



oracle
ADVISORY GROUP

QUARTERLY UPDATE

ISSUE 31 - MARCH 2022



MARKET UPDATE >>



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Oracle Market Update



By Peter Durbin

Chief Investment Officer

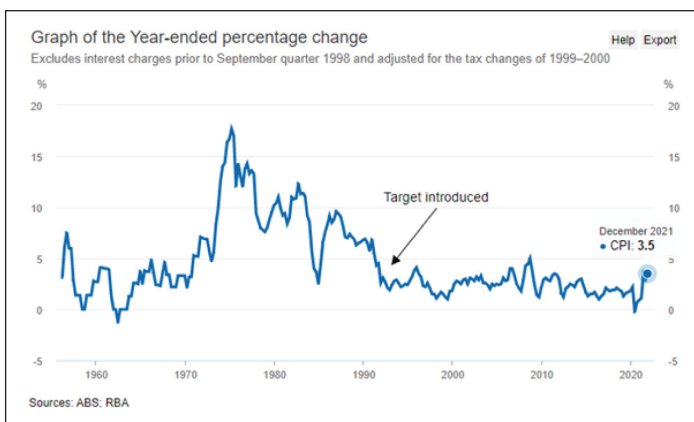
The March quarter has certainly been a volatile one. Inflation has returned, on the back of supply chain issues and soaring commodities prices; both of which had been rising throughout 2021, and which were exacerbated by Russia's invasion of Ukraine, on the day after the closure of the Beijing Olympics. Equity markets seem to be in a perfect storm with a confluence of these factors occurring simultaneously.

Comments on Inflation

Inflation may be concerning investors, however, it's worth noting that in Australia, annual inflation has been hovering around 3.5% per annum for the last 3 quarterly reporting dates. This is 50 basis points above the Reserve Bank's 2-3% target band. Philip Lowe has stated that he will not move on interest rates until they see sustained wage growth, which is only 2.3% according to the Australian Bureau of Statistics. The chart below shows a sharp bounce in inflation from historic lows but still within what we would see as a normal range since the inflation target has been introduced.

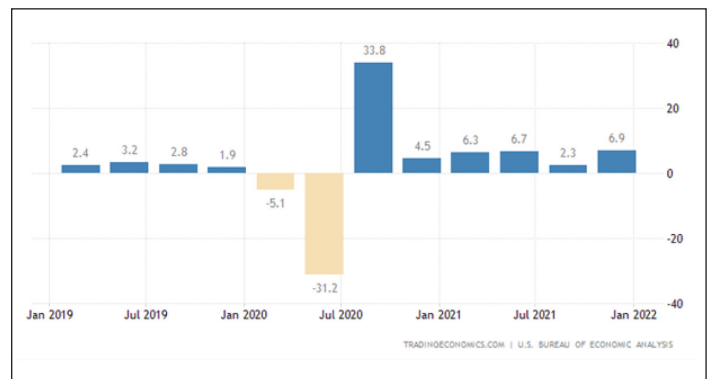
Inflation is difficult to predict but we are all experiencing inflation at the moment, be it at the petrol pump, the grocery store, or the hardware store. It is likely that this number will increase, but it is also possible that measures introduced in the budget, such as the 22 cents per litre fuel excise tax cut, will put downward pressure on inflation.

Figure 1: Australia consumer price index (CPI)



Inflation in the United States was this week reported at 7.9%, as measured by the Consumer Price Index for All Urban Consumers (CPI-U), primarily due to higher fuel, rent, and food costs. However, it is also worth noting used car sales are having an outsized impact, increasing in price by 41%, despite only making up 4% of the inflation importance. The US economy is also performing well, as measured by GDP growth, growing at an annualised 6.9% in the December 2021 quarter. This is highlighted in Figure 2 below.

Figure 2: US annualised GDP Growth, reported quarterly



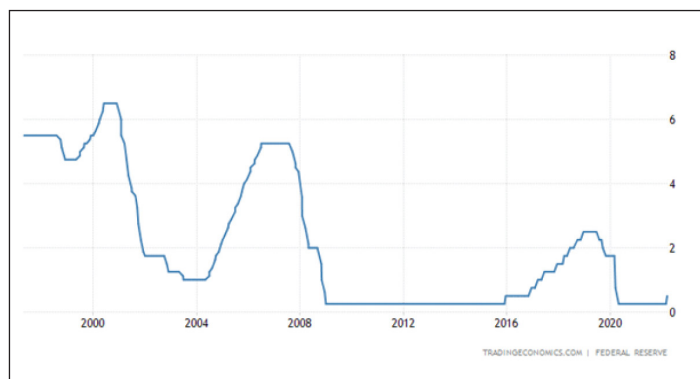
The US has had fewer lockdowns this year compared to Australia, which goes some way of explaining the difference in our economies at the moment. Strong economic growth also has a natural upward impact on inflation, both of which is what led the Federal Reserve to raise the Federal Funds Rate (their equivalent of our RBA cash rate) target range by 25 basis points to 0.25%-0.5%; the first increase in 3 years. Nevertheless, it still remains at historic lows like in many parts of the world. Commentary from Fed chair Jerome Powell suggests that these raises will continue throughout the year, which is a stark contrast to the rhetoric coming out of the RBA at the moment.

Continued over the page

Oracle Market Update

Comments on Inflation (continued)

Figure 3: US Federal Funds target rate over time



Most investors will have by now heard us talk about the companies we like to hold portfolios. We aim to hold high quality companies that have high margins and high returns on equity. We highlight this as the way that companies are able to earn high returns and margins is through pricing power. Pricing power means the competitive forces in their industry or business allow them to be able to set their own prices and any increase in price will have very little impact on the volume of their product or service sold. An example of this is Reliance Worldwide (Plumbing Supplies), who has seen the price of copper increase their cost of sales. While Reliance's SharkBite products are the leading product in this category, and they have been able to facilitate price increases with minimal disturbance to sales volume. Amazon has similar pricing power, increasing the price of its subscription product, Prime, from US\$119/year to US\$139/year. Due to the value that this service provides the number of customers has continued to grow through this price increase. The same is true of Costco's core membership, which we believe is due for an increase soon (though the \$1.50 hotdogs will stay at the same price since the 1980s).

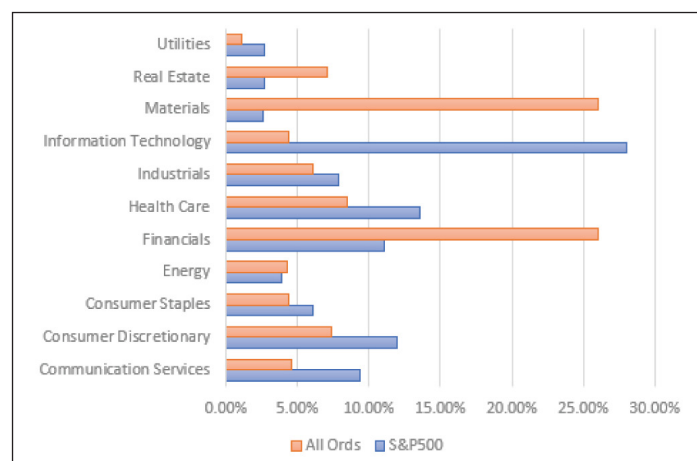
Market Performance

It may surprise investors to know that global markets have performed starkly different over the last 6 months. In the December quarter, the MSCI World Index, which is heavy in US and European stocks, returned 6.1%, and returned -7.7% in the March quarter. Compare this to the ASX All Ordinaries Accumulation Index, which returned 2.5% and 1.7% for the same respective periods.

These numbers don't highlight the volatility experienced by the All Ordinaries during the March quarter. Peak to the trough (a period of 23 days) the index lost 9.9% - just shy of an official "correction". From the trough to peak (a period of 63 days), this same index recovered 11.5% to close at a record high.

Australian and American markets tend to follow each other somewhat closely, at least over short periods. The difference between their performance of these indexes at the present time is the makeup of each index. For example, the Australian market has a heavy weighting towards banks and commodities, (particularly iron ore and gold), while the US market has a much higher weighting to technology, healthcare, and consumer products.

Figure 4: Comparison of the ASX All Ordinaries and S&P500 sectors



As we will discuss further in the Australian Equities Portfolio report, iron ore, oil, and banks have all been strong during this quarter for various reasons. While in the US (and worldwide), technology has been weak, as the rug has been pulled out from some high valuations in technology companies – especially those without earnings. This is one reason we typically avoid companies without strong earnings unless we see a very clear path to free cash flow in the coming year or two.

Continued over the page

Oracle Market Update

Market Performance (continued)

These high valuations have been reduced due to the threat of rising interest rates. We have spoken about it frequently in recent reports but it bears repeating, as it is a critical concept in investing. Interest rates are a key input into valuations, and are used to discount future earnings to derive a current share price. The further into the future that profits are projected, the more sensitive a company's valuation will be to interest rate changes. We call this duration risk and we have largely avoided this over the past quarter. As a comparison over 40% of the Nasdaq 100 companies, (an index of large US technology companies), have more than halved over the past quarter. Conversely several of our companies in the domestic equity portfolios have recently been sold down (namely, Xero and NEXTDC).

It is worth noting though the reason we own these companies is because their revenue is high quality, highly recurring, growing at high rates, and are investing potential profits into growing that revenue line so that future profits will be higher. The business quality has not changed in the last 3 to 6 months, but the price the market has been willing to pay has reduced.

As we will discuss in the Global Equities Portfolio update, we believe we own some of the best technology companies in the world. Whilst companies, such as Google and Amazon, have been affected in the selloff to varying degrees, we believe that the valuations in these companies are the most attractive (lowest) they have been in several years.

The Oracle way of thinking

At Oracle, we steadfastly believe that the best way to deliver sustained growth in portfolio valuations is to invest for the medium to long term.

As detailed by Charlie Munger, the first rule of compounding is to never interrupt it unnecessarily. When you put money to work and it grows, for the first few years the compound effect is difficult to see. However, after achieving growth for many years, the impact is exponential.

We believe the best way to achieve compound growth is to invest in high quality companies and paying reasonable prices for them. We believe if we can do this repeatedly, our returns should be, over the medium to long term, close to the underlying financial performance of our portfolio businesses. However, financial performance and stock performance are two completely different things in the short term.

Benjamin Graham said in his seminal work *The Intelligent Investor* that "in the short run the market is a voting machine but in the long run it is a weighing machine". In other words, over short periods, such as any given quarter, sectors and industries will come in and out of favour based on many various factors. These factors include the macroeconomic environment including inflation, economic growth, interest rates, and in this quarter, war. In most cases, this is simply a change in sentiment. Sentiment changes valuations in what we call earnings multiples, which is essentially the price one has to pay compared to the level of earnings a company makes. Whilst the share price will change, and in some cases wildly, the underlying business continues to perform to expectations.

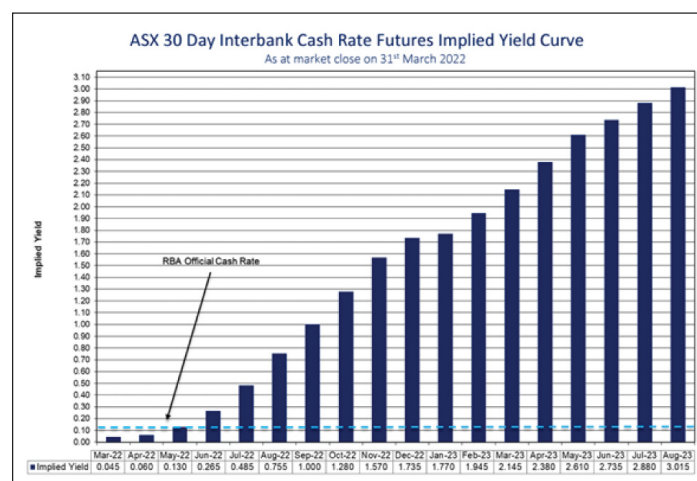
We have provided some examples of this below.

Economic Outlook

Whilst there are reasons for optimism, we believe it is prudent for investors to remain cautious, because the outlook remains uncertain given the macroeconomic indicators.

We noted above that the Reserve Bank has been resolute that interest rates will not be raised this year, however, the market strongly disagrees and is pricing in 6 to 7 rate rises this year based on the Interbank Cash Rate Futures Implied Yield Curve (see Figure 5 below).

Figure 5: The Cash Rate Futures market provides insight into where traders expect the cash rate to be in the future.



Continued over the page

Oracle Market Update

Economic Outlook *(continued)*

Similarly, the board members of the US Federal Reserve project the Fed Funds rate will increase to 1.9% by the end of the year (source).

We foresee a few problems with this scenario. Left unattended, runaway inflation can and has in the past, had devastating impacts on economies, usually leading to recession. This is where interest rates come in. Interest rates are the key tool central banks use to control inflation, so in times of rising inflation, central banks will raise rates which act as an economic dampener to temper economic growth and subsequently inflation. This occurs through higher borrowing rates, which reduces the appetite for capital investment by companies that use debt to fund projects, and has the same impact on demand for housing, which has impacts right through the economy.

The potential issue we foresee is that if interest rates are raised too aggressively to combat inflation, this could lead to a recession. The main reason for this is that individuals (through housing investment), companies (through capital projects and acquisitions), and governments (through pandemic borrowing) have all increased their debt at record low rates. Aggressive increases in interest rates will mean that the interest due from consumers, businesses, and governments will increase substantially. For consumers and businesses this could mean defaults and repossessions for the marginal borrowers. For governments this will mean less money available for fiscal spending, which would otherwise be available to stimulate an economy. Therefore central banks are in a difficult position at the present time.

For these reasons, we see it as very important to invest in quality businesses. While we aren't forecasting a full blown imminent recession, if one does arise, great businesses should still perform satisfactorily by raising prices and selling products that are still required by consumers. Further, businesses with low debt or net cash won't be materially impacted by rising interest rates as described above. The businesses that do tend to struggle in a recession are banks and commodities because fewer people want loans, and there is less demand for raw inputs for things like steel and electronics, and less demand for oil products used to transport goods and people around cities and the globe. For these reasons described here and above, we feel the portfolios are well positioned to thrive in 2022 and beyond, whether a recession eventuates or not.

This rising interest rate environment has also impacted the fixed interest market, with our Fixed Interest Fund also have a rare down quarter. As central bank interest rates rise, the interest rate yield of other securities such as bonds also rise. However, the interest rate (or coupon) on the bond itself doesn't change, the face value of the security will change such that the coupon amount in dollars received equates to an appropriate yield. We have been aggressively selling our fixed rate bonds for this reason, which we will expand on further in the Fixed Income Fund update.

The Bottom Line

Whilst the recent performance has indeed been less than ideal, we believe if we continue to invest in the best companies with strong balance sheets and high returns on equity and high margins, that through an economic cycle the portfolios will thrive. No investment style outperforms every month, every quarter, or even every year, and our strategy is not immune. Nevertheless, we trust it to be the best approach over the long term, which, as described above is the best time horizon one can have. Commodities are having their moment in the sun right now, but we don't believe that the current high resources prices are sustainable and will return to earth in due course.

We trust the above information on our view of the global macroeconomy has been enlightening, however, we emphasise that macroeconomics is only a small input into our investing decisions. We are stock pickers and focus on business fundamentals first.

Thank you for entrusting us with your capital and we look forward to updating you on further developments in the future.

Oracle Global Equities Portfolio Update



Nick Cummings
Portfolio Manager

The Global Equities Portfolio finished the first quarter with a loss of **-10.76%**. Our benchmark, the MSCI AC World Net Ex Australia Index, returned **-8.59%** over the same time. Over the quarter currencies contributed to losses as the Australian Dollar rose due to the strong commodities market. To emphasize this impact the Australian Dollar rose 3.3% against the US dollar, 5.56% against the Euro and 8.86% against the Yen over the quarter which significantly detracted from our stock returns.

Global markets have so far begun the year giving back some of the strong gains made since the Pandemic. The markets have been dealing with the fallout from the Russian invasion of the Ukraine, rising interest rates and a stubbornly high inflation rate.

Notable contributors to performance for the quarter were Berkshire Hathaway (US conglomerate), Nintendo (Gaming) and AON (Insurance Broker). While the main detractors from performance were Flutter Entertainment (Gambling), PayPal (payments) and Facebook (social media).

Firstly, addressing the conflict in the Ukraine, we have no direct equity exposure to Russia or the Ukraine though we have some indirect exposure through multinational companies like Mastercard and Google. Typically, exposure is very small <5% of individual company's revenues. Secondly, the conflict has caused commodities like Coal, Oil, Iron Ore, and many others to rise as the Western world moves away from Russian supply. The portfolio didn't benefit from this because these commodity businesses don't pass our investment filters. The result was the portfolio underperformed our Index over the last quarter. However, over the longer-term we believe our companies continue to grow their earnings at double digit rates no matter what the macroeconomic environment which should hold us in good stead to generate long-term returns.

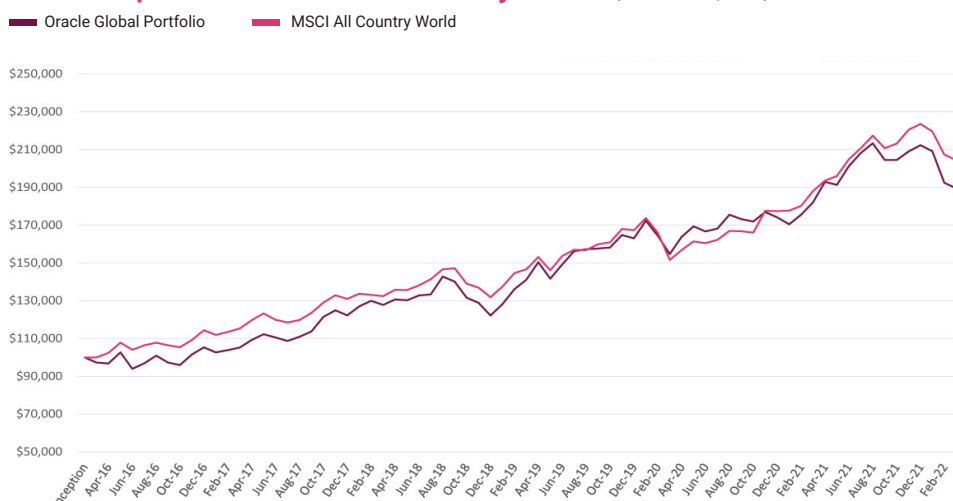
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Portfolio Performance

| Rolling | Global Equities Portfolio | Benchmark (MSCI All Country World Index) | Outperformance |
|------------------------------------|---------------------------|--|----------------|
| 1 month | -1.54% | -1.44% | -0.10% |
| 3 month | -10.76% | -8.59% | -2.17% |
| 6 month | -7.36% | -3.05% | -4.31% |
| 1 year | 4.03% | 8.68% | -4.65% |
| 2 year p.a | 10.68% | 16.11% | -5.43% |
| 3 year p.a | 10.32% | 11.69% | -1.37% |
| Since Inception p.a (1 March 2016) | 11.08% | 12.47% | -1.39% |

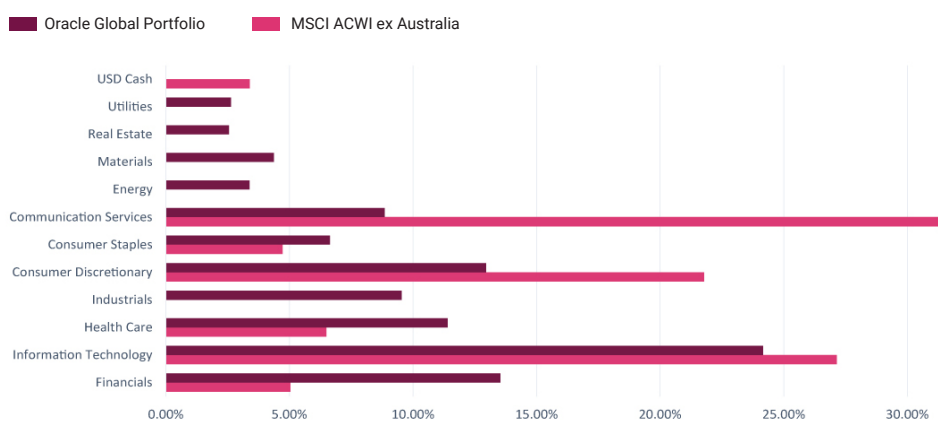
Comparative Performance

Global Equities vs MSCI All Country World (since inception)



Market Segments

Oracle Global Portfolio v MSCI ACWI ex Australia



Oracle Global Equities Portfolio Update

The Portfolio had a solid reporting season with most of our companies reporting increased earnings, better balance sheets and giving robust outlook statements. The notable exception was Meta Platforms formerly Facebook. The company detracted from portfolio performance as the company announced slower than expected growth moving forward from Apple privacy changes and a greater threat than previously perceived from Tik-Tok. **While the result was unfortunate, we think the long-term thesis in the stock remains.** The management team has been through many periods of this before and every time it's been the right choice. Recently, their CEO, Mark Zuckerberg, said that he always looks at the long-term health of the business and will make difficult choices in the short-term to secure their long-term future. On top of our confidence in the management team, we think the company has many avenues to grow including increasing monetization of Facebook

Shops, Marketplace, and converting more of the 200m+ business pages on their platform to paying customers. Currently only around 8m advertise on the platform. **Despite our confidence, we will watch the position very closely to see if our thesis holds.**

We initiated a new position during January in global semiconductor powerhouse, **Taiwan Semiconductor Manufacturing Corporation (TSMC)**. As the name suggests TSMC is a high-end manufacturer of logic semiconductors based in Taiwan. Since Morris Chang founded the business in 1980's they have gone about transforming the industry, so companies no longer manufacture their own chips instead outsourcing their designs to expert manufacturers like TSMC. Since humble beginnings they have now surpassed Intel and Samsung to take 92% market share in advanced node chips (<7nm).

In fact, TSMC may be the most important company to human advancement you have never heard of. We have long acknowledged the importance of the semiconductor industry however we have avoided the space due to its cyclical nature. We believe this has recently changed as TSMC is practically a monopoly (that doesn't compete with its competitors unlike Samsung) with a long tailwind of growth due to advancements in computing, automotive travel, gaming and 5G smart phones. They also are showing significant pricing power which we think is enduring due to their current competitive position. Overall, we believe this is one of the highest quality companies on earth that comfortably can grow EPS at 15%+ per annum of the next few years with limited expected volatility in this earnings stream. **Most importantly the company is attractively valued compared to their expected growth.**

| Portfolio Overview | |
|--------------------------------------|---|
| Investment Manager | Oracle Investment Management Pty Ltd |
| Investment Objective | To provide investors with long-term capital growth and tax effective income. The portfolio aims to outperform its benchmark over a rolling 3-year period. |
| Investment Strategy | To use active bottom up stock selection, focusing on buying quality securities at reasonable prices. The securities are assessed as meeting our investment criteria of strong earnings growth and as likely to provide attractive returns to investors. |
| Benchmark | MSCI ACWI ex Australia in A\$ (unhedged) |
| Investment Universe | Primarily large cap international securities listed on major international exchanges. Portfolio may invest in listed ETFs. |
| Recommended Investment Period | 3-5 years |
| Minimum Initial Investment | \$25,000 |
| Inception Date | 1 March 2016 |

| Top 10 Contributors | Portfolio Position | 12 month Performance |
|---------------------|--------------------|----------------------|
| Costco | 4.72% | 73.73% |
| AON | 4.19% | 44.48% |
| Berkshire Hathaway | 5.04% | 40.19% |
| Google | 10.08% | 38.82% |
| Microsoft | 7.63% | 35.07% |
| Cooper Companies | 4.12% | 10.96% |
| Lowe's | 5.51% | 10.86% |
| Universal Music | 3.22% | 7.90% |
| Amazon | 8.91% | 7.73% |
| Visa | 8.03% | 6.73% |

| Portfolio Characteristics | Portfolio | Index |
|--|-----------|-------|
| Price Earning Multiple | 28.8 | 39.3 |
| Historical - Earning per share Growth - 3 year | 37.4% | 15.6% |
| Estimated - Earning per share Growth - 5 year | 17.4% | 13.4% |
| Price Earnings Forward - 1 Year | 24.3 | 16.7 |
| Dividend Yield | 0.51 | 1.79 |
| Return on Equity (ROE) | 33.48 | 22.92 |

Oracle Australian Equities Portfolio Update



Luke Durbin
Portfolio Manager

The Australian Equities Portfolio returned **-9.16%** for the March 2022 quarter, underperforming the benchmark S&P/ASX 200 Accumulation Index by **11.41%**.

Throughout the first quarter of 2022, the sectors of materials, energy, and financials have outperformed the broader market, particularly the likes of information technology and other growth sectors. This has adversely impacted the relative performance of the Oracle Australian Equities Portfolio due to our sector exposure. An array of factors have influenced this sector performance disparity.

Materials and Energy

Commodities, particularly oil and iron ore have been particularly strong in this period, in large part due to Russia's invasion of the Ukraine. In response, the nations of the West have imposed large economic sanctions on Russia, including trying to avoid buying their resources. Russia is the world's largest oil exporter, so if there is a material reduction of this supply, the price of oil increases. This is why petrol and diesel prices have been over \$2.00/litre for the last few weeks.

Financials

Domestic banks on the other hand have also been strong on the back of a robust housing market, but this only tells a part of the story. The banks as a cohort, are trading at their most expensive valuations in decades. We can't understand this. Banks are good businesses, as their scale and balance sheets afford some barriers to entry from new entrants, but the industry is very mature with growth in earnings looking out over the long term likely to be similar to economic growth.

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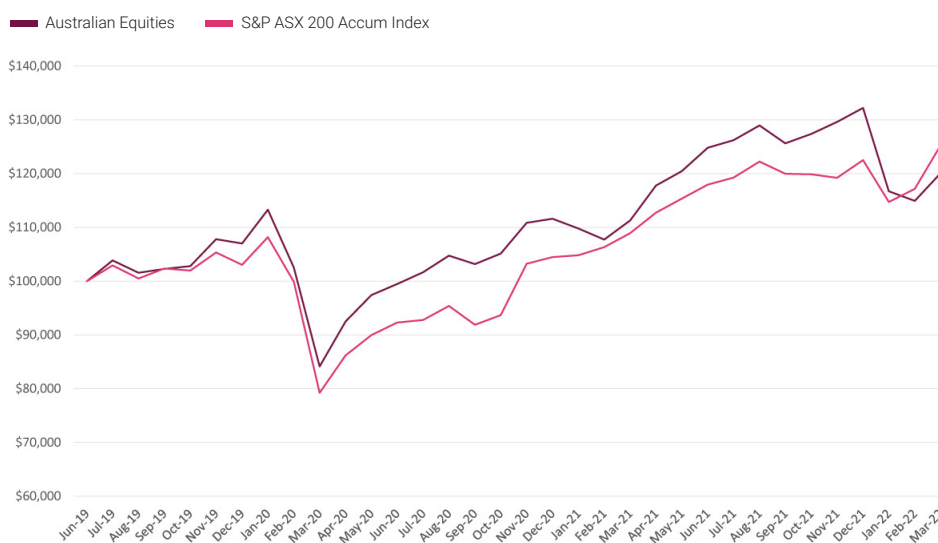
Quarterly Update | March 2022

Portfolio Performance

| Rolling | Australian Equities Portfolio | Benchmark (S&P ASX 200 Accumu Index) | Outperformance |
|-----------------------------------|-------------------------------|--------------------------------------|----------------|
| 1 month | 4.48% | 6.89% | -2.41% |
| 3 month | -9.16% | 2.24% | -11.42% |
| 6 month | -4.42% | 4.38% | -8.80% |
| 1 year | 7.89% | 14.97% | -7.08% |
| 2 year p.a | 19.46% | 25.72% | -6.26% |
| Since Inception p.a (1 July 2019) | 6.89% | 8.54% | -1.65% |

Comparative Performance

Australian Equities vs S&P ASX 200 Accum Index (since inception)



Portfolio Characteristics

| | Portfolio | Index |
|------------------------------------|-----------|--------|
| Price Earning Multiple | 23.1x | 14.9x |
| Earnings per share Growth - 3 year | 12.6% | 10.5% |
| Earnings per share Growth - 1 year | 10.0% | 7.8% |
| Return on Equity (ROE) | 18.36% | 15.78% |
| Dividend Yield | 2.21% | 4.03% |
| Dividend Growth | 1.0% | 0.0% |
| Gearing (Debt/EBITDA) | 1.3x | 2.3x |

Oracle Australian Equities Portfolio Update

We have some exposure to the banks for this reason, but they aren't excellent businesses because within the industry there is little pricing power, and they are highly regulated. We remain underweight because the valuation to growth equation doesn't stack up and without strong and sustained earnings growth, we find it difficult to see where share price growth will come from going forward.

Reece Limited

At Oracle we prefer to increase our exposure to high quality, growing companies that are able to grow earnings at above-market rates over time. I'll provide an example in Reece Limited, which has had great success in doing just this. Reece is a company in the Australian Equities Portfolio, which has underperformed this quarter. But Reece also has one of the best track records on the ASX in growing earnings, despite being exposed to the building cycle. Reece is now replicating this business model in the US via an acquisition made a few years ago. You can see in the top chart (below) the share price has fluctuated over time but earnings per share (bottom chart) have, by and large, continued in the right direction. The important thing to note, however, is the green line, which is the price to earnings (P/E) multiple described above. It has moved all over the place depending on the sentiment at the time. In the depths of the GFC the P/E was 14x earnings. By 2010 it was 25x earnings. EPS only increased 10% that year but the share price increased 62% because the P/E expanded by 78%.



A similar thing has happened recently. In 2020, at the depths of the covid crisis the P/E fell to 25x before skyrocketing to over 60x as the company rode the building recovery and boom in Australia and the US. It has since retraced to around 38x. From the start of the March quarter, which is essentially the peak to trough, the share price has fallen 29% on the back of this P/E retracement. However, in this 2-year period from the depths of covid, the earnings per share (EPS) has increased 15% per year, which in our view is very satisfactory. Unfortunately, the wild swings in sentiment and the accompanying share price movements are part of the game in investing. Reece is a quality earner. We expect earnings to continue to increase and, not wishing to interrupt its compounding, we continue to hold.

A large portion of the companies that have grown exponentially as of late are those companies involved in the mining and exploration of mineral assets such as lithium. These companies include AVZ Minerals which has risen 670% over the financial year to date and Liontown Resources which has risen 130% over the same period. AVZ, in its 15 years of being listed on the stock exchange has not sold any copper or lead. Liontown, in its 16 years of being listed, has not generated one cent of revenue from the sale of lithium. These are companies which don't earn any revenue, let alone profits. Of course, the shares of these sorts of companies are being driven by prospects – we understand this. However, we are in the business of investing, not speculating.

These companies simply do not meet our investment criterion which include a demonstrated track record of consistently growing profits, a clear competitive advantage, a differentiated product, etc. The exclusion of these stocks within the portfolio does not translate to our inability to see the tailwinds for minerals such as lithium. We understand the economics behind these commodities and the businesses which are attempting to extract them, and they are businesses that we are happy to avoid. We would rather not speculate on commodity price dynamics and instead allocate capital towards companies that have a proven track record, are highly free cash flow generative, and able to withstand fluctuating economic conditions.

The philosophy behind being overweight quality compounders such as Reece and being underweight low growth and mature businesses such as the banks and miners is underpinned by our bottom-up approach to investing and continues to dictate our portfolio management decisions at Oracle. The price we pay for this at times is short-term underperformance – as evidenced by our trailing three-month performance. However, we are not worried. Russia's invasion of Ukraine or Jerome Powell's hiking of interest rates have not fundamentally altered the theses regarding why we own the companies we own. At Oracle we remain confident in the long-term prospects of our holdings. We believe these companies are best positioned to grow their earnings at above-market rates, leading to above-market returns for shareholders

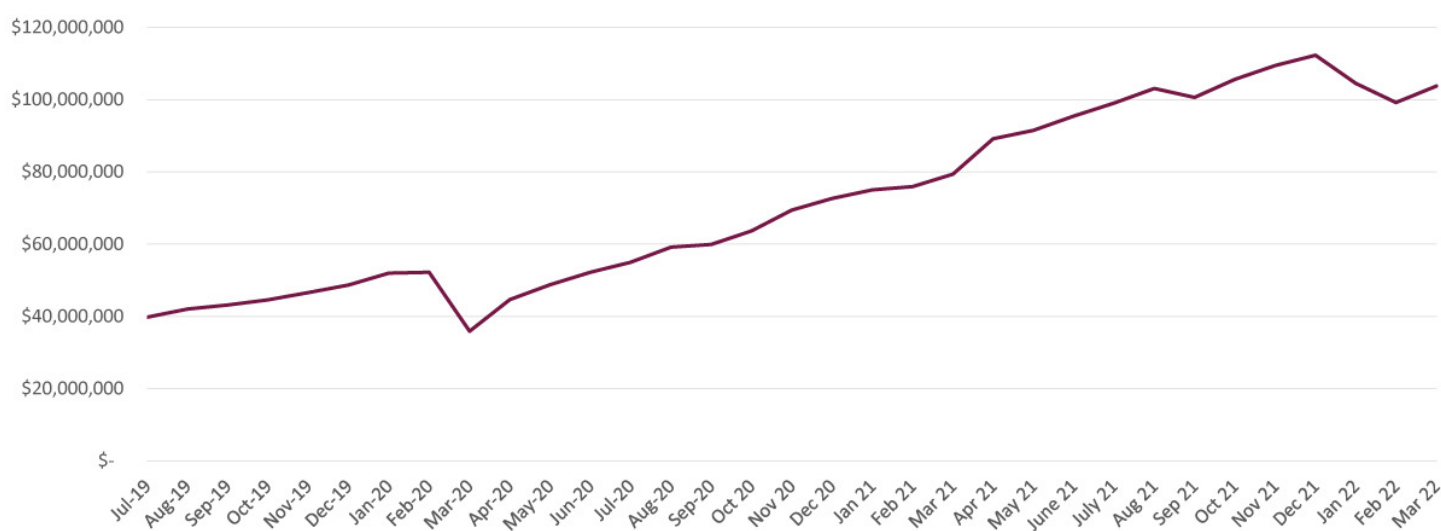
Oracle Australian Equities Portfolio Update

| Portfolio Overview | |
|--------------------------------------|--|
| Investment Manager | Oracle Investment Management Pty Ltd |
| Investment Objective | To provide investors with tax effective income, dividends and capital growth. The Portfolio aims to outperform its benchmark over a rolling 3 to 5 year period. |
| Investment Strategy | To use active stock selection to invest in quality businesses. The businesses are assessed as meeting our investment criteria of a high return on equity, growth potential and their ability to consistently deliver dividends to investors. |
| Benchmark | S&P/ASX 200 Accumulation Index |
| Investment Universe | Companies listed on the ASX that have a market capitalisation similar to those in the S&P/ASX 200 Accumulation Index. |
| Recommended Investment Period | 3-5 years |
| Minimum Initial Investment | \$25,000 |
| Inception Date | 1 July 2019 |

| Top 5 Contributors | Portfolio Position | 3 month Performance |
|--------------------|--------------------|---------------------|
| Endeavour Group | 1.3% | 10.94% |
| Evolution Mining | 0.9% | 9.52% |
| Northern Star | 2.1% | 8.81% |
| Cochlear | 4.0% | 5.03% |
| Sydney Airport | 1.2% | 0.80% |

Funds Under Management

(since inception)



Oracle Emerging Companies Portfolio Update



Jack Magann
Portfolio Manager

The Oracle Emerging Companies portfolio ended the first quarter of the calendar year **-7.81%**. Our benchmark, the S&P/ASX Small Ordinaries Accumulation Index, decreased by **-4.21%**. The quarter started off volatile with market participants being nervous about high inflation numbers coming out of the US, which was then exacerbated by Russia invading the Ukraine.

Our recent underperformance compared to the benchmark is attributed to the bubble-like environment we are seeing in the materials sector of our index. To give our investors an example of the type of speculation we are seeing in this sector of the market, nine out of the top ten performers (based on share price gains) in our comparative benchmark do not make any revenue as a company. They are mining companies in the exploration phase, riding the wave of high commodity prices. These are the types of companies we avoid as we consider ourselves to be investors and not speculators. While these companies can see a strong gain in share price as the market gets excited, they also fall significantly at the sign of any weakness, resulting in a severe loss of capital for investors. As Warren Buffett says the first rule of investing is don't lose money and the second rule of investing is don't forget rule number one.

Turning to companies we do own; we take satisfaction having recently increased our position size in five out of the top ten performers in the portfolio during the quarter. These decisions were made as our convictions in these positions strengthened. While we are always searching for new ideas to deploy our capital, sometimes the best option is to increase the position size of our existing holdings. Given that we have a deep knowledge of the companies we already own it can be an easy decision to make. An example of this is Smartgroup, a position we added to in early February prior to their full year results being released.

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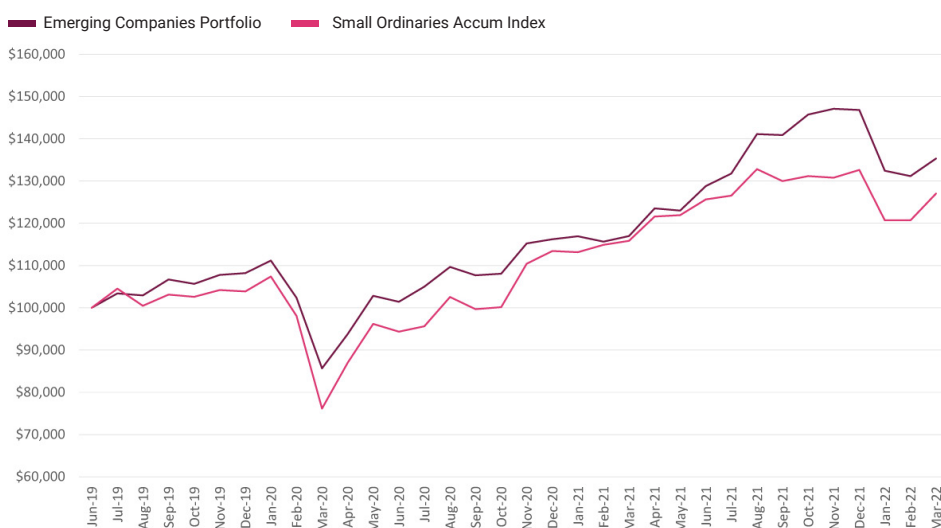
Quarterly Update | March 2022

Portfolio Performance

| Rolling | Emerging Companies Portfolio | Benchmark (S&P/ASX Small Ordinaries Accumulation Index) | Outperformance |
|-----------------------------------|------------------------------|---|----------------|
| 1 month | 3.19% | 5.26% | -2.07% |
| 3 month | -7.81% | -4.21% | -3.60% |
| 6 month | -3.94% | -2.27% | -1.68% |
| 1 year | 15.68% | 9.68% | 6.00% |
| 2 year p.a | 25.68% | 29.18% | -3.50% |
| Since Inception p.a (1 July 2019) | 11.63% | 9.09% | 2.54% |

Comparative Performance

Emerging Companies vs Small Ordinaries Accum Index (since inception)



Portfolio Characteristics

| | Portfolio | Index |
|--|-----------|-------|
| Price Earning Multiple | 25.1 | 21.7 |
| Forward earnings per share growth (3 year) | 11.3% | 0.6% |
| Earnings per share growth (1 year) | 11.9% | 2.8% |
| Return on Equity (ROE) | 13.5 | 10.1 |
| Dividend Yield | 2.3 | 2.9 |
| Dividend Growth | 17.4% | 0.7% |
| Gearing (Net Debt/EBITDA) | 0.68 | 2.2 |

Oracle Emerging Companies Portfolio Update

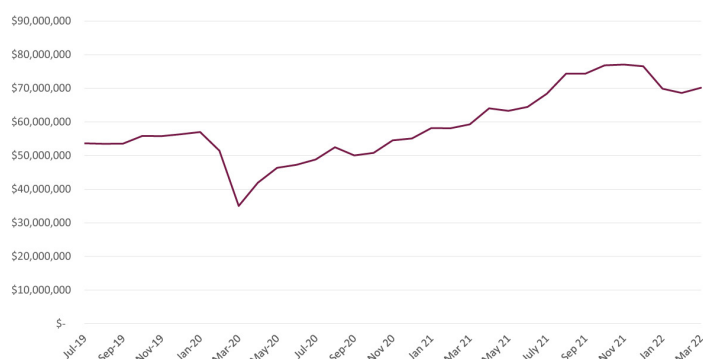
Smartgroup is one of the largest providers of novated leases and salary packaging in Australia. The reason behind increasing our position in the company was our belief that the company can provide reliable earnings growth at a steady rate for the foreseeable future. This may not sound exciting but when that growth is combined with Smartgroup's capital light business model, the majority of future revenue falls straight to the bottom line. Over time this creates excellent value as the company can return 100% of profits to shareholders. Pleasingly, we predicted the company to do this at their recent half year results and our decision to add aided the portfolio.

Our top performer for the quarter was Kip McGrath Education Centres, a provider of school tutoring. Kip McGrath reported their half-year results towards the end of February and the share price continued to rise on the news. When removing Jobkeeper from their previous results (due to this being a one-off payment), Kip McGrath increased earnings before interest, tax, depreciation, and amortisation (EBITDA) by 44%. This is a great result as the company rides the tailwinds of a reopening economy after the Omicron lockdowns. There is also a need for school students to catch up on missed learning over the past 2 years, which will benefit Kip McGrath. Combining these two factors and the fact that management have been busy purchasing corporate centres, we believe the market continues to undervalue the business.

To demonstrate the tough criteria, we place on taking new positions we wanted to touch on one company that didn't make it into the portfolio, Pushpay Holdings. Pushpay is a provider of donor management software for churches with a focus on the large US Protestant market. In terms of value add for their customer, Churches using the Pushpay software see an uplift in donation volumes to the church and an increase in recurring donations. Pushpay then clips the ticket on the donations transacted through their software.

After performing thorough research on Pushpay Holdings, we discovered that it met all our investment criteria, except one - a strong and trustworthy management team. Despite a good track record from the company, there has been a higher than usual turnover in the executive team and large insider sell-downs over the past five years. As part of our investment criteria, we place a high emphasis on trustworthy management who think and act like shareholders. It is these aligned managers who provide the best returns for investors. This swayed our decision to place Pushpay on our watchlist. We will continue to monitor the company and the new CEO to gauge whether they can meet our management criteria checklist, and potentially be added to the portfolio at a future date.

Funds Under Management (since inception)



Portfolio Overview

| | |
|--------------------------------------|--|
| Investment Manager | Oracle Investment Management Pty Ltd |
| Investment Objective | To provide investors with long-term capital growth and tax effective income. The Portfolio aims to outperform its benchmark over a rolling 3 to 5 year period. |
| Investment Strategy | To use active stock selection to invest in quality businesses. The businesses are assessed as meeting our investment criteria of high return on equity and earnings growth and as likely to provide attractive returns to investors. |
| Benchmark | S&P/ASX Small Ordinaries Accumulation Index |
| Investment Universe | All companies listed on the ASX plus managed funds. The Portfolio will include a range of mid-sized capitalization companies. |
| Recommended Investment Period | 3-5 years |
| Minimum Initial Investment | \$25,000 |
| Inception Date | 1 July 2019 |

Top 10 Contributors

| | Portfolio Position | 3 month Performance |
|--|--------------------|---------------------|
| Kip McGrath Education Centres Ltd. | 2.1% | 18.3% |
| Smartgroup Corporation Ltd. | 3.1% | 10.3% |
| Energy One Limited. | 1.9% | 9.1% |
| Webjet Limited. | 0.8% | 8.3% |
| PTB Group Limited. | 2.8% | 7.4% |
| Laserbond Limited | 2.9% | 6.4% |
| Pacific Current Group Ltd. | 1.5% | 4.2% |
| Fiducian Group Ltd. | 4.2% | 2.3% |
| Auckland International Airport Limited. | 1.8% | 0.4% |
| Data#3 Limited. | 2.1% | 0.3% |

Oracle Fixed Interest Portfolio Update



Egon Cardenas

Portfolio Manager

The Fixed Interest portfolio achieved a return of **-2.72%** for the March quarter and **0.49%** for 1 year and **5.22%** for 2 years.

The first quarter in 2022 has been one of the most challenging environments for fixed income markets. Bonds suffered during March, with the Bloomberg U.S. Aggregate Bond Index posting its biggest monthly loss since July 2003, while also rounding out the worst quarter since 1980 and making it the third-worst quarter since inception.

This was all on a backdrop of higher inflation prints and the Ukraine conflict causing market uncertainty. In March, the US Fed ended QE its bond buying program and raised rates 25bps for the first time since 2018. The rate raise was widely telegraphed by the market with further rate raises expected in each of their future meetings for 2022. The US fed have left the door open for 25-50bps raises in each meeting.

In Australia the RBA has changed its rhetoric to allow for rate raises in 2022. Though they have since remained tight-lipped about when this would occur waiting first for stronger wage growth. Although, this has led to criticism from the market as Australian unemployment is at a record low at 4% and core inflation at 3.5% above the target band of 2-3%. The main concern is if the rates are not raised sooner, a stronger stance will be needed to combat inflation with more future hikes than needed.

During the quarter, we've rebalanced the Fixed interest Fund to have a higher allocation to floating rate notes and lower allocation to long dated fixed rate bonds as floating perform better than fixed in a raising rate environment.

The following bonds were added to the portfolio this quarter:

- Commonwealth Bank of Australia FRN 14 Jan 27
- Suncorp-Metway Ltd. FRN 25 Jan 27
- Westpac Banking Corporation FRN 25 Jan 27
- Newcastle Permanent Building Society Ltd. FRN 10 Feb 27

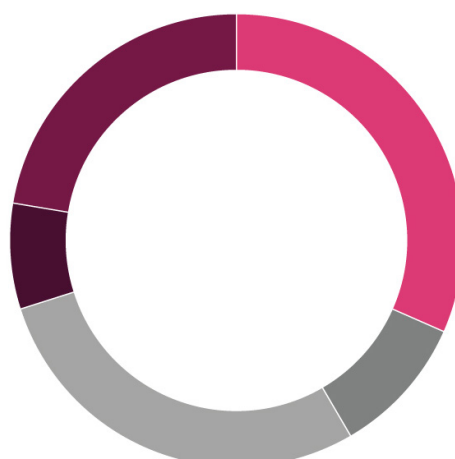
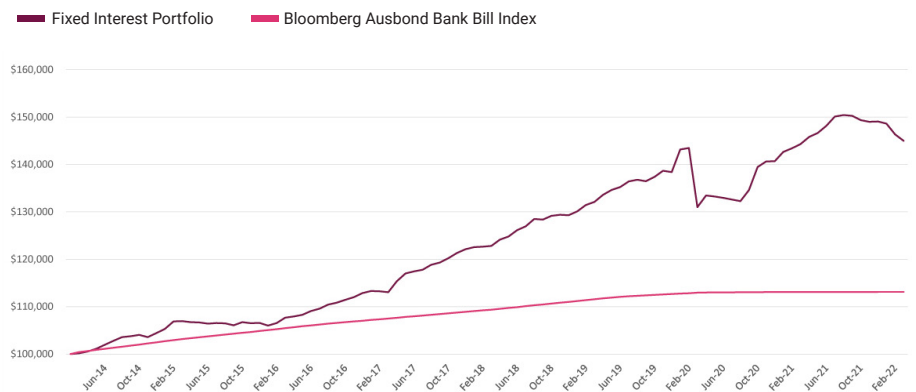
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Portfolio Performance

| Rolling | Fixed Interest Portfolio | Benchmark (Bloomberg Ausbond Bank Bill Index) | Outperformance |
|---|--------------------------|---|----------------|
| 1 month | -0.92% | 0.00% | -0.92% |
| 3 month | -2.72% | 0.01% | -2.73% |
| 6 month | -3.50% | 0.02% | -3.52% |
| 1 year | 0.49% | 0.04% | 0.45% |
| 2 year p.a | 5.22% | 0.07% | 5.15% |
| 3 year p.a | 3.15% | 0.46% | 2.69% |
| Since Inception p.a (1 March 2014) | 4.70% | 1.54% | 3.16% |

Portfolio Performance

(since inception)



Bond Type by Weight

- Senior Debt 31.60%
- Subordinated Debt 9.99%
- Hybrid 28.51%
- Preferred Equity 7.54%
- Cash 22.36%

Oracle Fixed Interest Portfolio Update

AusNet Services Holdings Pty Ltd. FRN 6 Oct 80
 Avanti Finance Limited FRN 22 Nov 25
 BNP Paribas S.A. FRN 24 Feb 28
 Societe Generale Sydney Branch FRN 3 Mar 27
 Societe Generale S.A. 4.875% Perpetual
 Money Me Horizon Warehouse Trust 18 Mar 25
 ANZ Capital notes 7
 CBA PERLS XIII

The following bonds were sold in the portfolio this quarter:

Charter Hall Lwr Pty Ltd Callable Fixed 2.787% 03 Mar 31
 Gpt Wholesale Office Fund Fixed 3.222% 05 Nov 31
 Lendlease Finance Ltd Callable Note Fixed 3.7% 31 Mar 31
 Qantas Airways Ltd Callable Fixed 3.15% 27 Sep 28
 Ver Finco Pty Ltd Note Fixed 2.4% 21 Sep 28
 Wesfarmers Limited 1.941% 23 Jun 28
 Wesfarmers Limited 2.550% 23 Jun 31
 Aurizon Finance Pty Ltd Callable Fixed 3% 9 Mar 28
 Brisbane Airport Corp. Pty Ltd. 4.5% 30 Dec 30
 DWPF Finance Pty Ltd. 2.6% 4 Aug 32
 NBN Co. Ltd. 2.2% 16 Dec 30
 Pacific National Finance Pty Ltd. 3.8% 8 Sep 31
 Qantas Airways Limited 2.95% 27 Nov 29
 Transurban Queensland Finance Pty Ltd. 3.25% 5 Aug 31
 Westconnex Finance Co. Pty Ltd. 3.15% 31 Mar 31
 Mercury NZ Ltd. 2.918% 17 Nov 28
 Australia Pacific Airports (Melbourne) Pty Ltd. 3.763% 25 Nov '31
 Computershare US, Inc. 3.147% 30 Nov 27
 Australia and New Zealand Banking Group Limited FRN Perpetual
 Westpac Banking Corporation FRN Perpetual
 Australian Unity Limited Mci Cap Note 5.00% Perp
 Naos Emerging Opportunities Company Limited

| Top 10 Contributors | Weight |
|---|--------|
| Cash | 22.36% |
| Australian Unity Mutual Capital Instruments | 7.54% |
| Latitude Group | 4.33% |
| CBA PERLS XIII | 3.95% |
| Ampol Limited | 3.93% |
| Suncorp 5 Year | 3.83% |
| Westpac Capital Notes 8 | 3.49% |
| AMP Bank 3 Year | 3.20% |
| ANZ Capital Notes 6 | 3.04% |
| Macquarie Bank Capital Notes 3 | 3.02% |

Portfolio Overview

| | |
|--------------------------------------|---|
| Investment Manager | Oracle Investment Management Pty Ltd |
| Investment Objective | To provide a return comprised of a secure and predictable income stream with moderate capital growth. The Portfolio aims to outperform the Bloomberg AusBond Bank Bill Index on an annual basis. |
| Investment Strategy | To invest in credit securities from companies with strong management, and balance sheets that display characteristics such as sufficient liquidity and low levels of gearing. Diversification is achieved mainly through investment in securities across a range of industries. |
| Benchmark | Bloomberg AusBond Bank Bill Index |
| Investment Universe | The Portfolio will primarily comprise of Australian Fixed Income including corporate bonds, listed sub-debt, listed hybrids, term deposits and cash. Dependent on market conditions the Portfolio may also invest in international corporate bonds and government bonds. |
| Recommended Investment Period | 3 years |
| Minimum Initial Investment | \$25,000 |
| Inception Date | 20 January 2014 |

Funds Under Management (since inception)



Oracle Fixed Interest Portfolio Update

| Name | ASX/ISIN Code | Yield to Maturity | Yield to Call | Fixed or Floating | Investment Weight | Sector | Structure |
|---|---------------|-------------------|---------------|-------------------|-------------------|------------------------|-------------------|
| StockCo Holdings Pty Ltd | AU3CB0240117 | 7.17% | 14.45% | Fixed | 0.11% | Financials | Senior Debt |
| Elanor | AU3CB0248102 | -0.17% | 13.50% | Fixed | 0.99% | Consumer Discretionary | Senior Debt |
| Warwick Credit Union | AU3FN0040333 | 9.25% | 3.25% | Floating | 0.37% | Financials | Subordinated Debt |
| Australian Secure Capital | AU3CB0256485 | 7.55% | 9.23% | Fixed | 0.36% | Financials | Senior Debt |
| Peet | AU3CB0262210 | 4.77% | -4.36% | Fixed | 0.48% | Real Estate | Senior Debt |
| Sunland | AU3CB0268001 | 4.88% | 4.09% | Fixed | 0.76% | Real Estate | Senior Debt |
| Crown Resorts | AU0000CWNHB7 | 15.55% | 15.55% | Floating | 2.56% | Consumer Discretionary | Hybrid |
| Adani Abbot Point Terminal | USQ0102FAD70 | 8.93% | 8.93% | Fixed | 0.69% | Industrials | Senior Debt |
| NCIG | XS0658176325 | 8.40% | 7.78% | Fixed | 0.66% | Industrials | Senior Debt |
| Lend Lease | AU3CB0275550 | 4.39% | 4.39% | Fixed | 0.39% | Real Estate | Senior Debt |
| Clearview | AU3FN0057170 | 8.28% | 6.85% | Floating | 1.26% | Financials | Subordinated Debt |
| Bennelong | AU3CB0275600 | 10.37% | 10.37% | Fixed | 1.06% | Financials | Senior Debt |
| Bank of Queensland Capital Notes 2 | BOQPF.AX | 6.32% | 6.32% | Floating | 1.55% | Financials | Hybrid |
| Westpac Capital Notes 7 | WBCPJ.AX | 5.78% | 5.42% | Floating | 1.37% | Financials | Hybrid |
| Avanti | AU3CB0276715 | 4.60% | 5.06% | Fixed | 0.17% | Financials | Senior Debt |
| Australian Unity Mutual Capital Instruments | AU0000124349 | 5.07% | 5.10% | Fixed | 7.54% | Information Technology | Preferred Equity |
| CBA PERLS XIII | CBAPJ.AX | 5.40% | 5.16% | Floating | 0.56% | Financials | Hybrid |
| NAOS | AU0000140014 | 4.55% | 4.55% | Fixed | 0.50% | Financials | Senior Debt |
| Peet | AU3FN0060638 | 7.38% | 7.08% | Floating | 0.31% | Real Estate | Senior Debt |
| Mercantile | AU0000MVTHA7 | 5.09% | 5.09% | Fixed | 0.51% | Financials | Senior Debt |
| Emeco | AU3CB0281293 | 6.07% | 6.07% | Fixed | 2.11% | Industrials | Senior Debt |
| ANZ Capital Notes 6 | ANZPI.AX | 5.80% | 5.60% | Floating | 3.04% | Financials | Hybrid |
| Jervois Mining | NO0011041568 | 10.50% | 10.50% | Fixed | 0.51% | Industrials | Senior Debt |
| Macquarie Bank Capital Notes 3 | AU0000170284 | 5.79% | 5.79% | Floating | 3.02% | Financials | Hybrid |
| Nufarm Finance | NFNG.AX | 5.69% | 22.92% | Floating | 0.50% | Industrials | Hybrid |
| Westpac Capital Notes 8 | AU0000172470 | 5.95% | 5.80% | Floating | 3.49% | Financials | Hybrid |
| Suncorp Capital Notes 3 | AU0000173551 | 5.63% | 5.62% | Floating | 1.13% | Financials | Hybrid |
| Latitude Group | AU0000176901 | 7.79% | 7.40% | Floating | 4.33% | Financials | Hybrid |
| Bank of Queensland | AU3FN0063764 | 3.99% | 3.99% | Floating | 1.58% | Financials | Senior Debt |
| Co-operative Bank | AU3FN0064010 | 6.76% | 6.50% | Floating | 0.63% | Financials | Subordinated Debt |
| Racing Australia Consolidated Enterprises Ltd | AU3CB0284685 | 6.29% | 6.29% | Fixed | 0.71% | Consumer Discretionary | Senior Debt |
| Bank of Queensland Ltd | AU3FN0064408 | 5.03% | 5.02% | Floating | 0.98% | Financials | Subordinated Debt |
| Ampol Limited | AU3FN0064739 | 6.59% | 6.41% | Floating | 3.93% | Industrials | Subordinated Debt |
| Partners Group | AU3FN0065454 | 7.12% | 7.12% | Floating | 0.72% | Financials | Senior Debt |
| AMP Bank 3 Year | AU3FN0065330 | 3.31% | 3.31% | Floating | 3.20% | Financials | Senior Debt |
| CBA 5 Year | AU3FN0065579 | 3.74% | 3.74% | Floating | 2.74% | Financials | Senior Debt |
| Suncorp 5 Year | AU3FN0065694 | 3.93% | 3.93% | Floating | 3.83% | Financials | Senior Debt |
| Westpac 5 Year | AU3FN0065702 | 3.75% | 3.75% | Floating | 1.34% | Financials | Senior Debt |
| Newcastle Permanent | AU3FN0066221 | 4.10% | 4.10% | Floating | 2.04% | Financials | Senior Debt |
| Avanti 2 year | AU3FN0066486 | 6.97% | 6.97% | Floating | 2.42% | Financials | Senior Debt |
| Ausnet | AU3FN0065594 | 6.21% | 5.57% | Floating | 0.72% | Utilities | Subordinated Debt |
| BNP | FR0014008M24 | 4.67% | 4.67% | Floating | 1.41% | Financials | Senior Debt |
| Societe Generale Sydney | AU3FN0066809 | 4.14% | 4.14% | Floating | 1.99% | Financials | Senior Debt |
| Societe Generale 4.875 Perp 24 | FR0013446424 | 5.00% | 6.13% | Fixed | 0.69% F | Financials | Subordinated Debt |
| MME Horizon Warehouse Trust | AU3FN0067435 | 7.90% | 7.90% | Floating | 1.42% | Financials | Subordinated Debt |
| ANZ Capital notes 7 | ANZPJ.AX | 5.67% | 5.57% | Floating | 3.00% | Financials | Hybrid |
| CBA PERLS XIII | CBAPK.AX | 5.77% | 5.65% | Floating | 3.95% | Financials | Hybrid |
| Cash | CASHAUD | 0.30% | | Cash | 22.36% | | |

Oracle Property Securities Portfolio Update



Luke Durbin
Portfolio Manager

The Oracle Property Securities Portfolio underperformed the benchmark index by **0.88%**, returning **-7.60%** for the quarter.

In the March quarter, the property asset class saw some cooling off. This is partially due to the inverse relationship between interest rates and the performance of real estate investment trusts (REITs). As inflation has been increasing not only just domestically but throughout the global economy, bond yields have risen, sending a signal through markets indicating imminent rising of interest rates by central banks. This relationship has been demonstrated through the 29.28% p.a. previous two-year trailing performance by the Oracle Property Securities Portfolio. These exceptionally easy monetary conditions cannot and will not last forever, inflation and interest rates will mean-revert, and so will the returns that ASX-listed REITs provide shareholders.

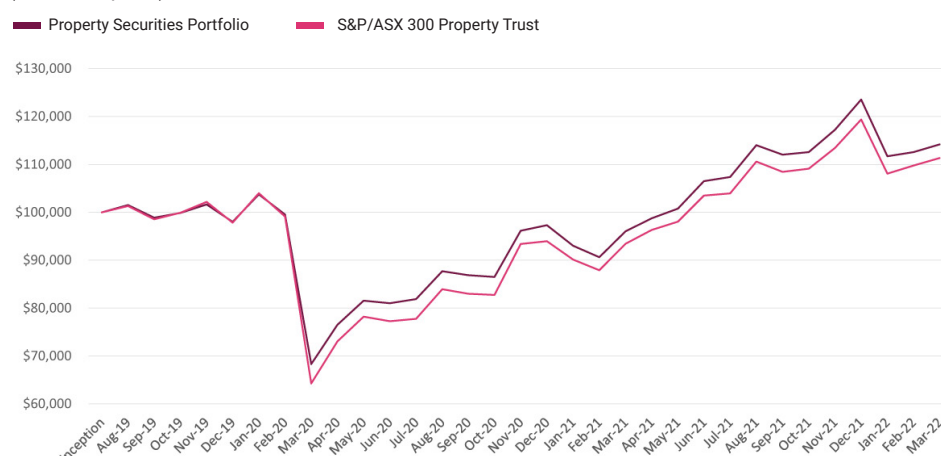
Over the previous year or so the Australian property sector has benefitted from a relatively resilient economy as a low unemployment rate has contributed to a strong economic recovery. Investors might be questioning whether this recovery will be sustained into 2022 as global economic headwinds present themselves. This could be the case due to a plethora of economic factors; Russia has invaded Ukraine, the price of oil has skyrocketed, there are rising geopolitical tensions, inflation is running wild, supply chain pressures have not abated, central banks are likely to rise interest rates, just to name a few. These macroeconomic factors have undoubtedly contributed to the negative pressure on ASX-listed REITs. Nevertheless, at Oracle we remain confident in the companies we allocate our funds towards. These companies are the highest quality listed companies and are well positioned to weather any macroeconomic climate, as they have done in the past.

Portfolio Performance

| Rolling | Property Securities Portfolio | Benchmark (S&P/ASX 300 Property Trust Accum Index) | Outperformance |
|--|-------------------------------|--|----------------|
| 1 month | 1.43% | 1.44% | -0.01% |
| 3 month | -7.60% | -6.72% | -0.88% |
| 6 month | 1.90% | 2.67% | -0.77% |
| 1 year | 18.89% | 19.16% | -0.26% |
| 2 year p.a | 29.28% | 31.61% | -2.34% |
| Since Inception p.a (1 August 2019) | 5.09% | 4.11% | 0.98% |

Comparative Performance

Property Securities vs S&P/ASX 300 Property Trust Accum Index (since inception)



Portfolio Characteristics

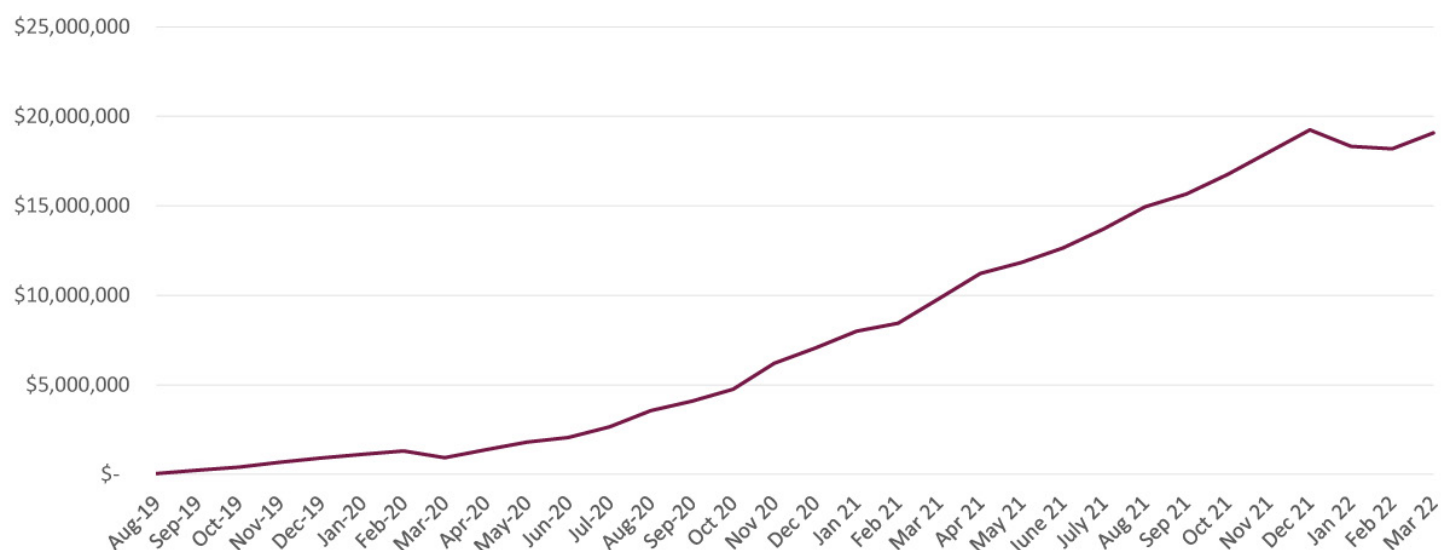
| | Portfolio | Index |
|---|-----------|-------|
| Price/Funds From Operations multiple | 7.6x | 7.5x |
| Funds From Operations per share Growth - 3 year avg | 12% | 9% |
| Return on Equity (ROE) | 13.8% | 14.5% |
| Return on Equity (ROE) - 3 year avg | 10.4% | 9.7% |
| Dividend Yield | 4.5% | 4.7% |
| Dividend Growth | 0% | 2% |
| Gearing (Debt/Equity) | 26.4x | 27.2x |
| Weighted Average Lease Expiry (years) | 9.1 | 6.2 |

Oracle Property Securities Portfolio Update

| Portfolio Overview | |
|--------------------------------------|--|
| Investment Manager | Oracle Investment Management Pty Ltd |
| Investment Objective | To provide investors with long-term capital growth and income. The portfolio aims to outperform its benchmark over a rolling 3 year period. |
| Investment Strategy | To use active bottom up stock selection, focusing on buying quality companies at reasonable prices. The securities are assessed as meeting our investment criteria of strong earnings growth and as likely to provide attractive returns to investors. |
| Benchmark | S&P/ASX 300 Property Trust Accumulation Index |
| Investment Universe | Listed ASX Securities that invest in and or Manage Property Investments. Portfolio may invest in listed ETFs. |
| Recommended Investment Period | 3-5 years |
| Minimum Initial Investment | \$25,000 |
| Inception Date | 1 August 2019 |

| Top Contributors | Portfolio Position | 3 month Performance |
|-----------------------------------|--------------------|---------------------|
| HomeCo Daily Needs REIT (HDN) | 0.57% | 22.67% |
| Vicinity Centres (VCX) | 2.84% | 13.58% |
| Charter Hall Long Wale REIT (CLW) | 1.43% | 7.12% |
| Hotel Property Investments (HPI) | 0.96% | 3.04% |
| Home Consortium (HMC) | 3.07% | 2.81% |
| National Storage REIT (NSR) | 1.56% | 2.26% |
| Stockland (SGP) | 2.40% | 0.94% |
| Arena REIT (ARF) | 3.07% | 0.45% |

Funds Under Management (since inception)



Oracle Ethical Diversified Portfolio Update

The Oracle Ethical Diversified Portfolio is collectively managed by:



Nick Cummings

Portfolio Manager



Luke Durbin

Portfolio Manager



Jack Magann

Portfolio Manager

After an excellent December quarter and year in 2021, the portfolio gave back some of its performance in the March quarter as markets worldwide took a turn downwards in the wake of higher inflation, the probability of entering a period of increasing interest rates, supply chain strains, and of course, Russia's invasion of Ukraine.

While the performance for the quarter has been somewhat disappointing, we believe that a lot of the market (though not all of it, of course) has been unfairly thrown out with the bathwater, and while the macroeconomic environment might be shifting, the largest impact is largely to valuations and the business strength of the vast majority of our positions remains intact.

Towards the back end of 2021, valuations grew to a place higher than what might be warranted. Even though we recognised this, it is not our practice to sell on valuation because trying to time the market in picking tops and bottoms is difficult and fraught with danger (see discussion on compounding in Peter's market update). The market will change its opinion on the value of a stock every day but as long as the business continues to improve its business and grow, we remain happy.

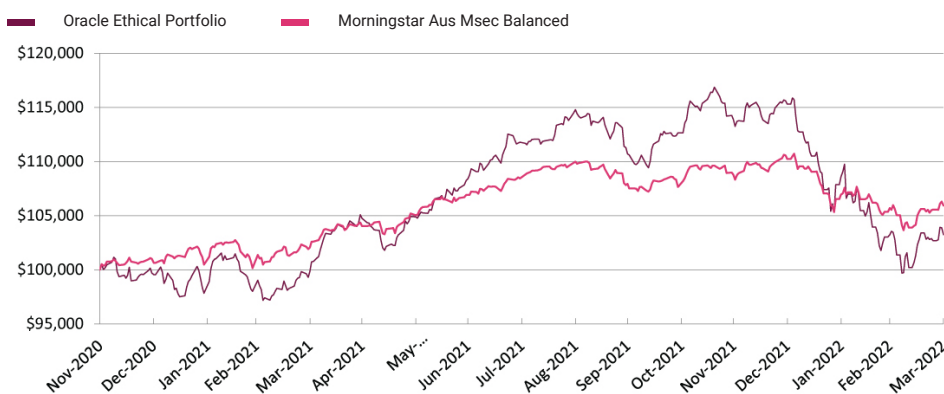
Being a balanced portfolio, the inclusion of a selection of hybrids helps to weigh the portfolio in times of turbulence. The portfolio allocates approximately 25% to fixed interest securities and while the fixed interest market is having its own share of problems, the hybrids are a welcome inclusion as it helps to reduce the volatility of a portfolio 100% allocated to equities.

Portfolio Performance

| Rolling | Ethical Portfolio | Benchmark (Morningstar Balanced) | Comparative Performance |
|---------------------------------------|-------------------|----------------------------------|-------------------------|
| 1 month | 0.55% | 0.21% | 0.34% |
| 3 month | -9.76% | -3.92% | -5.84% |
| 6 month | -7.02% | -1.86% | -5.16% |
| 1 year | 3.90% | 3.77% | 0.13% |
| Since Inception p.a (1 November 2020) | 3.98% | 7.57% | -3.59% |

Comparative Performance

Ethical Diversified VS Morningstar Balanced (since inception)



With all that said, we do act when there is reason to act, and we made several changes to the portfolio through the quarter, selling our positions in PayPal (which downgraded expectations for future growth) and Northern Star. While Northern Star is an ESG leader in its industry, we felt there were better opportunities elsewhere, discussed below.

Firstly, as Peter discussed in the market update, many technology companies have fallen sharply as they fell from astronomical heights. Many stocks that experienced this were selling a story and were still years away from any real cash generation. Although, one company that had been sold down that has solid earnings was SolarEdge Technologies, the leader in the solar panel and inverter industry worldwide. SolarEdge is forecasted to grow earnings strongly in the coming few years and we took the opportunity to buy a small stake after the share price had more than halved.

We also added a position in ResMed for similar reasons. While the share price fall was not as aggressive, it had retraced 23% from its September high. ResMed sells medical devices that help manage cardiopulmonary obstruction disorder

(COPD) and sleep apnea with their nasal air flow masks and ventilators and is a company that we are very familiar with, as it is also held in the Australian Equities Portfolio. Both of these companies, we believe, better align with the goal of the portfolio to invest in companies making the world a better place while also having excellent earnings outlooks.

As Peter stated in his opening market update, no strategy outperforms every period and at the moment commodities are driving the strength in markets worldwide at the expense of higher quality growth companies. The US, where we have an outsized exposure – also performed worse than Australia. Commodities are cyclical industries, which by definition means they go up and down over time, often unpredictably. We believe the current commodities run is unsustainable and will revert downwards in due course, as it always does. To pile in on commodities now would potentially leave the portfolio exposed to this fall, which is why we remain focused in our core competency: remaining invested in quality companies because over the long term it is earnings growth that drives returns.

Oracle Ethical Diversified Portfolio Update

| Portfolio Overview | |
|--------------------------------------|---|
| Investment Manager | Oracle Investment Management Pty Ltd |
| Investment Objective | To provide investors with long-term growth and to outperform the Consumer Price Index + 3% over the medium term (5 years). |
| Investment Strategy | To invest across a broad range of investment sectors and to provide a balance between capital growth and capital preservation. Oracle use an active bottom up stock selection process, focusing on buying quality securities at reasonable prices. The securities are assessed as meeting both our investment criteria of strong earnings growth and ethical criteria of positive social, environmental and governance factors. |
| Investment Universe | Listed ASX Securities, cash, ETF's, corporate bonds, short term money market securities, international securities, listed sub-debt, listed hybrids and listed property investments. |
| Recommended Investment Period | 5 years |
| Minimum Initial Investment | \$50,000 |
| Inception Date | 1 November 2020 |

| Top 10 Contributors | 3 month Performance |
|-----------------------------------|---------------------|
| SolarEdge Technologies | 17.8% |
| Boralex | 17.5% |
| Vertex Pharmaceuticals | 12.7% |
| Northland Power | 9.0% |
| Nintendo | 3.3% |
| Westpac Capital | -0.1% |
| Macquarie Capital | -0.5% |
| Bank of Queensland Capital | -0.9% |
| Latitude Capital | -1.2% |
| ANZ Capital | -1.3% |

| Selected Investment Holdings | Sector | Weighting |
|-------------------------------|---------------------------------|-----------|
| Perennial Ethical Fund | Ethical Fund | 3.53% |
| Franklin Electric | Water Pumping Systems | 2.25% |
| Genex | Renewable Energy Utility | 2.58% |
| ROCKWOOL | Environmental Building Products | 1.16% |
| Vertex Pharmaceutical | Cystic Fibrosis Treatment | 1.97% |
| Northland Power | Renewable Energy Utility | 1.75% |
| Australian Ethical | Ethical Fund Manager | 0.83% |
| Boralex | Renewable Energy Utility | 1.75% |
| SolarEdge Technologies | Smart solar inverters | 1.16% |

Diversified Managed: Capital Stable Portfolio

The Capital Stable Portfolio suits investors seeking a diversified portfolio that invests primarily in defensive assets with low volatility, reliable yield and a focus on capital preservation.

Investors in this portfolio are forgoing the potential for higher returns over the long term for relative security.

| Asset Class | Neutral |
|------------------------|---------|
| Cash | 10% |
| Fixed Income | 60% |
| Property Securities | 5% |
| Aus Emerging Companies | 0% |
| Aus Equities | 15% |
| Global Equities | 10% |

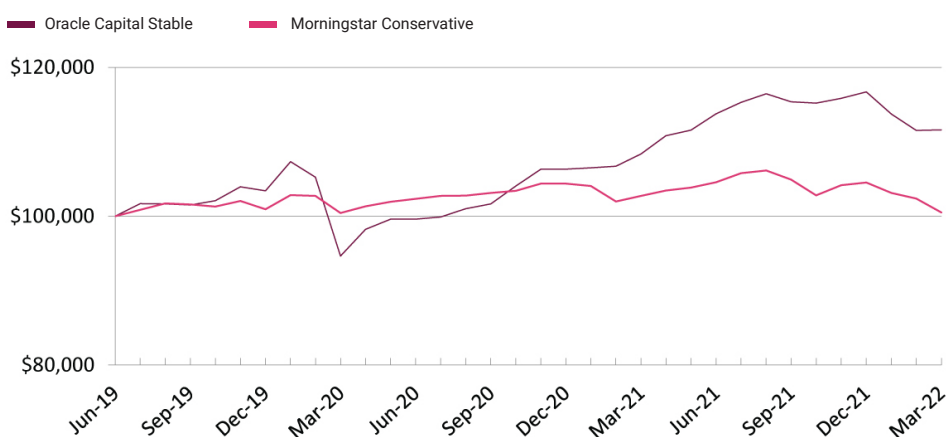
| Investment Fee (% per annum) | |
|------------------------------|------|
| Capital State Portfolio | 0.6% |

Portfolio Performance

| Rolling | Oracle Capital Stable | Benchmark (Morningstar Aus Msec Conservative) | Comparative Performance |
|-------------------------------------|-----------------------|---|-------------------------|
| 1 month | 0.04% | -1.85% | 1.89% |
| 3 month | -4.46% | -3.86% | -0.60% |
| 6 month | -3.41% | -4.21% | 0.81% |
| 1 year | 2.83% | -2.19% | 5.02% |
| 2 year p.a | 7.12% | 0.03% | 7.09% |
| Inception p.a. (1 July 2019) | 5.22% | 0.18% | 5.04% |

Comparative Performance

Oracle Capital Stable vs Morningstar Capital Stable (since inception)



Industry Funds Comparative Performance

| Fund | 1 month | 3 month | 1 year | 2 year p.a |
|---|--------------|---------------|--------------|--------------|
| Oracle Capital Stable | 0.04% | -4.46% | 2.83% | 7.12% |
| VicSuper Capital Secure | - | - | 1.47% | - |
| UniSuper Conservative | - | - | 4.08% | - |
| CARE Super Capital Stable | -0.58% | -0.69% | 3.53% | - |
| First State Super - Flexible Income Plan - Capital Stable | -0.41% | -1.84% | 1.81% | 3.06% |
| REST Capital Stable | - | -0.57% | 4.39% | - |
| Macquarie Master Capital Stable | - | -6.80% | -3.70% | - |
| Hostplus Capital Stable | -0.36% | 1.20% | 3.57% | - |

Diversified Managed: Conservative Portfolio

The Conservative Portfolio suits investors seeking a diversified portfolio that invests primarily in defensive assets with low volatility, reliable yield and a focus on capital preservation.

Investors in this portfolio are foregoing the potential for higher returns over the long term.

| Asset Class | Neutral |
|------------------------|---------|
| Cash | 5% |
| Fixed Income | 50% |
| Property Securities | 5% |
| Aus Emerging Companies | 0% |
| Aus Equities | 25% |
| Global Equities | 15% |

| Investment Fee (% per annum) | |
|------------------------------|-------|
| Conservative Portfolio | 0.65% |

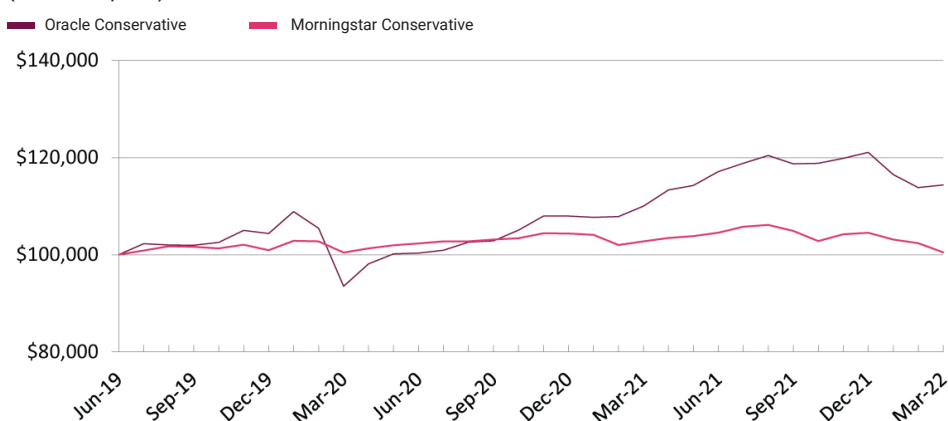
Portfolio Performance

| Rolling | Oracle Conservative | Benchmark (Morningstar Aus Msec Conservative) | Comparative Performance |
|-------------------------------------|---------------------|---|-------------------------|
| 1 month | 0.50% | -1.85% | 2.35% |
| 3 month | -5.64% | -3.92% | -1.72% |
| 6 month | -3.87% | -4.21% | 0.35% |
| 1 year | 3.77% | -2.19% | 5.95% |
| 2 year p.a | 9.08% | 0.03% | 9.05% |
| Inception p.a. (1 July 2019) | 5.99% | 0.18% | 5.81% |

Comparative Performance

Oracle Conservative vs Morningstar Aus Msec Conservative

(since inception)



Industry Funds Comparative Performance

| Fund | 1 month | 3 month | 1 year | 2 year p.a |
|---|--------------|---------------|--------------|--------------|
| Oracle Conservative | 0.50% | -5.64% | 3.77% | 9.08% |
| Australian Super Conservative Balanced | -0.30% | -1.80% | 1.37% | 2.76% |
| UniSuper Conservative Balanced | - | - | 6.94% | - |
| CARE Super Conservative Balanced | -0.73% | -0.99% | 4.34% | - |
| Morningstar Msec Conservative | -1.32% | -2.89% | -0.51% | - |
| Vanguard Diversified Conservative Index | -0.89% | - | 0.03% | - |
| IOOF WealthBuilder Conservative | - | -1.70% | 1.60% | - |
| HESTA Conservative | -0.08% | - | 4.37% | - |
| Hostplus Conservative Balanced | 0.04% | -1.69% | 5.24% | - |

Diversified Managed: Balanced Portfolio

The Balanced Portfolio suits investors who require a balanced portfolio, diversified across all major asset classes, seek capital growth over the medium to long term with a moderate level of income, accept a moderate degree of volatility associated with a relatively higher exposure to growth assets and are prepared to invest for the minimum investment timeframe.

| Asset Class | Neutral |
|------------------------|---------|
| Cash | 4% |
| Fixed Income | 36% |
| Property Securities | 6% |
| Aus Emerging Companies | 9% |
| Aus Equities | 20% |
| Global Equities | 25% |

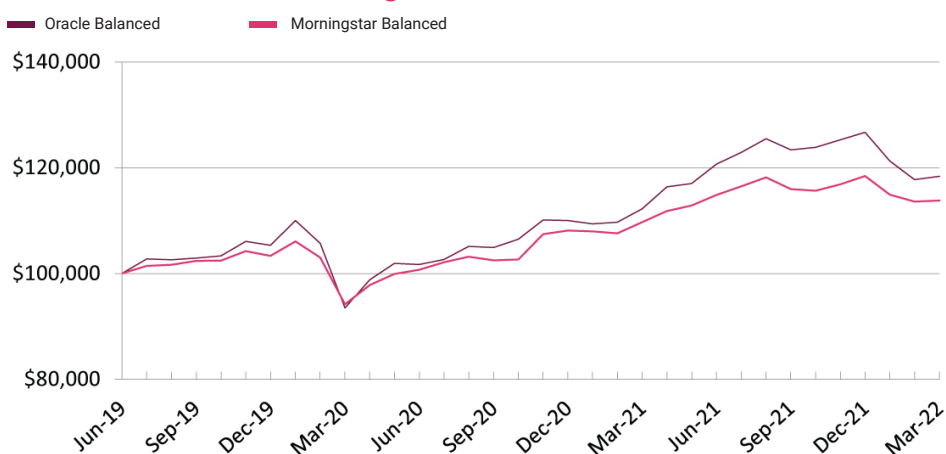
| Investment Fee (% per annum) | |
|------------------------------|------|
| Balanced Portfolio | 0.7% |

Portfolio Performance

| Rolling | Oracle Balanced | Benchmark (Morningstar Aus Msec Balanced) | Comparative Performance |
|-------------------------------------|-----------------|---|-------------------------|
| 1 month | 0.55% | 0.21% | 0.34% |
| 3 month | -6.66% | -3.92% | -2.74% |
| 6 month | -4.23% | -1.86% | -2.37% |
| 1 year | 5.31% | 3.77% | 1.54% |
| 2 year p.a | 10.75% | 9.93% | 0.82% |
| Inception p.a. (1 July 2019) | 7.19% | 4.82% | 2.37% |

Comparative Performance

Oracle Balanced vs Morningstar Balanced (since inception)



Industry Funds Comparative Performance

| Fund | 1 month | 3 month | 1 year | 2 year p.a |
|----------------------------------|--------------|---------------|--------------|---------------|
| Oracle Balanced | 0.55% | -6.66% | 5.31% | 10.75% |
| Aware Super Balanced Growth | 0.34% | -2.68% | 5.49% | 8.71% |
| UniSuper Balanced | - | - | 7.09% | - |
| CARE Super Balanced | -0.76% | -0.85% | 8.30% | - |
| AMP Capital Balanced Growth Fund | 1.64% | -3.59% | 7.05% | - |
| REST Balanced | - | -0.80% | 6.75% | - |
| MorningstarMsec Balanced | - | -2.50% | 3.60% | - |
| HESTA Balanced Growth | 1.12% | - | 9.45% | - |
| Hostplus Balanced | 0.74% | -1.01% | 11.81% | - |

Diversified Managed: Growth Portfolio

The Growth Portfolio suits investors who seek the potential for a relatively high level of growth and a modest level of income, accept a higher level of short-medium term capital volatility as a trade-off for long-term capital growth and are prepared to invest for the minimum investment timeframe.

| Asset Class | Neutral |
|------------------------|---------|
| Cash | 2% |
| Fixed Income | 24% |
| Property Securities | 10% |
| Aus Emerging Companies | 11% |
| Aus Equities | 19% |
| Global Equities | 34% |

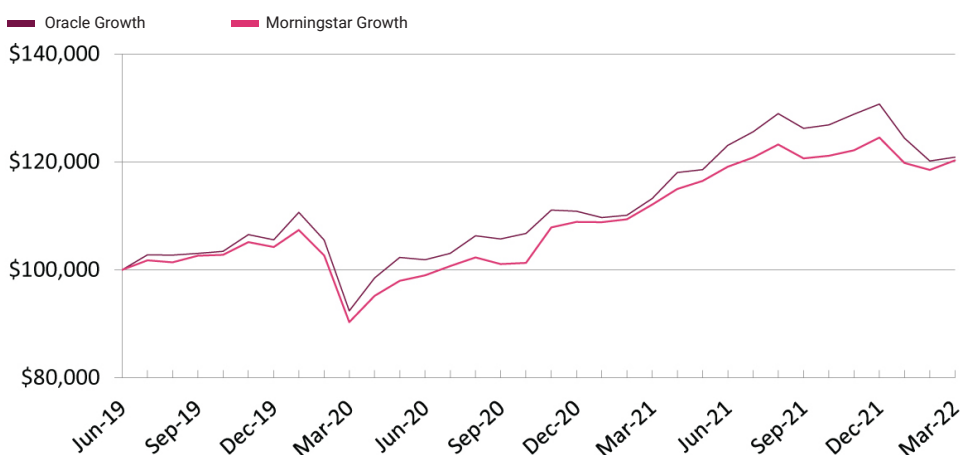
| Investment Fee (% per annum) | |
|------------------------------|-------|
| Growth Portfolio | 0.75% |

Portfolio Performance

| Rolling | Oracle Growth | Benchmark (Morningstar Aus Msec Growth) | Comparative Performance |
|-------------------------------------|---------------|---|-------------------------|
| 1 month | 0.60% | 1.50% | -0.90% |
| 3 month | -7.67% | -3.39% | -4.28% |
| 6 month | -4.43% | -0.31% | -4.12% |
| 1 year | 6.60% | 7.29% | -0.69% |
| 2 year p.a | 11.41% | 15.39% | -3.98% |
| Inception p.a. (1 July 2019) | 7.99% | 6.94% | 1.05% |

Comparative Performance

Oracle Growth vs Morningstar Growth (since inception)



Industry Funds Comparative Performance

| Fund | 1 month | 3 month | 1 year | 2 year p.a |
|---|--------------|---------------|--------------|---------------|
| Oracle Growth | 0.60% | -7.67% | 6.60% | 11.41% |
| Vanguard Growth Index Fund | 0.94% | - | 5.87% | - |
| Aware Super Growth | 0.77% | -3.35% | 7.60% | 13.04% |
| VicSuper Growth | - | - | 8.23% | - |
| UniSuper Growth | - | - | 6.80% | - |
| CARE Super Growth | -1.04% | -1.51% | 9.14% | - |
| Morningstar Msec growth | 0.90% | -2.03% | 6.13% | 13.22% |
| First State - Flexible Income Plan - Growth | 0.86% | -3.56% | 6.88% | 12.11% |
| Betashares Diversified All Growth ETF | -2.78% | -4.61% | 12.28% | - |
| Media Super Growth | 0.25% | 0.07% | 13.10% | - |

Diversified Managed: High Growth Portfolio

The High Growth Portfolio suits investors who seek a relatively high level of growth on investment capital, accept a high level of short-medium term capital volatility as a trade-off for long-term capital growth and are prepared to invest for the minimum investment timeframe.

| Asset Class | Neutral |
|------------------------|---------|
| Cash | 2% |
| Fixed Income | 0% |
| Property Securities | 10% |
| Aus Emerging Companies | 20% |
| Aus Equities | 24% |
| Global Equities | 44% |

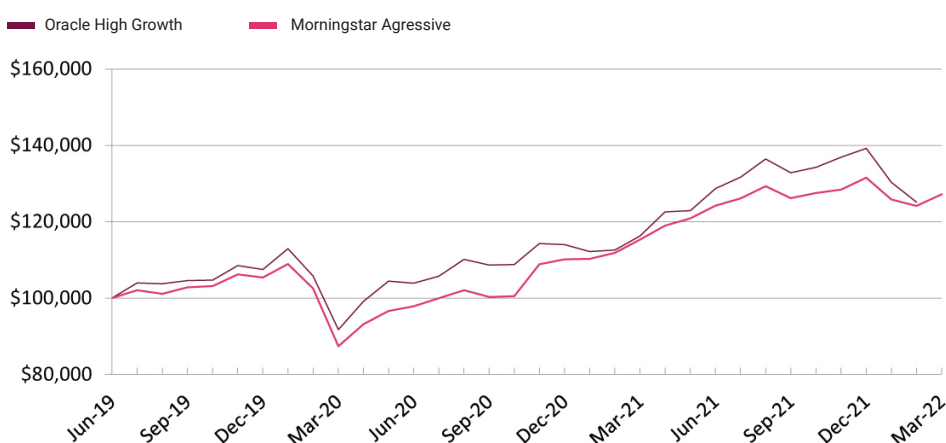
| Investment Fee (% per annum) | |
|------------------------------|-------|
| High Growth Portfolio | 0.85% |

Portfolio Performance

| Rolling | Oracle High Growth | Benchmark (Morningstar Aus Msec Aggressive) | Comparative Performance |
|-------------------------------------|--------------------|---|-------------------------|
| 1 month | 1.18% | 2.44% | -1.26% |
| 3 month | -9.26% | -3.32% | -5.94% |
| 6 month | -4.90% | 0.80% | -5.70% |
| 1 year | 8.69% | 10.28% | -1.59% |
| 2 year p.a | 14.51% | 20.64% | -6.13% |
| Inception p.a. (1 July 2019) | 9.36% | 9.13% | 0.23% |

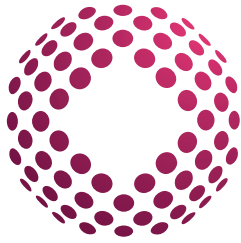
Comparative Performance

Oracle High Growth vs Morningstar Aggressive (since inception)



Industry Funds Comparative Performance

| Fund | 1 month | 3 month | 1 year | 2 year p.a |
|--|--------------|---------------|--------------|---------------|
| Oracle High Growth | 1.18% | -9.26% | 8.69% | 14.51% |
| Aware Super High Growth | 1.16% | -3.62% | 9.91% | 17.10% |
| Qsuper Aggressive | - | - | 7.00% | - |
| UniSuper High Growth | - | - | 7.81% | - |
| Vanguard High Growth Index Fund | 1.97% | - | 9.11% | - |
| AMP Capital High Growth Fund | 2.39% | -3.42% | 8.85% | - |
| REST High Growth | - | -1.19% | 11.50% | - |
| HESTA High Growth | 1.65% | - | 12.17% | - |
| BetaShares Diversified High Growth ETF | -2.78% | -4.62% | 12.26% | - |
| Morningstar Msec Aggressive | 2.44% | -3.32% | 10.28% | - |



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