty of balance sheet flexibility to take advantage of cheap entry points into new partnerships, while they delivered a better-than-expected performance fee earlier in the year.

### PORTFOLIO STOCKS

NO. OF HOLDINGS	20
ESTIMATED YIELD (%)	1.29
TOP 5 POSITIONS (% OF AUM)	37.06
TOP 10 POSITIONS (% OF AUM)	63.97

STOCK	CONTRIBUTION (%)
PILBARA MINERALS (PLS)	1.44
SELECT HARVESTS (SHV)	0.22
PRAEMIUM (PPS)	0.05

STOCK	DETRACTION (%)
PINNACLE INVESTMENT (PNI)	-1.48
AUDINATE (AD8)	-1.2
AUSSIE BROADBAND (ABB)	-1.12
CALIX (CXL)	-1.10
STRANDLINE RESOURCES (STA)	-0.92

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD
<b>FY23</b>	14.48	3.07	-9.21										<b>8.34</b>
<b>FY22</b>	2.97	1.17	5.91	1.13	2.19	-2.47	-10.29	-5.93	6.68	-5.19	-7.80	-15.25	<b>-23.32</b>
<b>FY21</b>	10.92	17.19	-10.89	0.63	0.58	0.57	-0.86	5.91	-7.10	4.38	-3.81	2.37	<b>19.89</b>
<b>FY20</b>								-16.09	-27.07	37.98	21.26	5.66	<b>21.74</b>
<b>CUMULATIVE</b>													<b>23.09</b>

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