oracle

ADVISORY GROUP

QUARTERLY UPDATE

ISSUE 38 - JANUARY 2024

2023 YEAR IN REVIEW >>

MODEL PORTFOLIOS >>

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2023 Year in Review

Australia's economy stubbornly defied predictions during 2023, dashing any hopes that we might begin to return to some kind of normal.

Some had expected an end to the Reserve Bank's continued cash rate rises during the year. Instead, inflation has been a stubborn foe and we saw five rate rises, adding another 1.25%. But there was good news for property investors with an increase in prices in some cities.

On another positive note, superannuation funds bounced back after losses in 2022. SuperRatings reported that the median balanced option is expected to return 9.6% in 2023 after most funds produced negative returns the previous year.

Australia key indices December			Share markets (% change) Year to December		
	2022	2023		2022	2023
Economic growth	5.8%	*2.1%	Australia All Ordinaries	-7.2%	8.4%
RBA cash rate	3.1%	4.35%	US S&P 500	-19.3%	24.2%
Inflation (annual rate)	7.8%	^5.4%	Euro Stoxx 50	-11.7%	19.2%
Unemployment	3.5%	#3.9%	Shanghai Composite	-15.1%	-3.7%
Consumer confidence	82.5	82.1	Japan Nikkei 225	-9.3%	28.2%

**Year to September, ^September quarter # November*

Sources: RBA, ABS, Westpac Melbourne Institute, Trading Economics

The big picture

Global economic forecasts for 2023 were also beset by several wild cards during the year. While many economists were predicting a recession in the United States and Europe and a rebound in China, the year ended differently with no recession in the US, Europe struggling but doing better than expected and China still battling some headwinds.

October brought concerns of a wider Middle East conflict, and the International Monetary Fund revising its outlooks for the region, saying that an escalation of the conflict could be far-reaching, affecting tourism, trade, and investment.

Inflation and interest rates

In Australia, economic growth slowed a little on 2022's result but still delivered a better return than forecast. On the latest data available from the end of September, the economy grew by 2.1% although a larger-than-expected increase in the population is putting extra pressure on housing and prices, keeping inflation higher. It was the eighth quarter in a row of economic growth.

Inflation remains high but many believe we have seen the end of interest rate rises for 2024. The latest figures show the rate of inflation dropped from 4.9% in October to 4.3% in November.

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2023 Year in Review

New dwelling prices rose 5.5% in the 12 months to November while rents rose 7.1%. Electricity prices were up by 10.7% for the year and food and non-alcoholic beverages increased by 4.6%.

The Reserve Bank raised the cash rate five times in 2023 to finish the year at 4.35%.

Sharemarkets

Global share markets ended 2023 on a more positive note. In the US, welcome news from the Federal Reserve of an end to rate hikes saw stocks and bonds soar in the final weeks of the year. During the year, the Dow Jones index increased by 13.7% and the Nasdaq by 43.4%. There was mixed news in Asian markets with a jump of 28.2% on the Nikkei 225 and 18.7% on India's BSE Sensex but China's Shanghai Composite fell 3.7% and the Straits Times index of Singapore was down 0.3%.

Australia's sharemarket may not have experienced the heady double-digit returns of some global markets but it ended the year with a gain of almost 8%, marking its best performance since 2021.

Commodities

Despite big falls from the peaks of 2022, commodity prices remain high across the board.

Iron ore, Australia's biggest export, rose more than 21% as the Chinese government continued to create strong demand by stimulating property and infrastructure development.

Oil prices saw some spikes during the year but steadied by December. However, the World Bank notes that conflict in the Middle East, on top of the disruptions caused by the war in Ukraine, could cause a major oil price shock, pushing global commodity markets into uncharted waters.

As the US dollar gathers strength and Australia's high inflation figures persist, the Australian dollar is under pressure. It ended the year where it began after recovering from a slide in the second half of the year.

Property market

While rising interest rates usually dampen property prices, by year's end we saw a remarkable turnaround for some cities in another result that upended forecasts.

CoreLogic's national Home Value Index rose 8.1% in 2023, up from the 4.9% drop in 2022 but not quite at the stellar 24.5% increase recorded in 2021.

It was a patchy performance across the country. House prices rose at more than 1% every month on average in Perth, Adelaide, and Brisbane in the second half of the year. While Melbourne values dropped in November and December, Sydney and Canberra prices barely moved, and Hobart and Darwin prices fell slightly.

Looking ahead

As floods and storms ravage the eastern states and bushfires break out in the west, another tumultuous Australian summer might be mirrored by a chaotic year for the economy both in Australia and overseas.

The RBA expects economic growth to remain subdued but resilient in 2024, largely supported by construction and infrastructure work. Meanwhile, the rebound in international students and tourism is expected to contribute to robust growth in consumer spending. The RBA is also confident that inflation will continue to fall slightly throughout the year, but many predict at least one more cash rate increase during the year.

Worldwide, China's spluttering economy and the outcome of the US presidential election may cause ripple effects across the globe, meanwhile, markets will be nervously watching the conflicts in the Middle East and Ukraine as well as China's threat to blockade Taiwan, for the potential to create broader economic challenges.

Whatever the year ahead brings, we are here for you. If you would like to discuss your investment strategy in light of prevailing economic conditions, don't hesitate to get in touch.

Note: all share market figures are live prices as of 31 December 2023 sourced from: https://tradingeconomics.com/stocks

Oracle Q4 2023 Market Update

By Peter Durbin
Chief Investment Officer

Events such as completing another full lap around the sun, admittedly an arbitrary time marker, can be used as a good opportunity to look back and to look forward. 2023 was a year quite unexpected by most investors so it would serve us well, rather than to power full steam ahead into 2024, to look back at how we were thinking 12 months ago and discern what we can learn going forward..

In the December 2022 edition of this newsletter, our first prediction was that rates would peak and discussion of such would feature less prominently in updates. This is certainly playing out but probably happened more slowly than we expected. However, with only a single RBA rate rise since June, it does now seem highly likely that rates have reached their peak or are extremely close. The second part of the statement was probably less true and discussion of rates in the media and this newsletter continued. We would make the same assertion today, though, that as inflation continues lower, bond yields will continue lower, central bank policy rates will follow, and will eventually have a less material impact on markets.

The second notable point was that we had positioned the portfolios somewhat defensively, walking the tightrope of being positioned well if markets fall, while retaining sufficient exposure to quality companies to still benefit if they didn't. As it happened, late December/early January 2023 was the bottom of the market as the year progressed we gradually reduced the defensive exposure, which was to the portfolios' benefit and led to outperformance for the year across most strategies.

Finally, the update discussed the possibility of a recession occurring throughout the year in the US and Australia. Economic data was and still is pointing to the strong possibility of a recession. Despite this, most pundits now have an expectation that the US and Australia will both manage to achieve the elusive "soft landing", whereby rates are increased to combat inflation without materially impacting economic growth. Despite a recession not materializing as we (and most other market participants) expected, the important line in the update was as follows:

"It is worth noting that markets don't fall in tandem with recessions, they tend to anticipate recessions … looking at the same data (and more) that I've described above. Speaking theoretically, if the US were to enter a recession mid next year, it is very possible that the market has already begun its recovery."

That turned out to be an understatement with global equity markets having a very strong year.

Looking forward to 2024, we make no grand forecasts for the year, but we continue to find good opportunities in quality companies at reasonable valuations. This is our sweet spot. While it may look like the market has been so strong as to preclude many companies from valuations, the truth is that the market strength was driven by a small number of large companies, notably in the technology space, with the performance of the remaining companies on a very wide spectrum.

We also see opportunity in the small-cap space, and although the Emerging Companies Portfolio performed admirably in 2023 with a return of 9.2%, the Small Ordinaries Index, to which the portfolio is benchmarked has still underperformed its larger rival, the ASX 100 (both including dividends received) by 28% in the last 3 years. It is common for small caps to underperform large caps in a downturn, as investors seek safer places to park capital in times of duress. Equally, small caps tend to outperform in times of recovery, and it is likely we are entering (or have already entered) a period of recovery. With markets looking somewhat more resilient in the coming 12 months, investors may begin to return to feeling comfortable investing in smaller companies that, in many cases in our view, are no less risky than larger companies. Many smaller companies have continued to grow their businesses throughout this recent period, and yet valuations have, in many cases, kept share price returns down. The reversal of this can only come from an improved sentiment, and when this occurs, small-cap investors are set to benefit handsomely.

We look forward to another prosperous year and we are grateful that you have entrusted us with your capital.

Oracle Global Equities Portfolio Update

Johan Snyman
Portfolio Manager

Let us declare right up front we are not economists, nor equity strategists, and leave futuristic forecasts to futurists. Our investment approach is bottom-up – we strive to acquire high-quality businesses at reasonable prices, compared to our determination of fair values. Such an approach should over many business cycles create value for our investors.

We are still waiting for the much talked about recession, so actively promoted by many strategists and market commentators. Despite all the doom & gloom in 2023, the Nasdaq index advanced by 43.4%, the Nikkei 225 closed 28.2% higher and Nvidia entered the U$1tr club in terms of market capitalization. Not bad in an environment of high-interest rates, lots of talk about the "imminent" recession, and flashpoints of military conflict all around the globe. Let us not forget that Mr Market is forward looking.

Let us glance at the performance of the Global portfolio for the periods that ended 31 December 2023. It is the first full calendar year in which the portfolio manager feels comfortable to be measured against the peer group (actively managed Australian-based Global Equity Funds) and the relevant equity market benchmark.

The Global Equities Portfolio finished the fourth quarter of 2023 with a gain of 1.79%, relative to our benchmark, the MSCI ACWI ex Australia (in A$). It was a solid ending to the calendar year, with a similar relative outperformance in December 2023 (1.79%). For calendar 2023, the relative outperformance was 2.01%, inclusive of our fees.

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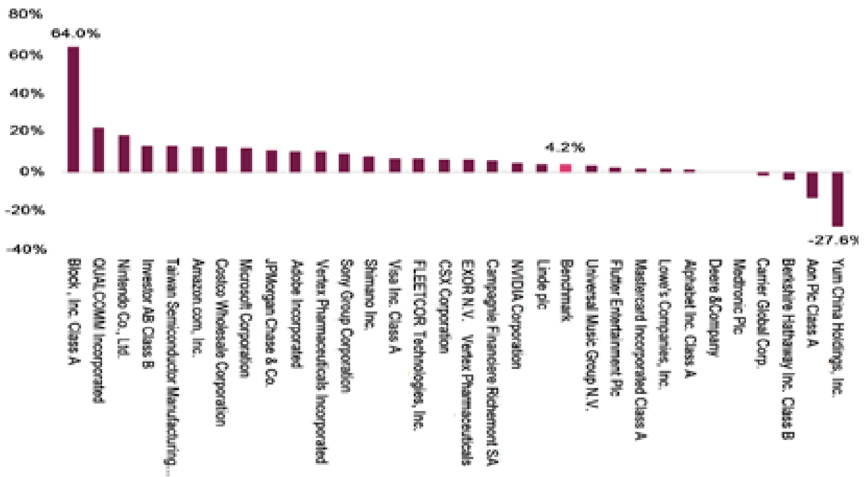
Portfolio Performance

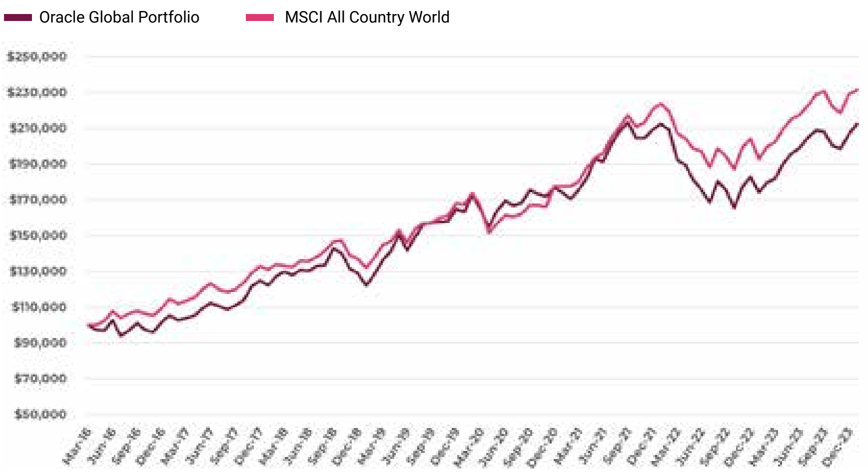
Rolling	Global Equities Portfolio	Benchmark (MSCI All Country World Index)	Outperformance
3 month	6.03%	4.24%	1.79%
6 month	3.58%	3.83%	-0.25%
1 year	22.03%	20.02%	2.01%
2 year p.a	0.01%	1.71%	-1.70%
3 year p.a	6.85%	9.24%	-2.39%
5 year p.a	11.69%	11.89%	-0.20%
Since Inception p.a (1 March 2016)	**10.09%**	**11.30%**	**-1.21%**

Three months to December 2023



Comparative Performance

Global Equities vs MSCI All Country World (since inception)



Oracle Global Equities Portfolio Update

Block (stock code is SQ and previously known as Square) was the top-performing stock in the Global portfolio in the Quarter under review. The first aspect mentioned when you have a conversation around Block is how volatile the stock price is. Yes, it goes from hero to zero to hero very quickly

Block's recovery in earnings and cash flow performances continues, and management bravely presented FY24E guidance at the time of Block's 3Q23 results. The investment framework of Block shared with the investment community earlier in 2023 balances creating long term value for customers and shareholders: *"Block and each ecosystem must show a believable path to Gross Profit Retention of over 100% and Rule of 40 on Adjusted Operating Income."* The company believes it will reach the Rule of 40 in 2026, with an initial composition of at least mid-teens gross profit growth and a mid-20% adjusted EBIT margin. (The rule of 40 is a benchmark for technology companies where the sum of earnings margins plus revenue growth rate is above 40% is considered very good).

As soon as Federal Reserve Board chairman Jerome Powell spoke at a press conference following a closed two-day meeting of the Federal Open Market Committee (FOMC) on December 13, 2023, Mr Market raced ahead, acknowledging that the central bank was likely done raising interest rates and expected to begin reducing borrowing costs by the end of 2024. Being an interest-rate sensitive stock, Block's stock price gain in December 2023 was an amazing 22%. On a one-year view, the Block stock price is flat – on a two-year view it remains down around 50%.

Fleetcor's predecessor company was organized in the US in 1986. In 2000, the current CEO of the company joined Fleetcor, and the company's name was changed to FleetCor Technologies, Inc ('Fleetcor'). Ron Clark, the president of the predecessor company, has been CEO of Fleetcor since August 2000. He is a top-ten shareholder of Fleetcor with an equity stake of 2.73%.The company helps other businesses automate, digitize, and control payments for their employees and suppliers.

The customer problem that Fleetcor solves is quite simple: businesses lack the proper tools to effectively manage and control what is being purchased.

We have identified five key points to support our view that Fleetcor offers an attractive investment opportunity for the Global Portfolio:

- Strong market position in fleet and corporate payments. Brand recognition and customer loyalty translate into a high revenue retention rate, which is in the low 90s.
- Diversified product portfolio: Fleetcor offers a wide range of payment solutions, including fuel cards, corporate lodging cards, toll cards, and gift cards. This diversification helps the company mitigate risks and capture a larger share of the total addressable market (TAM) in business-to-business (B2B) payments.
- Advanced technology: Fleetcor has invested heavily in technology, including mobile apps and online portals, to make it easier for customers to manage their accounts and transactions. This technology also helps the company to streamline its operations and reduce costs. As such, the company exhibits industry-leading margins and returns.
- Strong partnerships: Fleetcor has established partnerships with major fuel retailers and other companies, which helps to expand its customer base and increase revenue. New partnerships are being established, given the energy transition within the fleets of its customer base. It is our view that Fleetcor has an early mover advantage compared to other B2B payment companies.
- Global presence: Fleetcor operates in over 80 countries, giving it a global reach and the ability to serve customers in diverse markets. This global presence also helps the company to leverage economies of scale and reduce costs, once again showing up in profitability and return tables compared to its peer group.

Besides the new position in Fleetcor in the Quarter under review, we added twice to the Global portfolio's weighting in **Nvidia** (NVDA). We also added to the weightings of **Investor AB, Medtronic, and CSX.**

During the Quarter under review, we trimmed the weightings of **Aon, JPMorgan**, and **Microsoft** in the Global portfolio, each one of the three trims for varied reasons.

Aon

The company is no longer viewed as a stalwart in the Global portfolio, based on the Peter Lynch framework we use in our categorization of stocks in the portfolio. Loss of market share to industry leader Marsch & McLennan (or at least based on our analysis), the announcement of a dilutive acquisition (NFP for U$13.4bn, at ~6x 2023 revenue), and implementation of ~U$900m cost-cutting exercise leave us less impressed as to the quality of future earnings and hence the implied market ratings that the stock is trading at.

JPMorgan

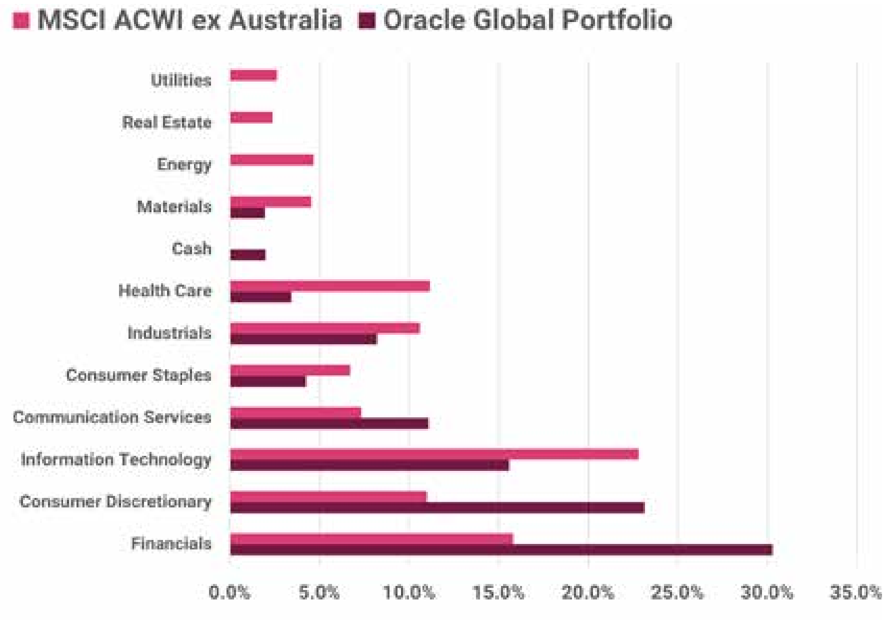
We took the view that JPMorgan "overearned" in the current high-interest rate cycle and had time to trim and take some profit off the table. With hindsight, such trim appears premature, as the JPMorgan stock advanced by 9% in December 2023.

Microsoft

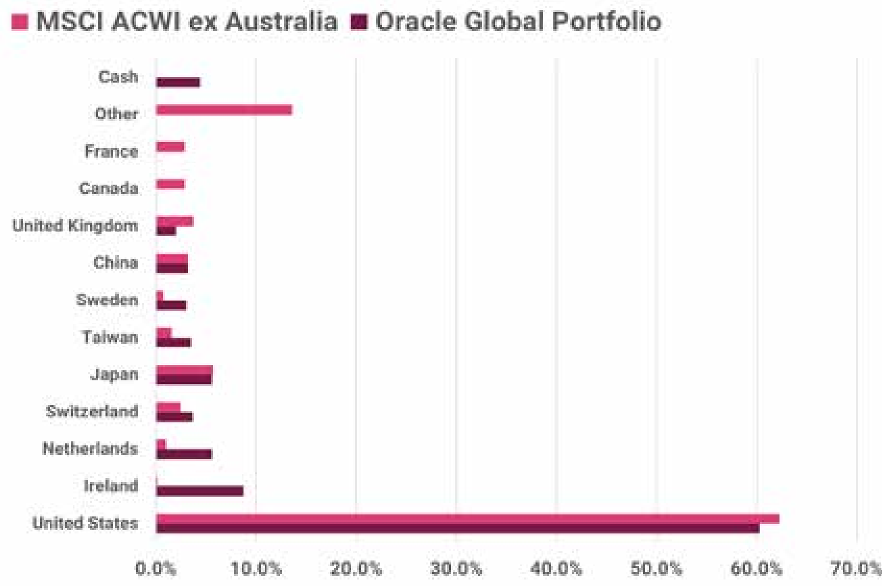
It was purely a trim based on valuation and our view that 2024 is unlikely to favour the "magnificent seven" as it did in 2023, and is concentrated in Giant stocks at 20-25x earnings versus the median for global stocks at 15-18x unlikely to deliver a "winning strategy".

Oracle Global Equities Portfolio Update

Market Segments



Geographic Exposure



Funds Under Management (since inception)

Oracle Global Equities Portfolio Update

Top 10 Performers	Portfolio Position	3 month Performance
Block	2.66%	63.98%
Qualcomm	2.24%	23.12%
Nintendo	2.70%	18.94%
Investor AB	3.76%	13.44%
TSMC	3.69%	13.36%
Amazon	5.69%	12.83%
Costco	4.26%	12.67%
Microsoft	4.40%	12.51%
JPMorgan	4.13%	11.07%
Vertex Pharmaceuticals	1.66%	10.31%

Portfolio Characteristics	Portfolio	Index
Historical - EPS growth - 3 years	19.1%	11.0%
Forward - EPS Growth - 3 years	20.5%	14.3%
Price/Earnings Forward - 1 year	20.0	16.5
PEG Ratio	0.98	1.15
Dividend Yield	1.3%	2.5%
Return on Equity (RoE)	18.3%	11.7%
Beta	1.09	1.04
Number of Holdings	31	2352

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 7-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	$50,000
Inception Date	1 March 2016

Please see the Important Information disclaimer on the back page.

Oracle Australian Equities Portfolio Update

George Kurian
Portfolio Manager

"Winning isn't everything, it's the only thing"
– Vince Lombardi

Like the legendary NFL coach Vince Lombardi, we play to win and win to play again. In January, when I came on board, the financial markets were still reeling from the depressed markets of 2022. The prevailing market consensus was to buy more Value stocks, simply because Value stocks had done well in the rising rates environment of 2022. However, in stock markets, popularity is usually the synonym for mediocrity. Hence, we anticipated the market's forward looking discounting mechanism and concluded that it was too late to buy Value stocks into which safety seeking crowds were herding. Instead, we took the view that most growth stocks were severely undervalued and anticipated that with a change in interest rates expectations, growth stocks should be back in Mr. Market's favour. This is exactly what happened. Technology, Communications, and Consumer Discretionary stocks rallied early in the year. However, markets tried to scare us in the 3rd quarter by severely selling off almost all stocks and pretending that rates would be 'higher for longer'. However, we stuck to our conviction that rates will be 'lower before long'. In the 4th quarter, markets realised that rates were coming down, and this expectation was further strengthened with the US Federal Reserve signalling interest rate cuts in 2024. Hence, Health Care, Real estate and select financial stocks also joined the bull stampede, and given our overweights in these key sectors, we are pleased to report that we have finished 2023 well ahead of the ASX-100.

We have been buying undervalued stocks for you all year. While most of them have rallied strongly, many of these stocks are still not even close to their fair value levels. We expect many of these stocks to compound and provide attractive risk adjusted returns for your portfolio.

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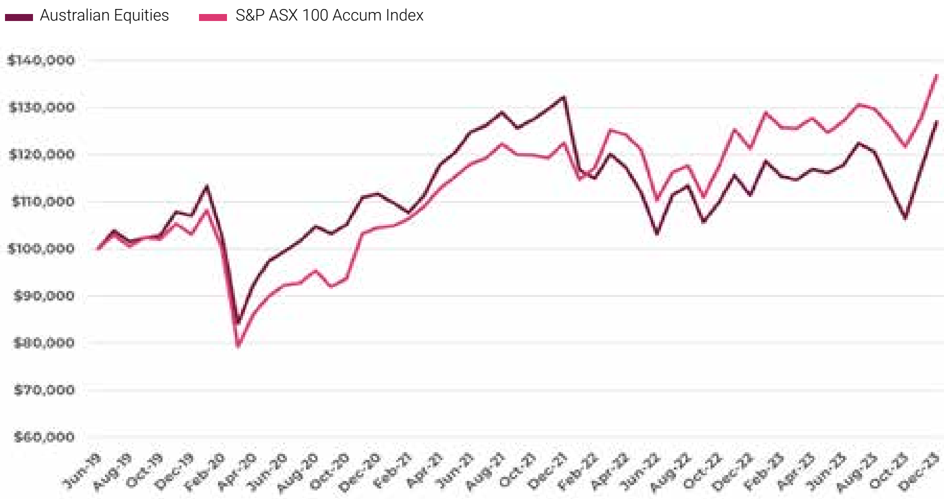
Portfolio Performance

Rolling	Australian Equities Portfolio	Benchmark (S&P ASX 100 Accumu Index)	Outperformance
3 month	11.88%	8.34%	3.54%
6 month	7.73%	7.58%	0.15%
1 year	13.93%	12.67%	1.26%
2 year p.a	-2.05%	5.63%	-7.68%
3 year p.a	4.35%	9.36%	-5.01%
Since Inception p.a (1 July 2019)	**5.43%**	**7.19%**	**-1.76%**

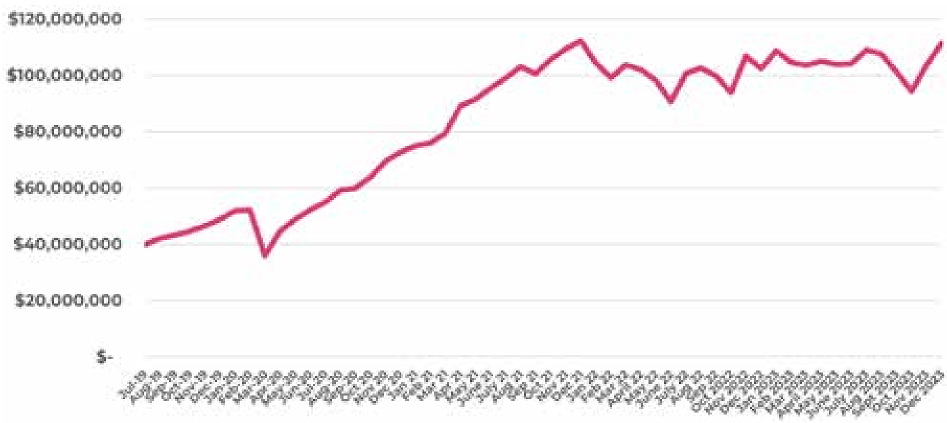
Benchmark data is of S&P/ASX200 Accumulation Index prior to 1/7/2022.

Comparative Performance

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



Funds Under Management (since inception)



Oracle Australian Equities Portfolio Update

Hence, we are quite confident about the prospects for our Australian Stocks in 2024.

For the quarter, the top 3 performers were **Block (68.9%)**, **James Hardie (38.5%) a**nd **Charter Hall (29.2%).** Block reported strong second-quarter results in August, but the stock sold off for no discerning reason along with market pessimism. However, after another set of strong results in November, this time in the third quarter, Block bounced back providing a strong return. James Hardie continued its strong run in Q4, due to price hikes and the market share gains in the US. Charter Hall started its run in Q4, with the prospect of declining rates looking good. We consider the stock to be significantly undervalued compared to its long-term earnings potential.

The bottom 3 performers for the quarter were Allkem (-16.4%), Origin (-9.5%) and Pilbara (-8.1%). The lithium stocks continue to fall due to the falling Lithium Carbonate and Spodumene prices. However, given that we now have lithium prices below the cost of production, and as several mines are closing, the supply should rationalize. The demand for Electric vehicles will continue to be strong over this decade. Hence, we expect lithium stocks to bounce back to more normalized valuation levels.

For the year, the top 3 performers were James Hardie (114%), REA Group (65.3%) and Reece (60.5%). The bottom 3 were IDP Education (-25.2%), ResMed (-17.03%) and Allkem (-12.5%). Jame Hardie was the best performer among the entire ASX-100 in 2023. This was tough to predict, as one would normally expect US housing stocks to fall in a macro slowdown. However, the star James Hardie is, it negotiated the difficult housing environment with price changes and by gaining market share! REA group rallied along with the potential for rate cuts in Australia, and also because it implemented strong price hikes not to mention the market share gains over Domain. Reece also rallied along with the US housing stocks, as markets now anticipate the interest rates to fall in the US.

IDP is a great student migration story to Australia and other developed countries. However, it had several issues last year especially as Canada opened up for competing English tests, and also suffered from the souring diplomatic relations between Canada and India. Though the stock has underperformed in 2023, we are still bullish on IDP for the long term. We have written about ResMed before and how Mr. Market's worry about weight loss drugs significantly reducing the demand for ResMed's Sleep Apnea product (AirSense) is not a plausible scenario. As of this writing, the stock has bounced back strongly and has erased much of the earlier losses.

BOUGHT

Challenger (CGF)

We added Challenger to the portfolio as it is undervalued and provides a good portfolio hedge in a rising rates environment. We view it as a special situation opportunity.

Challenger's annuities business should do well in the current high-interest rates environment, and the Funds Management business should recover from the trough levels along with rising markets. Moreover, the US giant Apollo has now taken a 20.1% stake with a board seat and there is also a special situation scenario due to the strategic fit with Apollo's core insurance business. The major risk is if interest rates fall to rock-bottom levels reducing the annuities sales or if the credit spreads shrink to make the investment returns unattractive for Challenger. However, in the event of interest rates falling to rock bottom levels, we have plenty of other stocks in the portfolio to provide attractive returns.

Altium (ALU)

We topped up Altium early in November taking advantage of the market pessimism during that time. This is a great example of an inefficiency in the market which we were able to arbitrage. In August 2023, when Altium reported its FY23 results, the stock had surged 25.9% in a day! This was because revenues increased 19.2% y/y and earnings before interest, taxes, depreciation and amortisation (EBITDA) increased 20.3% and the company also reaffirmed its aspirational revenue target of US$500m by FY26 (from FY23 revenues of US$263.3m). However, due to the rising rates fear, the market soon went tepid on Altium and the stock gave up most of the gains from that surge. Hence, we were able to top up our position in the stock at attractive prices, and the stock has strongly performed since that addition.

GQG Partners (GQG)

GQG was also severely sold off during the sell-off and was trading at about 11.6% dividend yield. This dividend yield is secure as the company has limited capital expenditure needs and is committed to paying 90% of distributable earnings as dividends. Moreover, dividends are the primary way by which the CIO and CEO are compensated as there is no bonus structure available for either. Further, Funds Under Management (FUM) continues to surge under GQG, with FUM now at US$120.6bn as of December 31st, 2023, and had US$9.9bn in net inflows for 2023. We had three servings of GQG to the portfolio during the year to take advantage of the market selloffs, and those delivered an average total return of 27.5%.

Origin (ORG)

We initiated a small position in Origin in October, as the Brookfield led consortium's takeover offer looked undervalued. This was because this takeover of about $8.90 per Origin share didn't fully value the high probability that Origin's Eraring coal-fired power station could stay open beyond 2025 due to delays at the Federal government owned Snowy Hydro. Origin's stake in Octopus Energy, a UK energy retailer and software platform, was also growing much faster than expected at the time of the original takeover announcement back in August 2022. The current environment of higher power prices and a cap in coal prices at $125 per ton also supported a higher valuation.

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Oracle Australian Equities Portfolio Update

SOLD

Origin (ORG)

We sold out of Origin earlier in November as we realised that the Brookfield led consortium won't significantly increase the offer to buy out Origin. The consortium's takeover offer was subsequently voted down by shareholders and so we were able to avoid the significant downside optionality in the stock.

IDP Education (IDP)

We reduced our exposure to IDP due to the ongoing diplomatic tensions between India and Canada. Canada accounts for about 24% of the total IDP course enrolments. About 53% of the IDP course enrolments are students from India. Due to the recent diplomatic tensions, the immigration authorities in Canada can process only about 50% of the visa applications from India. Given that IDP is a high growth, high multiple stock that cannot afford any profit warning, we reduced our risk exposure and moved to other attractive opportunities.

ANZ Group (ANZ)

We continued to reduce our exposure to the big banks. With falling rates and strong competition, we do not see much upside to their Net Interest Margins. The banking stocks have done relatively well in the last quarter of 2023, as the market anticipated a soft-landing scenario for the economy in Australia, and so provisions may not be as high as originally expected in a recessionary scenario. However, we do not see major drivers for sustained outperformances in banking shares in 2024.

Portfolio Characteristics	Portfolio	Index
Price Earnings Multiple	18.7	16.4
Earnings per share growth (3-year CAGR)	21.7%	19.4%
Long term earnings per share growth	5.4%	7.3%
Return on Equity (ROE)	8.2%	11.4%
Dividend Yield	3.4%	4.1%
Operating Margin	18.5%	16.1%
Gearing (Debt/EBITDA)	2.87	1.76

Top 10 Performers	Portfolio Position	3 month Performance
Block	3.95%	68.90%
James Hardie	3.31%	38.49%
Charter Hall	3.87%	29.21%
GQG Partners	3.75%	27.43%
Reece	0.95%	21.30%
Seek	1.04%	21.11%
Goodman Group	2.46%	18.65%
REA Group	0.99%	17.39%
WiseTech Global	2.95%	15.86%
CSL LTD	7.70%	14.29%

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 100 Accumulation Index
Investment Universe	Companies listed on the ASX that have a market capitalsation similar to those in the S&P/ASX 100 Accumulation Index.
Recommended Investment Period	3-5 years
Minimum Initial Investment	$25,000
Inception Date	1 July 2019

Oracle Emerging Companies Portfolio Update

Jack Magann
Portfolio Manager

Over the 2023 calendar year, the Emerging Companies Portfolio outperformed the Small Ordinaries Index by 1.40%, returning 9.22% for the year. We have a strong focus on risk-adjusted returns over a long timeframe and are pleased with our performance in 2023, despite a volatile market.

The Emerging Companies Portfolio returned 3.58% for the fourth quarter of 2023. This compares to our benchmark, the S&P ASX Small Ordinaries Accumulation Index, which returned 8.52% over the same period.

With the current positioning of the portfolio, we aim to protect our client's capital during market downturns, while still capturing the upside as markets rebound. We will aim to gradually position the portfolio more aggressively in the first half of 2024 as we believe that the ASX Small Companies Index is still undervalued compared to the ASX 100. We have discussed this topic in our previous newsletters, demonstrating that small companies are in a position to outperform over the short to medium term based on historical data comparing similar scenarios to the one we are in today.

Pleasingly, we had recently increased our position sizing in three of this quarter's top five performers. The three positions are Lovisa Holdings (LOV), MA Financial (MAF) and Collins Foods (CKF). We took advantage of recent weakness and bearishness in the market to top up these holdings and have reaped the rewards for this. With these three being high conviction positions in the portfolio we are pleased we were able to stick to our guns in a time of pessimism and increase our stake in these businesses.

Lovisa was our top performer for the quarter, and we believe this is one of, if not the best discretionary retailers on the ASX. We increased our investment in the company after it fell below our fair value estimates.

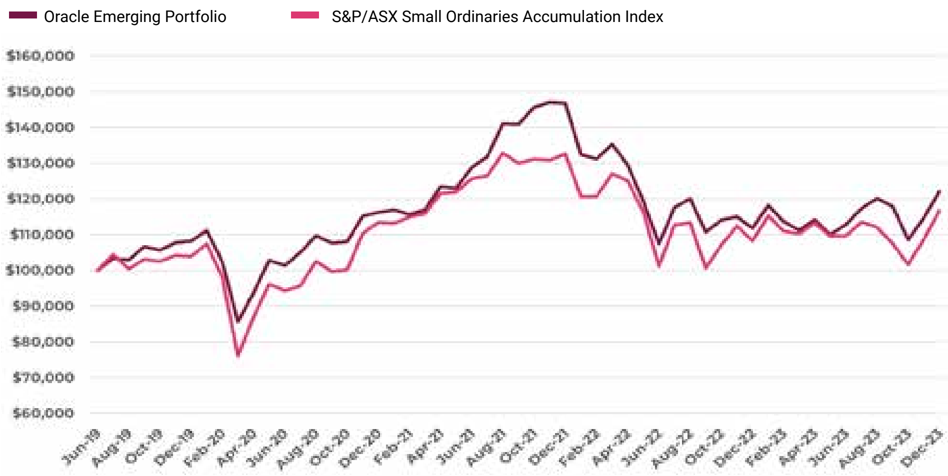
Continued over the page

Portfolio Performance

Rolling	Emerging Companies Portfolio	Benchmark (S&P/ASX Small Ordinaries Accumulation Index)	Outperformance
3 month	3.58%	8.52%	-4.94%
6 month	8.20%	6.41%	1.79%
1 year	9.22%	7.82%	1.40%
2 year p.a	-8.80%	-6.19%	-2.61%
3 year p.a	1.66%	0.95%	0.71%
Since Inception p.a (1 July 2019)	**4.54%**	**3.50%**	**1.04%**

Comparative Performance

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



Funds Under Management (since inception)

With a positive FY23 and a fast start to FY24 for the company, we didn't hesitate to add to our position.

Lovisa is a fast-fashion retailer with 836 stores globally. The exciting thing about the company is the potential growth it has in front of it. The US remains the company's biggest opportunity (although the recent entry into China could easily overtake the US). Lovisa has 190 stores in the US but a quick comparison with their closest competitor, Claire's, provides a potential roadmap to 1,500+ stores. This is almost double the amount of stores the company currently has globally in one country alone. We also believe that Lovisa has a key advantage over Claire's in their rollout, which is higher operating margins per store. Despite Claire's retail prices being 3-5x higher than Lovisa's, Lovisa earns higher margins due to their sole focus on fast-fashion jewellery products.

Lovisa has a shotgun approach to opening new stores with 210 opened in FY23 and 38 underperforming stores closed. The beauty of the Lovisa business model is the low start-up cost of opening a new store. This allows the company to earn back their investment within the first year of opening and also close any underperforming stores without burning large amounts of capital.

Now, turning to **MA Financial** where we believe that any share price under $5 looks compelling given the strength the company is witnessing in their asset management business. With the share price declining into the low $4 range during October, we were very happy to take advantage of the market's pessimistic mindset and increase our holding in the company.

In an update to investors in November, MAF reported that assets under management (AUM) have now reached $9.2bn, or 21% growth on the prior corresponding period (PCP). This is ahead of our expectations for AUM in 2023. The asset management business has become the jewel in the crown for MA Financial. The company was originally founded as a boutique corporate advisory business but has pivoted successfully into asset management. With a focus on providing private credit products to their investors, the company has benefited greatly from the rising interest rates over the past two years causing investors to search for alternative investments outside of equities.

MA Financial also owns and manages the Redcape Hotel Group, one of the largest pub portfolios in Australia. Management reported that 5 hotel assets had been sold at or above book value from the fund which is positive for the group as listed property on the ASX is currently trading at a discount to book value. The sales were completed to increase liquidity in the fund and pay out redemptions to existing investors.

The Corporate Advisory side of the MA Financial business is still noting a slowdown in M&A transactions. However, this is only temporary, and corporate activity increasing in 2024 will provide further upside for the share price.

The third company we wish to discuss is **Collins Foods**, a franchisee of KFC in Australia and Europe. Collins also has the rights to the Taco Bell brand in Australia. Again, we increased this position size as the market had become too pessimistic about the company's outlook. Our conviction in this story was rewarded when the company released their first half of FY24 results during the quarter.

Continued over the page

Collins Foods reported their 1H24 financials resulting in an increase in revenue by 14.3%, driven by 36.5% higher sales in KFC Europe and 9.0% higher sales in KFC Australia. Same store sales growth was an impressive +8.8% in Europe and +6.6% in Australia. The growth was driven by higher ticket prices, with overall transaction volumes slightly down. Taco Bell also reported same store sales growth after a lean couple of years for the brand in Australia. With the support of Yum Brands (Taco Bell's parent), brand awareness for Taco Bell has increased and management will decide on 2H24 on whether to restart the new store rollout for the brand.

Collins management reported that margins continue to improve as inflationary pressures ease and price increases are being implanted. Although, management cautioned that we aren't out of the woods yet. Lower commodity price inflation is helping the bottom line, but wage and energy pressures are still very real. Margins aren't expected to fully recover until FY25, but we can see cost growth on a downward trend.

Collins Foods currently has 347 KFC restaurants in Australia and Europe, and expects to add another 130 in Europe by 2031. They also continue to open stores in Australia, with a target of 9 to 12 new Australian stores in FY24. Taco Bell provides a free option in the company's valuation. By this, we mean that a successful rollout of Taco Bell stores in Australia isn't priced into the current share price. Success with this brand will provide an upside, but if it doesn't work the downside is limited.

BOUGHT

Smartpay Holdings (SMP)

Smartpay provides EFTPOS terminals to SMEs and is winning market share in Australia with its transactional model. This model takes an average fee of 1.2% on top of the transaction, which Smartpay splits with their acquiring bank. The average revenue per user (ARPU) is 4x higher with this model than their traditional fee-for-service model in NZ. There is an opportunity for the transactional model to be rolled out in NZ, which will substantially increase revenue for the company. The market isn't factoring this into Smartpay's valuation. This is a well-run company and management has shown their expertise in the success of the Australian market so we believe they can have success in NZ, which will provide substantial upside from today's share price.

Pinnacle Investment Management (PNI)

Pinnacle increased its FUM by 9.8% in FY23 to $91.9bn. Pinnacle now has investments in a diverse range of asset managers, not just equity managers. This has seen their performance stay strong in recent times. Pinnacle recorded $15m in performance fees for the full financial year and considering the first half was weak, the second half bounced back strongly. The price has fallen recently, and the valuation is looking very attractive for this company that has huge operational leverage. We are happy to increase our position in Pinnacle.

Netwealth (NWL)

Netwealth has all the qualities we look for in an investment. High and growing operating margins, high return on invested capital, riding a long-term growth trend and a disruptor of the incumbents within the industry.

Oracle Emerging Companies Portfolio Update

Since the Banking Royal Commission, both Netwealth and HUB24 have taken significant share from the incumbent wealth management platforms. However, there is still growth ahead for the disruptors as they both still only have 7.5% of the market share each. We believe that Netwealth will continue to grow its AUM at a strong rate and increase margins through its operating leverage. This is a founder-led company that has grown organically into a $3.6bn company. We believe it has superior metrics to HUB24 which is why we have chosen Netwealth for a position in the portfolio.

Helloworld (HLO)

Helloworld, and the travel industry in general, is still recovering from pandemic. A full recovery isn't expected until FY25. We believe the market is overestimating the effects that increased interest rates will have on the Helloworld customer. Given that the average Helloworld customer is in the Baby Boomer generation, we believe that they will continue to spend on travel and experiences despite a tougher economic outlook.

Management also sold off underperforming, loss-making businesses during the pandemic and there is a renewed focus on their core retail shopfront businesses. With earnings guidance uplifted 3 times in FY23, we believe the company is in the middle of an earnings upgrade cycle. There is also the possibility of a share buyback or special dividend due to a large pile of cash sitting on their balance sheet.

Centrepoint Alliance (CAF)

We took a small position in Centrepoint during the month with M&A activity in the wealth management sector heating up. We took a special interest in Centrepoint after COG Financial Services (COG) purchased a 20% stake in Centrepoint at 33 cents per share, a 22% premium to the 27-cent share price of Centrepoint at the time. COG had recently bid for another ASX-listed wealth management company, Diverger (DVR), but the takeover offer was unsuccessful. COG have made it clear that they are looking to grow through acquisition and there is a high chance they will make a bid for Centrepoint around their original purchase price of 33 cents.

MA Financial Group (MAF)

We added to this position in October when markets had declined. This has been discussed above.

Lovisa Holdings (LOV)

We added to Lovisa's post their FY23 result and a recent pullback in the share price. This has been discussed above.

SOLD

Australian Finance Group (AFG)

Competition has increased from the big banks that had access to cheap funding through COVID-19. AFG also announced a cut to their dividend, indefinitely, as the company invests funds into the business to grow. We have come to believe that despite trading at a low Price/Earnings multiple, earnings are forecast to decline over the medium term. We were happy to exit at a similar price to where we entered this position as our original investment thesis has not played out as anticipated.

Elders Ltd (ELD)

Conditions have deteriorated in Elders' main business segments recently. Crop outlooks for the summer are poor and crop protection sales have declined. Lower cattle and sheep prices have also affected profits. Many unpredictable variables can affect Elder's sales, so we are happy to move on from this position.

Regal Investment Fund (RF1)

We first bought RF1 at a discount to net asset value (NAV) as it historically traded at a premium and had produced very strong returns. Since entering the position RF1 has continued to trade at a discount to Net asset value (NAV) and has struggled to regain performance momentum. We have decided to sell our position and allocate our capital to other ideas that we believe have greater upside potential.

Seven Group Holdings (SVW)

We reduced our position in Seven Group by 2% after the share price had a strong run-up and exceeded our fair value. The conglomerate remains our largest position in the portfolio and provides diversification across three strong industrial brands in Westrac, Coates and Boral.

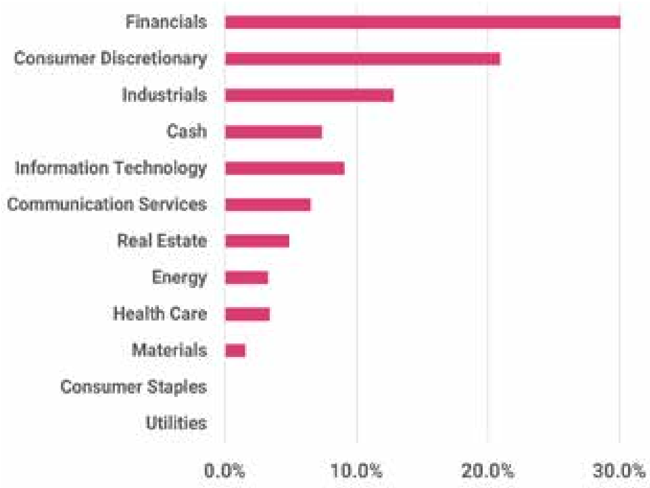
Oracle Emerging Companies Portfolio Update

Top 10 Performers	Portfolio Position	3 month Performance
Lovisa Holdings Ltd.	4.00%	26.69%
Collins Foods Ltd.	2.55%	25.03%
Dicker Data Limited.	4.06%	24.72%
Breville Group Ltd.	1.39%	23.77%
MA Financial Group	3.16%	19.89%
Data#3 Limited	1.76%	19.21%
Sandfire Resources	1.58%	19.16%
Charter Hall Long Wale REIT	1.93%	18.79%
Pinnacle Investment Management Group	3.30%	18.16%
News Corp	3.74%	16.35%

Portfolio Characteristics	Portfolio	Index
Price Earnings Multiple	15.8	17.3
Forward earnings per share growth (1 year)	18.40%	12.20%
Earnings per share growth (3-year CAGR)	13.10%	13.00%
Return on Equity (ROE)	9.60%	5.80%
Dividend Yield	3.10%	3.60%
Dividend Growth	7.50%	0.13%
Gearing (Net Debt/EBITDA)	1.68x	1.37x

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	$10,000
Inception Date	1 July 2019

Sector Breakdown



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Oracle Fixed Interest Fund Update

Ashley Cox
Portfolio Manager

The Oracle Fixed Interest Fund gained 2.42% for the quarter ended 31 December. This equates to an annualised return of 9.68%. Whilst we do not anticipate achieving this level of return for the full financial year, I note that the annualised return for the first six months of 2023/24 as of the end of December is 9.42%. Pleasingly, the Fund was positive in each month of the quarter, providing a smooth and positive performance each month of this current financial year.

Early in the quarter, strong US data and geopolitical tension, focussed in the Middle East, helped to raise bond yields to multi-year highs, with the Australian 10-year Government Bond yield trading slightly below 5.00%. However, November and December saw a large reversal, as the market became increasingly confident that inflation had peaked, and began to price in significant rate cuts during 2024. At the time of writing, the market is pricing six 0.25% rate cuts in the US and two 0.25% cuts in Australia by January 2025.

Our overweight exposure to floating rate securities drove our slight underperformance in the quarter, as interest rates fell, causing the price of fixed-rate bonds to rise. Our exposure to quality credit issuers, assisted the fund`s performance, with our corporate bonds performing well. This was particularly evident in bank and insurance Tier 2 subordinated notes, where we still maintain a significant holding. As short-term rates remain elevated, we remain happy holders of floating rate exposure.

During December, the number of new bond issues reduced, forcing buyers of bonds to push prices up in the existing bond market. We do anticipate new bonds to be issued, particularly by banks, to ramp up in January, as banks attempt to cover the bulk of their funding requirements for the year ahead sooner, rather than later. We remain well-positioned to take advantage of this and expect a new issuance premium to help drive fund performance.

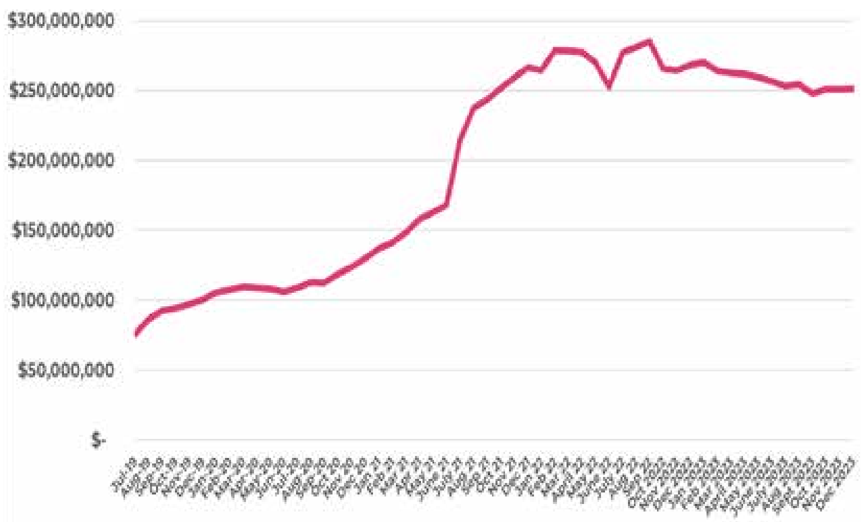
Continued over the page

Portfolio Performance

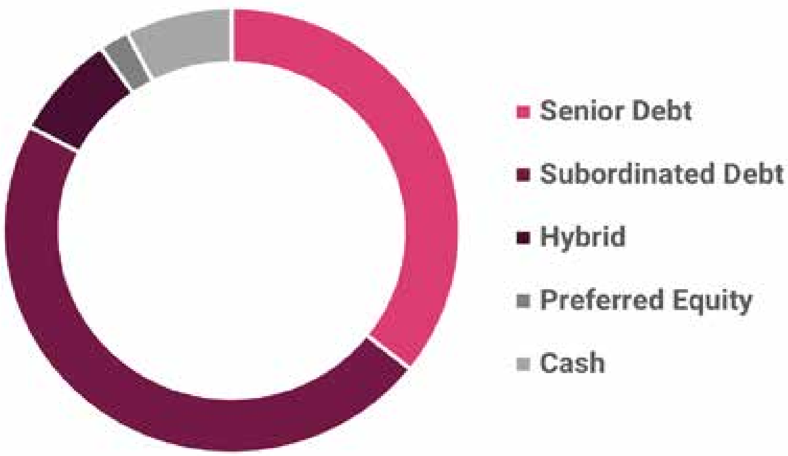
Rolling	Fixed Interest Fund	Benchmark (Bloomberg Ausbond Credit 0+Y Index)	Outperformance
3 month	2.42%	3.18%	-0.76%
6 month	4.71%	4.47%	0.24%
1 year	6.24%	6.82%	-0.58%
2 year p.a	1.83%	-0.19%	2.02%
*Since Inception (1 Dec 2021)	1.77%	-0.09%	1.86%

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

Funds Under Management



Bond Type by Weight



Oracle Fixed Interest Fund Update

Trades for the Quarter.

BOUGHT

- We continue to add to our existing position in **NUFARM FINANCE (NZ) LIMITED**, a junior subordinated perpetual note, offering a coupon of 3.9% above BBSW. We managed to buy down to 89.50, translating to a running yield of 9.25% at the time. This is now back above $94.00.
- We have been adding to our holding in **Centuria Fund 2**, senior bonds offering a floating rate coupon of BBSW + 4.25%. The current running yield on these bonds is around 8.40%.
- We bought the new **CBA Tier 2** Subordinated bond, offering a floating coupon of BSW + 2.05%.
- We bought the new **QBE** Subordinated bond, offering a floating coupon of BBSW +2.55%. The current coupon is 6.88%
- We bought the new **Bendigo and Adelaide Bank Tier 2** subordinated bond, offering a floating coupon of BBSW +2.60%. The initial coupon was 6.95%
- We bought the new **AMP Senior** unsecured 3-year bond, offering a floating coupon of BBSW +3.15%. The initial coupon is 7.56%
- We bought the new **IAG** Subordinated bond (BBB rated), offering a floating coupon of BBSW +2.50%. The current coupon is 6.88%
- We bought the new **Australian Unity Senior** unsecured 5-year bond, offering a floating coupon of BBSW +2.50%. The initial coupon is 6.83%
- We increased our position in **Heartland** Jul 2025 Senior Floating Rate notes (coupon Quarterly BBSW + 2.75%) at a margin of +3.40%. Additionally, we were paid a 0.25% selling fee by the issuer. We funded this BUY by selling Heartland May 2024 notes at +2.70%. In doing so, we extended our exposure by 10 months for a pick-up of 0.70%.

SOLD

- We continue to take advantage of market liquidity and lower bond yields to reduce our **Australian Unity** fixed rate perpetual bond position, at improved prices.
- We took advantage of a recent performance in major bank tier 2 bonds to sell **CBA** Apr 2032 Tier 2 Subordinated notes. We were able to buy the above-mentioned bonds (CBA new issue etc) at higher yields.
- Similarly, we reduced our positions in **ANZ** 2032 and 2033 Tier 2 Subordinated notes.
- We sold **Judo Bank Senior** unsecured fixed-rate bonds, lightening our exposure to the name.

Top 10 Holdings	Weight
RABO 7.074 10/26/32 '27 FRN	5.66%
Ampol Limited 02 Dec 81 FRN (Call 19 Mar 2027)	5.32%
Heartland Australia Group Pty Ltd	5.18%
Avanti 22 Feb 26 FRN (Call 22 Feb 24) Senior Sec	4.22%
Latitude Group	4.18%
AMP Bank Ltd 07 Oct 32 FRN (Call 07 Oct 27) Sub	4.05%
LIBERTY FINANCIAL PTY 05 Apr 27	3.61%
Newcastle Coal Infrastructure Group (NCIG	3.60%
Centuria Capital 2 Fund 20 Apr 2026	3.37%
Suncorp 01 Dec 38 FRN (Call 01 Dec 28)	3.15%

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.
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	1 December 2021

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Oracle Property Securities Portfolio Update

Jack Magann
Portfolio Manager

The Oracle Property Securities Portfolio returned 15.58% for the 2023 calendar year. This was driven by the December quarter which earned returns of 15.45% and a combined return in November and December of 21.44%. For comparison purposes, the ASX 300 Property Trust Accumulation Index returned 16.51% for the December quarter.

A return of 15.58% for the Oracle Property Portfolio in a year that the RBA cash rate increased a further 1.25% may be hard to comprehend, but the market is forward looking.

What do we mean by forward looking? It is the idea that the market doesn't care what is happening right now but rather what will occur in the future as the valuation of any investment is based on its future cash flows discounted back to today's value. So, the higher the interest rates in the future, the higher we need to discount those future cash flows back to their present value. The markets are now pricing in two cash rate cuts from the RBA by the end of 2024. It is for this reason the property portfolio had such a strong fourth quarter, as the market is now pricing in a lower discount rate for those future cash flows.

With inflation now easing and a low growth environment forecast over the medium term, REITs should benefit for the following reasons:

- Elevated inflation has been positive for REITs as the majority of leases have annual inflation-linked increases written into the contracts. Commercial property will exit this period with higher leases due to this factor.
- REITs are a long-duration exposure and the longer the duration the bigger impact rate changes have on valuations.

Continued over the page

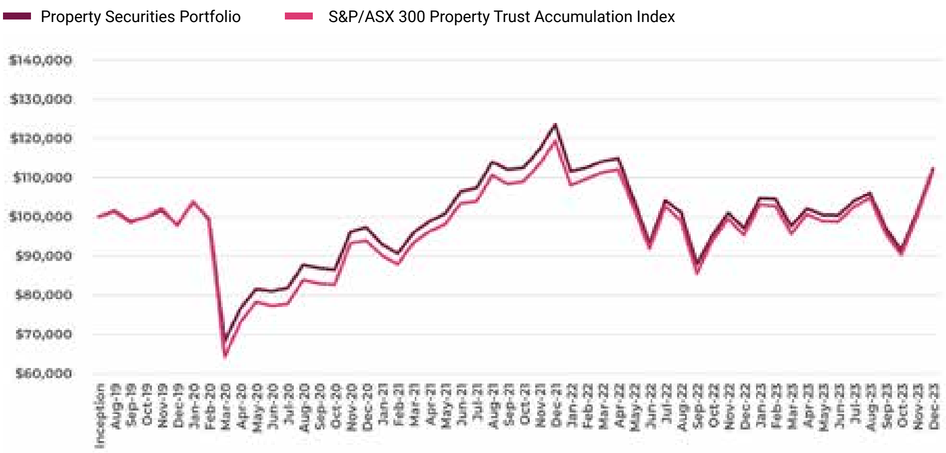
Portfolio Performance

Rolling	Property Securities Portfolio	Benchmark (S&P/ASX 300 Property Trust Accum Index)	Outperformance
3 month	15.45%	16.51%	-1.06%
6 month	11.76%	12.97%	-1.21%
1 year	15.58%	16.91%	-1.33%
2 year p.a	-4.69%	-3.32%	-1.37%
3 year p.a	4.87%	5.89%	-1.02%
Since Inception p.a (1 August 2019)	**2.65%**	**2.51%**	**0.14%**

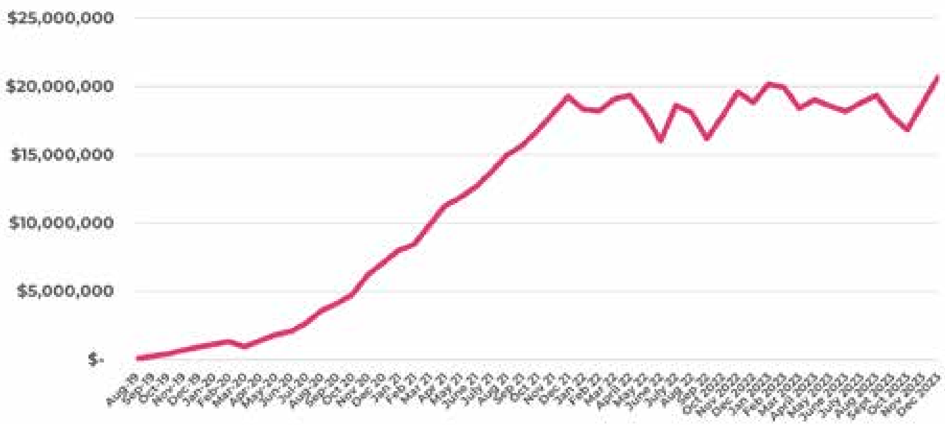
Comparative Performance

Property Securities vs S&P/ASX 300 Property Trust Accum Index

(since inception)



Funds Under Management (since inception)



Oracle Property Securities Portfolio Update

The Australian Treasury 10-year bond yield should be near its peak as inflation continues to fall. When yields do start to fall in 2024/25 REITs will be amongst the biggest beneficiaries.

- Leverage is at historical lows and the average interest coverage ratio remains high, so REITs can weather the storm if the economic environment remains volatile.

With the majority of REITs trading at discounts to their Net asset value (NAV), a decline in interest rates will lift all boats, and we will see that discount start to close. However, as we are quality-orientated investors, we aren't just waiting for interest rates to aid portfolio performance. We have identified 3 themes that we believe will drive value for REITs over the long term. They are discussed below.

1. **Urbanisation/population growth**

   Australia is one of the most urbanised countries in the world with 90% of the population living in cities compared to 82% in the US and 56% in China. We are also in the middle of a migration surge, with population growth expected to come in at 2.5% this year, which would be close to a six-decade high. Migrants will make up 80% of forecast population growth. The sectors that will benefit from this trend are self-storage, build-to-rent, convenience retail, service stations and childcare centres.

2. **E-commerce/Connectivity**

   Worldwide spending on public cloud services is forecast to grow by 21.7% in 2023, with analysts forecasting another strong year of growth in 2024 at 20%. Australia Post has forecast that by 2023 Australians will spend 1 in 3 dollars online.

   Industrial/logistics and data centres are big beneficiaries of these trends as we continue to move into a more connected, virtual world.

3. **Ageing Population**

   The percentage of the Australian population over 65 currently sits at 16.4%. This is expected to increase by 2% points by 2040. With Australia's population forecast to grow from 26.5m now to 33.12m in 2040, there will be 1.75m more Australians over 65 than there is today.

   Sectors identified to benefit from this demographic shift are healthcare, retirement living/aged care and medical centres.

The Oracle Property Portfolio already has 48% exposure to the trends identified above. However, we are aiming to increase our exposure to the sectors identified above over the coming months.

On another topic, we had some price discoveries during the quarter through reported property transactions, which provides visibility into how commercial property is trading on the market. We compare these transactions to our holdings, guiding our view on whether the discount to Net asset value (NAV) on a particular REIT has been overdone.

One of our holdings, GPT Group, sold a portfolio of industrial assets to PE firm Wentworth Capital at book value.

This compares to the 29% discount to Net Tangible Assets (NTA) at which GPT is trading. Although, we do note that GPT is a diversified REIT with properties in retail, office, and logistics. A pure play industrial comparison within the portfolio would be Dexus Industria REIT (DXI). DXI trades at a 22% discount to NTA.

MA Financial, which isn't held in the property portfolio, reported that they had sold 5 hotel/pub properties for $86m. This was above the latest valuation performed on these properties. This bodes well for our holding Charter Hall Long Wale REIT (CLW) which is the biggest landlord in the Australian pubs/hotel sector. CLW also had their pub portfolio externally valued in October, with a 2.2% increase in book value recorded. With CLW trading at a 40% discount to Net Tangible Assets, the gap looks too wide, and we believe it will reduce over 2024.

With the examples of the two sectors above, pubs/hotels and industrial properties, still transacting at book value it is easy to see a path where REITs in specific sectors continue to close the current gap to Net Tangible Assets. Of course, there is one sector that is trading at a discount to Net Tangible Assets for a valid reason. That being commercial office which has seen a structural decline in the sector since COVID forced the rise of the work-from-home movement. It is for this reason we have minimised our exposure to office properties.

Outside of commercial offices, the other sub-sectors of commercial property are experiencing strong trade conditions and increasing rents. It is only a matter of time before they return to trading at Net Tangible Assets. The trajectory of central bank cash rates and bond yields in 2024 will decide on that timing.

Top 10 Performers	Portfolio Position	3 month Performance
Centuria Capital	0.59%	32.72%
Charter Hall Group	5.20%	29.20%
GPT Group	6.72%	22.18%
Scentre Group	9.72%	21.54%
Vicinity Centres	5.51%	20.35%
Charter Hall Social Inrastructure REIT	2.00%	20.24%
Charter Hall Retail REIT	1.30%	18.89%
Goodman Group	30.12%	18.65%
Stockland Corporation	5.46%	15.56%
Abacus Group	1.45%	14.11%

Oracle Property Securities Portfolio Update

Portfolio Characteristics	Portfolio	Index
Price/Funds From Operations Multiple	14.3x	14.4x
Funds From Operations Per Share Growth – 3 year avg	0.02%	0.03%
Return on Equity (ROE)	2.5%	2.5%
Return on Equity (ROE) – 3 year avg	8.8%	8.2%
Dividend Yield	6.4%	6.2%
Gearing (Debt/Equity)	43.6%	43.7%
Price to Book (forward estimate)	1.0x	1.1x

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

Please see the Important Information disclaimer on the back page.

Oracle Ethical Balanced Portfolio Update

Luke Durbin
Portfolio Manager

For the quarter ended December 2023, the Oracle Ethical Balanced Portfolio returned 4.03% after fees, underperforming the Morningstar benchmark of 5.78%. For the 2023 calendar year, the portfolio ended just shy of the benchmark, reporting 10.01% compared to 10.46%.

The best performers for the quarter were our two real estate holdings Charter Hall Group (CHC) and Charter Hall Long WALE REIT (CLW), Lovisa (LOV), and Euronext (ENX-FR).

During the quarter sentiment abruptly shifted following positive comments from central banks which sent anything rate-sensitive flying, especially real estate companies. The Ethical Portfolio maintains a small weighting to real estate as part of a balanced asset allocation so it is no surprise to see CHC (up 29.2%) and CLW (up 18.8%) on the podium.

Lovisa's gains almost all came in December after a very positive trading update in late November. Lovisa reported comparable store sales for the year to date down 6.2%, however, total sales (which includes new stores opened) were up 17%. Although it is slightly disappointing that sales for the stores that were open a year ago fell, these will recover with the economy, and what is arguably more important is that the store rollout continues to gather momentum. See the Emerging Companies update for more detail.

We talk about long term investing a lot at Oracle. The most commonly talked about reason for this is because, over the long term, it is fundamentals such as earnings and returns on capital that will drive results. The less talked about reason is that quite often, nothing happens for a long time, and then everything happens all at once. There is and old quip said by pilots that describe flying as "hours of boredom punctuated by moments of sheer terror". This can be related to the activity of investing, as investors need to be patient through long patches of boredom and inactivity followed by a short period of share price action. A great example was the trading in Altium over the last few years, but our holding in ENX has felt like that too. Since Euronext stock in April, it has largely traded sideways. A solid 3Q23 update then sent the share price from €65 to €77. The stock is now trading around our estimate of fair value and will continue holding it for its value as a stable, low growth dividend payer.

Another, that was not in the top performers this quarter but has followed a similar theme is Rockwool. With higher borrowing costs in Europe dampening demand for building products, Rockwool has had a tough time selling its renewable insulation products, which will be a key enabler of the energy transition in reducing the energy intensity of buildings. At the start of the year, Rockwool issued its revenue forecasts for 2023 to be 10% lower than 2022 at 8%-10% operating margins. Since February, Rockwool issued 4 separate upgrades to this guidance, each one better than the last. But it was not until the 4th and final upgrade in November that the market took notice. Rockwool stock traded sideways all year and finally reacted strongly at the end. Our patience was finally rewarded.

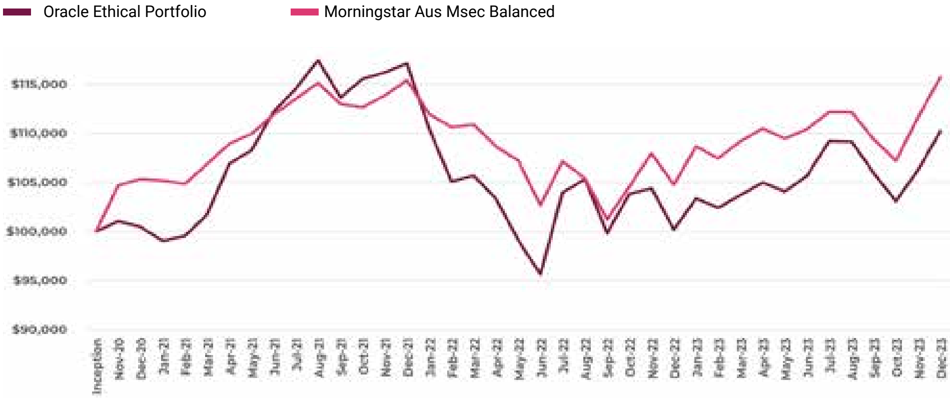
Unfortunately, these good performances were offset by weaker performances from SolarEdge Technologies (SEDG-US), Yum China (YUMC), and Kip McGrath (KME).

Portfolio Performance

Rolling	Ethical Balanced Portfolio	Benchmark (Morningstar Balanced)	Comparative Performance
3 month	4.03%	5.78%	-1.75%
6 month	4.29%	4.79%	-0.50%
1 year	10.01%	10.46%	-0.45%
2 year p.a	-2.99%	0.14%	-3.13%
3 year p.a	3.13%	3.18%	-0.05%
Since Inception p.a (1 November 2020)	3.12%	4.72%	-1.60%

Comparative Performance

Ethical Balanced vs Morningstar Balanced (since inception)



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Oracle Ethical Balanced Portfolio Update

Throughout 2023, the market had been concerned that changing regulations in California would negatively impact SolarEdge's US sales in the next 6 to 12 months. We were happy to see this through, as we saw it as a short term issue exacerbated by a pull forward of sales at the start of the year. However, it was the Europe segment – which as recently as the June quarter was flying – was the main culprit in the abrupt turnaround in fortunes. It appears that higher borrowing costs have finally outweighed the urgent need for energy independence and management has rebased the expectations of the market. We still believe there is an immense opportunity in residential and commercial solar and energy storage, however, reduced expected earnings in 2023 and 2024 have had a negative impact on the company's valuation, despite now trading on a P/E of below 14x. We do not intend to sell the position on this news, but neither are we buying aggressively.

We discussed Kip McGrath in the last update after it ended the September quarter as the portfolio's best performer. That good performance reversed in the December quarter without much to go on. It is worth remembering that Kip McGrath is a micro-cap company with little liquidity. This means any volume of selling can have an outsized impact on the share price in the short term. We intentionally do not hold many stocks of this nature for this reason, but for what we perceive as long term growth stories we do make exceptions. The price of admittance for these stocks is short term volatility.

Kip McGrath did release an update with their AGM in November, but most of the share price fall had already occurred when this was released. When we last caught up with the CEO, Storm McGrath, we were reassured that the US expansion was still performing well and the company continues to add more corporate centres, which tend to be higher margin than franchised centres. The business, with its recently released Learning Management System (LMS), is becoming more of a well-honed machine, as the LMS improves the performance of centres, which is good for franchisees, good for students, and good for KME. While far from in the bag, we look forward to the half year update in February, which will recalibrate market expectations.

Finally, Yum China released its 3rd quarter results in early November and while it showed good revenue and earnings growth on the 3rd quarter a year ago, it missed the guidance given by management. Despite this miss, management reiterated their guidance for 1,400-1,600 new stores for the 2023 financial year and longer term to 2026, targeting high single to low double-digit sales and operating profit growth per year, and double-digit earnings per share growth. If management can achieve these targets this quarter's miss will be long forgotten.

BOUGHT

ResMed (RMD)

RMD had been a small weighting in the portfolio and we felt the risk/reward for the stock after the recent stock price fall was too attractive to ignore. The market is concerned about the impact obesity drugs will have on the prevalence of sleep apnea. Although, the overweight group represents only a small portion of sleep apnea sufferers, not to mention the fact that there remain hundreds of millions of people with undiagnosed sleep apnea worldwide, more than a large enough target market for ResMed.

Exor AB

Investors in the Global Portfolio may be familiar with Exor AB, an investment company listed in Amsterdam and run in a similar fashion to Berkshire Hathaway in terms of a holding company with the business model of long term capital allocation. The companies owned by Exor are high quality and include Stellantis (which owns car brands such as Fiat, Chrysler, Alpha Romeo, Jeep and Vauxhall), Ferrari, CNH Industrial, Juventus Football Club, and other smaller investments. The share price is trading around 40% below the combined price of all the assets held, so not only are we investing in a portfolio of high quality companies alongside a family that has been doing so for generations, we are getting them cheaper than if we bought them individually on market.

We also topped up our fixed income holdings in **Metrics Master Income Trust** (MXT), **Centuria Capital No 2 Fund** (C2FHA), and **Nufarm Finance** (NZ) FRN (NFNG) to 5% weighting each. Each of these is producing good cash flow yields for investors and it is logical to deploy any excess cash in the portfolio to these positions.

SOLD

Darling Ingredients (DAR)

Darling Ingredients was an early investment for the portfolio and its performance in this period has been challenging. We conducted a review of the position post the third quarter 2023 result, which detailed some issues with margins, particularly at their flagship Diamond Green Diesel joint venture with Valero Energy. While the future is likely still strong for Darling Ingredients, the recent result highlighted the commodity nature of the company and we decided to emphasise this aspect of the company over the possibility of continued capacity expansions.

Brookfield Renewable (BEPC)

Brookfield Renewable is a well-managed utility company run by private equity giant Brookfield, however, renewable or not it remains highly capital intensive and highly interest rate sensitive. We decided that its attractive ESG characteristics were not enough to outweigh these negatives.

Oracle Ethical Balanced 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 Performers	Portfolio Position	3 month Performance
Charter Hall Group (CHC)	1.6%	29.2%
Lovisa Holdings (LOV)	2.0%	26.5%
Charter Hall Long WALE REIT (CLW)	0.7%	18.8%
Euronext NV (ENX-FR)	1.5%	17.7%
REA Group (REA)	2.3%	17.4%
Brookfield Renewable (BEPC-US)	SOLD	15.1%
Pro Medicus (PME)	1.4%	14.9%
CSL Ltd (CSL)	1.9%	14.3%
Rockwool A/S (ROCK.B-DKK)	1.3%	14.0%
Costco Wholesale (COST-US)	3.5%	13.2%

Selected Investment Holdings	Ethical Theme	Weighting
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%
Laserbond	industrial machinery refurbishment	2.0%
AirBNB	Accommodation Platform	2.7%
Rockwool	Energy Efficient Buildings	1.2%

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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%

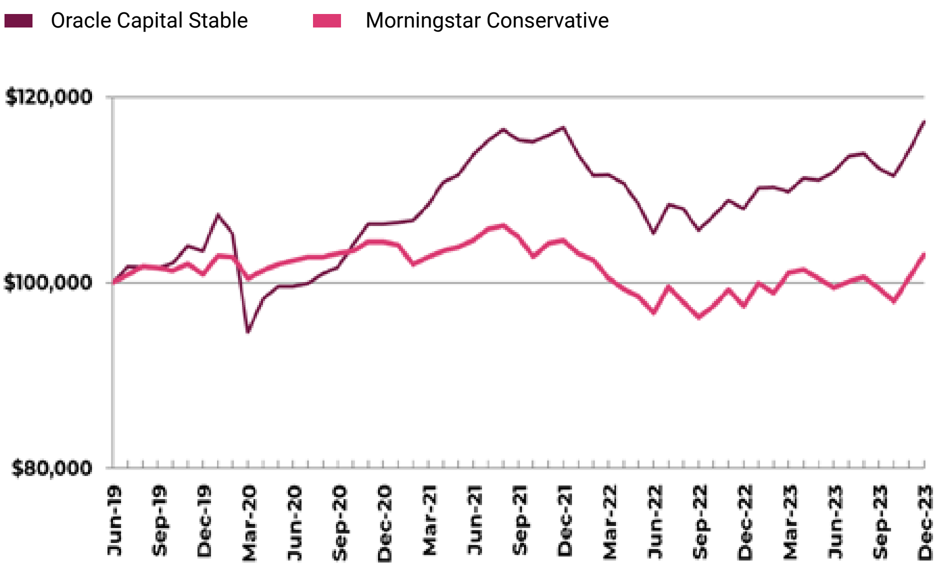
Investment Fee (% per annum)	
Capital Stable Portfolio	0.6%

Portfolio Performance

Rolling	Oracle Capital Stable	Benchmark (Morningstar Aus Msec Conservative)	Comparative Performance
3 month	4.47%	3.62%	0.85%
6 month	4.84%	3.56%	1.28%
1 year	8.70%	5.62%	3.08%
2 year p.a	0.27%	-0.75%	1.02%
3 year p.a	3.34%	-0.45%	3.79%
Inception p.a. (1 July 2019)	3.62%	0.66%	2.96%

Comparative Performance

Oracle Capital Stable vs Morningstar Capital Stable (since inception)



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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%

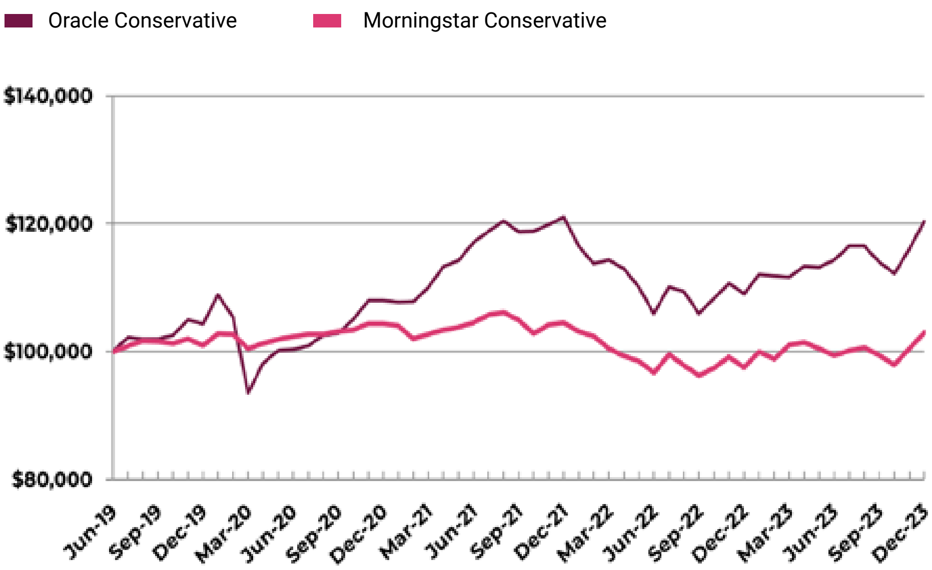
Portfolio Performance

Rolling	Oracle Conservative	Benchmark (Morningstar Aus Msec Conservative)	Comparative Performance
3 month	5.62%	3.62%	2.00%
6 month	5.27%	3.56%	1.71%
1 year	10.43%	5.62%	4.81%
2 year p.a	-0.28%	-0.75%	0.47%
3 year p.a	3.69%	-0.45%	4.14%
Inception p.a. (1 July 2019)	4.21%	0.66%	3.55%

Comparative Performance

Oacle Conservative vs Morningstar Aus Msec Conservative

(since inception)



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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%

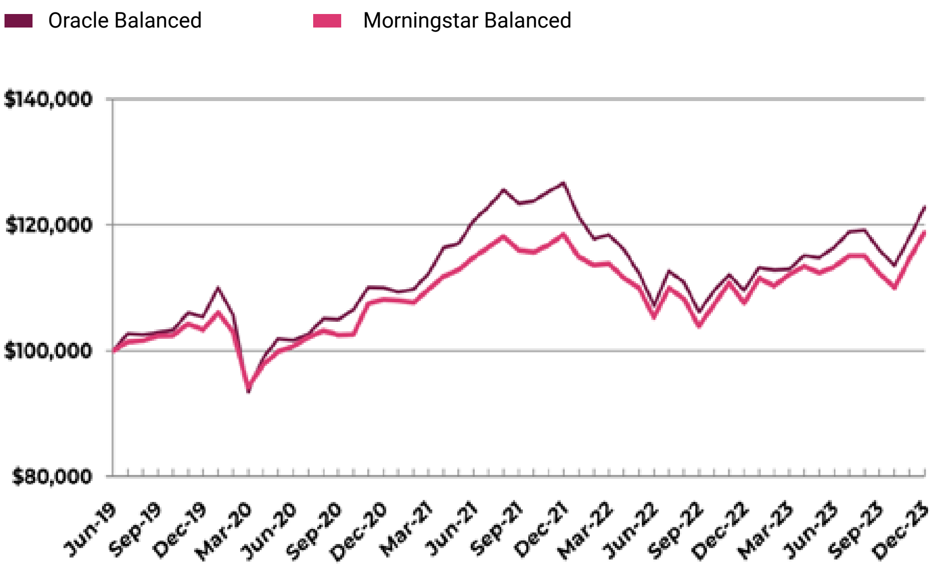
Investment Fee (% per annum)	
Balanced Portfolio	0.7%

Portfolio Performance

Rolling	Oracle Balanced	Benchmark (Morningstar Aus Msec Balanced)	Comparative Performance
3 month	5.79%	5.78%	0.01%
6 month	5.43%	4.79%	0.64%
1 year	12.01%	10.46%	1.55%
2 year p.a	-1.55%	0.14%	-1.69%
3 year p.a	3.74%	3.18%	0.56%
Inception p.a. (1 July 2019)	4.67%	3.90%	0.77%

Comparative Performance

Oracle Balanced vs Morningstar Balanced (since inception)



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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%

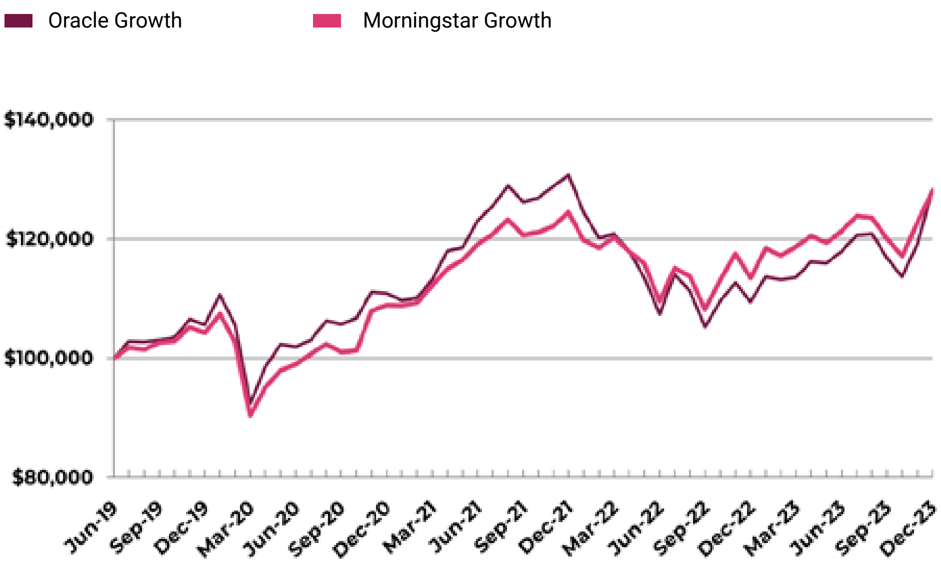
Investment Fee (% per annum)	
Growth Portfolio	0.75%

Portfolio Performance

Rolling	Oracle Growth	Benchmark (Morningstar Aus Msec Growth)	Comparative Performance
3 month	9.77%	6.67%	3.10%
6 month	8.83%	5.55%	3.28%
1 year	17.24%	12.76%	4.48%
2 year p.a	-0.94%	1.39%	-2.33%
3 year p.a	4.98%	5.54%	-0.56%
Inception p.a. (1 July 2019)	5.69%	5.63%	0.06%

Comparative Performance

Oracle Growth vs Morningstar Growth (since inception)



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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%

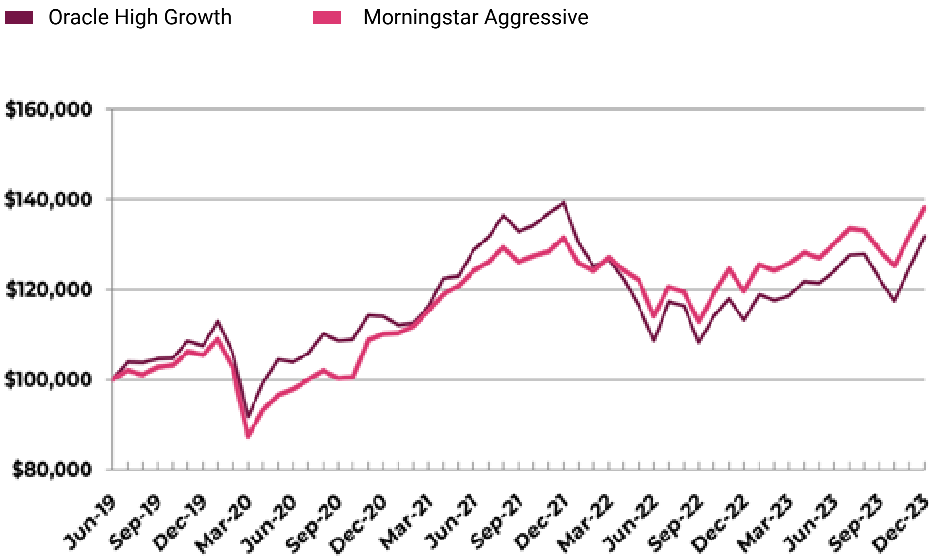
Investment Fee (% per annum)	
High Growth Portfolio	0.85%

Portfolio Performance

Rolling	Oracle High Growth	Benchmark (Morningstar Aus Msec Aggressive)	Comparative Performance
3 month	7.61%	7.27%	0.34%
6 month	6.22%	6.16%	0.06%
1 year	16.33%	15.46%	0.87%
2 year p.a	-2.71%	2.48%	-5.19%
3 year p.a	4.95%	7.84%	-2.89%
Inception p.a. (1 July 2019)	6.32%	7.44%	-1.12%

Comparative Performance

Oracle High Growth vs Morningstar Aggressive (since inception)



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