



**oracle**  
ADVISORY GROUP

# QUARTERLY UPDATE

ISSUE 36 - JUNE 2023



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# Oracle Market Update .....



**By Peter Durbin**  
Chief Investment Officer

The June quarter was one marked by a single theme: artificial intelligence. In response to some new products being announced in the tech industry, there was considerable investor enthusiasm for the potential this developing technology may have on industries and markets

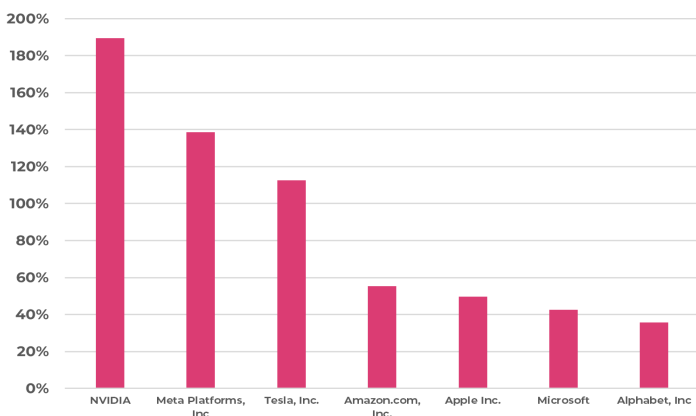
## Market Analysis

This is encapsulated entirely by the tech-focused Nasdaq 100, an index of the largest stocks on the US-based Nasdaq Stock Exchange, which was up 15.2% for the quarter ending June 2023. Compare this to the indices that are not so concentrated in technology and it is a different story entirely. The local ASX 200, which is heavy in mining and banking, was up a mere 1.54%, the MSCI All Country World was up 5.9%, and the FTSE 100, the 100 largest stocks on the London Stock Exchange and is heavy in staples, financials, and resources, was down 1.3%.

The difference in returns is not all that surprising when you understand the breadth of those returns. We excluded the S&P 500 from the above calculations above because of its overlap with the Nasdaq, but its 8.3% for the quarter was driven almost entirely by 7 mega-cap tech stocks, which are up an average of 69%. This means that combined, the remaining 493 remaining stocks returned nil. Further, the number of companies outperforming the index is a mere 24.5% ([as of 5 June](#)), which would be the lowest in 50 years.

Source: FactSet

**7 Megacaps drove the performance of the S&P 500**



While we don't doubt the importance of AI in the future development of economies and industries, its generative activities are already impressive at this early stage. However, this is the sort of behaviour seen in the late stage of a bull run. The timing with the economic data also feels about right. Markets tend to anticipate the economy (not the other way around), which means the market will tend to fall into a recession, find a bottom mid-recession, and be well on its way to recovery by the time the recession ends.

### So how do we know if we are in a recession?

In the US, a recession is not declared until approximately 12 months after it has occurred. Hence if you are waiting for a recession to be declared you will be late. This is not a way to make investment decisions. A better method is to estimate based on economic indicators. The US Conference Board produces indices of leading indicators (data points that move ahead of economic activity), coincident indicators (data points that change about the same time as changes in economic activity), and lagging indicators (those that move after changes in economic activity). At present, only the leading indicator index is showing sustained weakness, and we have no reason to believe Australia would be faring any worse. This suggests that the US (at least) is not presently in a recession but very well could still enter one in the next 12 months. If the statement in the prior paragraph is accurate, then it checks out that the current rally may fade as enthusiasm for AI wanes and as the economy creeps towards a formal recession before recovering again mid-way through.

While this might sound ominous, it is not supposed to be. Firstly, this is the most forecasted recession of all time, so it is well and truly already priced into market expectations.

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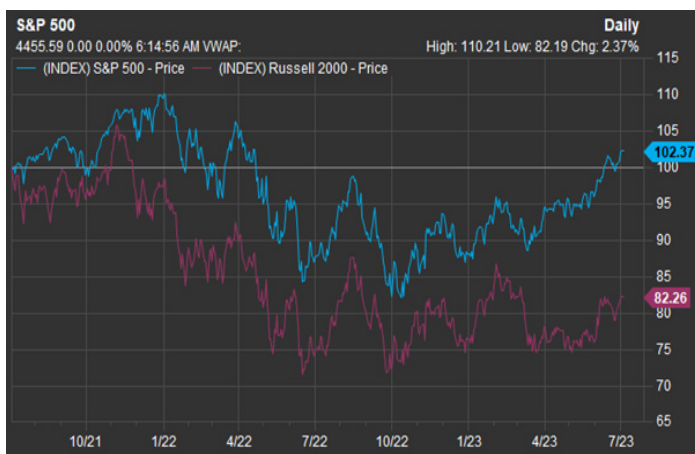
# Oracle Market Update

Secondly, while we talk about economic indicators a bit in these market updates, forecasting the tops and bottoms of the economic cycle is not our primary goal. Our primary goal is to build portfolios of high-quality companies that will be resilient throughout the cycle. We target companies with high returns on capital that will have the opportunity to reinvest earnings at high rates of return throughout the cycle, and whose businesses will be stronger in 3 years despite a downturn, and even if the share price falls. As long-term investors, this is our advantage.

We have spent the last 6 months strengthening the portfolios with a tilt towards what we might term “defensive growth”. While the portfolios remain well diversified across sectors, defensive growth is a preference for companies whose revenues are likely to at least remain stable through economic upheaval, such as healthcare companies and those with subscriptions to critical business software. This has, so far, proven beneficial, with performance across the last 6 to 12 months looking quite pleasing for most portfolios.

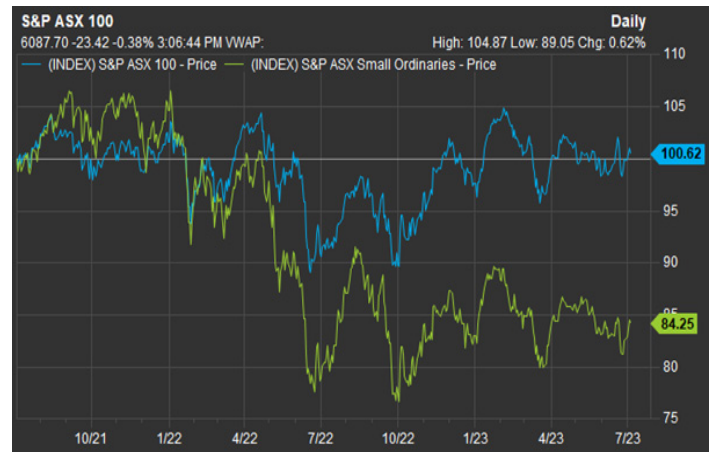
We are also seeing a genuine opportunity in small caps. In any time of market or economic weakness, small caps shoulder more than their fair share of the selling as investors shift into larger, more established companies which have more certain outcome. I’ve shown two charts below that demonstrate this.

The first chart is the S&P 500 Index vs the Russell 2000 Index of US small caps rebased to 100. Over the last two years, the small-cap index has underperformed the large-cap index by 20 percentage points: the S&P 500 is up 2.4% while the Russell 2000 is down 17.7%.



Source: FactSet

The second chart below is the ASX 100 Index of large caps vs the ASX Small Ordinaries rebased to 100, which is an index made up of the next 200 largest stocks after the ASX 100. Again, we see that small caps have underperformed, in this case, by about 16 percentage points with the ASX 100 up 0.6% compared to the small-cap index, down 15.7%.



Source: FactSet

When the market inevitably returns, we believe small caps will have their day again and will strongly outperform their larger compatriots.

## Macroeconomic News

In today’s age of information overload, investors must constantly discern what information is important and what information is just noise. Of course, this is not helped by the media who will report on anything if you’ll read it. Such was the case in May when it was feared that the US might reach its debt ceiling and physically run out of money and be unable to pay its bills.

This is a movie we have seen many times before and we know how it ends: spoiler alert, the parties agree to lift the debt ceiling. Yet every day towards the end of May there was a new story in the media on the negotiations, threats, and stalling tactics the politicians were using to get a deal done. The fear was that if the government did reach its debt ceiling it would be unable to pay its bills, most notably the interest on its mountains of debt. In industry vernacular, this is called a default. If you have a mortgage you know that defaulting on your loan is not good. This would be unthinkable worse for the United States if they defaulted on their loans to the extent that there is just no way Republicans or Democrats would let it happen.

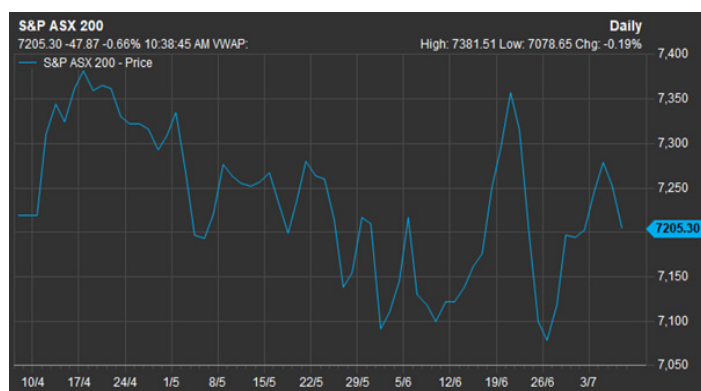
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# Oracle Market Update .....

Nevertheless, talks dragged on and the suggestion continued to be made that the odds of the US defaulting on its debt edged higher as the deadline approached to the point that markets moved on news reports of negotiation progress.

Through May, peak to trough the S&P 500 moved 3.6% before finishing the month a mere 25 basis points higher than where it began. Concessions were made, and finally, at the start of June, the bill was waved through to raise the limit for the amount of debt the US can issue.

The US debt ceiling debate impacted the Australian market too, as the Australian market tends to take its lead from the US, but the biggest moves came in response to Australian inflation, reporting a 6.8% annual increase in April, which was higher than expected, and a 5.3% annual increase in the 12 months to June, which was lower than expected. They moved more than 1% on both days when these figures were announced (negative and positive respectively). This illustrates why we don't make investment decisions by trying to predict things like short-term inflation moves. Because a) even the professional economist whose job it is to forecast these things gets it wrong, and b) the market will probably reverse the move the following day anyway. Seriously, look at this 3 month chart below of the ASX 200 and tell me you know which days the inflation data was released.



Source: FactSet

The third reason is that to profit from moves such as these you need to predict the second order effect. In English, this means that you not only need to predict the economic data but how the market will react based on the expectations that are embedded in the stock prices.

This has been proven notoriously difficult in the last 12 to 18 months as the market has been operating on a "bad news is good news/good news is bad news" paradigm, exemplified by a headline in the Wall Street Journal on the day I write this titled: "Stocks Post Broad Losses After Strong Economic Data".

This concept has been discussed in previous newsletters but in essence, the reason is because everything relates to interest rates, so weak economic data means a higher likelihood of interest rate cuts, which is good for markets. This is counterintuitive and is not the norm, but it is how markets have been behaving. This paradigm will end, but when will it end? We'll leave that to the forecasters and stick with buying quality businesses that can raise their prices regardless of what inflation and interest rates do.

# Oracle Global Equities Portfolio Update



**Johan Snyman**  
Portfolio Manager

The Global Equities Portfolio finished the second quarter of 2023 with a gain of 1.44%, relative to our benchmark, the MSCI ACWI ex Australia (in A\$). On an absolute basis, the portfolio advanced by 7.62%.

On a 12-month basis, the Global portfolio has advanced by 21.61%, now a relative outperformance (of 3.16%), compared to a relative underperformance one quarter ago (of 2.28%).

It is our view as the manager for the Global Portfolio at Oracle Investment Management, we are firstly managing risk, and then secondary to such function, managing the portfolio, taking ownership of the companies in the Global portfolio, as well as allocated weightings, in our quest to deliver risk-adjusted returns outperforming the benchmark as mandated, being the MSCI ACWI expressed in Australian Dollars.

We believe the reporting of risk measures goes hand-in-hand with performance reporting, and hence, here we go: in general, risk and risk/return measures, compared to the benchmark, moving in the right direction.

During the Quarter, we initiated two new positions in Vertex Pharmaceuticals (VRTX) and Block (SQ). It takes the tally of companies in the Global portfolio to twenty-nine, a very different scenario to twelve months ago (nineteen companies in the Global portfolio at the end of June 2022).

We are fortunate both companies are already components of two other Oracle portfolios – Vertex Pharmaceuticals in the Ethical Portfolio, and Block in the Australian Equities portfolio.

**Vertex** is the only company offering a Cystic Fibrosis (CF) treatment targeting the gene level and is by far the most effective treatment worldwide. Strong cash flows from the existing CF product portfolio continue to support future investment in Research and Development (R&D).

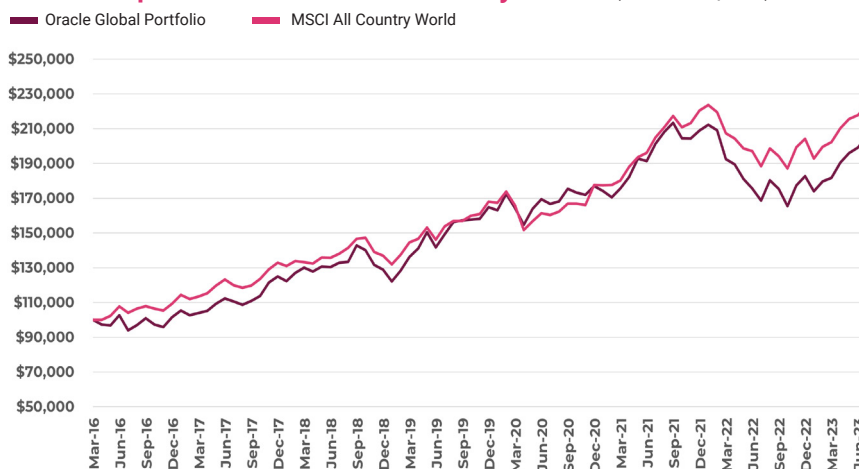
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## Portfolio Performance

Rolling	Global Equities Portfolio	Benchmark (MSCI All Country World Index)	Outperformance
1 month	2.94%	2.42%	0.52%
3 month	7.62%	6.18%	1.44%
6 month	17.81%	15.75%	2.06%
1 year	21.61%	18.45%	3.16%
2 year p.a	0.92%	4.34%	-3.42%
3 year p.a	7.14%	11.61%	-4.47%
Since Inception p.a (1 March 2016)	<b>10.28%</b>	<b>11.56%</b>	<b>-1.28%</b>

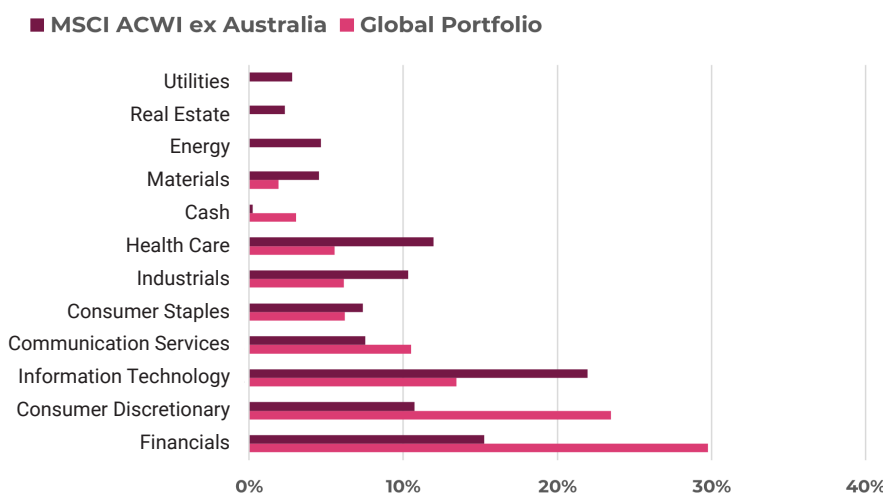
## Comparative Performance

### 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 cumulative investment in R&D to date (end of FY22) is US\$20.3bn (since FY02) – it was only in FY20 when gross profit (GP) on a cumulative basis, achieved parity with cumulative R&D. In terms of operating cash flow (CFO), the last five years have generated US\$12.9bn cumulatively.

The advanced clinical-stage programs (we have identified six) of Vertex target transformative benefits across eight specialty disease areas and Exa-cel (CTX001) is the one key pipeline product that has the potential to be the next growth driver for Vertex beyond its CF franchise, with potential approvals in the US and Europe in the second half of calendar 2023.

**Block** is a highly innovative company, and the deep entrepreneurial spirit has enabled the company in the early days to fight off the onslaught from Amazon – we strongly recommend a reading of the book “The Innovation Stack” authored by the co-founder of Square (the old Block), Jim McKelvey.

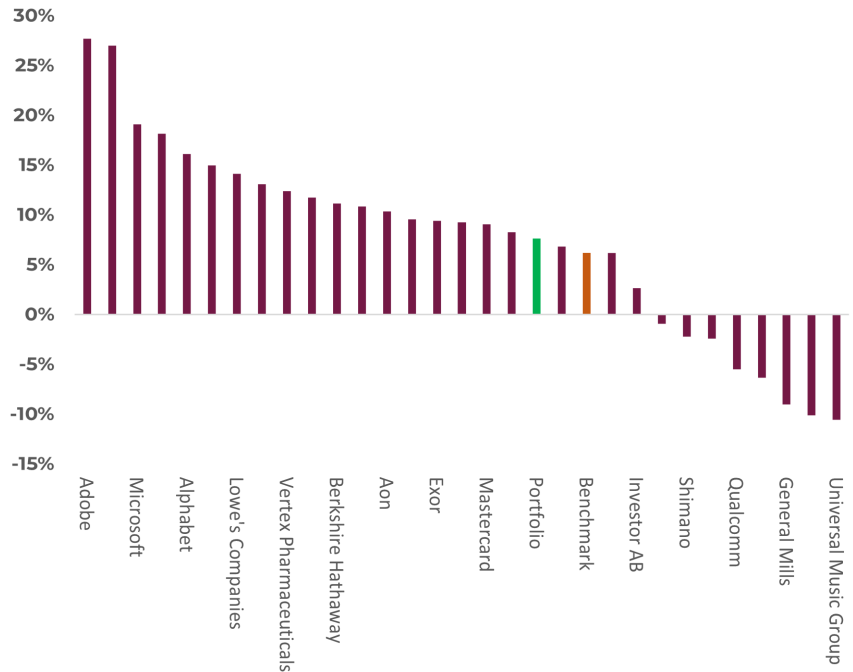
The introduction of the Cash App ecosystem and acquisition of Afterpay, necessitated the change of name (of Square) to better reflect the business activities of the combined Square, Cash App and Afterpay businesses.

Block offers a range of financial services and products, including software, hardware, and financial services for businesses of all sizes. Its consumer-facing product, the Cash App, launched in 2013, is a mobile payment service and peer-to-peer (P2P) platform allowing users to invest in stocks and Bitcoin.

Block has been transformational in how consumers and businesses handle money, shaping the fintech industry’s trajectory towards little or no cash and little or no bricks & mortar.

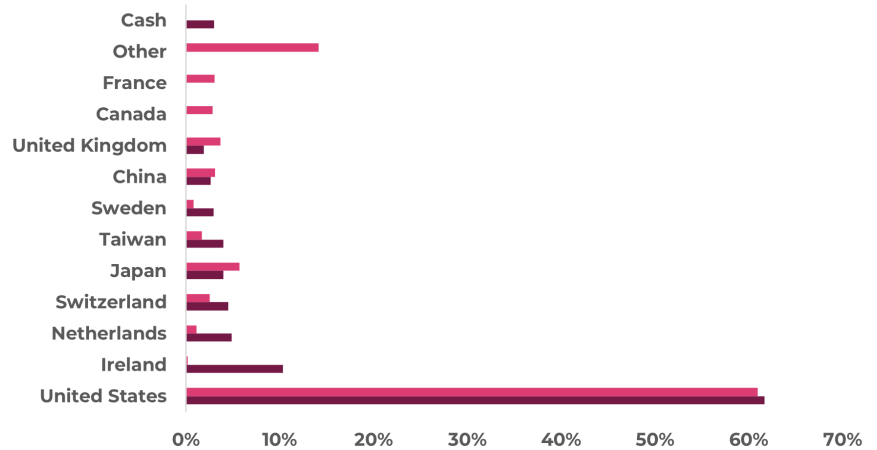
Besides the two new positions in Vertex Pharmaceuticals and Block, in the Quarter under review, we added to the Global portfolio’s weighting in Amazon in (AMZN), Flutter (FLTR) and Richemont (CFR). It appears as if we were handsomely rewarded for these additions – a glance at the attribution performance reveals these three stocks accounted for one-third of the overall positive attribution in the Quarter under review.

## Three months to June 2023

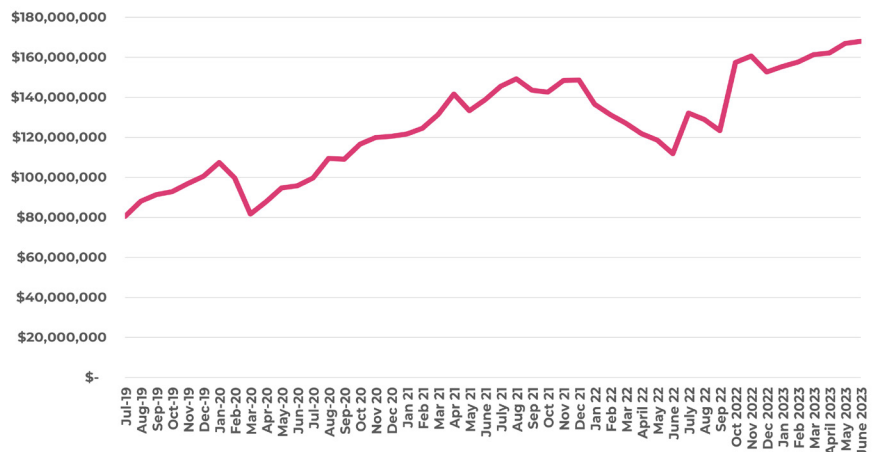


## Geographic Exposure

■ MSCI ACWI ex Australia ■ Global Portfolio



## Funds Under Management (since inception)



# Oracle Global Equities Portfolio Update

Portfolio Overview	
<b>Investment Manager</b>	Oracle Investment Management Pty Ltd
<b>Investment Objective</b>	To provide investors with long-term capital growth and tax effective income. The portfolio aims to outperform its benchmark over a rolling 7-year period.
<b>Investment Strategy</b>	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.
<b>Benchmark</b>	MSCI ACWI ex Australia in A\$ (unhedged)
<b>Investment Universe</b>	Primarily large cap international securities listed on major international exchanges. Portfolio may invest in listed ETFs.
<b>Recommended Investment Period</b>	3-5 years
<b>Minimum Initial Investment</b>	\$50,000
<b>Inception Date</b>	1 March 2016

Top 10 Contributors	Portfolio Position	3 month Performance
Adobe Incorporated	2.6%	27.7%
Amazon.com, Inc.	5.4%	27.0%
Microsoft Corporation	4.8%	19.1%
Nintendo Co., Ltd.	2.6%	18.1%
Alphabet Inc. Class A	5.4%	16.1%
CSX Corporation	3.0%	15.0%
Lowe's Companies, Inc.	3.7%	14.1%
JPMorgan Chase & Co.	3.9%	13.1%
Vertex Pharmaceuticals	1.5%	12.4%
Flutter Entertainment Plc	5.8%	11.7%

Portfolio Characteristics	Portfolio	Index
Price Earnings Multiple	24.4	18.9
Historical -EPS growth - 3 years	20.5%	17.3%
12-month Forward Earnings Growth	27.1%	15.9%
Price Earnings Forward - 1 year	19.2	16.3
Dividend Yield	1.2%	2.3%
Return on Equity (RoE)	13.5%	13.7%

Please see the Important Information disclaimer on the back page.

# Oracle Australian Equities Portfolio Update



**George Kurian**

**Portfolio Manager**

The Australian Equities Portfolio returned **2.73%** for the June 2023 quarter, outperforming the benchmark S&P/ASX 100 Accumulation Index by **1.55%**.

Let's go back in time to the beginning of 2023. The stock markets had just finished a challenging year with ASX All Ords posting negative returns, and key overseas indices like S&P 500 and MSCI World were devastated by highly unusual double-digit declines. The central banks all over the world were worried about surging inflation and were hiking interest rates as if they were in a 'who-can-hike-the-highest' competition. The Ukraine war had reinforced the inflationary pressures building up in the global economies and the sudden price rises shocked most of us long used to the low inflation for goods and services. Yet, how did the stock market behave? In one word – Stellar! With about a 15% return the Australian stock markets finished a great financial year and are now on track for a strong calendar year 2023 with about 5% return over the last six months.

Above-par returns in below-par economic conditions are a splendid example of the market's forward-looking discounting mechanism in action. Meanwhile, market commentators continue to speculate on every step of the Central Bank's 'peak or not' rate dance, and market participants diligently price those ever-changing interest rate expectations onto the stock markets. Since last quarter, there have been many days when markets rallied anticipating 'peak now', and many other days when they act as if 'peak is never' and put the stocks 'on sale'. Furthermore, as interest rates are a key determinant of stock prices, and given the severity of interest rate rises in this cycle, Mr Market has not just put some individual stocks on sale, but a fire sale where entire sectors are valued at a fraction of their mid-cycle valuation.

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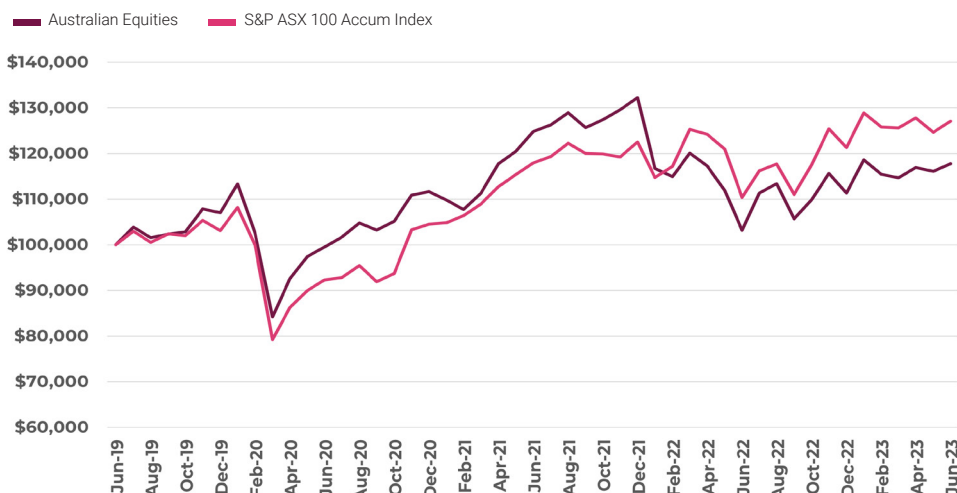
## Portfolio Performance

Rolling	Australian Equities Portfolio	Benchmark (S&P ASX 100 Accumu Index)	Outperformance
1 month	1.44%	1.94%	-0.50%
3 month	2.73%	1.18%	1.55%
6 month	5.76%	4.74%	1.02%
1 year	14.17%	15.14%	-0.97%
2 year p.a	-2.87%	3.78%	-6.65%
3 year p.a	5.79%	11.24%	-5.45%
Since Inception p.a (1 July 2019)	4.17%	6.17%	-2.00%

Benchmark data is of S&P/ASX200 Accumulation Index prior to 1/7/2022.

## Comparative Performance

**Australian Equities vs S&P ASX 100 Accum Index** (since inception)



Portfolio Characteristics	Portfolio	Index
Price Earnings Multiple	16x	14.9x
Earnings per share growth (3-year CAGR)	18.30%	16.70%
Forward earnings per share growth (1 year)	6.10%	7.30%
Return on Equity (ROE)	14.90%	16.30%
Dividend Yield	4%	4.70%
Operating Margin	26.20%	19.90%
Gearing (Debt/EBITDA)	2.1x	1.8x

# Oracle Australian Equities Portfolio Update

Hence, we are happy to report that we were able to add several new high-quality stocks in the quarter, change the weights of many existing stocks, and more importantly, change the allocations to certain sectors altogether. For example, we made a pivotal move from Banks to Real Estate Investment Trusts (REITs) in the quarter. We bought new positions in Dexus and Goodman Group and added to our existing position Charter Hall.

Dexus is a REIT that specialises in diversified property assets such as Office, Retail, Healthcare, Industrials etc. Dexus is also in the initial stages of transformation into a fund manager. We were able to buy Dexus stock at about a 30% discount to its net asset value, a discount we expect to narrow and eventually morph into a premium once the interest rates fall.

Unlike Dexus, Goodman specialises in only industrial properties, and that too around the world. Industrial properties have been the go-to-sector with occupancy rates of over 99% and rental increases of more than 20% per year in some Sydney markets. Goodman has ridden this strong industrial theme for several years and has become the largest REIT on the ASX. We were able to buy Goodman at attractive prices for you in the recent market sell-off.

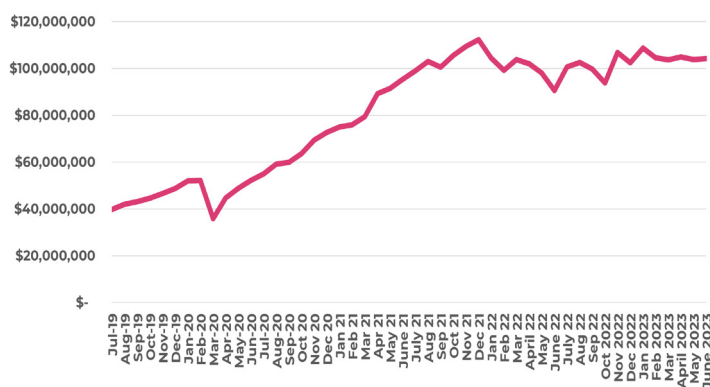
We also got an opportunity to add to Charter Hall at very attractive prices. This was due to the fact that Charter Hall's near-term prospects do not look attractive due to rising rates and falling property prices. However, Charter Hall is one of the best and largest property fund managers in Australia and should have a significant upside with the turn in the interest rate cycle.

We funded the shift to REITs primarily from the banks. This was because we anticipate the end of good times for Aussie banks. Banks, as you recall, do the best when net interest margins are rising, and when mortgage arrears are falling. However, the story now is the exact opposite. Banking net interest margins have peaked, and mortgage arrears are about to rise. While our Aussie banks are much sounder than some of the overseas banks, we do not anticipate their stock prices, especially of the fully valued banks like Commonwealth Bank, to strongly appreciate for some time. Moreover, investment attractiveness in the portfolio is always relative, and at this point in the cycle when we compare REITs to Banks, REITs look more attractive. Please also note that this is a contrarian trade as major Aussie indices like S&P/ASX200 continue to hold heavy exposures to the Banking sector and only a small exposure to the REITs.

During the quarter we also initiated a position in Block. Block, run by ex-Twitter CEO, Mr Jack Dorsey, is one of the most innovative fintech companies in the world. Block has a payment processing platform called Square, used by merchants in several countries around the world (including Australia) to accept payments wirelessly. You would recognize it as a pretty square block, often white, carried even by small vendors to facilitate payments throughout Australia. However, the crown jewel of this company is Cash App, which is a mobile payment service widely used in America (Aussies will have to wait!). Cash App had about 53 million monthly transacting accounts in March 2023.

Top 10 Contributors	Portfolio Position	3 month Performance
Allkem	2.20%	34.90%
James Hardie	2.60%	24.90%
Wisetech	1.10%	22.50%
NextDC	2.00%	21.40%
Aurizon	2.90%	16.70%
Reliance Worldwide	2.40%	11.40%
Suncorp	2.30%	11.40%
GQG	3.00%	8.50%
ANZ	4.30%	7.00%
Washington H. Soul Pattinson	2.80%	6.50%

## Funds Under Management (since inception)



This is a fast-growth business (49% gross profit growth in Q1, 2023) with a very high margin (79.6% gross margin in Q1, 2023), and we expect Cash App to be one of the biggest fintech winners in the United States.

Is 1+1<1? Will having a second house make the total value less than your original house? Is this new mathematics to make our maths professors dizzy? Yet, this is what exactly happened with an ASX100 company called Incitec Pivot. Incitec has an Explosives division, which makes explosives primarily for mining, and a Fertilizer division which primarily makes Di Ammonium Phosphate and distributes it throughout Australia. The fertilizer division had a perfect storm due to heavy rains and rising fertilizer prices reducing farmer fertilizer demand, while natural gas prices (used to make ammonia) were high primarily due to the Ukraine war.

# Oracle Australian Equities Portfolio Update

Mr Market took this opportunity to be hyper-pessimistic and in no time valued the total company at less than the value of even the Explosives division! When the kindergarten laws of Mathematics are negated by the value-agnostic quantitative aristocracy on ASX, it is time to take a different view, and so we initiated a new position in Incitec Pivot.

How do you catch a 'Runaway Stock' in the stock market? That was the challenge for us with gold miner Newcrest. After the first takeover approach from the US-based Newmont, our analysis indicated that Newcrest stock was undervalued and that Newmont was likely to make an improved bid. However, what if Newmont did not bid? There would be severe downside in that scenario. Our margin of safety philosophy demanded prudence in those circumstances. So, we wistfully looked at Newcrest from the sidelines eagerly watching the next move from Newmont. Newmont did come back and sweetened the offer by offering 0.4 shares of Newmont for every share of Newcrest and also offered a special dividend. Newcrest stock then took off, needless to say, without us. However, there was a happy ending to this story, and we were able to catch this Runaway Stock. How? Once the stock offer was recommended by the Newcrest's board, and as Newmont confirmed a listing of the merged entity on ASX, Newcrest began to trade like Newmont. With mining issues at some of Newmont's gold mines, and with Federal Reserve aggressively hiking rates in the US, Newmont came tumbling down bringing down Newcrest. So, we were able to buy Newcrest at a price very close to the second takeover offer, but without any of the merger risk. This newly merged entity would be able to rationalize its gold portfolio and will have ten tier-one mines, including the world-famous Cadia gold mine of Orange, NSW which is one of the, if not the very best, gold mine in the world.

On the sells, as discussed earlier, we reduced the banking weights by exiting National Australia Bank and Commonwealth Bank as they have the richest valuations among the big banks. We also significantly lowered our exposure to the Iron ore miners. Specifically, we completely sold out of Rio Tinto and reduced our weights in BHP. In 2023, Iron ore is likely to have its first full year of oversupply since 2018 and the next year is likely to be even worse. As Rio is more exposed to iron ore than the diversified BHP, we completely exited the stock. On the mining side, we are structurally shifting the portfolio towards commodities with good growth outlooks such as Lithium. This move has been beneficial for the portfolio as the Lithium sector has strongly outperformed other mining sectors since the beginning of this year. Incidentally, the top contribution to the portfolio this quarter also came from a lithium stock – Allkem, which announced a merger with a US lithium miner called Livent.

The initial results from these changes to the portfolio have been positive. We have now strong outperformance over the last three and six months. This is encouraging because while we have been progressively shifting the portfolio to benefit from an eventual fall in interest rates, that major trend has not happened yet. Given that we have some outperformance from stock picking even with a strong interest rate headwind, we are optimistic that the portfolio will be a much bigger beneficiary once the interest rate headwind turns into a tailwind.

Please see the Important Information disclaimer on the back page.

## Portfolio Overview

<b>Investment Manager</b>	Oracle Investment Management Pty Ltd
<b>Investment Objective</b>	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.
<b>Investment Strategy</b>	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.
<b>Benchmark</b>	S&P/ASX 100 Accumulation Index
<b>Investment Universe</b>	Companies listed on the ASX that have a market capitalisation similar to those in the S&P/ASX 100 Accumulation Index.
<b>Recommended Investment Period</b>	3-5 years
<b>Minimum Initial Investment</b>	\$25,000
<b>Inception Date</b>	1 July 2019

# Oracle Emerging Companies Portfolio Update



**Jack Magann**  
Portfolio Manager

The Emerging Companies Portfolio returned **1.42%** for the second quarter of 2023. This compares to our benchmark, the S&P ASX Small Ordinaries Accumulation Index, which returned **-0.54%** over the same period. This equates to an outperformance of **1.96%**.

The past 18 months in the small-cap universe have been tough. History tells us that small caps will underperform large caps in an economic slowdown. However, once the poor news has been digested by the market, history also tells us that small caps outperform large caps as the market rebounds.

Schroders performed an analysis of global equities based on the economic cycle over the past 40 years. They found that historically, small caps underperform in an economic slowdown, which we are currently experiencing. However, once the business cycle turns to recession and eventually recovery, small-caps return to double that of their large-cap peers.



Table 1. Historical performance of global large and small caps based on the economic cycle

Annualised net total returns in US dollars (%)		
Phase of economic cycle	Small caps	Large caps
Recession and recovery	9.9	4.9
Expansion and slowdown	5.5	8.5

Source: Do small caps or large caps perform better in recessions? (schroders.com)

Identifying the exact moment an economy will enter these different cycles is impossible, which is why it is important to stay invested. It is obvious we are in the slowdown phase but could be entering a recessionary period. While it is not certain Australia will enter a recession, investors have sold out of small-cap companies expecting a recession, or at least a severe slowdown.

The S&P/ASX 50 outperformed the S&P/ASX Small Ordinaries by 20% in 2022, with

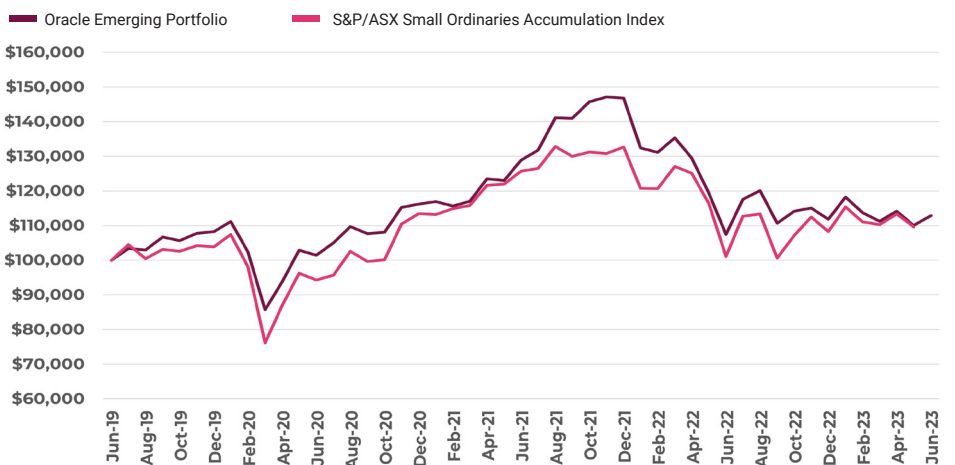
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## Portfolio Performance

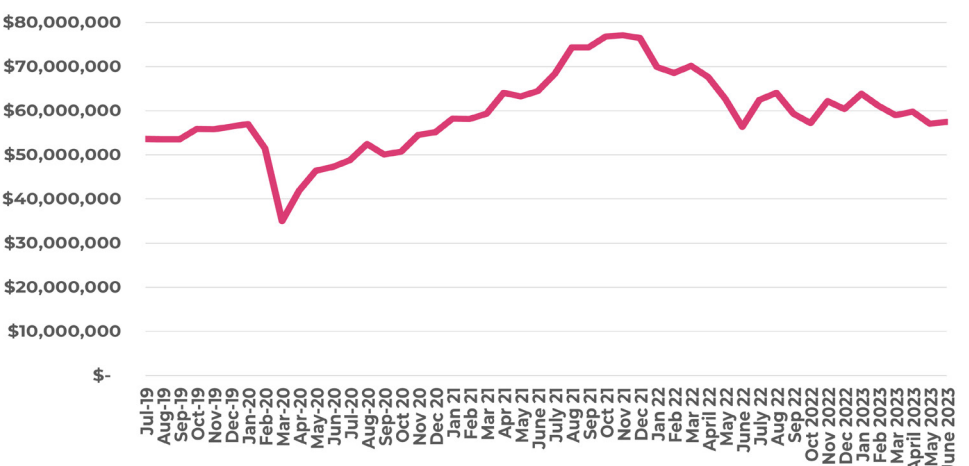
Rolling	Emerging Companies Portfolio	Benchmark (S&P/ASX Small Ordinaries Accumulation Index)	Outperformance
1 month	2.53%	0.03%	2.50%
3 month	1.42%	-0.54%	1.96%
6 month	0.94%	1.33%	-0.39%
1 year	5.07%	8.45%	-3.38%
2 year p.a	-6.40%	-6.58%	0.18%
3 year p.a	3.62%	5.16%	-1.54%
Since Inception p.a (1 July 2019)	3.07%	2.34%	0.73%

## Comparative Performance

### Emerging Companies vs S&P/ASX Small Accum Index (since inception)



## Funds Under Management (since inception)



# Oracle Emerging Companies Portfolio Update

inflationary pressures and rising interest rates damaging profit margins at the smaller end of the market. However, we believe we can see the tide turning for small-cap companies and the economy in general. With the May Consumer Price Index (CPI) print indicating headline inflation had slowed to 5.6%, the end of the quickest rate-rising cycle in history is in our sights. The RBA confirmed this in their July meeting by placing rates on hold for the second time this year. While the commentary from the RBA board indicated there may be another 1 to 2 rate rises, it was clear that they believe we are close to the top of the cycle.

Digesting the information above, we believe the sell-off has provided opportunities in several companies, within the small-cap universe, that are trading at historic lows. These companies will see inflation pressures ease over the next year and profit margins should start to trend upwards. Herein is where the opportunity lies for the Emerging Companies portfolio In FY24.

We have seen from one of our portfolio companies last month that margin pressures are starting to subside. As an example, Collins Foods the largest franchisee of KFC in Australia, stated that they have started to see cooking oil prices trend back to normal levels after a big spike in 2022. Cooking oil is a big cost input for the company and will start to ease pressure on their profits. We expect to see more examples like this in the upcoming August reporting season.

In summary, we believe this is a good time to invest in small caps, as most of the bad news is behind us and valuations remain low.

We will now discuss specific company news from the portfolio during the quarter.

Jumbo Interactive (JIN) provided the market with an update at the Macquarie Conference investor conference during the quarter. Jumbo is the online retailer of lottery tickets that continues to take market share from in-store purchases. Online lottery sales now make up 38.4% of the market, compared to 17% a decade ago. We expect the sharp incline in online penetration to continue and grow to >80% over the decade.

Due to the business model of Jumbo, they are required to pay The Lottery Corp (TLC) a commission on lottery tickets sold. This commission has been increasing each year and will cap out at 4.5% of revenue. The market was concerned about what this would do to the margins of Jumbo, but management has done a great job of counteracting this rise. By pulling multiple levers of increasing ticket prices, focusing on cost management, and acquiring businesses not subject to the commission, management has been able to keep margins relatively stable. The market liked the company's guidance for EBITDA margins of 48% in FY23, provided at the conference, as there was some uncertainty about where this would land.

Jumbo has strong tailwinds behind it as online lottery ticket sales continue to increase. This is why we increased our stake in the company in March. We are happy to hold this company for the long term and let the magic of compounding take effect.

Top 10 Contributors	Portfolio Position	3 month Performance
Pinnacle Investment Group	2.26%	27.13%
Navigator Global Ltd.	2.26%	26.67%
Smartgroup Corp.	4.83%	23.56%
Australian Finance Group	2.24%	20.13%
NIB Holdings	2.85%	19.86%
Collins Foods	2.26%	18.43%
News Corp.	3.13%	17.69%
Credit Corp Group	3.62%	16.88%
AUB Group	4.86%	15.25%
Jumbo Interactive	2.33%	13.17%

Through the quarter we sold our position in Link Administration (LNK) and took a new position in MA Financial.

We discussed our sum of the parts (SOTP) thesis for Link Administration last quarter. At the time we entered our Link position, the company had four separate business units, plus an investment in ASX-listed PEXA. When valuing each business, combined with the PEXA investment, our SOTP valuation calculated that the market had undervalued the assets by 30%.

We exited this position as our thesis has now played out. The company sold out of its Funds Solution and Banking & Credit businesses during the quarter. The in-specie transfer of PEXA (PTA) has also been completed, with the Emerging Companies portfolio now holding a stake in the electronic property settlement company. While there may still be value in the remainder of the Link business, we couldn't see a clear path to how management would unlock this value. There may be some upside left if the company gets a takeover offer, but in the past, they have had potential suitors walk away from these offers after performing due diligence. This is why we decided it was most prudent to exit the position.

A new addition to the portfolio during the quarter was MA Financial (MAF), previously known as Moelis Australia. MA Financial has diversified away from a sole reliance on its corporate advisory business. The company is now made up of three businesses: Asset Management, Lending and Corporate Advisory.

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# Oracle Emerging Companies Portfolio Update

The jewel in the crown for the company is its asset management business which is realising strong inflows towards their credit products as investors look for safer places to invest their money.

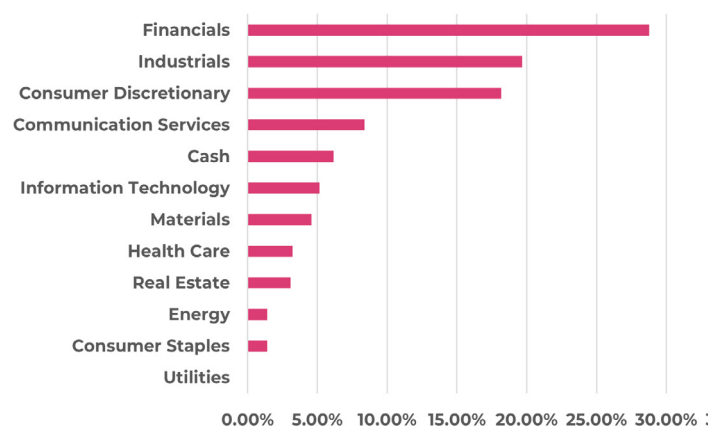
Interestingly, many people in the markets have tagged MA Financial with the moniker of being a mini-Macquarie Bank. This is due to the similar business models in their asset management businesses. Like Macquarie, MA Financial buys or creates assets that they can package into their credit funds. They can then charge investors in the funds to manage these assets collecting healthy fees. This reduces the risk to MA Financial Group and de-leverages its balance sheet.

A recent example of the type of deal that MA Financial participate in is their purchase of the d'Albora Marina portfolio. The portfolio comprises 10 marinas across the east coast of Australia, including Rushcutters Bay and The Spit in Sydney, and will be packaged into a fund and sold to investors. MAF will be aiming for an 8% return p.a. for investors in the fund, while they collect management fees along the way. If management can continue to make deals like this the asset management arm will continue to grow strongly.

Portfolio Overview	
<b>Investment Manager</b>	Oracle Investment Management Pty Ltd
<b>Investment Objective</b>	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.
<b>Investment Strategy</b>	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.
<b>Benchmark</b>	S&P/ASX Small Ordinaries Accumulation Index
<b>Investment Universe</b>	All companies listed on the ASX plus managed funds. The Portfolio will include a range of mid-sized capitalization companies.
<b>Recommended Investment Period</b>	3-5 years
<b>Minimum Initial Investment</b>	\$10,000
<b>Inception Date</b>	1 July 2019

Portfolio Characteristics	Portfolio	Index
<b>Price Earning Multiple</b>	18.85x	16.30x
<b>Forward earnings per share growth (1 year)</b>	13.4%	10.2%
<b>Earnings per share growth (3-year CAGR)</b>	8.2%	8.6%
<b>Return on Equity (ROE)</b>	12.50%	8.76%
<b>Dividend Yield</b>	3.97%	3.81%
<b>Dividend Growth</b>	5.60%	6.10%
<b>Gearing (Net Debt/EBITDA)</b>	1.26x	1.36x

## Sector Breakdown



# Oracle Fixed Interest Fund Update



**Ashley Cox**  
Portfolio Manager

The Fixed Interest Fund managed a positive return of **1.08%** for the quarter, ending the financial year **+4.33%**. This was pleasing versus the Bloomberg AusBond Credit index, which returned negative **1.14%** (for the quarter) and positive **3.32%** for the year. The Fund has paid a distribution of approximately **2.31 cents per unit**. This, of course, is reflected in an equal reduction in the unit price.

The June quarter was challenging for fixed-income markets, as Central Banks globally continued to raise rates. The Reserve Bank of Australia delivered two 0.25% interest rate rises, leaving the cash rate at 4.10%, whilst offshore, the US Fed did the same. The Bank of England surprised the market with a 0.50% move, taking its total move for the quarter to 0.75%. As at the start of July, the market is pricing in roughly 50% chance of an additional rate hike from the RBA at the August meeting, and 100% chance of a tightening by October. Australian Government 10-year bond yields rose 0.72% over the quarter to 4.02%.

Interestingly, the Australian yield curve, as measured by the difference between the 10-year bond yield and the 3-year yield, briefly inverted during the quarter. This means that the 3-year yield was higher than the 10-year yield. Historically, this has been a good indicator of recession (typically 6-9 months out). This curve ended the quarter roughly flat. It must be noted, the US yield curve (2yr-10yr) has been in negative territory for roughly 12 months now.

The Fund has been well positioned to benefit from this rise in rates, holding almost 80% floating rate notes and around 5% cash. The floating rate note portfolio pays a weighted average margin over Bank Bill Swap Rate (BBSW) of 3.50%. That is, as the 3-month BBSW moves higher, from the current level of around 4.30%, the floating rate coupons will continue to reset at a higher rate - currently around 7.80% on these securities. We have intentionally reduced our fixed-rate bond holdings. Any fixed rate exposure in the

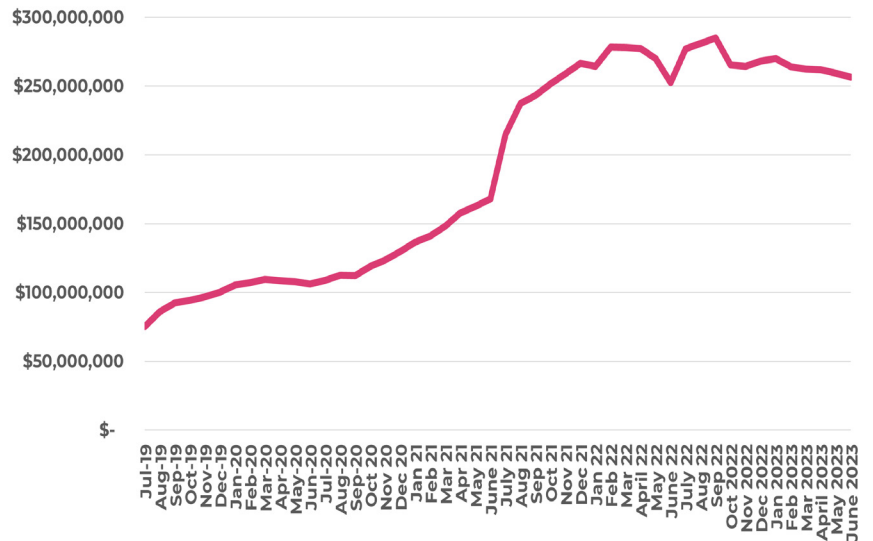
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## Portfolio Performance

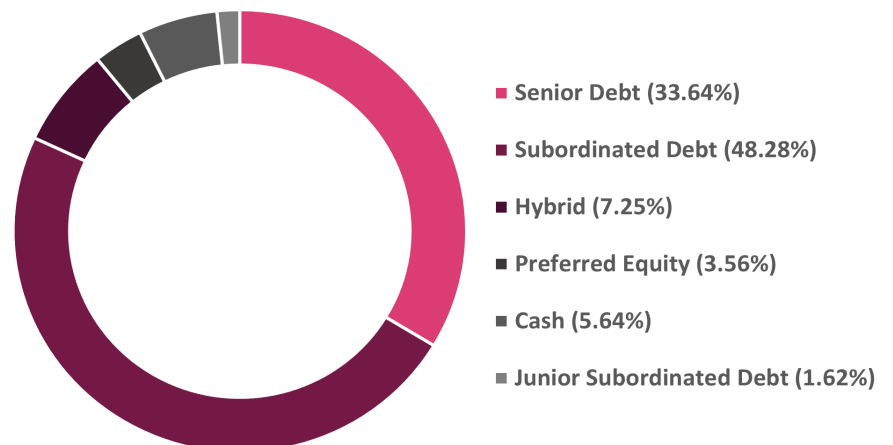
Rolling	Fixed Interest Fund	Income	Capital Growth
1 month	0.53%	0.48%	0.05%
3 month	1.08%	2.60%	-1.52%
6 month	1.57%	3.95%	-2.38%
1 year	4.33%	5.46%	-1.12%
<b>*Since Inception (1 Dec 2021)</b>	<b>-0.53%</b>	<b>7.17%</b>	<b>-7.70%</b>

\*The Fixed Interest Fund performance data is from 1 December 2021

## Funds Under Management



## Bond Type by Weight



# Oracle Fixed Interest Fund Update

portfolio is short, and therefore, not as sensitive to changes in interest rates. Moreover, the weighted average coupon rate on the fixed-rate assets is 7.5% versus the RBA cash rate at 4.10% and the two-year interbank swap rate of 4.56%.

We have continued our strategy of reducing Hybrid and Tier 1 bond holdings, in favour of higher-rated Tier 2 subordinated bonds. These Tier 2 bonds still appear cheap versus the Tier 1 bonds (on a historical basis). That is, we still see better risk-adjusted returns in the Tier 2 paper. We anticipate ongoing new issuance in the Tier 2 market, and as such are comfortable that our cash position will allow us to take advantage of quality opportunities as they present themselves.

Looking ahead to Financial Year 2024, with base rates now elevated, and credit conditions in bond markets relatively stable, fixed income is well positioned to deliver investors attractive risk-adjusted returns going forward.

During the quarter we executed the following trades:

## BUYS

- ◆ **New Zealand Financial**, SBS Bank (RBNZ regulated), BBB issuer rating, subordinated note, first call 6/12/2023 paying a floating rate of BBSW+3.75% (8.05%).
- ◆ **Judo Bank senior notes (BBB-)**, fixed rate 6.40%, maturity 26/09/2025.
- ◆ **AMP Life** (formerly part of AMP Group, now owned by JP Morgan and Nippon Life). BBB rating, subordinated note, first call 9/12/2025 paying a floating rate of BBSW+3.30% (7.60%).
- ◆ **ANZ Bank BBB+** rating, subordinated note, first call 16/05/2028 paying a floating rate of BBSW+2.35% (6.65%).
- ◆ **Credit Union SA BBB- rated**, subordinated note, first call 19/05/28 paying a floating rate of BBSW +4.50% (8.80%)
- ◆ **Judo Bank** subordinated notes (BB), first call 06 Jun 2028, paying a floating rate of BBSW +5.00% (9.30%)
- ◆ **WBC Bank BBB+ rated** subordinated note, first call 23 Jun 2028, paying a floating rate of BBSW+2.30% (6.60%).

## SELLS

Please see the Important Information disclaimer on the back page.

- ◆ **Jervois Mining** 12.5% 20 Jul 2026 USD fixed rate bond
- ◆ **Police and Nurses Subordinated** (T1) Perpetual Capital Notes
- ◆ **Macquarie Bank Capital Notes 3**, Floating rate Hybrid
- ◆ **Bank of Queensland** 27 Jan 2027 Senior Floating Rate Note
- ◆ **Suncorp Subordinated FRN** (Callable 01 Jun 2027)
- ◆ **Societe Generale** 4.875% Fixed rate Perpetual AT1 Subordinated (Callable 12 Dec 24)
- ◆ **BNP Paribas** 4.50 Fixed rate Perpetual AT1 Subordinated (Callable 10 Jan 25)
- ◆ **UBS Group AG** 4.375 Fixed rate Perpetual AT1 Subordinated (Callable 27 Aug 24)

Please see the Important Information disclaimer on the back page.

Top 10 Holdings	Weight
Rabobank 2027	5.37%
Ampol Limited	5.00%
CBA	4.41%
Latitude Group	4.23%
Avanti 2 year	4.09%
AMP	3.96%
Heartland Australia Group Pty Ltd	3.81%
Australian Unity Mutual Capital Instruments	3.58%
Liberty Financial	3.39%
Newcastle Coal Infrastructure Group (NCIG)	3.32%

Portfolio Overview	
<b>Investment Manager</b>	Oracle Investment Management Pty Ltd
<b>Investment Objective</b>	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.
<b>Investment Strategy</b>	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.
<b>Investment Universe</b>	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.
<b>Recommended Investment Period</b>	3 years
<b>Minimum Initial Investment</b>	\$25,000
<b>Inception Date</b>	1 December 2021

# Oracle Property Securities Portfolio Update



**Jack Magann**  
Portfolio Manager

The Oracle Property Securities Portfolio returned 2.91% for the quarter. This compares to our benchmark, the S&P/ASX 300 Property Trust Index, which returned 3.16%. Over the 2022 financial year, the Oracle Property Portfolio returned 7.87%, outperforming the index by 0.37%.

Two of our top performers during the quarter were property fund managers Goodman (1.66%) and Dexis (5.53%). While Goodman completed the transformation from REIT manager to fund manager some time ago and has provided great returns since Dexis is in the earlier stages of shifting to the fund's management model. Goodman specialises in industrial properties and is the gold standard for funds management transformation with both product and distribution channels diversified globally. With \$79.5 Billion of assets under management (AUM), Goodman has become a market darling of the ASX.

Dexis has taken this model and is attempting to emulate Goodman's success. However, unlike Goodman, Dexis invests across all property sectors, not just industrial. In a recent deal to buy Collimate Capital from AMP, Dexis increased its Assets under management (AUM) from \$26.3 billion to \$44.5 billion. This compares to 10 years ago when they were managing just \$5.9 billion of AUM. As the funds management business for Dexis is in a much earlier stage than Goodman the growth has not yet been priced in by markets. Considering Dexis is trading at a 35% discount to NTA, we believe the market is valuing its fund's management business at zero. This is the reason Dexis is one of the largest holdings within the Oracle Property Securities Portfolio.

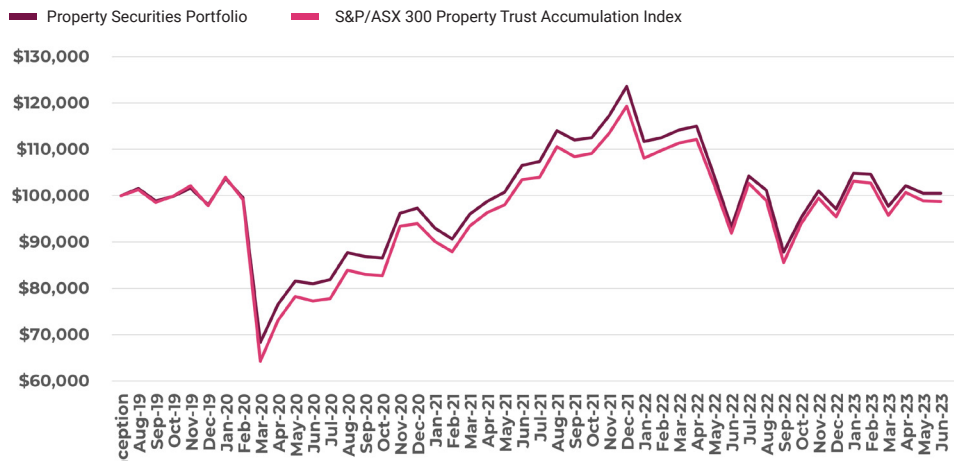
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## Portfolio Performance

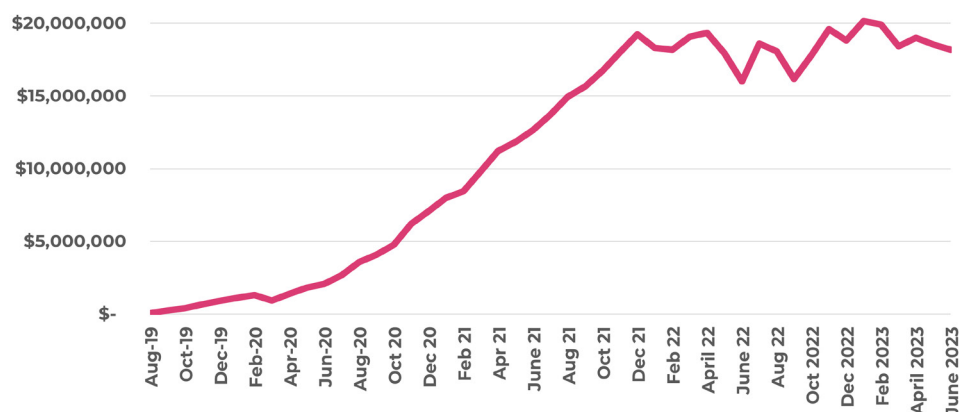
Rolling	Property Securities Portfolio	Benchmark (S&P/ASX 300 Property Trust Accum Index)	Outperformance
1 month	0.01%	-0.09%	0.10%
3 month	2.91%	3.16%	-0.25%
6 month	3.53%	3.49%	0.04%
1 year	7.87%	7.50%	0.37%
2 year p.a	-2.85%	-2.31%	-0.54%
3 year p.a	7.47%	8.52%	-1.05%
Since Inception p.a (1 August 2019)	0.14%	-0.32%	0.46%

## Comparative Performance

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



## Funds Under Management (since inception)



# Oracle Property Securities Portfolio Update

Another segment that performed well in the property portfolio for the quarter was the residential property developers. This came on the back of a better-than-expected update from Stockland Group. The Group announced that housing enquiries had returned to pre-COVID levels during the March quarter, and they see this as an early sign of a recovery in demand. This follows the sharpest volume correction in modern Australian history, after the sharpest interest rate rise in history. They did, however, announce a skew towards the June quarter for settlements as supply chain and labour issues remain in the construction industry.

One trend that the residential property groups, like Stockland and Ingenia, are riding is the upcoming demand from Baby Boomers to downsize. Both aforementioned companies have what is called "land lease" community models, whereby the purchaser owns the home but leases the land from the community operator. This is popular among the older generation as it is a cheaper option to unlock capital but can still provide capital gains once they sell out of the community. 85% of the Baby Boomer population is forecast to downsize before they are 70. Considering this generation is aged between 57 to 75, there is a potential \$2 Trillion of equity to move into the property market. We expect the uptake of "land lease" options to be a big trend for the next decade.

One position in our portfolio is what we call a "special situation" investment. The upcoming de-stapling of Abacus Property Group (ABP) is expected to play out in the third quarter of 2023. The Abacus Property Group REIT is made up of two portfolios, one being commercial office and retail, and the second being the self-storage property business, Storage King.

As it stands Abacus Property Group is trading at a 27% discount to their net tangible assets (NTA). Management plans to create shareholder value by de-stapling the storage portfolio (with the ASX code - ASK) and listing it as its entity. The price of the new ASK REIT has been set at a 10% discount to NTA, so we have already seen 50% of the ABP portfolio close the gap to NTA from 27% to 10%. With the only other pure-play storage REIT on the ASX, NSR, trading at a 4% discount to NTA we could see this gap close further.

That leaves the office and retail portfolio, which will trade under the code ABG, trading with an implied discount to NTA of 44%, post-de-stapling. We believe this gap is too large as office REITs are trading at an average of 31% discount to NTA. We can see this gap quickly closing once the de-stapling occurs and if Abacus Property Group trades at the average level of other office REITs, there is a 13% upside for shareholders.

An example of an outcome that we can achieve from this special situation is the 10% discount for Abacus Property Group trading at the same discount of NSR, which will be a 6% return for investors. Abacus Property Group should then close the gap to its discount and if it can trade around the average office REIT discount of 31%, that is a 13% return for investors.

Adding these two together and there is the potential to earn 19% within a two-month timeframe. The downside to the deal is also protected given the large discount to NTA both portfolios are already trading. In the investing world, this is known as asymmetric returns, a clear disparity between the upside and downside.

Top 10 Contributors	Portfolio Position	3 month Performance
Centuria Capital	0.62%	12.88%
Mirvac Group	6.44%	11.19%
Goodman Group	27.20%	7.61%
Abacus Property Group	1.73%	6.95%
Dexus	7.28%	6.93%
Ingenia Group	1.12%	5.50%
Stockland Group	5.47%	4.87%
Centuria Office REIT	0.91%	4.50%
HomeCo Daily Needs REIT	2.30%	3.47%
Waypoint REIT	2.81%	1.61%

# Oracle Property Securities Portfolio Update

Portfolio Characteristics	Portfolio	Index
Price/Funds From Operations Multiple	13.7x	13.9x
Funds From Operations Per Share Growth – 3 year avg	0.02%	0.03%
Return on Equity (ROE)	15.3%	14.8%
Return on Equity (ROE) – 3 year avg	13.7%	13.3%
Dividend Yield	6.10%	6.00%
Dividend Growth – 3 year avg	0.2%	0.1%
Gearing (Debt/Equity)	43.5x	43.6%
Weighted Average Lease Expiry (years)	5.6	6.5

Portfolio Overview	
<b>Investment Manager</b>	Oracle Investment Management Pty Ltd
<b>Investment Objective</b>	To provide investors with long-term capital growth and income. The portfolio aims to outperform its benchmark over a rolling 3 year period.
<b>Investment Strategy</b>	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.
<b>Benchmark</b>	S&P/ASX 300 Property Trust Accumulation Index
<b>Investment Universe</b>	Listed ASX Securities that invest in and or Manage Property Investments. Portfolio may invest in listed ETFs.
<b>Recommended Investment Period</b>	3-5 years
<b>Minimum Initial Investment</b>	\$25,000
<b>Inception Date</b>	1 August 2019

Please see the Important Information disclaimer on the back page.

# Oracle Ethical Balanced Portfolio Update



**Luke Durbin**  
Portfolio Manager

For the quarter that ended June 2023, the Oracle Ethical Balanced Portfolio ended with a total return including dividends and interest received of 1.92%, 0.78% higher than the Morningstar benchmark, which returned 1.14%.

This is a very pleasing performance, as is the one-year outperformance number of 2.98%. Performance remains below the benchmark since inception and we have discussed the reasons for this previously, owing to the difficult time during which the portfolio was launched, and we feel the portfolio is constructed well with high return on capital constituents that are poised to outperform over the long term.

The quarterly performance was primarily driven by international holdings, especially those that appear to be dabbling in artificial intelligence such as Adobe (up 29.0%), Microsoft (up 21.1%), and Alphabet (up 20.3%).

Interestingly, artificial intelligence (AI) will benefit each of these companies in different ways. As a general comment, AI uses large data sets to “learn” patterns in language and other media to then respond to input from a user with a response that answers that input. That is a vague description precisely because the applications are so broad. For example, your Netflix suggestions are powered by AI: the input is films and TV you have watched or added to a list and the output is the suggestion.

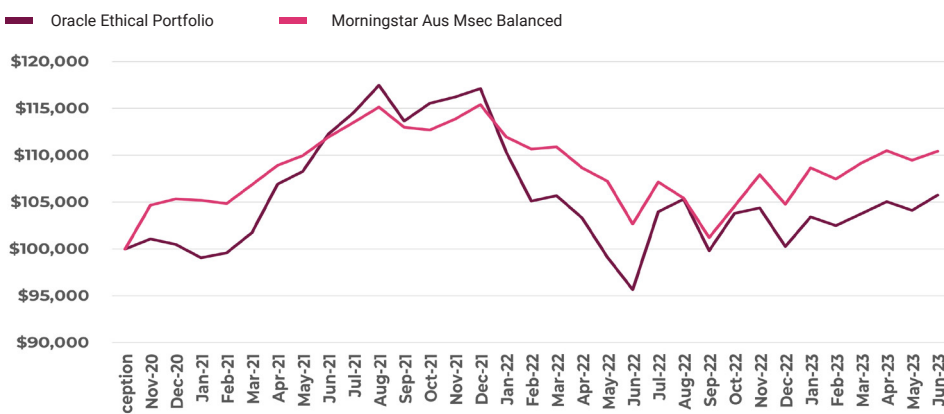
The most recent development saw the release of OpenAI’s ChatGPT, a so-called “generative AI” program that takes text input from a user in the form of detailed sentences and returns a detailed response that can be paragraphs in length. This sort of AI is very powerful. It uses immense datasets to produce intelligent responses in language that, for the most part, seems like it has been written by a human. This

## Portfolio Performance

Rolling	Ethical Balanced Portfolio	Benchmark (Morningstar Balanced)	Comparative Performance
1 month	1.56%	0.87%	0.69%
3 month	1.92%	1.14%	0.78%
6 month	5.49%	5.41%	0.08%
1 year	10.55%	7.57%	2.98%
2 year p.a	-2.92%	-0.67%	-2.25%
Since Inception p.a (1 November 2020)	2.12%	3.79%	-1.67%

## Comparative Performance

Ethical Balanced VS Morningstar Balanced (since inception)



will have vast implications for many industries, especially any that produce written content or computer code.

Microsoft was the first to hang its hat on ChatGPT’s success, as it is a major backer of OpenAI. Their agreement is such that Microsoft has the right to use ChatGPT in its Bing search engine to materially enhance the search results and response to search queries by users. Although Google soon after released its search assistant, Bard, Microsoft hopes its AI search feature, which also allows for image generation based on text input, to challenge Google’s dominance in search.

Adobe has released a version of Photoshop that allows users to provide text instructions to the program to make alterations to an image without the need for complex tools in the program. For example, “Generative Fill” allows a user to select an area and change it based on text instructions, which could be to remove an object, change a background,

or even expand the borders of the image and generate what the background may be. The new features are quite powerful and reinforce Adobe’s leadership in the graphic design space, a position which was coming under question post its announcement of the acquisition of Figma, for which most (including us) believe Adobe is overpaying.

Alphabet’s Bard wasn’t quite received with the same fanfare as the ChatGPT-backed New Bing did, but given Alphabet’s balance sheet strength, its competence in search, and its proven ability to innovate, we feel Google’s inertia and embeddedness in workflows will allow it to maintain clear market leadership in Search for many years to come.

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# Oracle Ethical Balanced Portfolio Update

The gains were only partially offset by the positions that fell, which this quarter included IDP Education (down 18.9%), Lovisa Holdings (down 18.2%), and Universal Music Group (down 10.1%).

Lovisa has been sold down in sympathy with other retailers who released weak sales numbers and guidance such as Universal Stores (UNI), Best and Less Group (BST), and Dusk (DSK). Although Lovisa has not provided an update of its own it remains one of the highest quality retailers on the ASX and we will continue to own it, as its global store rollout continues and we believe the long-term investment thesis is very much still intact.

IDP Education fell on news out of Canada that the Immigration, Refugees, and Citizenship Canada (IRCC) would recognise four additional providers of English language tests for those seeking Canadian visas. We took the view that although this end IDP's monopoly in practice, the reality is that the volume of study material and help available to train for IELTS (IDP's English language test) surpass anything else available among coaching centres, which has little incentive to switch to an alternative provider. In a post-covid normalised environment, IDP should return to producing high returns on invested capital above 50%, making it still an attractive holding for the portfolio. On this basis, we decided to continue holding the position.

Universal Music Group fell, primarily on the news of a new stock-based compensation package for the CEO, who is already paid extremely handsomely. This is likely to cost the company an additional €200 million euros, a not insignificant sum. This announcement did give us pause for thought, as not only does this raise the question of a quality governance framework, but it will also impact the bottom line. However, at this stage we have decided to hold the position as their position in the industry is still likely to lead to superior returns and it has also locked the admittedly very high-calibre CEO for another 5 years.

## Bought

### Euronext (ENX-FR)

Euronext is Europe's largest pan-European market infrastructure that has grown well by acquisition and has reduced its exposure to volume-based revenues. Euronext has been on a path of increasing the quality of its revenues by reducing its reliance on daily trading activity revenues, making the business more predictable and attractive. Euronext owns 7 European stock exchanges, provides data services such as index and historical price data, and enables trading across all major asset classes. Post the acquisition of the seventh exchange, Borsa Italiana, Euronext now has full clearing capability across all asset classes which will bring on new revenue opportunities. Euronext is reasonably valued and we believe there is a good opportunity for modest earnings growth, a reliable and growing dividend, and some valuation improvement that will all contribute to returns going forward.

### Airbnb (ABNB-US)

We announced last quarter a new position at Airbnb. After a share price fall that was in response to the company's 1Q23 result that, in our view, was completely unwarranted and displayed extreme short-termism by the market, we took the opportunity to increase our stake in the company.

### SolarEdge Technologies (SEDG-US)

SolarEdge is already a core holding in the portfolio but it has been a small holding on valuation grounds. In the time we have owned the stock earnings have grown dramatically while the share price has remained in the same place (despite some large swings in the process). This suggests that the valuation is much more attractive by way of a lower earnings multiple, which has fallen away to a place that we feel very comfortable topping up the position, in this instance by 0.5%. To give you an idea of the growth the company is experiencing, consensus is forecasting 70% earnings per share growth, which is almost entirely driven by Europe. SolarEdge can't make their inverters fast enough to satisfy the demand that the significant increase in the need for energy security in Europe has created.

## Sold

### Northland Power (NPI-CA)

Northland Power has been in the portfolio since the inception of the portfolio. It is a well-run company with a solid renewable energy project pipeline ahead of it but the financial performance of the company has been volatile in the last few years owing to significantly varying wind resources in their key producing regions. While this has recovered in 2022 and 2023, the growth outlook in terms of earnings remains quite subdued. While the returns on capital are adequate, they are not world-beating, and we took the opportunity to use the capital to invest in a business (Euronext) that has a steadier revenue stream and improved financial metrics.

Top 5 Contributors	3 month Performance
Adobe	29.00%
Microsoft	21.10%
Alphabet	20.30%
Lowe's Companies	18.60%
NextDC	18.60%

# Oracle Ethical Balanced Portfolio Update

Portfolio Overview	
<b>Investment Manager</b>	Oracle Investment Management Pty Ltd
<b>Investment Objective</b>	To provide investors with long-term growth and to outperform the Consumer Price Index + 3% over the medium term (5 years).
<b>Investment Strategy</b>	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.
<b>Investment Universe</b>	Listed ASX Securities, cash, ETF's, corporate bonds, short term money market securities, international securities, listed sub-debt, listed hybrids and listed property investments.
<b>Recommended Investment Period</b>	5 years
<b>Minimum Initial Investment</b>	\$50,000
<b>Inception Date</b>	1 November 2020

Selected Investment Holdings	Sector	Weighting
Darling Ingredients	Waste Minimisation	1.7%
Franklin Electric	Clean Water	3.1%
Euronext	European market infrastructure	1.4%
SolarEdge Technologies	Smart Solar Inverters	1.5%
Vertex Pharmaceuticals	Cystic Fibrosis Treatment	2.5%
Brookfield Renewable Corp	Renewable Energy	2.9%
Airbnb	Accommodation Platform	2.7%
Rockwool	Energy Efficient Buildings	1.2%

# 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%

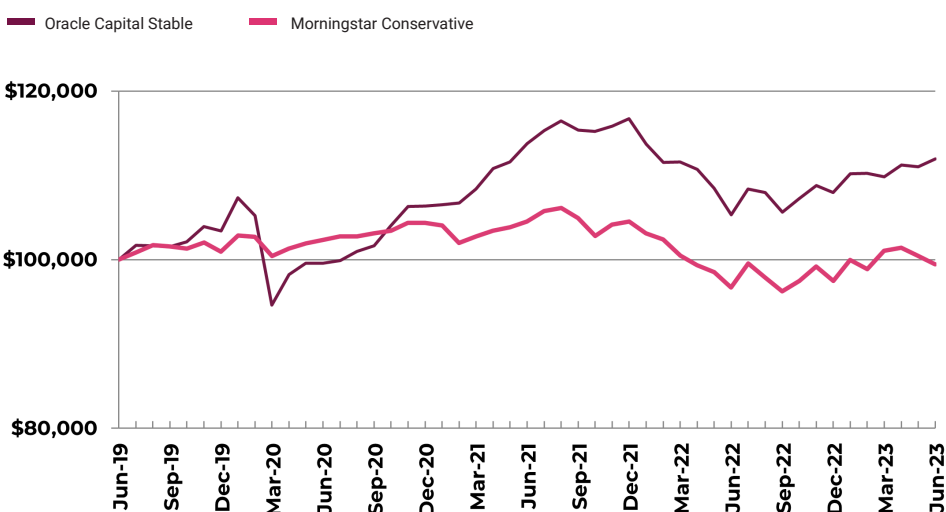
Investment Fee (% per annum)	
Capital Stable Portfolio	0.6%

## Portfolio Performance

Rolling	Oracle Capital Stable	Benchmark (Morningstar Aus Msec Conservative)	Comparative Performance
1 month	0.80%	-1.01%	1.81%
3 month	1.93%	-1.60%	3.53%
6 month	3.68%	1.99%	1.69%
1 year	6.28%	2.80%	3.48%
2 year p.a	-0.81%	-2.47%	1.66%
3 year p.a	3.97%	-0.95%	4.92%
Inception p.a. (1 July 2019)	2.86%	-0.14%	3.00%

## Comparative Performance

Oracle Capital Stable vs Morningstar Capital Stable (since inception)



# 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%

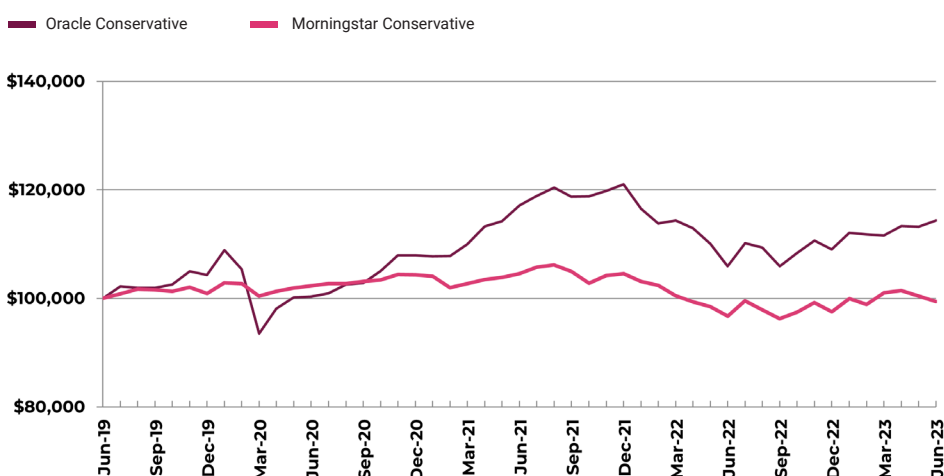
Investment Fee (% per annum)	
Conservative Portfolio	0.65%

## Portfolio Performance

Rolling	Oracle Conservative	Benchmark (Morningstar Aus Msec Conservative)	Comparative Performance
1 month	1.05%	-1.01%	2.06%
3 month	2.46%	-1.60%	4.06%
6 month	4.91%	1.99%	2.92%
1 year	7.94%	2.80%	5.14%
2 year p.a	-1.17%	-2.47%	1.30%
3 year p.a	4.47%	-0.95%	5.42%
Inception p.a. (1 July 2019)	3.41%	-0.14%	3.55%

## Comparative Performance

Oracle Conservative vs Morningstar Aus Msec Conservative (since inception)



# 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%

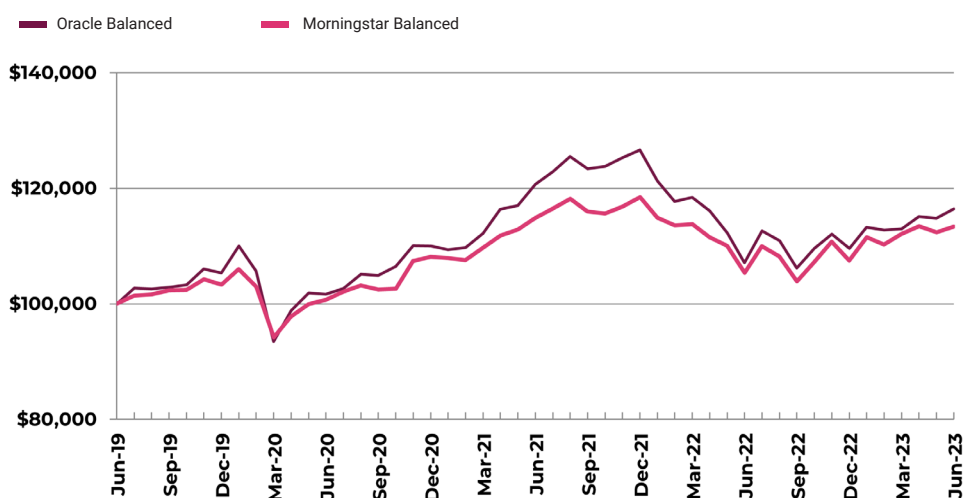
Investment Fee (% per annum)	
Balanced Portfolio	0.7%

## Portfolio Performance

Rolling	Oracle Balanced	Benchmark (Morningstar Aus Msec Balanced)	Comparative Performance
1 month	1.42%	0.87%	0.55%
3 month	3.10%	1.14%	1.96%
6 month	6.24%	5.41%	0.83%
1 year	8.70%	7.57%	1.13%
2 year p.a	-1.77%	-0.67%	-1.10%
3 year p.a	4.63%	4.02%	0.61%
Inception p.a. (1 July 2019)	3.89%	3.18%	0.71%

## Comparative Performance

Oracle Balanced vs Morningstar Balanced (since inception)



# 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%

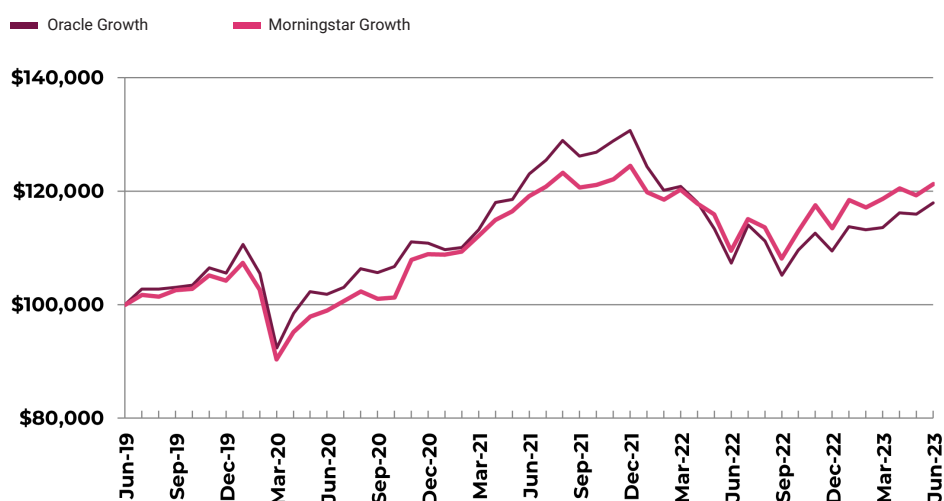
Investment Fee (% per annum)	
Growth Portfolio	0.75%

## Portfolio Performance

Rolling	Oracle Growth	Benchmark (Morningstar Aus Msec Growth)	Comparative Performance
1 month	1.67%	1.63%	0.04%
3 month	3.79%	2.20%	1.59%
6 month	7.72%	6.84%	0.88%
1 year	9.87%	10.70%	-0.83%
2 year p.a	-2.10%	0.89%	-2.99%
3 year p.a	5.00%	7.01%	-2.01%
Inception p.a. (1 July 2019)	4.21%	4.94%	-0.73%

## Comparative Performance

Oracle Growth vs Morningstar Growth (since inception)



# 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%

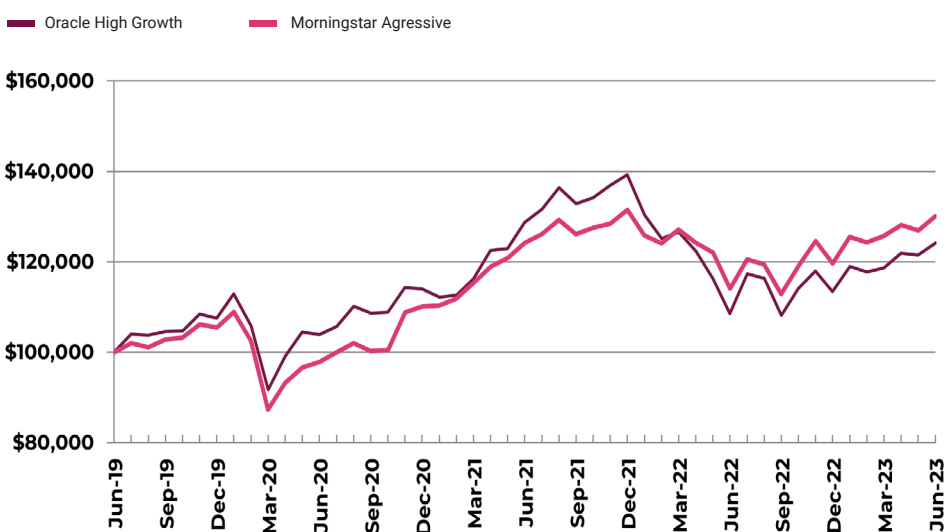
Investment Fee (% per annum)	
High Growth Portfolio	0.85%

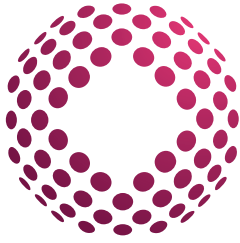
## Portfolio Performance

Rolling	Oracle High Growth	Benchmark (Morningstar Aus Msec Aggressive)	Comparative Performance
1 month	2.14%	2.47%	-0.33%
3 month	4.60%	3.48%	1.12%
6 month	9.53%	8.76%	0.77%
1 year	14.35%	14.02%	0.33%
2 year p.a	-1.77%	2.35%	-4.12%
3 year p.a	6.12%	9.97%	-3.85%
Inception p.a. (1 July 2019)	5.56%	6.80%	-1.24%

## Comparative Performance

Oracle High Growth vs Morningstar Aggressive (since inception)





# oracle

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## Responsible Entity & Issuer - Investment

The Trust Company (RE Services) Limited  
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## Promoter

Margaret Street Promoter Services Pty Ltd  
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