Wholesale Stockbroking Model Portfolios

October 2022

Model Growth Portfolio

Portfolio Performance as 30/09/2022	1mth	3mth	6mth	1yr	2yrs (pa)	3yrs (pa)	5yrs (pa)
Model Growth Portfolio	-4.4%	3.5%	-3.7%	0.5%	19.5%	12.3%	12.9%
S&P/ASX200 Accumulation Index	-6.2%	0.4%	-11.6%	-7.7%	9.8%	2.7%	6.8%
Difference	1.7%	3.1%	7.9%	8.2%	9.7%	9.6%	6.1%

Market Update

September saw all markets trade lower with the ASX200 (-7.3%), UK (-5.4%), Shanghai (-5.6%) and France (-5.9%) faring better than Japan (-7.7%) and the US (Dow Jones -8.8%, S&P500 -9.3%, Nasdaq -10.5%). Domestically the sell-off was broad based and mostly attributed to the rise in global bond yields with yield sensitive sectors the hardest hit (Utilities -14.9%, REIT -13.8%).

The headline US CPI was almost flat in August (+0.1%), where healthy declines in energy and gasoline prices were offset by pressures across non-commodity-based goods and services. The Federal Reserve delivered another 0.75% rise in interest rates with commentary indicating they are still determined to bring inflation back under control even if it pushes the US into recession. The whole yield curve lifted across the month with 10-year US Treasury yields increasing from 3.26% to 3.83%.

Domestically the RBA raised interest rates by 0.50% in early September and then 0.25% in early October. The downsizing of the rate rise sent a strong signal that the RBA has made progress. The differences in the two central bank's rhetoric paved the way for a $0.05 depreciation of the AUD/USD to $0.636.

Elsewhere, globally Putin attempted to halt Ukraine's advances with the Referendum and Annexation of four selected regions and potentially related attacks have been made on multiple eastern European infrastructure assets (Nord Stream). Ahead we have China' National Congress, more important monthly CPI data and the first estimate of US third quarter GDP out in late October.

Growth Portfolio Update

The Model Growth Portfolio traded 4.4% lower in September outperforming the ASX200 Accumulation Index which traded 6.2% lower. On a 12-month basis, the Portfolio has gained 0.5%, outperforming its benchmark return of -7.7% over the same period. Many stocks traded ex-dividend in September.

BHP (+1.2%) posted a solid month despite trading ex a large $2.55 fully franked dividend on 1 September and most of its underlying commodity prices consolidating.

CSL (-2.3%) moderated despite reports suggesting they are poised to take significant share of the haemophilia B market.

Mineral Resources (+4.4%) posted more strong gains as speculation of a possible de-merger of its Lithium business continued. We are supporters of such a demerger noting that the Lithium assets now dominate our valuation of the share price.

The banks (CBA-7.0%, NAB -5.8%) traded sideways as analysts continued to hope for the somewhat elusive net interest margin expansion. More evident is the rate hike induced slowing credit growth and persistent mortgage competition. Continued weakness in global banking peers continues to pressure valuations across the sector and rising rates will soon show up in credit quality.

ResMed (+5.3%) gained on news of yet another recall from major global competitor, Philips. The recall is related to magnets interfering with pacemakers in selected masks only. ResMed also have magnets in some of their masks, so some residual risk remains.

Santos (-10.1%) lost ground alongside declines in energy prices and community relations issues at its Barossa development which will likely result in additional costs and project delays. Santos also received an offer for 5% of PNG LNG from Kumul, PNG's national oil and gas company.

Portfolio changes

There were no changes this month

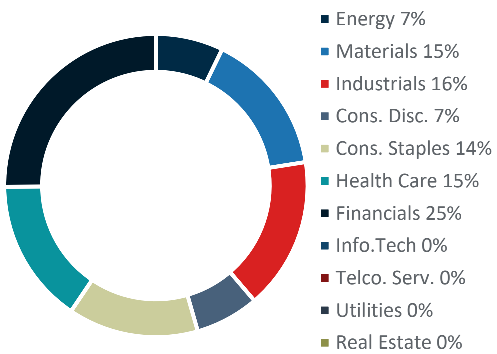
Dividend Reinvestment

Dividends have been reinvested into HUB, QUB and STO

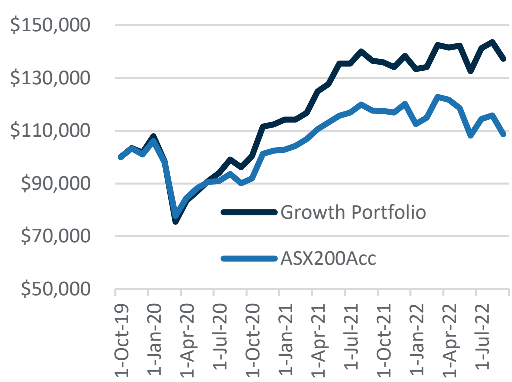
Outperformers	Return (mth)
ResMed	+5.3%
Mineral Resources	+4.4%
BHP	+1.2%

Underperformers	Return (mth)
Qube Holdings	-12.8%
Hub24	-12.2%
Santos	-10.1%

Portfolio composition by sector



3-year Performance vs Benchmark



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ORD MINNETT

October 2022

Investment objectives

To outperform the S&P/ASX200 Accumulation Index over the medium to long term.

Investor profile

The Model Growth Portfolio is suitable for an investor seeking medium to long term capital growth with some income from a high conviction and sector diversified portfolio of Australian shares. Investors should be prepared to accept some variability in short term returns.

Portfolio construction parameters

- Invested across 12 to 14 securities,
- Security concentration limit of 15%,
- Individual security investment horizon of min 2 to 3 years,
- Supportive sector analyst recommendation at time of inclusion,
- Portfolio turnover limited to 25% pa averaged over any 3 year period (excl. M&A).

Investment Philosophy

The Growth portfolio is an actively managed high conviction, long only Australian equities strategy. The portfolio will implement strategic tilts to add alpha. This may be achieved via stock selection or sector allocation. The strategy will often avoid selected sectors completely and at times it may choose to reduce tracking error in its balancing and sector allocations.

Performance quality

Inception Date	April 2006
Max monthly return	11.1%
Min return	-23.2%
Average return (mth)	0.80%
Correlation	92.3%
Volatility	15.5%
No. of periods	198
Up periods	63%
Down periods	37%
Outperformance	55%
Underperformance	45%

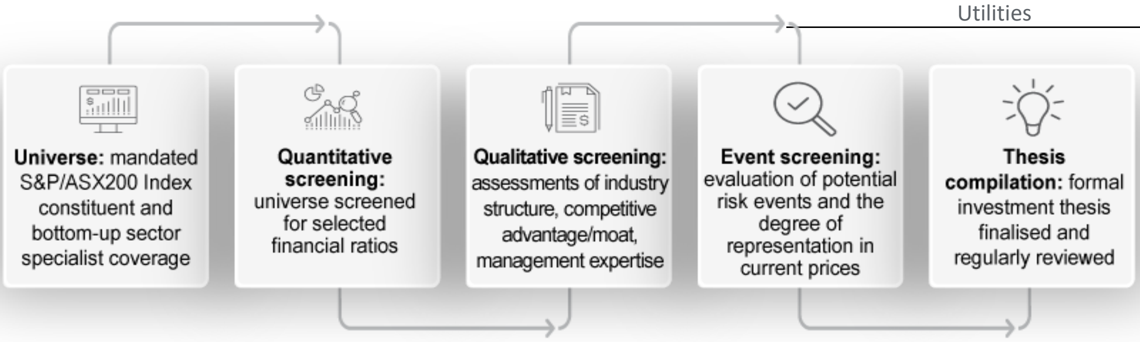
Top Holdings

NAB	10.8%
BHP	8.4%
ResMed	8.0%
CBA	7.8%
CSL	7.4%

Sector allocations

Overweight	Industrials, Healthcare, Consumer Staples
Neutral	Consumer Discretionary, Energy
Underweight	Materials, Financials
Nil Allocation	Information Technology, Communication Services, Utilities

Investment Process



Performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2006				3.3%	-4.6%	3.1%	-2.6%	2.9%	2.3%	2.8%	1.0%	4.2%	12.4%
2007	2.7%	3.1%	3.9%	1.8%	2.6%	1.0%	-0.8%	5.8%	7.4%	2.9%	-3.0%	-1.9%	25.6%
2008	-13.8%	5.8%	-7.4%	4.3%	0.1%	-6.7%	-3.9%	9.4%	-7.7%	-14.3%	-1.6%	2.1%	-33.7%
2009	-3.6%	-1.5%	6.1%	3.2%	-0.9%	2.1%	5.5%	7.7%	5.0%	-2.8%	-1.0%	4.8%	26.7%
2010	-7.3%	1.2%	7.1%	-2.9%	-7.9%	-1.8%	3.0%	0.0%	4.0%	0.6%	-1.8%	3.6%	-2.2%
2011	-0.8%	1.6%	1.4%	0.7%	-2.0%	-1.8%	-4.3%	-2.5%	-5.3%	5.2%	0.8%	-0.7%	-9.2%
2012	2.5%	1.1%	3.3%	0.3%	-5.7%	-1.1%	4.9%	3.8%	2.6%	4.2%	-1.2%	3.2%	17.8%
2013	6.2%	4.3%	-0.5%	4.1%	-1.9%	-3.6%	5.2%	2.5%	3.3%	4.1%	-2.7%	2.1%	23.0%
2014	-2.6%	5.1%	1.6%	2.3%	0.9%	-1.8%	2.4%	3.1%	-1.7%	2.9%	-3.2%	0.8%	9.8%
2015	3.0%	6.9%	4.3%	-3.2%	0.2%	-6.5%	4.8%	-8.9%	-1.0%	5.1%	-3.4%	1.6%	3.0%
2016	-5.2%	0.0%	4.5%	1.1%	8.1%	-3.9%	7.0%	-0.2%	-3.6%	-2.9%	0.8%	4.5%	10.2%
2017	-1.7%	2.6%	3.3%	2.3%	-0.3%	2.0%	-1.7%	-0.9%	0.7%	4.8%	1.6%	3.1%	15.7%
2018	0.3%	-0.6%	-2.7%	3.8%	0.0%	3.6%	3.1%	2.6%	-0.3%	-8.3%	-2.3%	-3.8%	-4.6%
2019	4.5%	8.0%	-1.1%	5.0%	2.4%	4.1%	2.6%	-6.2%	3.6%	3.1%	3.4%	-1.6%	27.8%
2020	6.0%	-8.9%	-23.2%	10.5%	4.4%	4.5%	3.3%	5.5%	-3.0%	4.4%	11.1%	0.8%	15.4%
2021	1.6%	0.0%	2.2%	6.9%	2.2%	6.1%	0.0%	3.4%	-2.5%	-0.4%	-1.4%	3.2%	21.4%
2022	-3.7%	0.6%	6.3%	-0.7%	0.5%	-6.8%	6.6%	1.6%	-4.4%				0.0%

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Model Income Portfolio

Portfolio Update

The Model Income Portfolio traded 7.8% lower in August underperforming the ASX200 (-7.3%) as many stocks traded ex-dividend. The portfolio is performing well relative to the benchmark over 12 months (+0.6% v -7.3%); 2 years (+10.8% v +7.4%) and 3 years (+4.3% v 1.9%).

Rio Tinto (-1.2%) consolidated, though its dividend may come under pressure as investors digested their latest offer of C$43 cash per share for the remaining 49% of their Turquoise Hill joint venture. Rio also dealt with a derailment on an autonomous train carrying iron ore out of the Pilbara. The impact of the 10-day disruption will be detailed in their next quarterly production report. Also in the Pilbara, Rio announced a joint venture with its largest customer globally, China Baowu Steel Group for the development of the Western Range iron ore project.

Bond yield proxies, APA Group (-13.5%) and Transurban (-11.6%) both sold off as US bond yields rose across September. The associated increases in debt funding costs and the strengthening US Dollar has seen strategic focus return to domestic opportunities.

The banks (CBA-7.0%, NAB -5.8%) traded sideways as analysts continued to hope for the somewhat elusive net interest margin expansion. More evident is the rate hike induced slowing credit growth and persistent mortgage competition. Continued weakness in global banking peers continues to pressure valuations across the sector and rising rates will soon show up in credit quality.

Telstra (-3.0%) held up well with its increasing dividend profile and the Optus data hack damaging the reputation of its major competitor and potentially meaningfully adding to Telstra mobile's market share.

Woodside (-2.9%) was resilient alongside declines in energy prices. Woodside released their first post-BHP oil and gas merger result, which detailed large increases in absolute data but lacked per share detail.

Macquarie Group (-13.8%) traded lower on the back of widening credit spreads across US investment banks amongst speculation of possible issues at Credit Suisse. Rising global bond yields has also seen bond yield proxies sold off and Macquarie has a degree of exposure here to the valuations under its infrastructure asset management business.

Portfolio construction parameters

- Invested across 12 to14 securities,
- Security concentration limit of 15%,
- Security net yield > ASX200 net yield,
- Individual security investment horizon of min 2 to 3 years,
- Supportive sector analyst recommendation at time of inclusion,
- Portfolio turnover limited to 15% pa averaged over any 3 year period (excl. M&A).

Investment Philosophy

The Income portfolio is an actively managed high conviction, long only Australian equities strategy. 'Index Aware' but will implement strategic tilts to add alpha. This may be achieved via stock selection or sector allocation. The strategy is lower turnover to preserve after tax gains.

Portfolio Changes

There were no changes this month

Dividends

Dividends are not reinvested

Outperformers	Return (mth)
RIO	-1.2%
Woodside Energy	-2.9%
Telstra	-3.0%
QBE	-4.5%

Underperformers	Return (mth)
Macquarie Group	-13.8%
APA	-13.5%
Transurban	-11.6%
GUD	-10.5%

Top Holdings	Weighting
CBA	13.1%
Telstra	12.3%
Macquarie Group	10.7%
NAB	9.3%
Amcor	8.6%

Investment objectives

To outperform the S&P/ASX200 Price Index over the medium to long term and provide net dividends above the S&P/ASX200 average yield.

Investor profile

The Model Income Portfolio is suitable for an investor seeking dividend income with some medium to long term capital growth from a sector diversified portfolio of Australian shares. Investors should be prepared to accept some variability in short term returns.

Investment Process

The Investment Committee undertake the same processes for the Income portfolio as the Growth Portfolio adjusting the screening process for the different mandate.

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Wholesale Stockbroking Investment Committee

Thomas Pickett-Heaps, Model Manager

Thomas is responsible for thesis and thematic origination and development, qualitative screening, portfolio management, execution and commentary. He has 22 years experience advising investment committees, financial advisers, private investors, fund managers and corporates in equity research, asset consulting, portfolio management and investment execution.

B.Com (UOW), Dip Fin (MacqU), M.Com (Advanced, UNSW), ADA II

tpickettheaps@ords.com.au
+612 8216 6468

Francesco de Stradis, Managing Adviser

Francesco is responsible for quantitative screening, portfolio management and performance reporting. He has over has 25 years experience in the financial services industry covering research analysis, securities trading, product development and management, and the provision of tailored investment advice to investors.

B.Ec (UNE), M.Com (UNSW), ADA I

fdestradis@ords.com.au
+612 8216 6409

Simon Kent Jones, Head of Private Client Research

Simon is responsible for portfolio attribution and analytics. Firmwide, he is heavily involved in asset allocation and investment strategy and manages internal models. Simon has extensive investment committee, analyst and portfolio management experience in his 27 years in the industry.

B.Ec (UTS), M.Ec (UNE), CFA

Athena Kospetas, Research Analyst

Athena is responsible for equity and credit research and is the primary liaison to sector analysts. Firmwide, she is heavily involved in market-based commentary, investment idea origination and manages internal fixed interest/hybrid models. Athena brings specialist credit experience to the Committee and has 7 years of industry experience.

B.Ec (UNSW), ADA II, CFA

Other resources

Malcolm Wood

Head of Institutional Research & Asset Allocation
Macroeconomic Strategy
B.Ec (Syd), Grad Dip (MGSM)

Peter Spurling

Client Service Manager
wholesale@ords.com.au
+612 8216 6554
1300 728 003

Level 18, Grosvenor Place
225 George Street
Sydney NSW 2000
GPO Box 2613
Sydney NSW 2001

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