

QUARTERLY UPDATE

ISSUE 39 - Q1 2024



2023 YEAR IN REVIEW >>



MODEL PORTFOLIOS >>

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Market Update Quarter 1 2024



By Peter Durbin
Chief Investment Officer

We are pleased to present another solid quarter for our core portfolios with Emerging Companies, Australian Equities, Global Equities, Fixed Interest Fund, and the Ethical Balanced Portfolio all outperforming their respective benchmarks over the quarter and the past year.

Equity indices continued their strong run both at home and abroad. The MSCI All Country World Total Return index produced a return of 9.6% in USD or 13.3% in AUD. This was led by US stocks with the S&P500 Total Return up 10.6% and the Nasdaq 100 Total Return up 8.7%. Europe's flagship Euro Stoxx 50 Index returned 12.8%, while locally, the S&P/ASX 200 Total Return was only up 5.3%.

The divergence in returns can be put down to the continued strength in technology stocks – the AI trade has proven to still have legs – while banks (which look especially pricey) and miners (whose commodities prices have shown weakness), both dominate the local index have not had the same tailwinds.

Small caps fared a little better. The ASX Small Ordinaries was up 7.5% for the quarter including dividends, while its US counterpart, the Russell 2000 Index was up 10.0%. Small caps outperforming large caps has been tipped by many – including us – to be a key theme for the 2024 year, and while it is still early, this may appear to be playing out already.

Over the past 12 months, the market has been seemingly buoyed by the expectation that rate cuts are inevitable. Just like central banks were slow to cut rates in the early stages of the pandemic, they now seem to be cutting rates slower than most expected. That is not to say central banks are reacting slowly or are behind the curve, it's just that no central banker wants to be remembered as another Arthur Burns, who cuts rates too soon (albeit under pressure from congress and the public) in the 1970s and consequently struggled to get inflation under control for almost a decade.

In the US, at the end of 2023, the market was pricing in 7 rate cuts by the start of 2025. Now, three months later, this has halved to an expectation of 3.5 cuts. Such a dramatic repricing of rates has shown up in bond rates, with the US 3-year yield increasing from about 4.0% to 4.5% (which means bond prices have fallen). However, equity indices have continued their defiant march higher. It seems like the first time interest rates haven't been the main driver for the movement in stocks in quite some time.

We believe this could be because the market is giving more weight to thematics, particularly anything related to artificial intelligence, over the impact of lower rate expectations. While we are happy to see markets higher, we are cautious about what this could mean for near-term moves.

February saw many of our companies report interim results: half yearly reports for those listed in Australia and quarterly reports for those listed in the US. While results in Australia were broadly quite good, the dominance of technology companies in US indices meant that the optimism coming from artificial intelligence (AI) had an outsized impact internationally compared to Australia.

In the Australian market, 70% of companies that reported exceeded expectations, which may say more about the expectations than the actual results. The Information Technology sector was the largest outperformer in the flagship ASX 200 index, driven by a takeover offer for Altium, strong results from WiseTech and NEXTDC, as well as general market optimism for the entire sector.

Reporting in the US always opens with the banks, which, as a group, reported quite well with strong net interest margins and positive outlooks. This suggests a healthy US consumer, who has been propped up with stimulus cheques over the last few years. The same cannot be said for the Australian consumer. The RBA gauge reveals consumer sentiment is near the lowest it has been since before the Global Financial Crisis. This is characterised by the savings ratio, which is close to zero, real consumption growth close to zero, and negative disposable income growth. Those stimulus cheques are a distant memory for Australians.

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Remaining local, conditions for builders continue to worsen, with the Australian Bureau of Statistics reporting that new dwelling commencements continue to fall. This will obviously see the number of dwellings under construction over the next 12 to 18 months fall, which will mean anything related to new buildings will experience reduced demand.

As such, we have been reducing our exposure to the building industry, particularly in the domestic portfolios.

Frothy Markets

With stock markets roaring to new highs at present, some have begun to question whether or not we are again in a bubble as we saw in 2021. It is a fair question, and even though valuations might seem a little stretched, the current environment does seem to be missing a key ingredient for a bubble: speculative mania. The Wall Street Journal defines this well, as *“when buyers en masse cross the line from assessing future profit potential to buying something they know is unreasonably expensive...because they think a greater fool will buy it off them at an even higher price”*.

Take Nvidia for example, which is the poster child of the current bull market and is up over 500% since the beginning of last year. Its 1 year forward price/earnings ratio is still only 36x (high, but not bubble-territory), and has not meaningfully deviated from recent levels. This means the stunning rise is all due to earnings growth.

In addition, what we are not seeing is insane behaviour with regards to large bets on assets without a business model such as pre-revenue or pre-profit tech like at the height of the dot com bubble, or SPACs (blank cheque acquisition companies) and NFTs (non-fungible tokens, otherwise known as digital images) like in 2021.

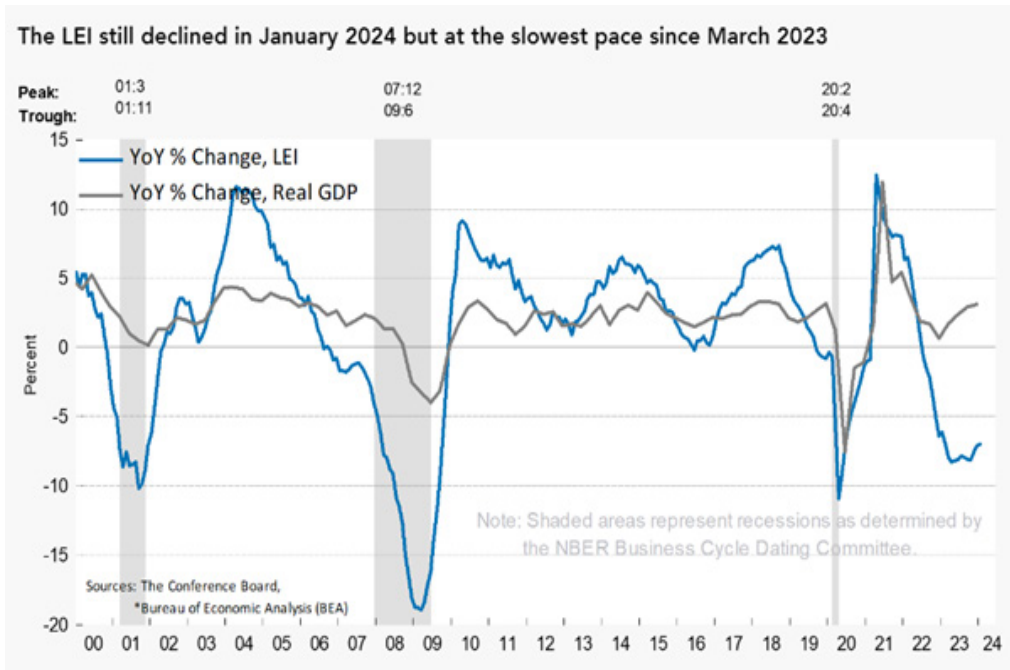
Although valuations might be increasing, sure, while earnings continue to be the main driver of the market, we believe we are still some ways from being in bubble territory.

Economic News

After months of news flow relating to changing investor and consumer expectations surrounding an economic soft landing (in which the central bank successfully raises interest rates without bringing about a recession), The US Conference Board announced that their Leading Economic Index (LEI) is no longer forecasting a recession. This is the first change in outlook since the Board first forecasted a recession in July 2022. In this time the index, which is an aggregate of several other forward looking economic indicators, has continued to weaken. The Index, charted below, has had a very good track record of predicting a recession and is the first time (at least to date) that it has not.

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Oracle Q1 2024 Market Update



Source: US Conference Board

Inflation continued to trend in the right direction, giving further hope that the Fed has successfully engineered the elusive soft landing. US prices, as measured by the consumer price index (CPI) increased by 3.2% in February 2024 compared to January 2023, which is down from a peak of 9.1% in June 2022. The rhetoric from Federal Reserve chair Jerome Powell continues to be that they will not wait until inflation has fallen all the way to 2% to begin cutting rates and said that he still expects rate cuts this year.

While pleased with the performance to date, we don't believe the job is done. The future is, of course, unknowable, but we believe the portfolios are positioned well to take advantage of falling interest rates when they occur, but with a strong earnings growth backing if this time continues to be pushed out. We thank you for entrusting us with your capital and look forward to updating you on our progress again soon.

Oracle Global Equities Portfolio Update



Johan Snyman
Portfolio Manager

The Global Equities Portfolio finished the first quarter of 2024 with a gain of **2.50%**, relative to our benchmark, the MSCI ACWI ex Australia (in A\$). On a 12-month basis, the relative outperformance is **4.18%**.

It is a good start to the new year, but fair to say the investment opportunities going forward, are more likely to be found in what has underperformed, unloved and undervalued, given the US stock market now appears to be trading at a premium to its fair value.

According to an attribution analysis of the Morningstar US Market Index, as of March 22, the returns from 10 stocks accounted for approximately 62% of the total market return year-to-date.

Much has been written about the "Magnificent Seven" ("M7") and how the Artificial Intelligence investment theme has made the M7. We are one year into the generative artificial intelligence investment theme. This first wave of the AI theme has been extraordinary in several ways. But when we look back many years from now, the most noteworthy thing may be how it was both amazingly concentrated and oddly undiscerning.

Better late than never – we make no excuse for the initial purchase of **Nvidia** towards the end of September 2023, and then adding to the position in October 2023 and December 2023. Many fund managers with a value bias continue to stay away from growth stories such as Nvidia. We like to invest in high-quality companies with a compelling value proposition and that is exactly what Nvidia offered at the time we started buying.

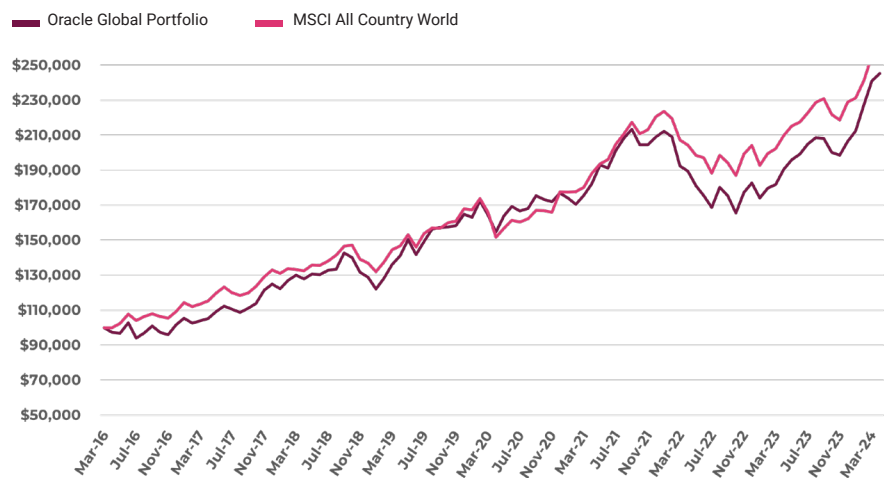
Nvidia in the Quarter under review was the top performer, followed by **TSMC** and **Amazon**.

Portfolio Performance

Rolling	Global Equities Portfolio	Benchmark (MSCI All Country World Index)	Outperformance
3 month	15.51%	13.01%	2.50%
6 month	22.47%	17.80%	4.67%
1 year	28.76%	24.58%	4.18%
2 year p.a	13.78%	13.10%	0.68%
3 year p.a	10.43%	11.60%	-1.17%
5 year p.a	11.69%	12.25%	-0.56%
Since Inception p.a (1 March 2016)	11.74%	12.62%	-0.88%

Comparative Performance

Global Equities vs MSCI All Country World (since inception)



MARCH 2023			MARCH 2024		
Company	Benchmark ETF	Global portfolio	Company	Benchmark ETF	Global portfolio
Apple	4.35%	3.74%	Apple	4.10%	4.42%
Microsoft	3.38%	3.74%	Nvidia	3.08%	3.95%
Alphabet	1.98%	5.00%	Alphabet	2.32%	5.55%
Amazon	1.57%	4.10%	Amazon	2.31%	5.99%
Nvidia	1.13%		Meta	1.49%	
Tesla	0.92%		Eli Lilly	0.87%	
Meta Platforms	0.79%		Broadcom	0.81%	
Exxon	0.75%		TSMC	0.81%	3.15%
United Health	0.73%		JPMorgan	0.80%	4.45%
TSMC	0.71%	3.79%			
Top-10	16.31%	16.64%	Top-10	20.08%	27.51%
Eli Lilly (#22)		0.46%			
MAGNIFICENT 7			MAGNIFICENT 7		
Company	Benchmark ETF	Global portfolio	Company	Benchmark ETF	Global portfolio
Apple	4.35%	3.74%	Microsoft	4.10%	4.42%
Microsoft	3.38%	3.74%	Apple	3.49%	
Alphabet	1.98%	5.00%	Nvidia	3.08%	3.95%
Amazon	1.57%	4.10%	Alphabet	2.32%	5.55%
Nvidia	1.13%		Amazon	2.31%	5.99%
Tesla	0.92%		Meta Platforms	1.49%	
Meta Platforms	0.79%		Tesla	0.69%	
Total	14.12%	12.85%	Total	17.66%	19.32%

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Oracle Global Equities Portfolio Update

Our **Nvidia** investment thesis focused on the high level of R&D to sustain the company's leading position in discrete graphic processing units (GPUs), the core technology in modern computer graphics and accelerated computing. Whilst gaming has been a key value driver for Nvidia (in the past), we expect artificial intelligence (AI) to emerge as the next key value driver – advanced large language models (LLMs) require significant memory and computing power to train and operate that clusters of powerful GPUs are necessary.

Another key aspect of our investment thesis is how Nvidia has been expanding its accelerated computing ecosystem in which hardware, software and solutions are brought together to create unique value for the markets/verticals served by Nvidia. As such, the company has emerged with Industry-leading margins, which we believe it can sustain over the medium to longer term, compared to AMD and Intel, the two primary competitors in CPU and GPU (not that CPU is a focus area for Nvidia). Finally, there is the impressive allocation of capital with a sound balance sheet, intensive R&D programs, and appropriate shareholder distribution.

During the Quarter, we initiated two new positions in **General Electric** (GE) and **Lifco** (LIFCO.B). It takes the tally of companies in the Global portfolio to thirty (30), including the disposals of **Yum China**, **Shimano**, and **Lowe's Companies**.

By the time you read this section, **General Electric** would have spun off **GE Vernova**, with General Electric retaining the aerospace business and retaining the stock code 'GE' as the surviving company. Our investment thesis for GE (Aerospace) has three elements:

- ◆ The aerospace engine manufacturing business is a good one. There are high barriers to entry, as this is a capital-intensive business and requires highly sophisticated technology that is difficult to replicate. GE Aerospace is one of four primary vendors in jet engines (in the Western world, if we include Safran – besides the CFM joint venture with GE Aerospace, Safran is the market leader in helicopter turbine engines).
- ◆ In Aerospace, customer relationships play a critical role given the importance of and focus on safety, and there is something to be said about the trust that has been established between the dominant players and their respective customers over time. The big three have pricing power, and there is strong, long-term demand for aircraft.
- ◆ These companies have long-term visibility into the revenue stream, particularly with aftermarket sales and services via long-term contracts. Margins are respectable, and returns on invested capital, or RoIC, after tax, have been attractive over the long term.

Lifco's business model is simple but not easy: the company redeploys growing operating cash flows, supplemented with debt, into growth through acquisitions. Specifically, Lifco grows through an increasing number of small- and medium-sized business (SMB) acquisitions rather than enlarging each M&A deal. The long-term orientation of the business model is borne out by history – CEOs nowadays can talk the talk, but fewer walk the walk.

The business concept is to acquire and develop market-leading sustainable, niche businesses with the potential to deliver sustainable earnings growth and robust cash flows. The company is guided by a clear philosophy of taking a long-term view of its holdings, a focus on profitability and a strongly decentralised organisation.

The success of Lifco stems from the power of compounding – investing cash into higher- and then even higher-returning assets. All the value being created over time at Lifco comes from a simple acquisition model, a singular management focus and a high degree of independence.

The man at the helm of Lifco's largest shareholder and chairman is Carl Bennet. Since the listing of Lifco in November 2014, its stock price has significantly outperformed the MSCI World (and Berkshire Hathaway), all performance figures converted to A\$ to allow for easy comparisons.

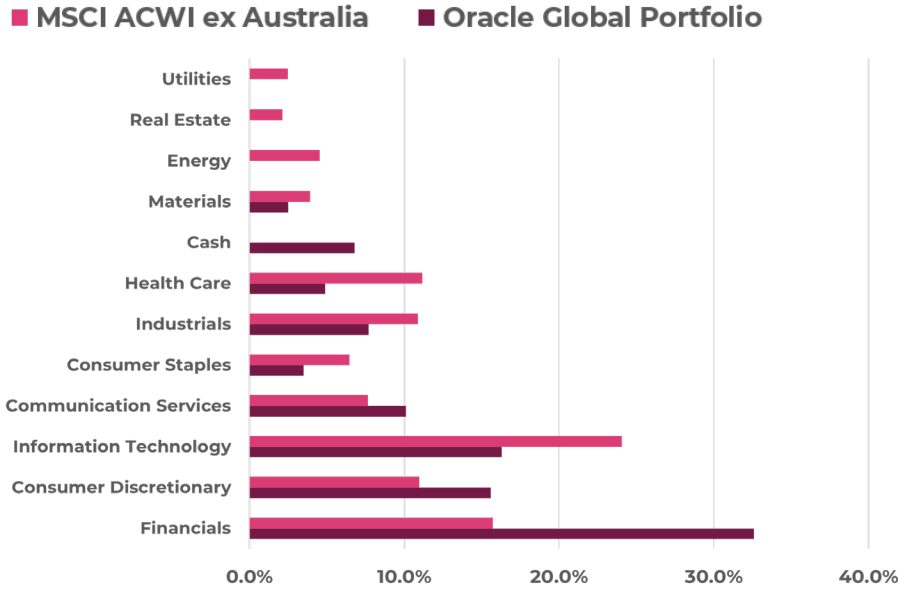
According to Forbes magazine, Carl Bennet is worth US\$7.2bn, and as a self-made billionaire and industrialist, controls four companies on the Stockholm stock exchange. His equity holdings include Lifco, medical supplies company Arjo, and logistics company Elanders. He also controls the medical products company Getinge, which Carl Bennet and fellow investor Rune Andersson acquired from Electrolux in 1989. They ran the company together for a decade before parting ways.

Besides the new positions in General Electric and Lifco in the Quarter under review, we added to the Global portfolio's weighting in **Vertex Pharmaceuticals**, **Medtronic**, **Fleetscor**, **Linde** and **Qualcomm**.

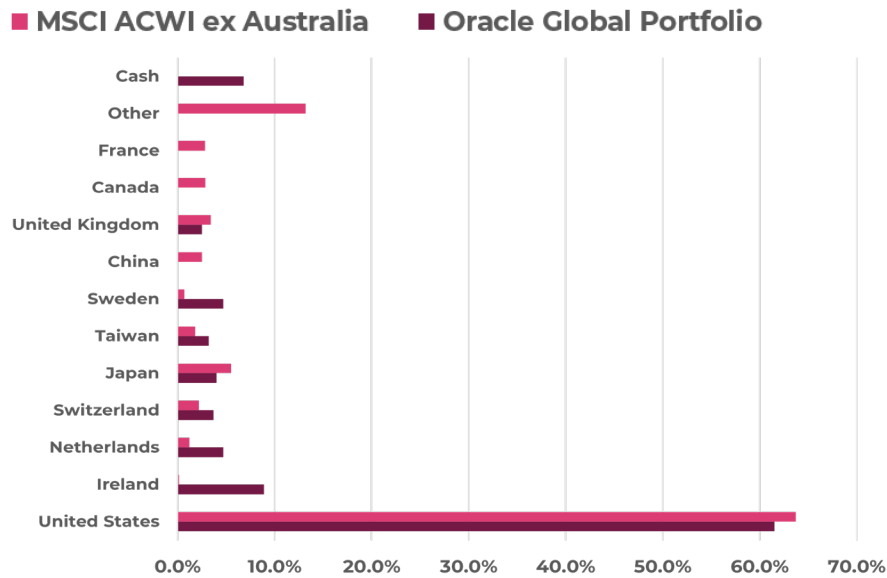
During the Quarter under review, we trimmed the weightings of **Adobe**, **Berkshire Hathaway**, **Costco (x 2)**, **Flutter**, and **TSMC** in the Global portfolio

Oracle Global Equities Portfolio Update

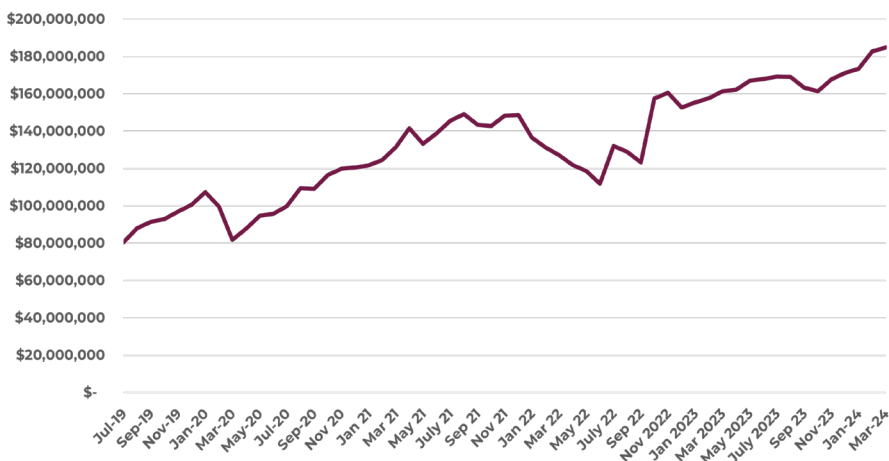
Market Segments



Geographic Exposure



Funds Under Management (since inception)



Oracle Global Equities Portfolio Update

Top 10 Performers	Portfolio Position	3 month Performance
Nvidia	3.95%	89.74%
TSMC	3.15%	26.44%
Amazon	5.99%	23.90%
JPMorgan	4.45%	23.43%
Berkshire Hathaway	3.44%	21.02%
AON	1.71%	19.94%
Qualcomm	3.04%	19.68%
Flutter	4.50%	18.28%
Mastercard	4.34%	18.00%
Microsoft	4.42%	17.03%

Portfolio Characteristics	Portfolio	Index
Historical -EPS growth - 3 years	19.1%	11.0%
Forward - EPS Growth - 3 years	16.0%	13.3%
Price/Earnings Forward - 1 year	23.7	16.1
PEG Ratio	1.48	1.21
Dividend Yield	1.0%	2.5%
Return on Equity (RoE)	26.2%	12.2%
Operating Margin	28.9%	21.6%
Gearing (Debt/ EBITDA)	2.63	3.08
Beta	1.03	1.05
Number of Holdings	30	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

Question:

How to beat the market in 3 steps?

Step 1: Ignore the market pessimists.

Step 2: Buy great stocks at good prices.

Step 3: Create a sleep friendly low-risk portfolio.

We have been taking these steps all year long. This quarter was no exception. However, the results of this quarter were exceptional. We had 342 bps alpha this quarter, which takes the one-year outperformance to 570bps over the most efficient benchmark in Australia. Great performances always need a marriage of skill and luck. Luck in this quarter came in the form of Altium. In the last quarter, we had talked about this great Australian technology firm, and how we were buying more of it at discounted prices, thanks to the Mr. Market's myriad mood swings. We topped up once more in early January, taking advantage of the price weakness.

Apparently, we were not the only ones eyeing Altium. On the 14th February 2024, Altium closed at \$51.20, and we had built a 4.6% portfolio position for you. The very next day, Renesas Electronics announced a \$9.1bn takeover deal for Altium. This offer was at about 33.6% premium to the market price and almost 31% higher than the all-time high share price of Altium. The takeover is also a wonderful time to reflect on the power of long-term investing. Oracle started buying Altium at 90 cents, and recently sold out at about \$65, amounting to a gain of a whopping 70x.

Other top winners of the quarter were GQG (up 33.9%), Goodman (up 33.6%), Reliance Worldwide (up 30.6%), and NextDC (up 29.6%).

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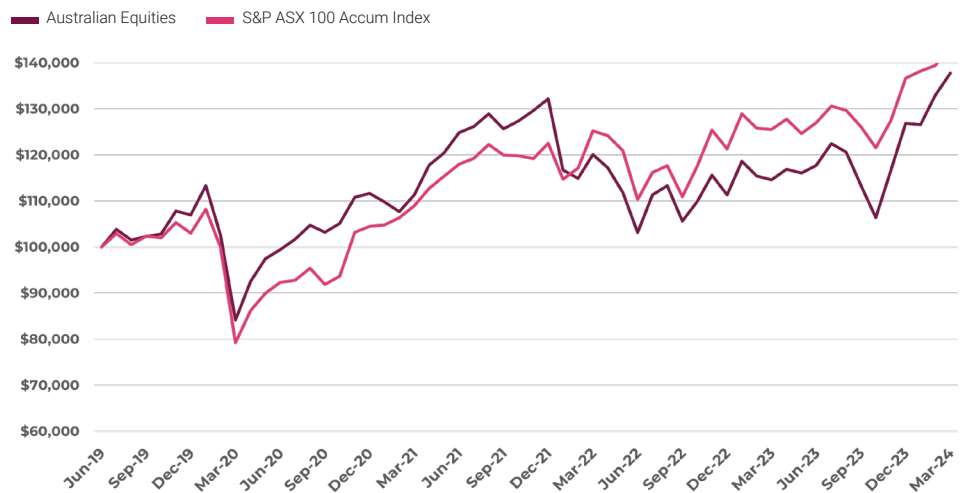
Portfolio Performance

Rolling	Australian Equities Portfolio	Benchmark (S&P ASX 100 Accumu Index)	Outperformance
3 month	8.58%	5.17%	3.41%
6 month	21.48%	13.95%	7.53%
1 year	20.16%	14.46%	5.70%
2 year p.a	7.10%	7.12%	-0.02%
3 year p.a	7.36%	9.68%	-2.32%
Since Inception p.a (1 July 2019)	6.98%	7.94%	-0.96%

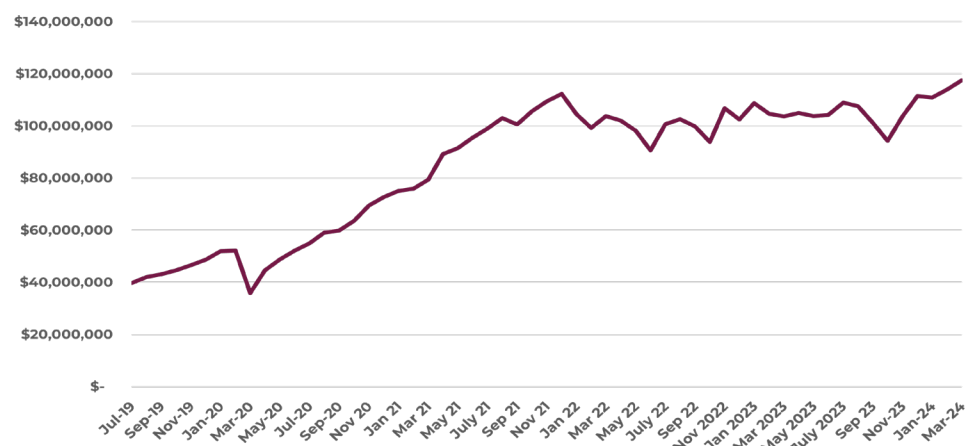
Benchmark data is of S&P/ASX200 Accumulation Index prior to 1/7/2022.

Comparative Performance

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



Funds Under Management (since inception)



Oracle Australian Equities Portfolio Update

We wrote to you last quarter that we had increased our GQG position in Q4,2023 as it was trading at about 11% forward dividend yield coupled with good growth prospects. That dividend yield has now shrunk to about 9%, and the stock returned 57.9%, 89% and 70% so far for our three top ups over the last 14 months or so. So, GQG is not only Australia's largest boutique fund manager, but has also become one of the portfolio's best performers.

Goodman Group (GMG) continues to execute strongly in property investments and developments. There is more upside here as the market rent is about 25% above Goodman's current run-rate and there is a long runway in developments as Goodman has now pivoted into data centre developments which is fuelled by the demand for Generative Artificial intelligence (AI used to create new content). As a result, Goodman is now refurbishing many multistorey industrial properties to create giant data centres.

Reliance (RWC) manufactures and supplies plumbing and water filtration products in the US, Europe, and Australia. RWC is primarily focused on the less cyclical repair and maintenance sector, along with some exposure to the more cyclical housing construction sector. As interest rates are set to fall significantly in the US and Europe, RWC stock has bounced back strongly anticipating more normalized housing construction levels. While the stock has rallied strong (up about 52% over the last year vs. ASX100's 13.93%), we think there is more upside especially as the high margin European operations improve.

While we briefly touched upon the data centre theme with Goodman, the 800-pound Aussie Gorilla of this space is NextDC. We believe NextDC is the best way to play the AI theme on ASX. NextDC is on the cusp of a massive increase in capacity from about 140.9 megawatt (MW) to 971.1MW. This is because of the demand from hyperscalers (Amazon, Microsoft, Google etc.) requiring massive data centres due to the secular shift to cloud computing, and the massive data growth from more byte intensive applications like video, social media etc. Hence NextDC reported that its large customers are now asking for 50-100MW additions as opposed to the 10-15MW capacity additions earlier. Moreover, the demand from AI is expected to be about 3-5x of this elevated Cloud demand. NextDC's order book has surged to 68.8MW, when compared to the current billing rate of 80.2MW. This means that revenues are expected to nearly double over the next three years just based on the forward order book. We also expect Price/MW to significantly improve reflecting this demand-supply imbalance, and also strong new contract wins for NextDC over the next one year. The stock has performed well for us over the last one year (up 61.8% vs. ASX100's 13.93%).

The bottom three for the quarter were Domino's Pizza (-25.4%), Arcadium Lithium (-17.9%), and Newmont (-10.9%). Domino's same-store sales were down 9% in 1HFY24 compared to the corresponding period last year. Management attributed this to weak Christmas trading in Asia, specifically in Japan and Malaysia. Japan's issues are largely due to the slow store rollout due to low franchise profitability in an environment of elevated cost inflation. Management attributed the Malaysian slowdown due to some customers boycotting perceived American firms due to the recent Middle East tensions. However, we do not think these are long-term structural issues and should be largely resolved over the next couple of quarters.

There was no specific news on Arcadium Lithium (LTM, formerly Allkem). Lithium spot prices fell significantly over the last year and are now below the marginal cost of production. This is a good sign as mines are being shut down and supplies reduced, which will eventually lead to price improvements given that the demand for Lithium batteries from Electric Vehicles is expected to be a strong secular trend. Moreover, in the case of Arcadium, there could be post-merger synergies over the next year or so (\$125m annualized cost synergy target by 2027).

Newmont had a poor result as it wrote down US\$1.9bn goodwill and reduced its dividend by about 40% and will also keep the dividend at this reduced level until the balance sheet improves after the integration of Newcrest. However, we are bullish on Newmont as the interest rates are set to fall, and there is room for Newmont to rationalize its portfolio after the Newcrest deal. In fact, we significantly increased our weights after the price fall, and the stock has recently rebounded very strongly.

BOUGHT

Altium (ALU)

Is there something like too much of a good thing? Not when it comes to Altium. We had topped up Altium close to \$40 back in November. The stock didn't pause for breath as it raced to \$45. So, what did we do? Bought more at \$45. Altium is all set to extend its traditional printed circuit board dominance in the small and medium business segment to the enterprise segment. The enterprise segment which was worth about \$800m is expected to grow to \$1.6bn by 2030. Altium has attractively priced its enterprise products, and so we expect Altium to gain market share on top of segment growth itself. Altium has also created a network effect with its PCB design ecosystem where users would be able to not only design PCBs but also search and source components. This search business has now become the 'Google of Components' as it now has 7 million searches a month and an inventory of 55 million electronic components. Moreover, we are also fans of its visionary CEO, Aram Mirkazemi, who came to Australia as an Iranian refugee who couldn't speak a word of English. Hitch your wagon to a star, the philosopher Ralph Waldo Emerson exhorted us. We certainly hitched one wagon in our portfolio to a star, and it has rewarded us strongly.

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Oracle Australian Equities Portfolio Update

BOUGHT continued

Lendlease (LLC)

LLC is a special situation where Mr Market is not even correctly valuing LLC's most valuable asset, its funds management division. Management has been progressively selling non-core assets and has plans to sell several more over the next two years. Earnings are set for an uplift over the next couple of years with strong building completions. With falling interest rates, management should be able to sell off completed assets at attractive prices, accelerate LLC's large development pipeline, and the funds management division would also shift into full gear. Moreover, with the current CEO executing well and with top activist investors backing the strategy, risk/reward is attractive in our view.

Newmont (NEM)

Gold should do well with the decline in real rates, and gold stocks should do even better thanks to their inherent operating leverage. However, while gold prices remained strong in 2023, gold stocks underperformed the market in 2023. In the case of Newmont, sales in 2023 declined year-on-year due to a strike at its Penasquito mine in Mexico, production issues at its Nevada Gold Mines and Pueblo Viejo joint ventures with Barrick, and equipment failures at its Ahafo mine in Ghana. However, the future sales should significantly improve at Newmont as from the current 5.3m ounces of gold (and 7.3m proforma Newcrest acquisition), the sales should increase to 8.8m ounces by 2027. Moreover, Newmont should be able to sell the subscale gold assets and improve the dividends. Gold prices should stay strong in the current falling rates environment. Gold is also a good portfolio hedge due to its low correlation with the business cycle.

Treasury Wine Estates (TWE)

At first glance it may seem that TWE is fairly valued, however, there is a hidden Chinese call option in the stock, which could provide us good upside from the recent prices. This is because the Chinese anti-dumping duties on Australian wine, introduced in March 2021, are now finally removed thanks to the efforts of the Australian government. Moreover, there is also upside from a potential demerger due to the current discount to the sum of the parts value. TWE is also an attractive takeover candidate due to its relatively small size, prestige products and unlevered balance sheet.

Domino's (DMP) and NextDC (NXT)

We also increased our weights in Domino's and NextDC as we think the current prices are attractive from a long-term perspective.

SOLD

James Hardie (JHX) & Reliance Worldwide (RWC)

We took some profits on both positions, as they both had run hard in 2023. While RWC returned 55.8% in 2023, JHX returned a stunning 114%.

Reece (REH) and Qube (QUB)

We sold out of both positions to fund the move into Lendlease. Reece provided a 61.5% return, Qube provided a 19.8% return, and so our investment in them proved very attractive in 2023.

Seek (SEK)

Seek has been struggling with volume growth. Revenue growth has been primarily due to price hikes and some premium placements. Australia is mature for Seek with only low single-digit volume growth. The overseas markets are still at in the early stages and hence we decided to exit the position.

Wesfarmers (WES)

Wesfarmers has had a strong run since the beginning of 2023, with the stock returning more than twice the return of ASX100. WES is likely to be a slow growth story (about 4-5% p.a. revenue growth) and hence we took advantage of the price strength to take some profits.

Dexus (DXS)

Investment is an inductive game, so it is important to periodically weed out the portfolio. A case in point was Dexus. We initially thought that prime property vacancy and rents would hold up well. However, we now have new information that Dexus was overearning on prime property rents, and office rents would fall as leases expire. The vacancy rates are still seemingly low, but that is due to high leasing discounts. Industrial, which is growing reasonably well, is only 16% of the funds from operations (FFO). Any acceleration in Industrial growth is unlikely as Dexus has low exposure to the fast-growing data centres. Funds management, thanks to the AMP integration, is doing well, but is only about 20% of the FFO. Dexus, given its large office exposure (77.8% of FFO), and as Australian interest rates are not expected to fall strongly like that in the US, could remain a value trap for some time. Since our initiation, the long serving Dexus CEO has also stepped down. The new CEO was the previous CIO, and he has announced that there won't be any major strategy change (business as usual for him even as the share price is plumbing bottoms). Hence, we decided to exit the position at a small profit (thanks to the high dividend).

Altium (ALU)

We also reduced Altium after the takeover announcement to fund other positions, as there is limited upside remaining in the stock price given we expect the takeover to go through. We are sorry to see this wonderful company leave the portfolio after owning it for many years.

Oracle Australian Equities Portfolio Update

Top 10 Performers	Portfolio Position	3 month Performance
Altium	4.46%	39.85%
GQG Partners	5.03%	33.88%
Goodman Group	2.66%	33.64%
Reliance Worldwide	1.58%	30.60%
NextDC	2.53%	29.57%
WiseTech Global	3.29%	24.75%
Wesfarmers	2.13%	21.65%
ResMed	4.67%	18.81%
CAR Group	1.80%	17.02%
Charter Hall	4.13%	14.20%

Portfolio Characteristics	Portfolio	Index
Historical -EPS growth - 3 years	13.7%	14.4%
Forward - EPS Growth - 3 years	10.8%	7.3%
Price/Earnings Forward - 1 year	20.8	18
PEG Ratio	1.93	2.47
Dividend Yield	2.7%	3.4%
Return on Equity (RoE)	10.4%	9.3%
Return on Invested Capital (ROIC)	8.8%	8.2%
Operating Margin	22.6%	13.9%
Gearing (Debt/ EBITDA)	2	1.8
Beta	1.1	1.02
Number of Holdings	36	208

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 capitalisation 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

The Emerging Companies Portfolio had another strong quarter outperforming the Small Ordinaries Index by **1.95%**, with a return of **9.50%**.

For the 2024 financial year to date, the Emerging Companies Portfolio has returned **18.48%**. This compares to our benchmark, the S&P ASX Small Ordinaries Accumulation Index, which returned **14.45%** over the same period. **Outperformance of 4.03%**.

Below is a table from Schroders which we shared in our June 2023 quarterly update, and while it compares global small caps vs large caps, the theory behind it is the same for Australian equities. Before a recession or downturn, the market sells down small companies and allocates this capital to large cap stocks or other asset classes. However, once we are in a downturn and looking through to a recovery this capital returns to the small, listed companies. This is not something one can time, as it happens quickly, so it is best to stay invested in small caps to capture the upside recovery.

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

Schroders

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

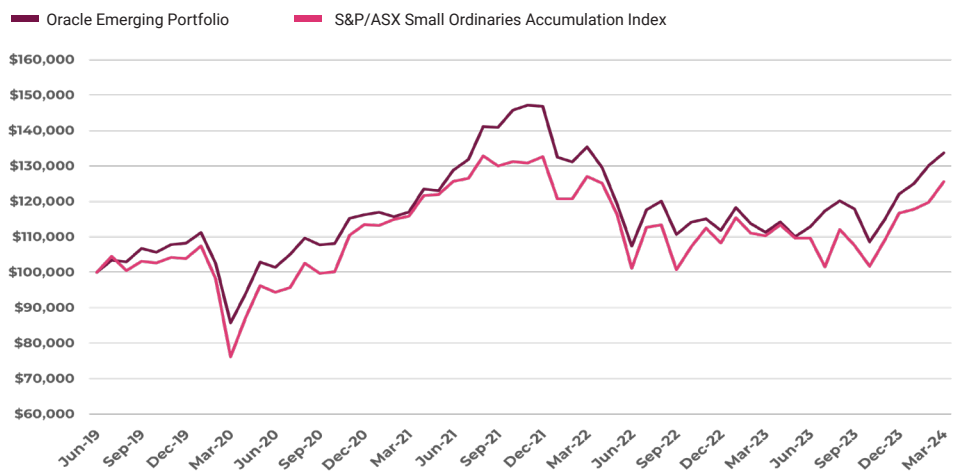
Having discussed in previous newsletters our view that the Australian small cap market was trading at a discount to its large cap peers, we believe the gap between the two closing has started to play out for the reasons given above. This is obvious in the performance of the two benchmarks we use for small and large caps. The ASX/S&P Small Ords Index has outperformed the S&P

Portfolio Performance

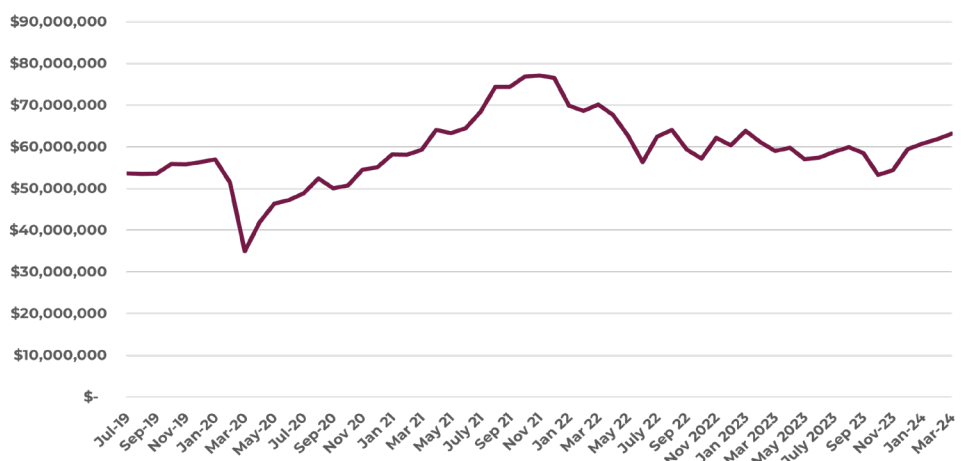
Rolling	Emerging Companies Portfolio	Benchmark (S&P/ASX Small Ordinaries Accumulation Index)	Outperformance
3 month	9.50%	7.55%	1.95%
6 month	13.42%	16.71%	-3.29%
1 year	20.16%	13.83%	6.33%
2 year p.a	-0.61%	-0.60%	-0.01%
3 year p.a	4.55%	2.72%	1.83%
Since Inception p.a (1 July 2019)	6.30%	4.90%	1.40%

Comparative Performance

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



Funds Under Management (since inception)



Continued over the page

Oracle Emerging Companies Portfolio Update

ASX100 index over the past six months by 2.47%. With investors becoming less risk averse towards the end of 2023, capital has started to return to the small end of the market.

Turning to portfolio specifics, the first quarter of the year is a busy one as February is reporting season on the ASX. Most of our companies in the portfolio released their half year FY24 results. This is always a great time to gauge how our companies are performing. We would mark reporting season as a pass (and our performance definitely agrees), with earnings surprises skewed towards the upside. The positive takeaway is, that our larger, high conviction positions surprised to the upside.

One of our top reporters for the quarter was Lovisa, returning 38.4%. I discussed Lovisa in detail last report, so I won't repeat ground that has been well covered. What I will say is, wow, this company is quickly becoming the best discretionary retailer on the ASX, and we still see plenty of upside in the company. We believe that Lovisa can manage to open over 2,000 stores globally, compared to the 854 stores reported in their half yearly result.

We took advantage of the Lovisa share price dropping below \$19 in October 2023 to increase our position in the company. This decision has paid off with the share price now trading over \$31.

Jumbo Interactive was also in our top 10 performers for the quarter, up 27.3%. This is quite pleasing considering we added to the position at the start of the year. The decision to add to Jumbo was an easy decision for the investment team. The company had a poor 2023, by their standard, which was mostly due to a lower number of large jackpots during the year (being Oz Lotto or Powerball jackpots over \$15m). The market tends to sell off Jumbo when the number of jackpots is lower than average. So, we decided to take advantage of this remembering the tailwind that Jumbo is riding, increasing the share of lottery tickets being purchased online.

The key takeaway from the Jumbo result was the disciplined cost control by management. The company has done well to keep margins stable despite the rising service fee paid to The Lottery Corp, which has now peaked. With only 40% of lottery tickets being sold online, there is still a large runway for growth as the younger, more tech savvy, generations become lottery players.

With Powerball producing 3 huge jackpot draws in January, the second half of the financial year got off to a good start for Jumbo (it was reported that over 50% of the adult population bought a Powerball ticket in the \$200m jackpot). This bodes well for their FY24 results.

Another theme where we are seeing tailwinds and opportunity is travel. We had two travel companies in the portfolio's top 10 performers for the quarter. They are Helloworld and Webjet, which returned 28.4% and 19.5%, respectively.

HelloWorld is a company we bought in the last quarter of 2023, and we outlined our reasoning for the investment in the previous quarterly update. In summary, our thesis in the company is based on the following: Helloworld, and the travel industry in general, is still recovering from COVID. A full recovery isn't expected until FY25. We also 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.

We also did a lot of work on our existing holding, Webjet, in March. This led us to the conclusion that the market was missing the strength and potential growth of Webjet's hotel bed bank business. Adding to the company before their strategy day in mid-March has proven to be a good move, with the share price up 11%.

Webjet has now transformed from primarily an online travel agent into primarily a bed bank business through its subsidiary, WebBeds. WebBeds is a wholesaler that aggregates and distributes hotel inventory (rooms) to travel sellers e.g., travel agents, tour operators and online travel agents (B2B business model).

Moving forward it is forecast that WebBeds will make up 85%+ of group EBITDA (earnings before interest, tax, depreciation, and amortisation). To understand the incredible job that management has done with this business through COVID we just need to look at WebBeds forecast EBITDA in FY24 of \$160m, compared to the \$64m it earned in FY19. This compares to many competitors whose earnings went backwards during COVID or closed up shop. With only a 4% share of their market, WebBeds has a long runway of growth ahead. Management has set big targets for what the business will look like in 2030, double the volumes they are doing now. Given their success so far, we back them to achieve this.

Kip McGrath is a company in which we were disappointed with their half yearly result. The company had issues across the three parts of its business. Despite recording revenue growth for the group, Kip McGrath reported a small net loss. A loss of a \$500,000 contract in the Middle East and recently purchased corporate centres performing poorly were detractors from the company's bottom line.

Unfortunately, this business has been unable to convert revenue growth since COVID into profits and our position is currently under review.

BOUGHT

EQT Holdings

EQT Holdings is now operating in a duopoly in the trustee services market after they purchased AET. We added to our position as we believe the company can extract more synergies from the AET acquisition than they have guided for, they have a strong position in the market they serve and has sold out of their loss-making UK business, which was detracting from profits. This is a solid company that is under the radar considering they are forecast to grow EPS at a 20% CAGR over the next three years.

Karoon Energy

We increased our position to Karoon Energy as we are positive on their recent acquisition. The "Who Dat" oil field in which the company has acquired a non-operating stake is based in the Gulf of Mexico. This is a low-cost oil field compared to Karoon's existing operations off the coast of Brazil. We believe oil prices will remain elevated as OPEC+ continue to influence supply globally, with the recent turmoil in the Red Sea also placing pressure on supply. If oil prices stay at their current levels then Karoon will be a cash making machine over the next few years.

Continued over the page

Oracle Emerging Companies Portfolio Update

Neuren Pharmaceuticals

Neuren is a pharmaceutical company focusing on rare diseases in paediatrics. Its first commercialised product is Trofinetide for the debilitating, Rett syndrome. This is the only approved treatment for this rare disease. The market is forecasting that Trofinetide will win a 50% market share of all Rett syndrome patients in the US. We consider this conservative given it is the only treatment available for Rett and the positive effects the drug has on the quality of life for the patients.

Neuren has partnered with Acadia to distribute the drug globally, with Neuren receiving royalties from sales and milestone payments related to Trofinetide. This leads to a capital light business, which has produced a large amount of cash since the approval of Trofinetide. The company is using some of this cash to fund the development of a second drug aimed at other rare paediatric diseases that also have no available treatment. The capital required to research and develop these drugs is minimal, leaving a lot of excess cash available to shareholders.

EVT Group

EVT's enterprise value is lower than the value of the company's property portfolio, which had a 20% valuation uplift in their FY23 result. We believe we are getting their operating businesses for free which includes Event Cinemas, German cinema chain Cinestar, Thredbo and the Rydges hotel chain. Value can be realised in multiple ways. Firstly, through the sale or spin-off of one or multiple operating businesses. One example is to sell off their Australian cinema business Event Cinemas. It is being reported that competing cinema chain Hoyts received a \$700m bid from private equity last year. The current owners of Hoyts knocked that back as they are looking for a \$1bn sale price. Considering Event Cinemas is the largest chain in Australia, we can assume a reasonable sale price of at least \$700m. This would generate significant value for shareholders. There is also an opportunity to further develop their properties and sell them above the current valuation, which would also create value for shareholders.

Jumbo Interactive

Discussed above.

Webjet Limited

Discussed above.

SOLD

Bapcor

Multiple red flags started popping up at Bapcor which made us uneasy as investors. The resignation of both the CEO and CFO within weeks of each other doesn't paint a good picture of internal operations at the company. While the new CEO was well received by the market, we are happy to sit this one out as the company moves through a transition phase.

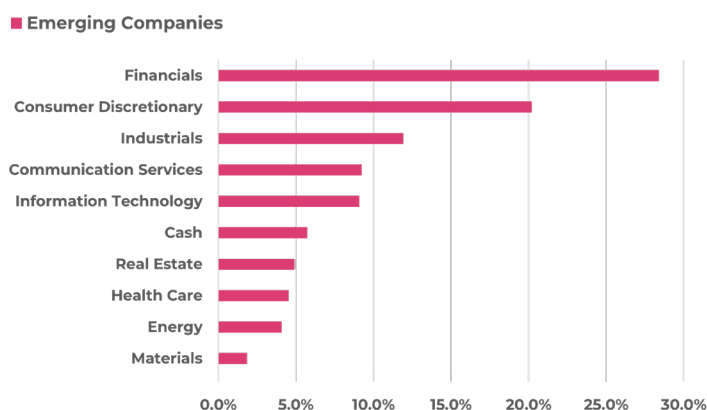
Breville Group

Breville has always been priced as a high growth retailer, trading on an average PE of almost 30x over the past 10 years. While the company was achieving growth as they scaled in the US, we believe the high sales growth they may have achieved in the past is behind them. With the next target area of growth being Asia, we are concerned that this geography will be tougher to crack than the US due to consumer differences and distribution network requirements requiring much higher investment.

Credit Corp

We sold out of Credit Corp believing our long-term thesis had broken. Recent issues with their debt collection business aside, almost 50% of the company's profits are now reliant on the company's personal/payday lending business. We aren't fans of this type of business model and would prefer to sit on the sidelines for now.

Sector Breakdown



Oracle Emerging Companies Portfolio Update

Top 10 Performers	Portfolio Position	3 month Performance
Netwealth Group	1.81%	38.96%
Lovisa Holdings	5.08%	38.41%
Navigator Global	2.36%	29.13%
Fiducian Group	2.48%	28.66%
Helloworld Travel Ltd	2.52%	28.40%
Jumbo Interactive	3.44%	27.26%
Pexa Group	0.67%	22.16%
Sandfire Resources	1.85%	21.12%
Premier Investments	2.80%	21.09%
Webjet Limited	2.89%	19.46%

Portfolio Characteristics	Portfolio	Index
Historical -EPS growth - 3 years	13.1%	10.8%
Forward - EPS Growth - 3 years	18.5%	15.4%
Price/Earnings Forward - 1 year	20.1x	19.0x
PEG Ratio	0.92	0.81
Dividend Yield	3.2%	1.9%
Return on Equity (RoE)	13.2%	6.0%
Return on Invested Capital (ROIC)	10.6%	5.2%
Operating Margin	17%	11.6%
Gearing (Debt/ EBITDA)	1.7x	1.9x
Beta	1.04	1.17
Number of Holdings	39	200

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

Please see the Important Information disclaimer on the back page.

Oracle Fixed Interest Fund Update



Ashley Cox
Portfolio Manager

The Oracle Fixed Interest Fund returned **0.95%** for March 2024. Performance for the quarter was a pleasing **3.00%**, far outpacing the benchmark's **1.63%** return for the same period. Over the past 12 months, the fund has generated an **8.82%** return. Again, this is well ahead of the benchmark's **4.69%** return.

Strong US data and a more hawkish tone from Fed speakers saw US 10 year yields push 0.32% higher over the quarter, as the market came to accept that rates could remain higher for longer. For context, at the beginning of the quarter, market pricing indicated expectations for the US Federal Reserve to deliver approximately 1.75% of rate cuts by the end of January 2025. As we stand at quarter end, the market is now pricing in 0.85% of rate cuts over the same period. Despite this, global risk assets, driven largely by US tech continued to rally, the S&P500 gaining 10% over the quarter.

It was a bumper quarter for new supply in the bank Tier 2 bond market. We had expected new supply of bank bonds to be strong early in the quarter, and the banks did not disappoint. ANZ raised \$2.285bn of 10 year bonds, callable in 5 years. As expected, these bonds priced approximately 15-20bp cheaper than existing secondary paper. NAB was next, issuing a A\$1.75bn 10 year (non-callable for 5 years) bond on Feb 2. The deal played out remarkably similarly to ANZ's January deal with both having initial price guidance at 2.05% above BBSW. But demand was such that it priced at +1.95% and immediately rallied to +1.90%.

Later in the month, Macquarie attracted staggering demand for their 10 year (Non-Callable for 5 years) deal, with A\$4.97bn of orders for a A\$1.25bn deal – by far the largest ever order book for an A\$ Tier 2 deal. This extreme demand saw pricing come well in from the +2.15% initial price guidance to land at 1.95% over BBSW (the same level as NAB and ANZ's deals) and quickly rallied inside +1.90% within hours of launching, as the heavy scaling left investors chasing bonds in the secondary market.

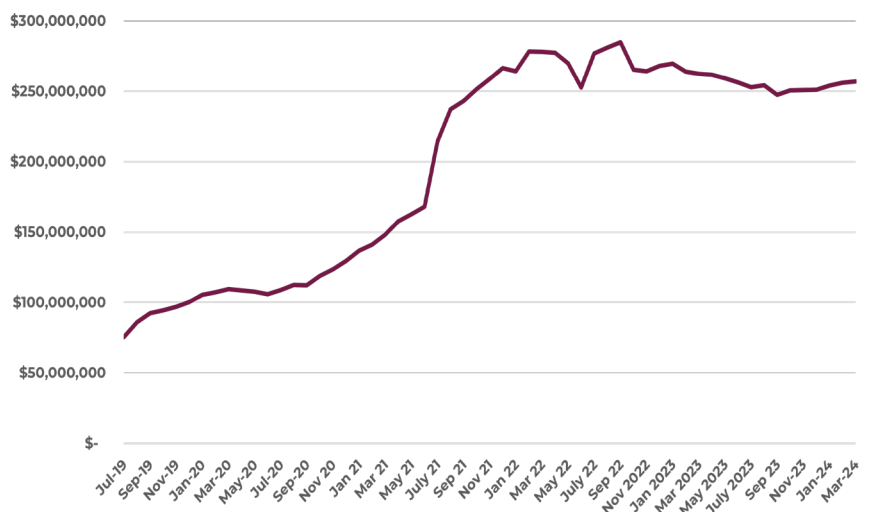
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Portfolio Performance

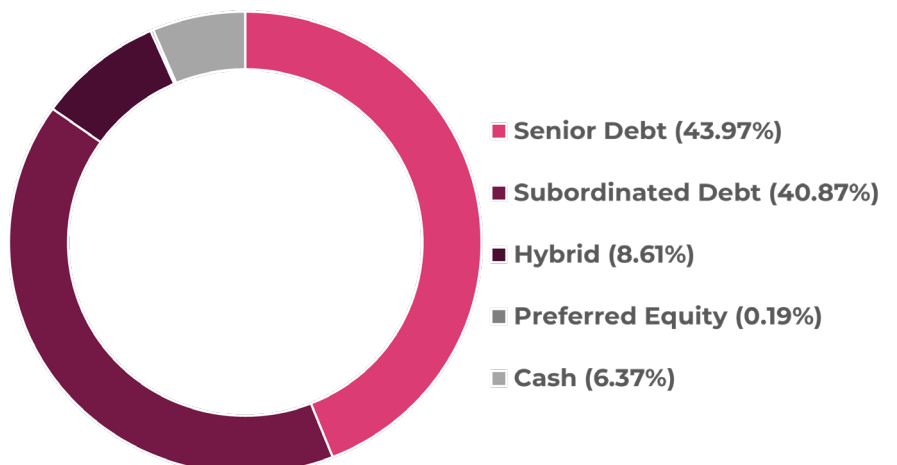
Rolling	Fixed Interest Fund	Benchmark (Bloomberg Ausbond Credit 0+Y Index)	Outperformance
3 month	3.00%	1.37%	1.63%
6 month	5.89%	4.58%	1.31%
1 year	8.82%	4.69%	4.13%
2 year p.a	4.74%	2.90%	1.84%
*Since Inception (1 Dec 2021)	2.95%	0.52%	2.43%

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

Funds Under Management



Bond Type by Weight



Oracle Fixed Interest Fund Update

HSBC and Westpac both issued as well. HSBC was a great deal, offering a 0.40% higher coupon than the major banks, for only a one notch lower rated borrower (BBB).

We provide the above detail only to emphasise that there has been, and continues to be, a lot of demand for the very bonds the Oracle Fixed Interest Fund owns. We have highlighted our recent strategy of selling these bonds at good prices in the secondary market, in anticipation of the abovementioned new supply coming, generally with a "new issuance premium". That is, the borrower pays a slight premium over existing market levels (.10-.20%) in order to encourage investors to take up the new supply. We expect the new supply to be slower in the quarter ahead, as much of the banks' funding needs are satisfied for the time being.

Trades executed during the quarter:

BOUGHT

- ◆ We bought the new **ANZ** 10 year non call 5 Tier 2 FRN at 3 month BBSW +1.95%. This offered a first coupon of approximately 6.3%.
- ◆ We bought **Ampol Limited** 21 Jun 82 FRN (Call 21 Jun 2028), selling some of our Ampol Limited 02 Dec 81 FRN (Call 19 Mar 2027), and picking up 0.25% running yield. This allowed us to lengthen our exposure to a preferred credit.
- ◆ We had previously begun to build a position in listed **Metrics Master Income Trust** (MXT) at around Net Asset Value (\$2.005), but this rallied up to \$2.06. We were able to participate in a private placement at Net Asset Value(2.00), whilst the stock was trading at 2.055. With a target distribution of RBA cash rate +3.25% (7.60%), the current distribution exceeds this level, most recently announced monthly distribution of 1.44c offers an annualised yield of 8.64% on our purchase price.
- ◆ We bought **NAB** 10 year Non Call 5-year Tier 2 Subordinated Floating Rate Note (new issue BBB+ rated), with a coupon of BBSW +1.95% (Currently 6.30%).
- ◆ We bought **Newcastle Greater Mutual Group** 5 year Senior, Unsecured Floating Rate Notes (new issue BBB rated), with a coupon of 3-month BBSW +1.85% (currently 6.20%).
- ◆ We bought **Bank Australia Limited** 4 year Senior, Unsecured Floating Rate Notes (new issue BBB rated), with a coupon of 3-month BBSW +1.70% (currently 6.05%).
- ◆ We bought **Macquarie Bank Ltd** 10 year Non Call 5year Tier 2 Subordinated Floating Rate Note (new issue BBB rated), with a coupon of BBSW +1.95% (Currently 6.30%).

- ◆ We participated in the capital raise for **Gryphon Capital Income Trust** (GCI), a listed investment trust specialising in Residential Mortgage backed Securities, and Asset backed securities. They target a return of RBA cash rate +3.50%.
- ◆ We bought the abovementioned **HSBC** Tier 2 Subordinated Floating rate notes, offering a coupon of 3-month BBSW +2.30% (approximately 6.65%p.a. first coupon).
- ◆ We participated in a **Senior Secured** 5 year term loan facility to Whitehaven Coal, for the purchase of Queensland coal assets. This is in USD, and pays a coupon of 6.50% above the USD SOFR rate (currently around 11.50% all in).
- ◆ We bought **IAG AT1 Capital Notes**, paying a coupon of 3 month BBSW + 3.20%.
- ◆ We bought **Liberty Senior** Unsecured Floating rate notes, maturing 08 Mar 2029, with a coupon of 3-month BBSW +3.75% (8.10% p.a. initial coupon)

SOLD

- ◆ We continue to take advantage of market liquidity to reduce our **Australian Unity** fixed rate perpetual subordinated bond position.
- ◆ We took advantage of recent performance in major bank tier 2 bonds to sell **ANZ** Dec 32, CBA Oct 33, NAB Feb 2034 and NAB Dec 32 Tier 2 Subordinated notes
- ◆ We sold **Suncorp** Tier 2 Subordinated Notes
- ◆ We sold our position in **NatWest** Aug 2028 Senior Unsecured.
- ◆ We sold our position in **Bank of Queensland** 19 May 2032 subordinated Tier 2 Floating Rate Note.
- ◆ We sold **Liberty** 2027 bonds to fund the abovementioned purchase of the 2029 bonds, to pick up an additional 0.575% coupon.
- ◆ We sold **IAG** Tier 2 Subordinate notes, and took profit on a small amount of our HSBC Tier 2 subordinated notes

We reduced our holding in **MyState** hybrids, and took profit on our Bank Australia Senior bond position.

The fund paid a distribution of 0.08 cents per unit for the month of March. Accordingly, the unit price will decrease by the same amount. This will be offset by a 0.08 cents per unit credit to holders' cash accounts. Distributions over the quarter total 0.22 cents per unit.

Oracle Fixed Interest Fund Update

Top 10 Holdings	Weight
Metrics Master Income Trust	5.19%
Heartland Australia Group Pty Ltd 13 May 25 FRN Senior	5.09%
Latitude Group	4.52%
Ampol Limited 02 Dec 81 FRN (Call 19 Mar 2027)	4.47%
Avanti 22 Feb 26 FRN (Call 22 Feb 24) Senior Sec	4.13%
AMP Bank Ltd 07 Oct 32 FRN (Call 07 Oct 27) Sub	3.98%
HSBC 21 Mar 34 FRN (Call 21 Mar 29) Sub	3.92%
Newcastle Coal Infrastructure Group (NCIG)	3.52%
Centuria Capital 2 Fund 20 Apr 2026	3.33%
Macquarie Bank Ltd 01 Mar 34 FRN (Call 01 Mar 29) Sub	3.04%

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

Please see the Important Information disclaimer on the back page.

Oracle Property Securities Portfolio Update



Jack Magann
Portfolio Manager

The Oracle Property Securities Portfolio returned **15.45%** for the quarter. This compares to the ASX 300 Property Trust Accumulation Index which returned **16.15%** for the quarter.

Financial year to date the Oracle Property Securities Portfolio has returned **29.02%**, and on a 12-month basis has returned **32.64%**.

We increased our weightings towards Goodman and Scentre Group during the quarter.

We believe **Goodman** is the best company within the Australian listed property sector. This showed in their recent half yearly update, with the company reporting operating profit up 28.6% and operating EPS up 27.6%. This led to a good quarter for the share price in Goodman which was up 33.15%.

Goodman also reported that they have work in progress of \$12.9bn across 12 countries. The forecast yield on the cost of these projects is 6.7% once completed. Data centres make up about 37% of WIP. Goodman has taken a large percentage of data centre WIP onto its own balance sheet as they aim to capture the upside in operating profits and higher valuations from this in demand sector. Despite this factor, the balance sheet remains strong with balance sheet gearing of 9% and look through gearing of 22.7%.

Scentre Group is the largest owner of Westfield shopping centres in Australia. While online shopping was expected to drastically decrease earnings in physical retail post-COVID, this theory hasn't played out. Scentre reports that in-store sales are 14% higher than pre-COVID as heading to the local shopping centre with friends or family remains a favourite past time of Australians.

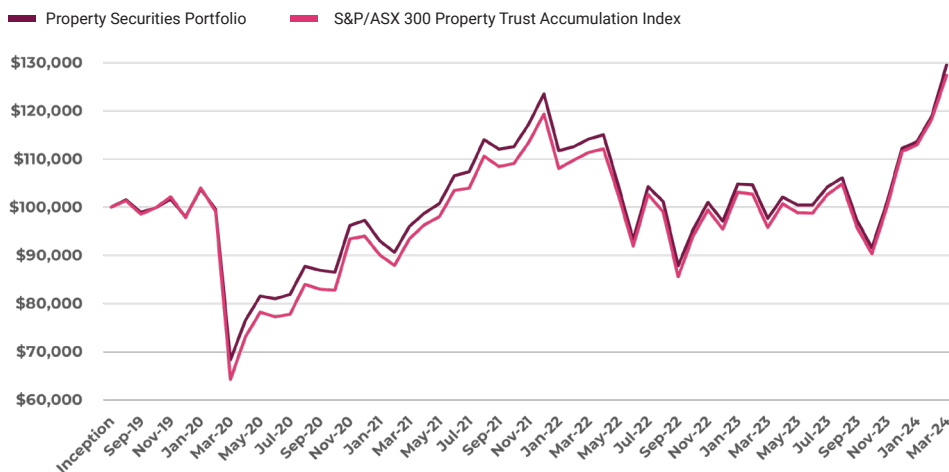
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Portfolio Performance

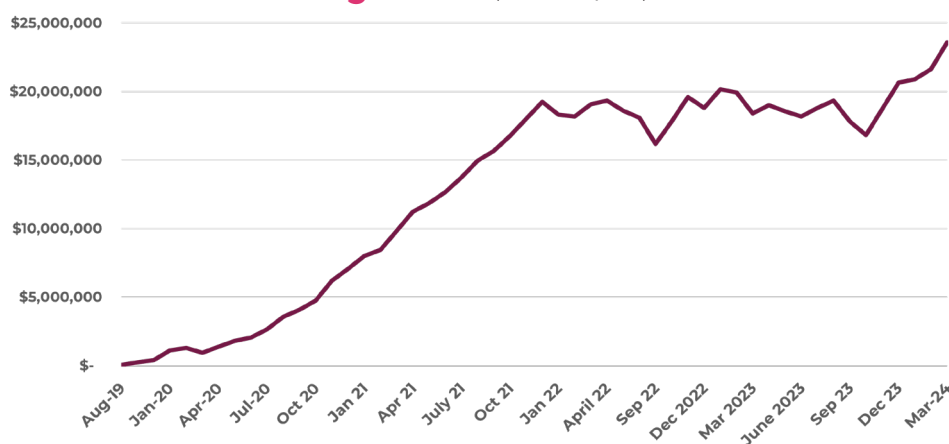
Rolling	Property Securities Portfolio	Benchmark (S&P/ASX 300 Property Trust Accum Index)	Outperformance
3 month	15.45%	16.15%	-0.70%
6 month	33.29%	35.33%	-2.04%
1 year	32.64%	35.36%	-2.72%
2 year p.a	6.54%	7.88%	-1.34%
3 year p.a	10.51%	11.51%	-1.00%
Since Inception p.a (1 August 2019)	5.71%	5.71%	0.00%

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

Westfield shopping centres are now seen as entertainment hubs, where people can dine out, catch a movie, or get a coffee, and while you're there why not do some shopping.

Scentre also has a strong development pipeline worth more than \$4bn. We don't believe this is priced into their current valuation and we should see a decent uplift in the group's NTA once they are complete. Scentre returned 15.41% for the quarter.

A new position that entered the portfolio during the quarter was **Lendlease**, a business that has had troubles in the past but is now executing well with a new CEO and activist investors becoming involved. Unfortunately, we entered before the share price moved down post the half yearly result, but we still believe our thesis remains intact.

Tony Lombardo, the CEO, was appointed in 2021 and has done a reasonable job so far, selling unwanted assets and shifting into a funds management model. The company is 2 years into a 5-year turnaround plan.

We have three large activist investors on the register who are still pushing for further improvements in the business. Allan Gray, Tanarra Capital and HMC Capital Partners have all voiced publicly their frustrations with Lendlease at the pace of their turnaround.

We believe that the performance of the CEO so far has been commendable and with the pressure from the 3 activists, we will see an uplift in earnings over the next few years.

The company increased their funds under management (FUM) by 9% in FY23, to \$48bn. They have a goal of reaching \$70bn in FUM by FY26. The market is placing very little value on the funds management business, and we believe there is more than 50% upside in the share price.

Another interesting update from the fund in the quarter was the merger of Newmark Property REIT (NPR) with BWP Trust, at a 43% premium to NPR's last trading price. For context the portfolio owns NPR but not BWP. Both REITs own and manage Bunnings warehouse properties, so a merger makes sense.

However, we believe that this deal could have been better for NPR unitholders as the implied price is still at a 17% discount to net tangible assets (NTA). It is unlikely a better offer will emerge as the board of NPR is supporting this deal.

With the upside looking limited in NPR now that the offer has been made, we exited our position.

BOUGHT

Goodman Group

Scentre Group

Lendlease Buy

SOLD

Newmark Property

We sold out of Newmark after they received a takeover offer from BWP.

Centuria

We sold out of Centuria to reduce our exposure to office property and increase our exposure to both Goodman and Scentre. The CNL dividend is also forecast to decline this year due to lower earnings.

GPT Group - Trim 3%

GPT is attempting to transition to the funds management model, similar to Goodman and Charter Hall's business model. We prefer to have higher weightings in GMG and CHC. GPT also has a third of their portfolio exposed to office properties, which we are happy to reduce.

Top 10 Performers	Portfolio Position	3 month Performance
Goodman Group	37.31%	33.15%
Newmark Property	SOLD	30.89%
Ingenia Group	1.13%	19.68%
Scentre Group	11.28%	15.41%
Charter Hall Group	5.23%	13.97%
Mirvac Group	5.18%	12.73%
Dexus Industria	1.24%	12.16%
Abacus Storage King	1.28%	9.86%
Stockland	5.15%	8.97%
Dexus Convenience REIT	1.04%	8.52%

Oracle Property Securities Portfolio Update

Portfolio Characteristics	Portfolio	Index
Historical -FFO growth - 3 years	2.7%	3.0%
Forward - EPS Growth - 3 years	2.3%	2.2%
Price/FFO Forward - 1 year	14.8	14.9
Dividend Yield	6.4%	6.1%
Return on Equity (RoE) - 3 year average	10.6%	9.2%
Gearing	29%	29.7%
Number of Holdings	22	33

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

Oracle Ethical Balanced Portfolio Update



Luke Durbin
Portfolio Manager

For the quarter ending March 2024, the Ethical Balanced Portfolio ended with a gain of 7.97% compared to the Morningstar Balanced Benchmark of 4.52%, representing 3.45% outperformance for the quarter. It is also pleasing to report that the portfolio has also outperformed the benchmark over the 1, 2 and 3-year periods.

One key reason for the outperformance over the benchmark this quarter is the overweighting that the portfolio has to global shares and the slight underweight to fixed income. As Peter discussed in his market update, US equities strongly outperformed other markets through the quarter – particularly Australian shares – and have done so over the last year as well.

At a sector level, it was our holdings in financials, information technology, and consumer stocks that were the biggest contributors. Given the strong markets we have experienced this quarter, there were no sectors that retraced.

The best performers by company were Lovisa (ASX:LOV), Adyen (AMS:ADYEN), and NEXTDC (ASX:NXT). **Lovisa** reached the podium for the second quarter in a row, on the back of an excellent first half report that was ahead of expectations. Revenue grew 18% thanks to a continued strong store rollout, adding 53 net new stores through the half, mostly in the USA and Europe. The big fish remains China, a geography that CEO Victor Herrero has deep experience in, having executed a similar strategy in his previous post as head of Asia-Pacific for the Zara-owned Inditex (BME:ITX).

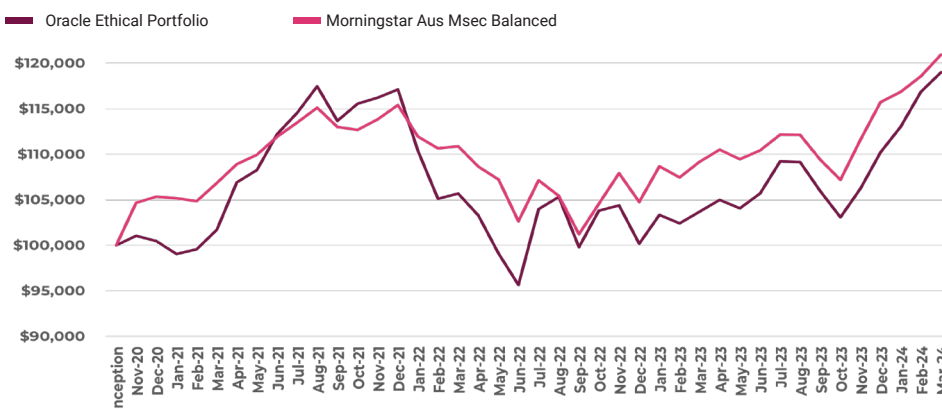
New position **Adyen** increased 37.5% since we initiated our position early in the quarter. After having risen over 70% already, our timing at the time felt somewhat late, but having increased 37% since our purchase I think you'll agree:

Portfolio Performance

Rolling	Ethical Balanced Portfolio	Benchmark (Morningstar Balanced)	Comparative Performance
3 month	7.97%	4.52%	3.45%
6 month	12.32%	10.56%	1.76%
1 year	14.76%	10.77%	3.99%
2 year p.a	6.11%	4.44%	1.67%
3 year p.a	5.37%	4.22%	1.15%
Since Inception p.a (1 November 2020)	5.22%	5.73%	-0.51%

Comparative Performance

Ethical Balanced VS Morningstar Balanced (since inception)



better late than never! While we definitely saw value at the time of our initiation, we could not have predicted the speed at which returns would accrue. The performance was largely due to a strong half-yearly report with margins improving more than the market expected. Since Adyen halved mid-2023, communication has improved and the company's targets are clear. There remains an immense opportunity for Adyen to continue to grow and reinvest capital at high rates of return. Please see below for a description of the business.

NEXTDC is a company that has received little attention in this newsletter but has been a quiet performer. It has rarely made the top performers list but is up 67.7% over the past 12 months. NXT reported the first half results at the end of February, which was ahead of consensus expectations on both a revenue and

earnings (before interest, tax, depreciation and amortisation) basis. The company reiterated full year guidance and prepared the market for some material contract wins in the future. It also called out the generative AI opportunity and we see NXT – and perhaps Macquarie Technology (MAQ, owned in the Emerging Companies Portfolio) – as the only serious beneficiaries of the AI theme.

Unfortunately, there were some repeat offenders at the back of the pack this quarter, with SolarEdge (NAS:SEDG) and Kip McGrath (ASX:KME) featuring again. Fellow small cap Laserbond (ASX:LBL) rounded out the bottom three.

Continued over the page

Oracle Ethical Balanced Portfolio Update

Having discussed KME at length in the previous newsletter, I will not belabour the point again here, but it was another disappointing result from the tutoring services provider. Although we continue to believe there is a solid franchise business in there, it is continually obscured by growth initiatives that have been reducing profitability in the short term in the hope of long-term sustainable earnings growth. To our disappointment, these long-term profits are yet to materialise. It is fair to say we are reviewing our position in this stock.

It is a similar comment for SolarEdge, whose sudden change of fate had been flagged prior to this result, but has been difficult for the market to fully quantify, given the suddenness of the shift in market demand in Europe midway through the year, and the uncertainty with the timing of its recovery. Make no mistake, there is a genuine tailwind in renewable energy and solar in particular in Europe, but the heightened borrowing costs brought on by interest rates finally caught up to the market, leading to a fall in sales and excess inventory with SolarEdge distributors, which means they then need to sell through this excess inventory before they start buying again from SolarEdge. We think the market is likely pricing in a worst case scenario and, while demand may not reach the peaks reached late 2022/early 2023 for some time, recovery will come, but patience is required.

Laserbond reported a result that was slightly below expectations, which was largely due to a short term issue where a key supplier closed, and it took some time to find a suitable replacement. The good news is that the company did not lose any business, instead creating a backlog, which appears to have mostly cleared post-half end. Laserbond also announced its entry into the WA market with a 40% acquisition of an equipment and parts servicing business in Perth. This had been previously flagged by management as part of their strategy to expand and is one we support. By bringing their technology closer to customers, the need to ship large pieces of machinery across the Nullarbor is greatly reduced, which will reduce the cost for the customer and increase sales for Laserbond. The 40% stake also highlights the leadership's focus on capital management, as a 100% acquisition would have been unnecessarily transformative, required a capital raise, and would have greatly increased the risk. LBL retains an option to increase to a 51% controlling stake within the next 3 years and I would expect the company will acquire the whole company in due course.

BOUGHT

Adyen (AMS:ADYEN)

Adyen is a global fintech company operating in the payments space. It offers services encompassing almost the entire payment lifecycle from a single integration including Gateway, Risk management, Processing, Issuing, Acquiring, and Settlement. Adyen's main selling point is its simplification of the payments value chain. Most players in the value chain focus on just one of the above, whereas Adyen does the full stack and does so on a single platform that is ubiquitous across geographies, something the legacy incumbents cannot. After announcing a large investment in staff that would impact Adyen's high margins earlier in 2023, the company was sharply repriced downward, and although we were far from picking

the bottom, we believe the risk/reward was, and is, still very attractive. We believe we are paying a fair price for a wonderful company that has many years of growth ahead of it.

Rightmove PLC (LSE:RMV)

We added a new position in Rightmove through January of 1%. Rightmove is the leading digital real estate advertising portal in the United Kingdom. It is more dominant in its home market than Australia's REA Group (ASX:REA), however, it has not embarked on a global expansion campaign like REA has. Having been launched over 2 decades ago, RMV has more or less fully penetrated its target market: if you are a real estate agent in the UK and you aren't using Rightmove you are not competing. However, because of its dominant market position of over 80%, Rightmove has obscene pricing power and routinely pushes through price rises of 10-11%. Its capital requirements are light, which means the company produces immense free cash flow, most of which is paid back to investors in dividends and buybacks.

Metrics Income Opportunities Trust (ASX:MOT)

Metrics Income Opportunities Trust is a listed investment trust (LIT) listed on the ASX, having floated in April 2019. Metrics is the largest non-bank lender in Australia and exclusively lends to large corporates with nil exposure to small businesses and nil personal loans. MOT invests solely in the private unlisted funds of Metrics Credit Partners, making it a vehicle that provides investors access to these funds in an easier manner than investing in them directly. MOT targets an income yield of 7%, paid monthly, and a target total return of 8-10% and so far it has been successful in achieving this since inception.

Gryphon Capital Income Trust (ASX:GCI)

Gryphon Capital Income Trust is an asset backed RMBS (residential mortgage backed security) manager. They invest in publicly traded RMBS bonds and private warehouse facilities. GCI is returning just under 9% and is well exceeding their target. The trust only holds the equity tranche in major bank sponsored deals and sees significant detail on deals with the ability to preclude individual loans from any aggregated security deal. This allows GCI the ability to conduct their own due diligence on deals and structure them in a way that matches their target risk and return profile.

SOLD

Bapcor (ASX:BAP)

In line with the Emerging Companies Portfolio, we sold our holding in Bapcor. After a downgrade at the November AGM, the chairman, CEO, and CFO have all resigned in quick succession. We took the view that our initial investment thesis – that Bapcor is a store rollout play backed by defensive earnings in auto parts distribution – is no longer intact. Since then, the company has diversified into a less defensive retail segment of the market, and we believe their market penetration leaves little room for further store openings. With little growth expected and after a second downgrade in late January we exited our position.

Continued over the page

Oracle Ethical Balanced Portfolio Update

Yum China (NYS:YUMC)

Yum China is a position we have owned in the Global Portfolio for about 4 years, and it has been in the Ethical Portfolio since inception. Its performance has been volatile, but we have persisted because COVID interruptions were genuine and it seemed likely the company could right the ship once lockdowns ended. The company also had some impressive targets with respect to store rollouts, and given the sheer size of the Chinese market, we gave the company the benefit of the doubt. In November, management missed guidance again and it became evident that we may have underestimated some competitive pressures in the Chinese quick service market, not helped by management kicking some own goals in terms of product. As a result, we have formed the opinion that the medium-term targets may be in jeopardy. We concluded that the investment thesis was no longer intact and as a result, the position was sold from the portfolio.

WBCPJ/BOQPF/MBLPD

We sold our positions in WBCPJ (Westpac notes), BOQPF (Bank of Queensland notes), and reduced our holding in MBLPD (Macquarie Bank notes) to fund the purchase of MOT and GCI, which are higher yielding fixed income securities. The bank hybrids all have a cash yield of about 5.3%, whereas MOT and GCI are in the high single digits. We expect this to lead to better income in the portfolio and hence, a better return.

Rockwool (CSE:ROCK.B)

Rockwool is a position that has been in the portfolio since inception and has been discussed several times through 2023 as it experienced tough economic conditions due to a slump in European building activity. However, the year ended up being significantly better than management feared and ended strongly. We took the view that, despite the improvement, the outlook was still likely to be subdued despite the regulatory tailwinds in the environment. We took the opportunity of price strength to exit the position.

Top 10 Performers	Portfolio Position	3 month Performance
Adyen	2.1%	35.8%
Lovisa Holdings	2.4%	33.7%
NEXTDC	3.2%	24.9%
Airbnb	3.1%	22.4%
JPMorgan Chase	2.1%	19.4%
Wesfarmers	0.7%	18.5%
Lowe's Companies	2.8%	16.9%
Euronext	1.6%	16.7%
Microsoft	2.8%	16.5%
Linde	2.3%	16.3%

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%
Adyen	Payments Platform	2.1%
Rightmove	Real Estate Portal	1.6%

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

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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%

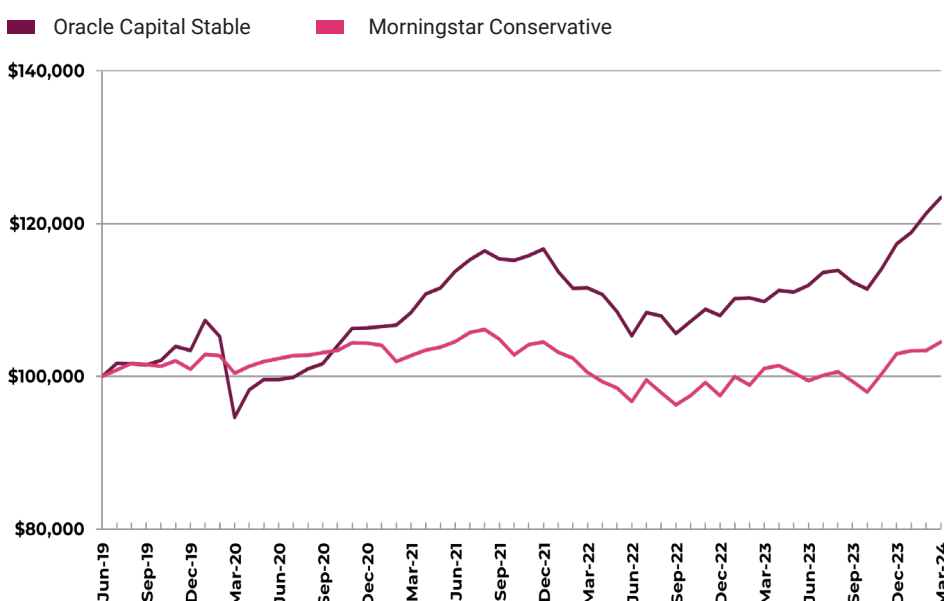
Investment Fee (% per annum)	
Capital Stable Portfolio	0.6%

Portfolio Performance

Rolling	Oracle Capital Stable	Benchmark (Morningstar Aus Msec Conservative)	Comparative Performance
3 month	5.20%	1.49%	3.71%
6 month	9.89%	5.17%	4.72%
1 year	12.41%	3.42%	8.99%
2 year p.a	5.18%	1.98%	3.20%
3 year p.a	4.43%	0.57%	3.86%
Inception p.a. (1 July 2019)	4.54%	0.94%	3.60%

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
3 month	6.35%	1.49%	4.86%
6 month	12.34%	5.17%	7.17%
1 year	14.71%	3.42%	11.29%
2 year p.a	5.81%	1.98%	3.83%
3 year p.a	5.19%	0.57%	4.62%
Inception p.a. (1 July 2019)	5.34%	0.94%	4.40%

Comparative Performance

Oracle Conservative vs Morningstar Aus Msec Conservative

(since inception)

Oracle Conservative

Morningstar Conservative



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%

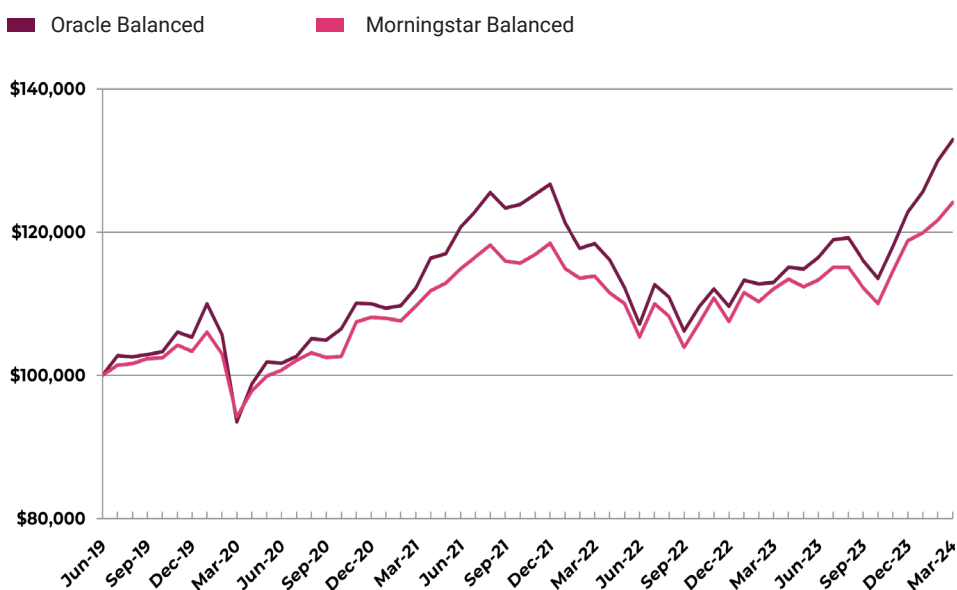
Investment Fee (% per annum)	
Balanced Portfolio	0.7%

Portfolio Performance

Rolling	Oracle Balanced	Benchmark (Morningstar Aus Msec Balanced)	Comparative Performance
3 month	8.26%	4.52%	3.74%
6 month	14.52%	10.56%	3.96%
1 year	17.67%	10.77%	6.90%
2 year p.a	5.96%	4.44%	1.52%
3 year p.a	5.81%	4.22%	1.59%
Inception p.a. (1 July 2019)	6.18%	4.66%	1.52%

Comparative Performance

Oracle Balanced vs Morningstar Balanced (since inception)



Please see the Important Information disclaimer on the back page.

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%

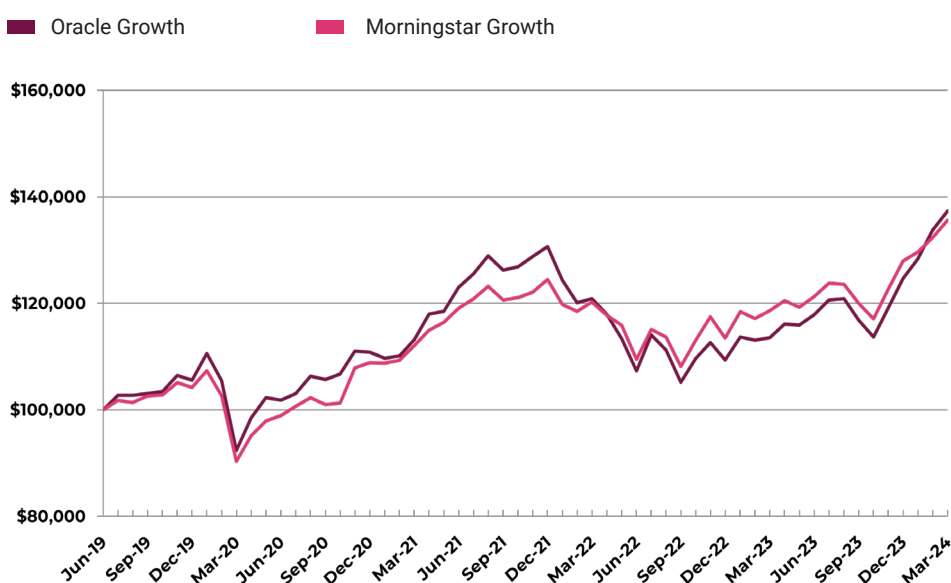
Investment Fee (% per annum)	
Growth Portfolio	0.75%

Portfolio Performance

Rolling	Oracle Growth	Benchmark (Morningstar Aus Msec Growth)	Comparative Performance
3 month	10.18%	5.98%	4.20%
6 month	17.58%	13.05%	4.53%
1 year	20.99%	14.32%	6.67%
2 year p.a	6.61%	6.19%	0.42%
3 year p.a	6.67%	6.56%	0.11%
Inception p.a. (1 July 2019)	6.92%	6.63%	0.29%

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%

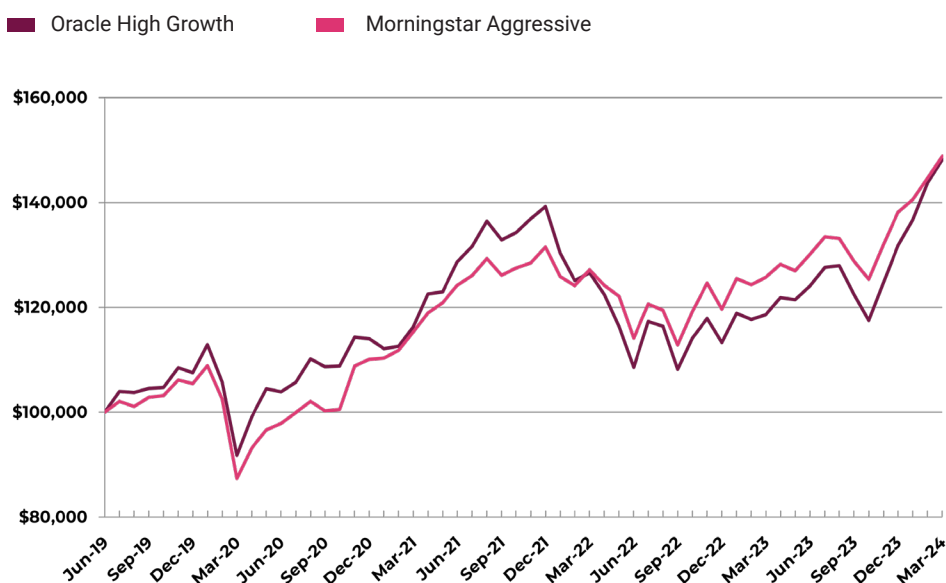
Investment Fee (% per annum)	
High Growth Portfolio	0.85%

Portfolio Performance

Rolling	Oracle High Growth	Benchmark (Morningstar Aus Msec Aggressive)	Comparative Performance
3 month	12.45%	7.77%	4.68%
6 month	21.01%	15.61%	5.40%
1 year	24.93%	18.40%	6.53%
2 year p.a	8.19%	8.20%	-0.01%
3 year p.a	8.42%	8.89%	-0.47%
Inception p.a. (1 July 2019)	8.63%	8.74%	-0.11%

Comparative Performance

Oracle High Growth vs Morningstar Aggressive (since inception)





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