



oracle
advisory
group

QUARTERLY UPDATE

ISSUE 41 - Q3 2024



QUARTER 3 IN REVIEW >>



MODEL PORTFOLIOS >>

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Market Update Quarter 3 2024



By Peter Durbin
Chief Investment Officer

September will be mostly remembered for the US Federal Reserve (the Fed) cutting interest rates by half of a percentage point (-0.5%) to a 4.75%-5% range. It was the first reduction since 2020, with the Fed signalling more reductions would follow. The Fed is currently less concerned with inflation and more concerned about a potentially weaker economy after jobs growth began to slow. Fed chair Jerome Powell noted that the policy change was not “mission accomplished” on inflation and cautioned against assuming the 0.5% cut sets a pace that Fed officials would continue.

The S&P 500 rose 5.5% for the quarter, taking its YTD return to 20.8%. The Dow Jones increased 8.2% in the quarter and is up 12.3% in 2024. Meanwhile, the Nasdaq Composite gained 2.6%, which included its first positive September since 2019. China equities rose strongly on the announcement of a significant stimulus package from the government: the China Shenzhen SE A Share Index rose 24.8% in the September month alone. On the domestic front, the ASX All Ordinaries finished the quarter 6.5% higher.

Falling bond yields saw another surge in listed property stocks, rising 13.8% for the quarter in Australia. Small caps also performed strongly. In Australia, the benchmark small-mid cap index (the Small Ordinaries) rose 5.5% for the quarter while the micro cap index (the Emerging Companies Index) increased 8.8%. Similarly in the US, the flagship small cap index, the Russell 2000 rose 8.9%. Listed property has now returned 47% over the last twelve months, partly due to AI-related distortions.

Portfolio Updates

We have been pleased with the performance of our portfolios over the past 18-24 months. Sticking to our knitting and backing conviction in a rising market has served us well. We do however have some concerns about the current level of equity and property markets and the condition of the world economy in general.

We have mentioned in updates over the last few quarters that economic risks are rising, including weakening consumer sentiment from higher interest rates, falling savings rates, signals from the bond market such as the inverted yield curve, and not least of all the increasing earnings multiples that the market is willing to pay for companies. For these reasons, we have increased our cash levels in the equity and property portfolios to approximately 10%. Additionally, in the blended portfolios, (such as the growth and balanced options), we have

decreased our exposures to growth assets and increased our weightings to cash and interest bearing bonds.

In the short term, this has been a drag on performance, as markets have continued to rise. Nevertheless, we believe it is prudent to take this action, given the risks that we perceive to be in the market at present.

We are also of the belief that Gold may provide a good growth opportunity, and a level of diversification together with reducing the risk of the portfolio.

This has been added to the blended portfolios only. Gold has continued to rise since its inclusion in these blended portfolios.

Whilst the reduction in growth assets and the increase in the level of cash has not added to performance at this stage, we believe that this strategy is likely to be beneficial in the short to medium term.

Market Volatility

At the start of August, markets experienced a shock unseen for years. The first 3 days of US trading saw the S&P 500 down 6.1%. But this was nothing compared to the carnage experienced in Japan: the flagship benchmark – the Nikkei 225 – was down 17.3% in the same span. This sent shockwaves through global investment markets, saw much ink spilled over why, and had most long only investors furiously googling “*What is a yen carry trade?*”

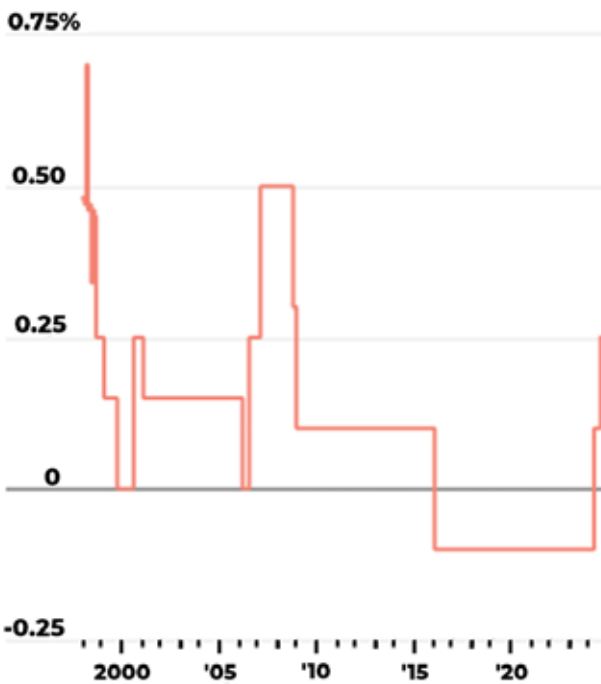
Japan has had minuscule or negative central bank interest rates for the best part of 2 decades in an unsuccessful effort to move inflation northward. This has meant that borrowers could borrow yen very cheaply and invest that elsewhere that promised a higher return – such as Mexico or the US – for “positive carry”. This formerly free lunch depends both on the borrowing currency remaining cheap and market volatility remaining low.

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Oracle Q3 2024 Market Update

Both of these factors turned against investors at the start of August: The Bank of Japan (BOJ) has recently started raising rates, hitting a level not seen since 2009 (despite still only being 0.25%); and market volatility had surfaced, with US economic data spooking US investors. This led to a vast unwinding of the carry trade that could be trillions of dollars in size.

Bank of Japan's benchmark rate



Source: FactSet

A strong rebound followed. After falling over 12% in a single session – the worst since 1987 – the Nikkei recovered 10.2% in a day, and towards the rest of the month recovered all of that lost in the early days of August. While far less dramatic, the US bounced 1.0% but still fully recovered from its fall and is once again pushing record highs.

If you only looked at the month-end index values you would not have even known there was such a panic. This is yet another lesson in keeping a cool head when clearly irrational selling is taking place. The last clear example was during the COVID-19 panic of March 2020, which turned out to be an excellent time to buy.

This volatility is now long forgotten: the ASX 200 set a new record high on the final trading day of the quarter, helped along by the mining sector's response to China's stimulus announcement, as China is a huge consumer of Australia's natural resources.

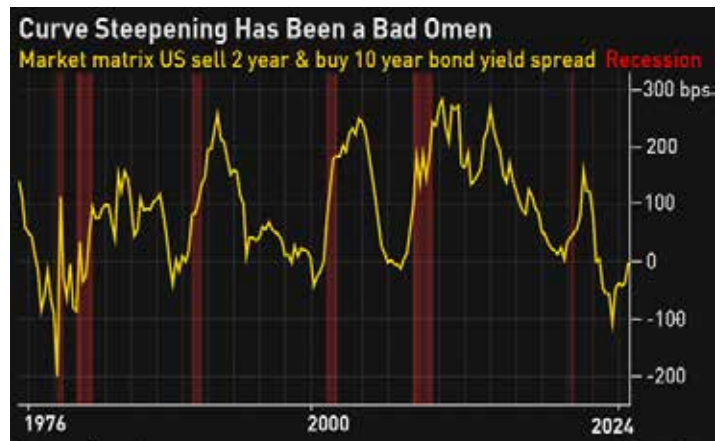
Reporting Season

Turning to corporate results, the Q2 earnings season in the US was relatively strong. According to FactSet, earnings per share (EPS) beat consensus nearly 80% of the time, versus the 10-year average of 74%. Financial stocks enjoyed the largest positive EPS surprise, with an average beat of 13.7%, followed by Utilities with 10.1%.

Locally, the August full-year reporting season was less impressive. According to Goldman Sachs, weaker-than-expected margins (on average) meant that misses outnumbered beats (38% vs 32%), with the ratio of beats to misses (0.8x) well below the long-run average (1.4x). While dividends fell 1.9%, the decline was only around half the consensus expectation due to rising payout ratios and some unexpected special dividends from the retail sector. Outlook commentary was generally cautious contributing to earnings revision trends being weaker than normal.

Economic Commentary

A very important economic indicator we follow is the yield curve, which is the difference between short-term and long-term bond yields. Typically, investors demand a higher rate for locking up their capital for longer, but for the last 2 years shorter dated bonds have yielded higher than longer dated bonds, resulting in a negative yield curve (as measured by the 10-year bond yield minus the 2-year). An inverted yield curve has been known to signal a recession, as investors demand a premium to own shorter dated bonds, suggesting their nearer-term uncertainty in the economy, but it isn't until the curve disinverts that the recession tends to arrive. That happened at the start of September. It has remained positive since – albeit small – but we think the trend will continue with the inversion continuing to unwind. Combining this metric with the moderately weakening employment environment could suggest that a “soft landing” won't be the outcome after all.



Source: Bloomberg

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Oracle Q3 2024 Market Update

The rise in the unemployment rate in the US triggered a famous recession indicator known as the “Sahm Rule”. However, initial jobless benefit claims remained low during August and there was an absence of mass layoffs. These indicators would ordinarily be much higher if the economy was experiencing a hard landing. As ever, the outlook remains murky with many competing narratives extrapolated from the same data, but we are remaining vigilant.

In Australia, the Reserve Bank’s August and September board meetings both resulted in no change to official interest rates. This was widely expected, as the June quarter CPI inflation figures printed slightly below expectations. This triggered ferocious debate among ideologically opposed economists about whether monetary policy settings were appropriate. Meanwhile, a fiscal policy debate was conducted in a similar vein, with Treasurer Chalmers pointing to recent budget surpluses, while detractors pointed to the role increased government spending was having on the inflation front.

With all that said, we consider a lot of this to be noise. Understanding the macroeconomic environment is very important but nothing beats good old fashioned fundamental analysis. Finding good businesses and refusing to overpay for them will always be our bread and butter and we believe it to be the best way to generate lasting wealth. Our portfolios remain in good shape, and I would encourage you to read the individual updates from our portfolio managers for more information.

Oracle Global Equities Portfolio Update



Johan Snyman

Portfolio Manager

The Global Equities Portfolio finished the third quarter of 2024 with a loss of 1.10% relative to our benchmark, the MSCI ACWI ex Australia (in A\$). On a 12-month basis, the relative outperformance is 4.79%. It is also worth highlighting the two-year performance, with a 23.06% p.a. return, against the benchmark's 19.48% p.a. return.

Notable contributors to the performance in the Quarter under review, from an attribution perspective, were Flutter Entertainment, Carrier Global, Corpay, GE Aerospace and Investor AB. Yes, no positive attribution from Big Tech – the so-called Magnificent 7 (Mag7) accounted (almost) for all the market's (S&P500) gain in the first half of 2024. So far in the second half, the Mag7 accounted for just 3% of the S&P500 moving higher. The remaining 493 stocks in the S&P500 index, have accounted for 97% of the S&P500 move. Of interest is the broadening of participation that was lacking in the first half.

Funny old (stock) markets – September usually represents a weak month for the S&P500, with all the major market segments showing weakness during the month on average over the past decade. September 2024 however, the broad market index bucked this historical trend, closing with an overall gain of 2.0% (in US\$). It is fair to say the jumbo 50bps cut in US interest rate propelled the benchmark, with only the Financials and Energy sectors ending the month in the red.

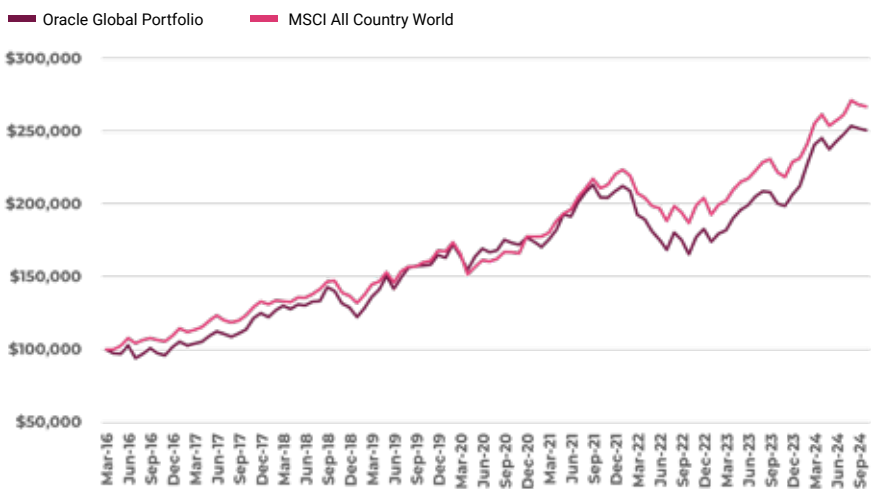
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Portfolio Performance

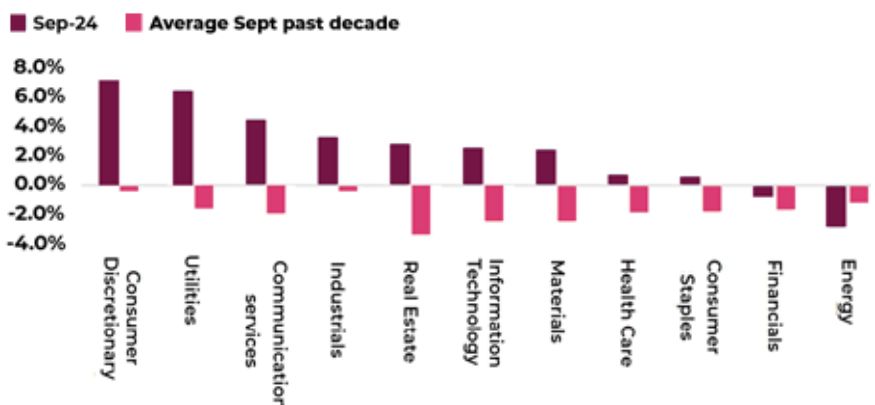
Rolling	Global Equities Portfolio	Benchmark (MSCI All Country World Index)	Outperformance
3 month	0.99%	2.09%	-1.10%
6 month	2.15%	2.13%	0.02%
1 year	25.10%	20.31%	4.79%
2 year p.a	23.06%	19.48%	3.58%
3 year p.a	7.00%	8.19%	-1.19%
5 year p.a	9.71%	10.79%	-1.08%
Since Inception p.a (1 March 2016)	11.29%	12.12%	-0.83%

Comparative Performance

Global Equities vs MSCI All Country World (since inception)



Current vs Historical Performance of S&P 500 sectors during September



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Oracle Global Equities Portfolio Update

A tweet we came across recently had the following to say about the month of October in stock markets: *Over the past 50 years, October has been the WORST month for the S&P 500 during election years, with only a 38%-win rate & average loss of -3.05%. Are you bullish or bearish?*

Our comment: does it really matter? Stay invested for the long term, timing the market is a poor investment strategy.

We like to use the table below to illustrate why we like to stay invested during ALL times, good and bad. We can pick three examples – performances of Corpay, Medtronic and Sony in the Q under review matched the performances over the past 12 months. Corpay is a high-conviction call for us, currently at an allocation weight of 4.7% and a top five position in the Global portfolio. Medtronic and Sony are the two picks we refer to as “special situations” – Medtronic is a turnaround story slowly playing out, and Sony is our value unlock through corporate restructurings, yet again playing out slowly. Deere & Co is a deep cyclical play and yes, we bought too early but have a non-consensus view as to the duration of the current down cycle in agriculture. Novo Nordisk is a classical mistake where we did not incorporate a sufficient margin of safety when we initiated a position not that long ago. However, it is a high-quality business, and we would be looking to increase the weight in the Global portfolio once we are more comfortable with the valuation and sufficient margin of safety.

Carrier Global’s investment thesis is playing out as anticipated, fair to say tracking ahead of our expectations (and the market) and the recent stock price performance is a reflection of more good things to happen.

Company	Stock price performance (in A\$)	
	12 months	3 months
Deere & Co	4.3%	7.9%
Medtronic	10.2%	11.0%
Corpay	14.0%	13.0%
Carrier Global	36.9%	22.8%
Sony	10.9%	10.6%
Zoetis	5.4%	8.7%
Monster Beverage	-8.3%	1.0%
Novo Nordisk	21.4%	-19.0%
Flutter	34.2%	24.1%

Flutter in the Quarter under review was the top performer, followed by **Carrier Global** and **Lifco**.

The 2Q24 results of **Flutter** were largely in line with our expectations and fair to say the investment thesis is playing out as envisaged. 2024 has been a packed and eventful year so far for the company, which included the (dual) listing in the US (29 January 2024) and this listing becoming the

primary listing (31 May 2024), followed by US GAAP adopted as accounting standard. Corporate activity continues and the latest announcement was the agreement entered into for Flutter to acquire Italian gambling company Snaitech S.p.A for €2.3bn from UK gambling technology company Playtech. Brazil is another geography providing Flutter with lots of opportunity. Flutter announced (just before the Snaitech acquisition) the acquisition of a 56% stake in NSX, the operator of the Betnacional brand, currently the fifth-largest gambling operator in Brazil (the gambling market in Brazil is not regulated, but about to go live on 1 January 2025). The transaction value is US\$350m, with an option to take full control in 2034.

The transformation of **Carrier Global** into a pure Heating, Ventilation, and Air Conditioning (HVAC) play is almost complete – this time next year Carrier Global will be a focused HVAC player, having divested some legacy businesses that came along with the spin-off from United Technologies in 2020 (fair to say that Otis and the second spin-off company from United Technologies was more focused and streamlined than Carrier Global at the time of the spin-offs). The total proceeds from the divestitures are expected to be ~US\$10bn and appear to be ~US\$3bn more than consensus, also the transactions were concluded over a shorter period than initially communicated to the market.

The Global portfolio’s initial purchase of **Lifco** was in February 2024. We started with a small position of 1% allocation weight. The business model of Lifco 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 the history and the founder, Carl Bennet, who is a long-term investor owning 50.2% of the company, valued at SEK67.1bn or US\$6.4bn. According to the Forbes magazine, Carl Bennet is worth US\$8.3bn or #311 on its list.

During the Quarter, we initiated three new positions in **Novo Nordisk**, **Monster Beverage** and **EQT AB** of Sweden. It took the tally of stocks in the Global portfolio to thirty, inclusive of the exits of Aon, JPMorgan, TSMC and Universal Music.

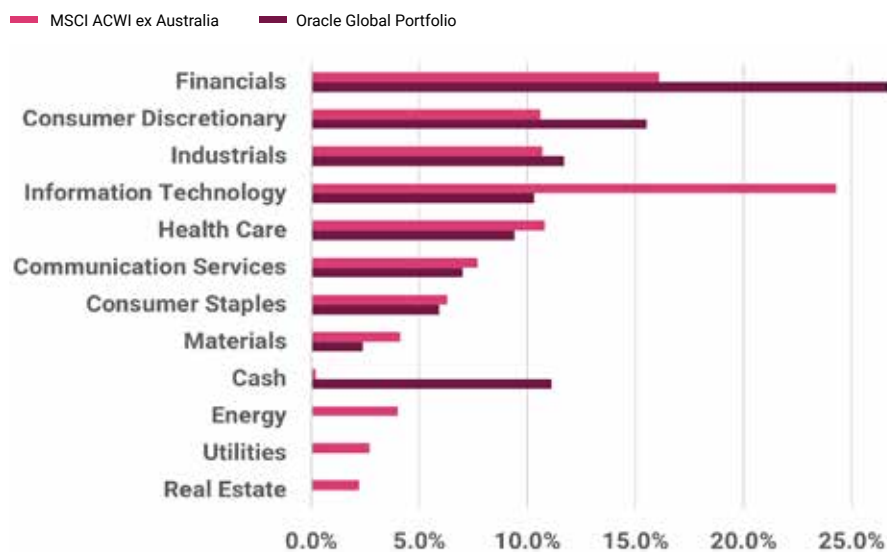
Besides the new position in Zoetis in the Quarter under review, we added to the Global portfolio’s weighting in **Corpay** (the old Fleetcor, and added twice), **Zoetis**, **Monster Beverage** (after the initial purchase), **Carrier Global** and **Flutter**.

During the Quarter under review, we trimmed the weightings of **Amazon** and **Alphabet**, more a function of risk-to-reward balancing given the respective weightings in the Global portfolio.

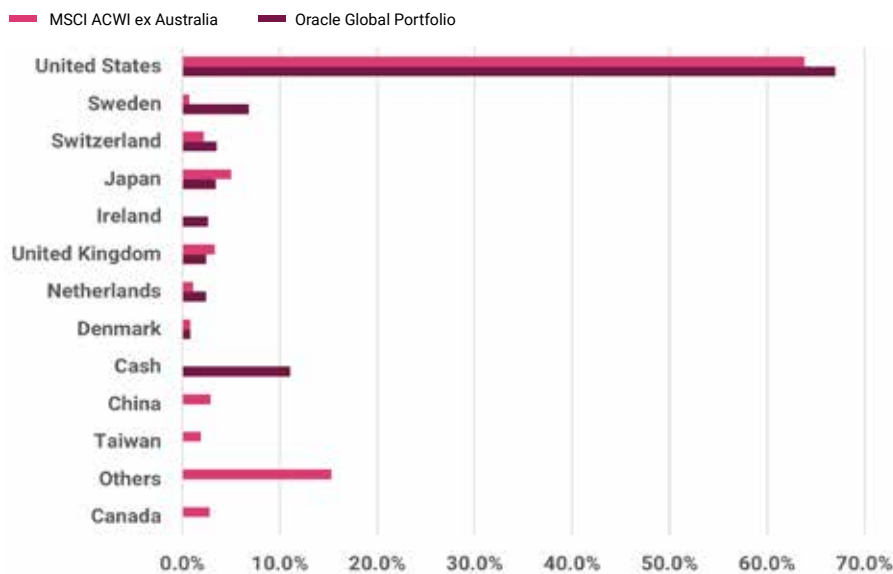
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Oracle Global Equities Portfolio Update

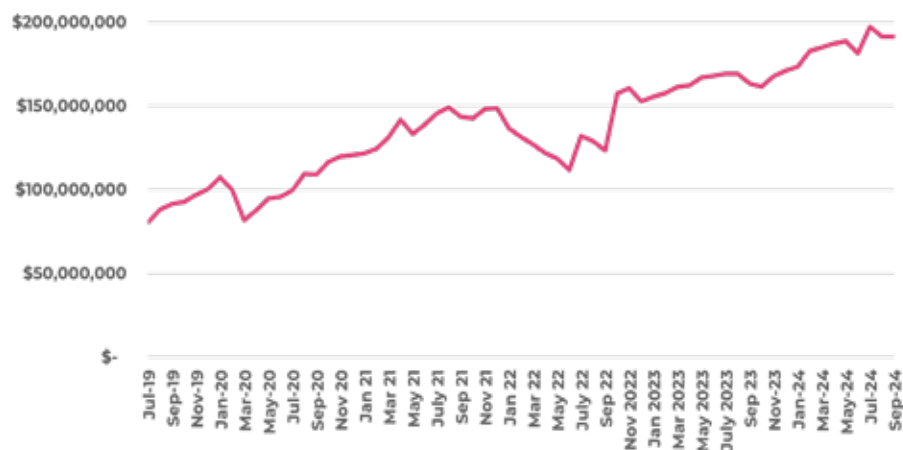
Market Segments



Geographic Exposure



Funds Under Management (since inception)



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Oracle Global Equities Portfolio Update

Top 10 Performers	Portfolio Position	3 month Performance
Flutter	5.40%	20.5%
Carrier Global	2.84%	17.7%
Lifco	1.14%	15.6%
General Electric	2.50%	14.8%
Corpay	4.66%	11.7%
Medtronic	2.57%	11.0%
Sony	1.50%	10.0%
Berkshire Hathaway	3.46%	9.2%
Investor AB	4.17%	8.4%
Mastercard	4.08%	8.1%

Portfolio Characteristics	Portfolio	Index
Forward - EPS Growth - 3 years	17.7%	14.9%
Price/Earnings Forward - 1 year	25.3	16.3
PEG Ratio	1.43	1.09
Dividend Yield	0.9%	2.4%
Return on Equity (RoE)	28.8%	12.6%
Return on Invested Capital (ROIC)	15.3%	8.8%
Operating Margin	28.8%	22.8%
Gearing (Debt/ EBITDA)	1.5	2.3
Beta	0.99	1.05
Number of Holdings	30	2,335

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

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Oracle Australian Equities Portfolio Update



George Kurian
Portfolio Manager

"It was the best of times, it was the worst of times..." – Charles Dickens, A Tale of Two Cities.

What was the best of our times? Returns, risk-adjusted Returns. Over the last 12 months, our alpha should put us among the best in business. Moreover, the gross information ratio, a measure of alpha adjusted for risk, was 1.03 which shows very high returns even adjusted for risk. In Cricket terminology, the fast-bowling Mr. Market was regularly despatched to the fences as the ball hit the middle of our bat almost always. What was the worst of times? It is unlikely that we will be able to generate such returns every one-year period. The ongoing worries about recession, the eventual floor level of interest rates, and the ever-deteriorating geopolitical situation in the Middle East mean that there would be plenty of volatility going forward. But as always, we will try our best to take advantage of the mood swings of the Mr. Market.

Over the last quarter, Technology, Real Estate and Materials were the benchmark's best-performing sectors. Both Technology and Real Estate are sectors leveraged to the interest rate trends, so there is no surprise in their strong outperformance as interest rates are now widely expected to fall. Materials were a mixed bag with gold stocks rallying strongly, Iron ore stocks declining first and then rallying towards the end of the quarter, and Lithium and Aluminium stocks largely in the downtrend. Energy, Utilities and Health Care were the benchmark's worst performers during the quarter. We have zero exposure to Energy and Utilities in the portfolio. Healthcare underperformances in the benchmark were caused by the names in the struggling Hospital and medical diagnostics sector.

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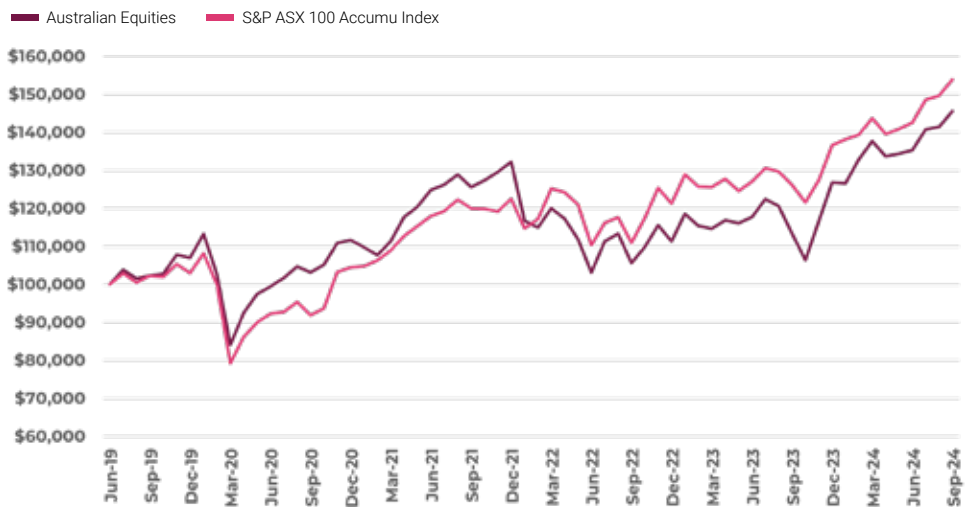
Portfolio Performance

Rolling	Australian Equities Portfolio	Benchmark (S&P ASX 100 Accumu Index)	Outperformance
3 month	7.58%	7.94%	-0.36%
6 month	5.68%	7.08%	-1.40%
1 year	28.38%	22.01%	6.37%
2 year p.a	17.38%	17.76%	-0.38%
3 year p.a	5.03%	8.65%	-3.62%
Since Inception p.a (1 July 2019)	7.42%	8.56%	-1.14%

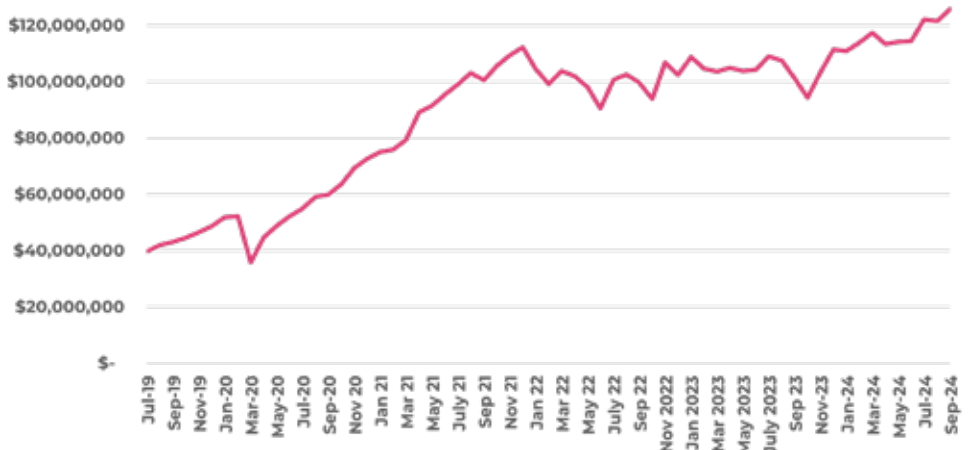
Benchmark data is S&P/ASX200 Accumulation Index prior to 1/7/2022.

Comparative Performance

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



Funds Under Management (since inception)



Oracle Australian Equities Portfolio Update

When compared to the benchmark, the bulk of our outperformance came from the Real Estate sector, and having no exposure to the underperforming Energy sector. Our underperformance against the benchmark came in Technology and Financials. The technology sector is continuing to have strong rallies, and we have been taking profits as stocks reach and exceed fair value. In the Financials sector, the big banks were strong performers in the quarter for the benchmark. We continue to have zero exposure to the big 4 Australian banks.

The top 5 winners for the quarter were **Charter Hall, WiseTech, LendLease, Reliance and Pro Medicus.**

Charter Hall (CHC)

Charter Hall has been a great investment for us. Since the beginning of 2023, we had three servings of this stock. The returns as of writing are 45.4%, 42.3%, and 26.2% respectively. While the FY24 result was no different from the previous two years with declining Funds Management EBITDA, the stock surged 15.79% on the day of results. The reason: For the first time since FY22, CHC has guided for growth in Operating EPS (79 cents for FY25 vs. 75.8 cents in FY24). In hindsight, CHC proved to be a classic value investment for us as we averaged into the name at cyclical low prices. We have 5.6% weight in the name and the stock is one of the best performing on ASX-100 this year with a total return of 32.4% YTD and 68% over the last one year. Charter Hall was also the best performing stock in the ASX-100 this quarter.

WiseTech (WTC)

We initiated on WTC back in February 2023, when the stock was in the low \$60s. We also topped up in August 2023 at about \$69.50. While we have trimmed WTC recently, at the recent prices WTC has more than doubled for us. WiseTech could show about 20% revenue growth for a long time as its core market penetration is only in the low-mid teens. Moreover, with its acquisition strategy, it can acquire new functionalities (like matching empty containers, Compliance etc), and roll out the modules across its large number of existing customers offering enhanced functionalities. For example, the most recent rollout of new products like Container Transport Optimization and ComplianceWise were the results of past acquisitions. As these are new functionalities, these are new revenues from incremental value addition as opposed to blanket price hikes. Given that the customers are locked into the CargoWise platform, from the customer point of view this is safer (why worry about cyber-attacks?), economical (marginal product addition is always lower cost) and convenient (as customers are now used to the platform). Moreover, WTC also has strong pricing power, as demonstrated in the most recent price hikes to offset inflation. With rollouts at large global freight forwarders (LGFFs) the key driver, WTC is also one of the very few tech stocks whose revenues are not directly correlated to the macroeconomic cycle.

Lendlease (LLC)

There is no doubt that Lendlease is undervalued. The Net Tangible Asset Value (NTA) for FY24 should be close to about \$7.10 per share. The stock price was way below this NTA for many days

this quarter and we topped up our positions. When we added to the stock, the market cap of Lendlease was only about \$4.3bn (Enterprise Value of \$8.4bn) and the company was planning to 'release' \$4.5bn from its assets. Second, about \$500m from this 'release' is for stock buyback and most of the remaining would be used to pay down the debt. Hence, there is clearly solid value accretion potential for shareholders, if the 'release' were to be ever completed. Even if one assumes some delay with the four projects in the Stockland deal, this is not a thesis breaker as this is a relatively small proportion of the total capital release. Moreover, on 1st August 2024, Lendlease announced the sale of Asia Pacific Life Sciences JV with Warburg Pincus, releasing \$80m to FY25 OPAT. Finally, over the last couple of weeks, the global interest rate environment has changed in favour of value creation via sale, thanks to the expectations for interest rate cuts in most G7 countries/regions. Lendlease has already announced \$1.9bn in transactions (of the FY25 transaction target of \$2.8bn) and most of it at attractive prices. Hence the view that Lendlease would be able to sell most of its Capital Release Unit (CRU) assets and 'release' its depressed stock price.

Reliance Worldwide (RWC)

We have done well with Reliance. Since the beginning of 2023, the stock is up 107.5% vs. ASX-100 at 29.1%. While we took some profits early in the year, we bought back those positions in mid-July 2024 for a 26.2% gain so far. The stock is still recovering from the trough levels. About 67% of the EBITDA is from the US. Given the high exposure to US repair and remodel spending, the stock has held up well even in this macro downturn. The housing starts in the US are still in cyclical low levels. However, the falling interest rates in the US and Europe should be positive for Reliance's volumes. Impressive to note that the firm is very innovative with a constant stream of new product introductions, and also had a decent acquisition of Holman. In a normalized macro environment, Reliance should grow revenues in the mid-single digits and EPS in the 6-8% range. The sales, which are still declining, should increase with the improving macroeconomic environment. Given the strong operating and financial leverage, the earnings are very strongly geared to the increase in volumes. The massive stock rally over the last two years means the stock is now only modestly undervalued on a full-cycle earnings basis.

Pro Medicus (PME)

Stellar results continue from PME. With only 7% of US market penetration, there would be an extended period of growth. However, the issue is with scoping the duration of this growth. Most analysts consider the stock to be overvalued. For example, while the stock is currently at \$177, Morningstar has a \$37 fair value. Some analysts like JP Morgan are already assuming a doubling of market share to about 15% to get the \$130 fair value. The bear case is that the best-in-class platforms like Visage 7 are likely to be used only at academic institutions and large hospital networks, and PME's revenue growth could reduce once these sources are tapped. The contracts signed in FY24 were about \$250m (with one single deal accounting for about \$140m).

Oracle Australian Equities Portfolio Update

So far, the revenues have been primarily from radiology, and successful entry into Cardiology and AI is required for strong growth as the installed revenue base gets larger. While PME has no Cardiology clients so far, first revenues are likely in FY25. The eventual size of the Cardiology market is likely to be between 25-35% of the radiology market. Revenues from the integration of AI into Cardiology workflows are expected to be at an even later stage. The pipeline is also strong, and management has noted that there are likely to be more large contracts like the recent one from Baylor, Scott and White.

The detractors for the quarter were as below:

Pilbara Minerals (PLS) and Arcadium Lithium (LTM)

We had a small 0.5% position in Pilbara which we have since sold. Our Arcadium position is also very small at 0.5%. There was no specific news on Lithium, but as we know these stocks are highly volatile based on speculation about the Lithium Carbonate and Spodumene prices.

Challenger (CGF)

As mentioned in the 'Sold' section below, we sold out of Challenger as we think the current earnings are as good as it is going to get for the next couple of years.

Perpetual (PPT)

Perpetual stock dipped while we await the transaction with Kohlberg Kravis Roberts (KKR) for the wealth management and trustee divisions. The core problem with Perpetual's Asset Management division continues to be FUM outflows and high operating costs. The new CEO Bernard Reilly took command on October 1st. We look forward to his strategy on cost cuts as the stock is clearly undervalued.

Steadfast Group (SDF)

Steadfast Group's stock price fell in the quarter after an ABC report flagged that Steadfast's brokers are conflicted in recommending strata insurance as Steadfast also owns the largest strata agency in Australia. Hence the concern that Steadfast is pushing its own products and hiking prices. The profit contribution from Strata is estimated to be close to 20% of the total. Hence the stock de-rated thanks to this regulatory uncertainty.

BOUGHT

GQG Partners (GQG)

GQG continues to get stronger with net flows YTD (August 2024) of US\$15.2bn exceeding the entire flows of 2023 (US\$10bn). Superb outperformance in all their strategies is underpinning such massive inflows to GQG. However, despite all these positive fundamentals, GQG pulled back in September due to market uncertainties. Hence, we took this as a chance to increase our weight.

Treasury Wine Estates (TWE)

The TWE fundamentals are playing out as we expected. The sales of luxury wines are holding up reasonably well even in the current macroeconomic downturn. With interest rates in the US expected to fall, the sales environment for TWE's discretionary products should improve from here. Moreover, there is more upside as management sells off the commercial wines and refocuses the portfolio towards the Luxury and Premium wines. The separation into Luxury and Premium wines divisions is also a recipe for a future demerger, especially given the history of demerger of the company. China wine sales should begin to ramp up in FY25 and should be full throttle in FY26. The global price increases of Penfolds this fiscal year also give us room for optimism. The stock has surprisingly fallen back and given that the valuations are attractive, and fundamentals are set to improve going forward, we increased TWE weight.

James Hardie (JHX), Reliance Worldwide (RWC), Charter Hall (CHC)

As the rates in the US are expected to fall, we increased the leverage to rates in the portfolio. These names above have good leverage to falling rates, no major stock specific issues, and are all undervalued. Hence, we topped up these positions in early July.

Lendlease (LLC)

Given that interest rates are set to fall, and as Lendlease is priced attractively, we chose to increase the weights in the name.

SOLD

Santos (STO)

Santos has been a value trap for some time as there is uncertainty on whether the long-tail LNG projects will ever be constructed and the value realised as the world slowly but steadily moves towards net zero. The ESG investing trend of the institutions is also a headwind for Santos' P/E multiples (Oil/Gas stocks are the biggest ESG bête noire), not to mention the volatility inherent in the commodity prices. As the stock ran close to \$8.00, we chose to exit the position.

Sonic Healthcare (SHL)

Sonic Healthcare is in a difficult situation as it must battle rising cost inflation when its prices are largely frozen. Pathology EBITDA is about 84% of the total EBITDA. Sonic already has had one profit warning, and given the difficult conditions, even in the best-case scenario earnings are likely to grow at a low rate, and in the worst-case scenario, it is likely to decline over the next two years or so (like most of its pathology/health care service peers). Hence, we decided to exit the name.

Continued over the page

Oracle Australian Equities Portfolio Update

BHP Group (BHP), GQG Partners (GQG), Wesfarmers (WES), Pilbara Minerals (PLS), Goodman Group (GMG), WiseTech (WTC), James Hardie (JHX), Macquarie Group (MQG), Fisher Paykel Healthcare (FPH), Pro Medicus (PME): We trimmed all these names as part of the risk management in early August.

Challenger (CGF)

We exited Challenger as we think Challenger is having peak earnings and its annuity earnings would decline with the fall in rates. Moreover, the US private equity giant Apollo also seems to agree with us as it also halved their stake in Challenger.

CSL Limited (CSL)

We trimmed CSL as the gross margin improved 120bps at the key Behring division, while lacklustre growth continues in its other two divisions – Vifor and Seqirus. Now that the potential blockbuster CSL-112 has failed, Hemgenix launched, and Garadacimab is ready for regulatory submissions, the immediate pipeline upside is also modest. Hence, we trimmed the position.

Top 10 Performers	Portfolio Position	3 month Performance
Charter Hall	5.7%	42.8%
WiseTech	2.0%	36.9%
Lendlease	5.6%	33.2%
Reliance Worldwide	2.8%	30.8%
Pro Medicus	1.2%	24.6%
Newmont	5.5%	23.4%
James Hardie	2.8%	21.4%
ResMed	5.9%	20.5%
Aristocrat Leisure	4.7%	17.8%
Fisher & Paykel Healthcare	1.0%	15.6%

Portfolio Characteristics	Portfolio	Index
Historical -EPS growth - 3 years	-0.8%	8.4%
Forward - EPS Growth - 3 years	15.5%	8.3%
Price/Earnings Forward - 1 year	19.9	18.5
PEG Ratio (Median)	2.02	1.63
Dividend Yield	2.8%	3.6%
Return on Equity	10.8%	6.3%
Return on Invested Capital (Median)	11.9%	10.4%
Operating Margin (Median)	17.8%	14.0%
Gearing (Debt/ EBITDA)	2.57	1.62
Beta	1.02	1
Number of Holdings	28	209

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

Please see the Important Information disclaimer on the back page.

Oracle Emerging Companies Portfolio Update



Jack Magann
Portfolio Manager

The Emerging Companies Portfolio has returned **12.83%** over a one-year period. This compares to our benchmark, the S&P ASX Small Ordinaries Accumulation Index, which has returned **18.79%** over the same period.

For the quarter the portfolio was flat at **-0.01%**, and the index had a strong start to FY25, returning **6.53%** in the first quarter. After a tough start to August with the markets spooked by the Japan carry trade, the commencement of the US rate cutting cycle has brought positivity to markets. This is especially true in small and micro caps, which outperformed their large cap peers in September.

The past two years have been very difficult in the small cap universe, not only in Australia but also globally. We have touched on this in previous letters and discussed small caps underperforming large caps in this part of the cycle. The positive to note is that once the cycle turns and the market becomes bullish, small caps have a history of strong outperformance. We started to see this play out in September and expect it to continue if we remain on the forecast rate cut trajectory.

The majority of companies in the portfolio reported their results through August. There were mixed results as smaller companies are still battling with higher interest rates and inflationary pressures, plus a broader market sell-off. Pinnacle was one of the best results for the portfolio and we remain long term holders of the company.

Pinnacle Investment Management has had a great 12 months with the share price up greater than 100%. This is on the back of the company performing strongly as their fund manager distribution model continues to scale well.

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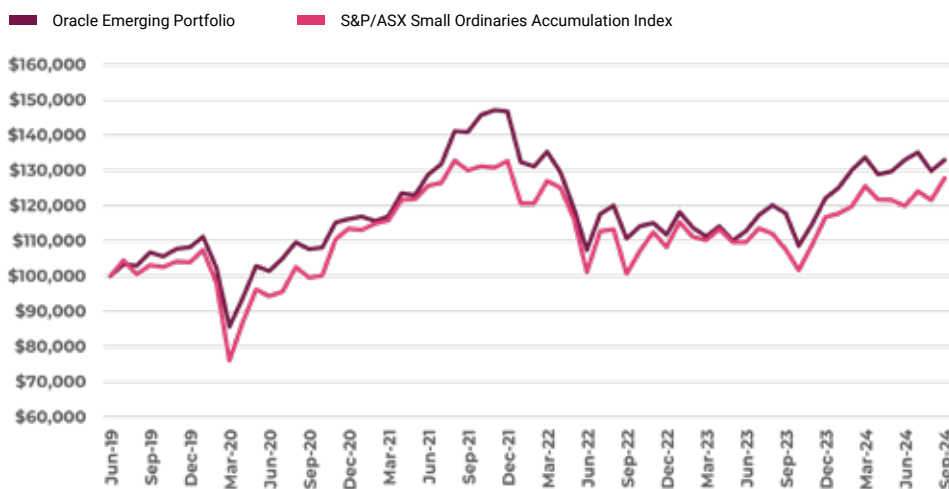
Quarterly Update | Q3 2024

Portfolio Performance

Rolling	Emerging Companies Portfolio	Benchmark (S&P/ASX Small Ordinaries Accumulation Index)	Outperformance
3 month	-0.01%	6.53%	-6.54%
6 month	-0.52%	1.78%	-2.30%
1 year	12.83%	18.79%	-5.96%
2 year p.a	9.62%	12.66%	-3.04%
3 year p.a	-1.91%	-0.57%	-1.34%
Since Inception p.a (1 July 2019)	5.58%	4.78%	0.80%

Comparative Performance

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



Funds Under Management

 (since inception)


Oracle Emerging Companies Portfolio Update

The company announced their FY24 result in early August and reported that revenue was up 30% and net profit up 35%.

Pinnacle's business model is to seed funds managers and take a minority stake in these managers. Pinnacle then provides the distribution and back-office operations to assist these fund managers in succeeding. As the company shares in the profits of each investment, a key to their positive performance this year was higher performance fees as equity markets recovered.

Pinnacle previously had high exposure to equity markets but has diversified away from that in recent years. In their FY24 report, the company noted that as a percentage of FUM, they have a 61% exposure to equity markets. This compares to over 70% exposure in FY16. Moving forward this will reduce the volatility in Pinnacle's earnings if equities move into a bear market.

Pinnacle also announced that they are seeding a new fund manager, Life Cycle Investment Partners, who will specialise in global equities. This is well hyped due to the new team coming from Royal London Asset Management and led by star stock picker Peter Rutter. The fund currently run by this team has been very popular in Australia due to a history of strong outperformance.

Our two holdings that directly operate in the financial planning business also reported positive results. They are **Fiducian** and **Centrepoint Alliance**. The financial planning industry was given an almighty shake-up post the Banking Royal Commission in 2018. With new qualifications required to practice as a financial adviser, many advisers have left the industry, and they aren't being replaced as the barrier to entry into the profession is now high. Authorised financial advisers have reduced from 28,000 at the start of the Royal Commission to 16,000 today. So, large advice practices already in place like Fiducian and Centrepoint are set to benefit from a reduced supply of advisers and increasing demand from clients as the population ages.

The large advice firms that were caught up in the Royal Commission, e.g. AMP and IOOF, are still losing advisors at a rapid rate. This is benefitting Fiducian and Centrepoint who are either holding their adviser numbers steady or growing at a rapid rate, in the case of Centrepoint.

We believe these two companies are set to benefit long term from the recent turmoil in the industry. Now things have somewhat settled in the industry, both Fiducian and Centrepoint are in strong positions to maintain their revenue and earnings growth.

We will turn to one of our holdings, **Yancoal**, which was a poor performer in the quarter. Yancoal is one of the largest coal miners in Australia with mines in the Hunter Valley and Queensland. The coal industry is at an interesting stage as developed countries attempt to phase out its usage over the next decade. Countering this is the increased demand from developing countries, mainly China and India, which are increasing their consumption. This has led to yearly global consumption increasing to record levels.

With global consumption at record highs, and governments unwilling to grant permits to any new coal mines, the coal price remains at elevated levels compared to the historical average. We believe this is a simple supply/demand mismatch which will help keep coal elevated at these prices as supply continues to decline but demand remains.

So, what happened with Yancoal during August? The company reported another strong result which we expected from the company. With no debt on the balance sheet, the company continues to spit out cash, making \$565m of free cash flow (FCF) for the first half of 2024. This led to the company's cash balance increasing 43% to \$1.55bn.

However, the surprise came when Yancoal announced that no dividend would be paid for the half. Considering the company has paid a dividend yield between 15-25% for the past two years, shareholders weren't happy as the high dividend yield is a key attraction of holding shares in the company. The reason for holding back the dividend was the potential for Yancoal to acquire Anglo American's coal mines, which are up for sale, before the year is out. These coal mines are in Queensland producing metallurgical coal. This would give Yancoal greater exposure to met coal, as the mines they currently own mostly produce thermal coal.

The bidding process for these mines will be highly competitive with other coal companies like Glencore and Whitehaven, for example, also reported to be interested in the assets. The good news for Yancoal shareholders is, that the company has a high cash balance they can put towards the acquisition if successful in the bid. Or, management did note, that if they are unsuccessful, the cash will be returned to shareholders in the form of dividends.

The overselling of Yancoal was an overreaction on the day. Yancoal has bounced back somewhat post quarter-end and at the current share price, Yancoal is looking very cheap for a company that is producing large amounts of cash.

BOUGHT

Abacus Storage King – Add +1.3%

Abacus Storage King reported their net tangible assets (NTA) increased by 7cps in the second half of FY24. The REIT now trades at a 24% discount to its NTA. This compares to their key competitor, National Storage REIT, who trade at a 5% discount. We believe that Abacus has a better portfolio than National Storage REIT on the basis that Abacus' portfolio is more concentrated to high density areas, where they earn higher revenue per square metre. The discount to NTA is too wide between these two companies and Abacus should trade closer to its NTA. With interest rates forecast to decline, we believe the discount can narrow this financial year.

Oracle Emerging Companies Portfolio Update

AI Media – Buy 1%

This is one of a handful of businesses on the ASX that is truly benefitting from AI. AI Media provide transcription services to broadcasters which enable captioning on television programs. Historically this task was completed by a human typing the words to be captioned. AI Media now has a game-changing AI program called LEXI which removes the need for humans, and it is more accurate. The company is seeing strong growth with this system and is quickly taking market share in the US. There is also a big opportunity in Europe over the next few years as new legislation commencing in 2025 requires all broadcasting to have accurate captioning. At a much cheaper cost to the broadcaster, it is a no brainer to use the LEXI product over the human services.

Australian Unity Office Fund – Buy 2.0%

Discussed in the Oracle Property Securities Portfolio commentary.

Catapult Group International – Buy 1.0%

If you have watched any professional sport you have likely seen Catapult's key product on display. This is the player tracking device that usually sits between the players' shoulders within a pocket in their jerseys/uniforms. This device provides various types of data to the coaches and sports scientists of sporting teams, which in turn is used to improve player performance and manage workload. Catapult is the number one leader globally in this market, counting the biggest global sporting brands as their customers e.g., New York Yankees (baseball), Manchester City FC (football), Golden State Warriors (basketball) and many more.

The company recently moved into video products, which are also provided for player analysis, and is gaining traction in cross-selling this product to its existing customers. We see strong growth ahead for the company with high incremental margins for new teams signed where the majority of new revenue will drop to the bottom line.

EQT Holdings – Add 0.8%

EQT now operates in a clear duopoly in the trustee market and their competitor, Perpetual, is distracted by corporate transactions and management issues. The intergenerational wealth transfer to occur over the next 20 years provides strong tailwinds for the market and EQT is primed to capitalise on this. This is now one of our largest holdings as we have a high conviction that earnings can compound strongly for many years to come.

Web Travel Group – Add 1.4%

We added to WEB before the demerger of their online travel agency business. Reviewing our forecast value of each entity when operating as separate businesses, we noted that the group was trading at a large discount to our estimates. The two businesses have now split, and we continue to own both, with Web Travel Group (WEB) being the high-growth WebBeds business we have previously discussed and Webjet Group (WJL) being the traditional Webjet online travel agency website. We still believe both businesses are undervalued at the time of writing.

SOLD

Pinnacle Investments – Trim -2.5%

We trimmed Pinnacle after their result release. The company had grown to become our largest holding and was up 70% for the calendar year. With Pinnacle trading over our fair value estimates, we decided to take some profits. Despite the trim, it remains one of our largest holdings and we are bullish on the company long term.

Lovisa Holdings – Trim -1.2%

We trimmed Lovisa before their result release as we thought the valuation of the company had run ahead of itself in terms of market expectations. With the share price up 110% since late 2023 just before the FY24 result release, the market was anticipating the store rollout by the company to continue at its rapid pace. However, with the CEO announcing that he was stepping down, the incentive for him to push as hard for new stores to be open wasn't there. We got this call right with the share price being sold off on the day the results were released. Despite the sell-off, the company is up 70% since October 2023, a time when we added to our position in Lovisa. Like Pinnacle, Lovisa remains one of our top holdings and a high conviction position in the fund.

Charter Hall Long WALE REIT – Full Sell

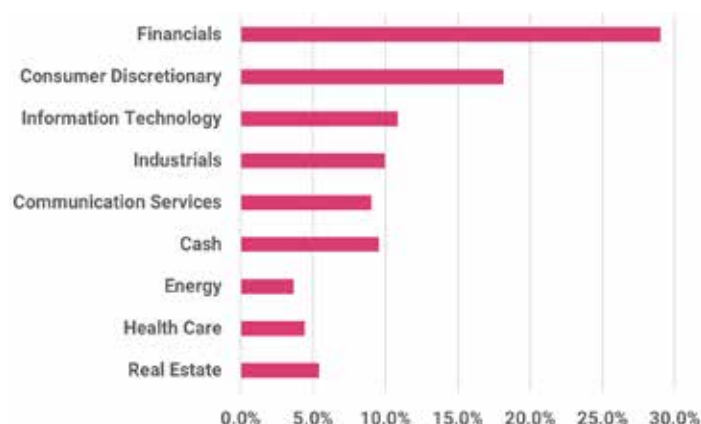
We exited Charter Hall Long WALE REIT during the month. While the discount to net tangible asset (NTA) remains, which was our original thesis, the balance sheet has come under strain. The REIT has been selling off assets to reduce gearing, which has in turn reduced income and the NTA.

Sandfire – Full Sell

We exited Sandfire during the quarter. This was a position we did well from, buying when the copper price was low. During our holding period, the copper price rose on the back of supply/demand imbalances. However, with a potential global recession and the copper price already high, we decided to take our profits. Colloquially, the metal is referred to as "Doctor Copper" as it is reputed to foretell the health of the global economy. We expect prices to weaken as the economy slows and uncertainty around growth in China remains.

Oracle Emerging Companies Portfolio Update

Sector Breakdown



Top 10 Performers

	Portfolio Position	3 month Performance
Pinnacle Investment Management	2.74%	21.12%
MA Financial Group	2.73%	19.42%
Fiducian Group Ltd.	2.76%	17.46%
Capitol Health Ltd.	3.67%	17.14%
Baby Bunting Group	0.93%	16.45%
Seven Group Holdings	4.47%	14.60%
Aussie Broadband	3.08%	12.43%
Centrepoint Alliance	0.98%	11.21%
Abacus Storage King	2.76%	10.97%
Charter Hall Long WALE REIT	SOLD	9.91%

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

Portfolio Characteristics

	Portfolio	Index
Historical - EPS growth - 3 years	12.7%	7.1%
Forward - EPS Growth - 3 years	16.2%	15.3%
Price/Earnings Forward - 1 year	22.5x	18.9x
PEG Ratio	1.40	1.24
Dividend Yield	2.7%	2.0%
Return on Equity (RoE)	11.6%	6.2%
Return on Invested Capital (ROIC)	11.0%	5.9%
Operating Margin	14%	10.8%
Gearing (Debt/ EBITDA)	1.50x	2.16x
Beta	0.9	1.07
Number of Holdings	39	200

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 **1.98%** for the quarter, versus the benchmark **3.06%**, and **10.25%** for the 12 months to 30 September 2024, outperforming the benchmark's **8.02%** return.

As discussed in previous reports, July and August saw significant falls in bond yields as the market became more confident that global central banks would cut rates to keep the recession at bay. This trend continued into early September. On the 18th in the US, the FOMC cut rates by 50bps. In his press conference, Chair Powell mentioned that 50bp increments aren't going to be the new norm. Longer term yields rose on the announcement and have remained above pre-meeting levels.

In Australia, the rates market has been relatively quiet, with most directions continuing to be imported from offshore. The RBA left rates unchanged on the 24th of September and mentioned that they didn't explicitly consider a hike that supported market pricing of a rate cut by year end (bps of cuts are currently priced). The only other important data domestically was the August monthly CPI, at 2.7% Year-over-year (YOY), which continued to show inflation declining.

The US 2/10 yield curve – the difference between the 10-year yield and the 2-year yield – had been inverted since the end of June 2022. This inversion (when the 2-year yield is higher than the 10-year yield) is generally considered a reliable indicator that the economy is approaching recession. As evidence presents that the economy is slowing sufficiently to justify rate cuts from the central bank, this curve would generally begin to normalise. This was certainly the case in August, as the curve ended the month virtually flat. This continued during September, as the market became more comfortable the US would avoid recession (aided by the Federal Reserves 0.50% rate cut). The curve moved 0.15% into "normal" territory – i.e. 10-year yields sitting 0.15% above 2-year yields.

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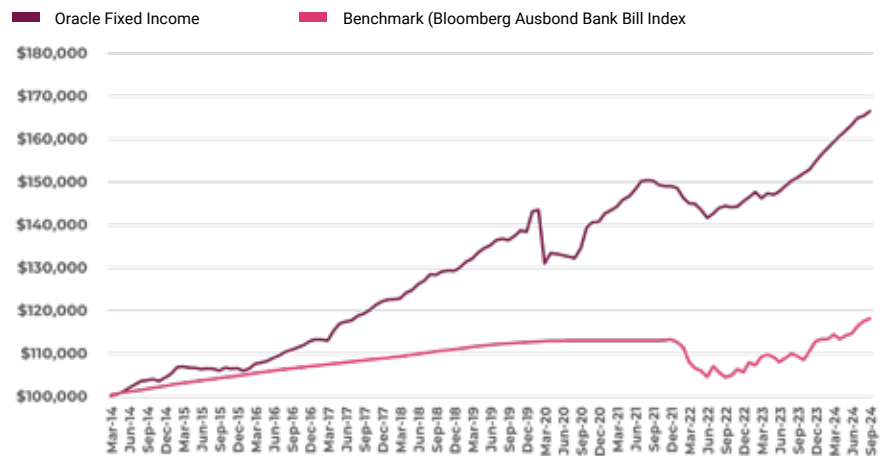
Portfolio Performance

Rolling	Fixed Interest Fund	Benchmark (Bloomberg Ausbond Credit 0+Y Index)	Outperformance
3 month	1.98%	3.06%	-1.08%
6 month	4.50%	3.29%	1.21%
1 year	10.25%	8.02%	2.23%
2 year p.a	7.41%	6.34%	1.07%
*Since Inception (1 Dec 2021)	4.02%	1.61%	2.41%

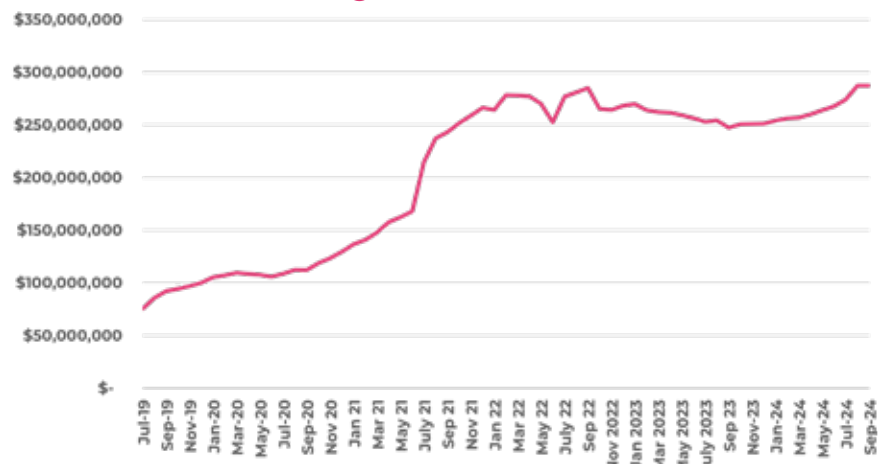
*The Fixed Interest Fund performance data is from 1 December 2021

Comparative Performance

Fixed Income vs Bloomberg Ausbond Bank Bill Index (since inception)



Funds Under Management



Oracle Fixed Interest Fund Update

Performance was primarily driven by income during the month, with small capital gains offset by small foreign exchange losses. Tier 2 bond spreads were flat on the month (however, have rallied significantly in the first week of October). Whilst not Tier 2, we also saw another interesting first time A\$ subordinated debt structure issued during September. ANZ Holdings NZ (Holdco) issued a subordinated perpetual note. The bonds are rated BBB flat which is in line with the Majors' ASX Listed AT1, though notably, these pay an unfranked gross coupon. Once again, despite the unique structure the deal was extremely well sought after with an order book of A\$3.85bn and a final pricing of 3-month BBSW +2.95% on A\$800m volume. The secondary performance has been even more astonishing with the bonds now trading 3.50% higher in price terms in just one month after the issue date on very healthy two-way volumes. The other Major banks all have similar Holdco structures in their NZ subsidiaries, so it's hard to imagine we won't see similar deals issued in A\$ in future – this is especially true now since the proposal from APRA to phase out AT1 from Bank's capital structures.

Oracle participated in the abovementioned ANZ deal, with an allocation of 3.2% of the fund to these bonds.

BOUGHT

- ◆ Bought Westpac 10 July 2034 Subordinated Floating Rate Note, callable in July 2029, at a spread of 1.67% over BBSW. This provided an initial coupon of 6.02% p.a.
- ◆ We added to our existing position in NUFARM FINANCE (NZ) LIMITED, a junior subordinated perpetual note, offering a coupon of 3.9% above BBSW. At the current price of \$90.50, this is a running yield of just over 9.00%.
- ◆ We bought the new Macquarie Bank Ltd Subordinated Floating Rate Note (Tier 2), callable in Feb 2030. This pays a coupon of quarterly BBSW + 1.85% (6.20% p.a. first coupon set).
- ◆ We bought the new BNP Paribas Subordinated Floating Rate Note (Tier 2), callable in Aug 2029. This pays a coupon of quarterly BBSW + 2.15% (6.50% p.a. first coupon set).
- ◆ We bought the new Senior Floating Rate Note issued by ING Bank (Australia). This pays a coupon of quarterly BBSW + 1.02% (5.38% p.a. first coupon set).
- ◆ We bought Partners Group Holding Senior Unsecured Floating rate note, maturing in December 2026 at a yield to maturity of roughly 7.20%, adding to an existing holding. Partners are a fully owned subsidiary of Dai-ichi Life, the largest Japanese Life company.
- ◆ 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 8.50%.

Bond Type by Weight



- Senior Debt (35.58%)
- Subordinated Debt (45.93%)
- Hybrid (5.74%)
- Preferred Equity (1.60%)
- Cash (5.85%)

SOLD

- ◆ We completed selling down our IAG Capital Notes 3, having received a coupon of 1.4657, and a sale price of 101.20. This represents an annualised return of over 10% for this bond.
- ◆ We sold our holding in MXT (Metrics Master Income Fund) at \$2.08. We feel a 4% premium to Net Asset Value represents an attractive sell level, and remain open to reentering the position at levels closer to NAV.
- ◆ We sold half of our position in Money Me Horizon Warehouse Trust at par.
- ◆ We unwound our holding in MyState hybrids.
- ◆ We unwound several small subordinated bond positions (ANZ, Bendigo and Adelaide Bank), and senior notes in Newcastle Greater Mutual Group, all trading at significant premiums to par
- ◆ We have been selling down our small position in CVC Limited Notes at 102.50.
- ◆ We have been slowly reducing our holding in Latitude Capital Notes at 97.00

The fund paid a distribution of 0.04 cents per unit for the month of September. Accordingly, the unit price will decrease by the same amount. This will be offset by a 0.04 cents per unit credit to holders' cash accounts.

Oracle Fixed Interest Fund Update

Portfolio Overview	
Investment Manager	Oracle Investment Management Pty Ltd
Issuer	One Managed Investment Funds Limited
ARSN	650 401 004
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

Top 10 Holdings	Weight
Macquarie Bank Ltd 20 Feb 35 FRN (Call 20 Feb 30) Sub	3.98%
Ampol Limited 02 Dec 81 FRN (Call 19 Mar 2027)	3.98%
Latitude Group	3.93%
Heartland Australia Group Pty Ltd 13 May 25 FRN Senior	3.87%
Avanti 22 Feb 26 FRN (Call 22 Feb 24) Senior Sec	3.76%
Gryphon Capital Income Trust	3.61%
AMP Bank Ltd 07 Oct 32 FRN (Call 07 Oct 27) Sub	3.59%
HSBC 21 Mar 34 FRN (Call 21 Mar 29) Sub	3.51%
BNP Paribas 23 Aug 34 FRN (Call 23 Aug 29) Sub	3.32%
ANZ Perpetual FRN (Call 18 Oct 30) Sub	3.24%

Please see the Important Information disclaimer on the back page.

Oracle Property Securities Portfolio Update



Jack Magann
Portfolio Manager

Over the last one year period, the Oracle Property Securities Portfolio has returned **40.40%**, while the ASX 300 Property Trust Accumulation Index which returned **45.92%**. An outstanding return over a one-year period.

The Oracle Property Securities Portfolio returned **10.43%** for the quarter. This compares to the index which returned **14.29%**.

Earnings season was relatively kind to listed REITs. After two years of property devaluations, we saw most sectors (excluding the office sector) report valuations remaining stable or even increasing in some cases. Funds from operations (the cash flow proxy for REITs) also stabilised, after coming under pressure from higher interest payments. While debt costs will remain high in FY25, the potential rate cuts on the horizon will be positive for REITs.

One of our key holdings, and largest overweighting's, **Arena REIT**, had a positive update. This REIT remains the best in class as the owner of childcare property. This is one REIT that has continued to grow through the recent economic downturn, one of only a handful on the ASX that have managed to do so. With a strong balance sheet, revenues backed by government subsidies and increasing demand for childcare, Arena is in a strong position to outperform over the next decade.

We took a new position in **NextDC** during the month. We view NextDC as a real estate play as the business model revolves around buying land and constructing data centres.

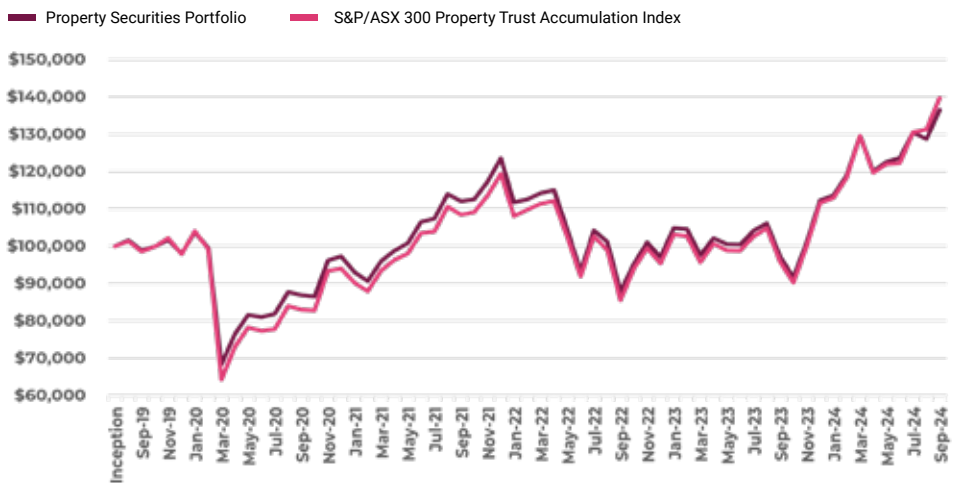
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Portfolio Performance

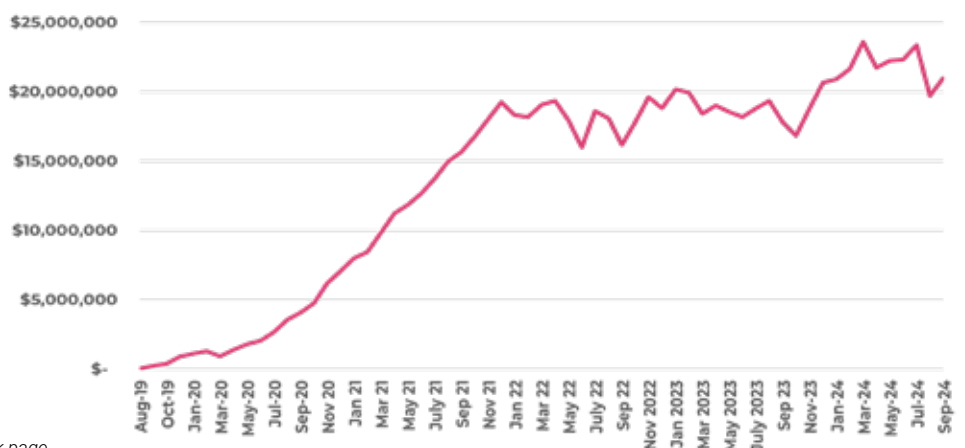
Rolling	Property Securities Portfolio	Benchmark (S&P/ASX 300 Property Trust Accum Index)	Outperformance
3 month	10.43%	14.29%	-3.86%
6 month	5.34%	7.83%	-2.49%
1 year	40.40%	45.92%	-5.52%
2 year p.a	24.65%	27.81%	-3.16%
3 year p.a	6.80%	8.81%	-2.01%
Since Inception p.a (1 August 2019)	6.20%	6.69%	-0.49%

Comparative Performance

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



Funds Under Management (since inception)



Please see the Important Information disclaimer on the back page.

Oracle Property Securities Portfolio Update

The company earns revenue from customers renting out space, or “racks” as they are called in the industry, to install servers that store, process and disseminate their data.

NextDC is going through a step change in revenues which started in the second half of FY23. The company has a forward order book of 68.8 megawatts (MW, a measure of electricity that is used as a proxy for volume) which they are starting to convert into revenues. For context, this order book alone could nearly double revenues over the next three years. However, there could be further upside from the above, with AI demand expected to be 3-5x that of cloud demand, which is currently the main source of revenue for NextDC.

NextDC continues to grow strongly with continued demand from cloud customers and new demand coming from AI. We have taken a long-term view when valuing NextDC and at the current share price, we still believe there is significant upside to our investment.

We trimmed several names during the month. We decided to trim **Goodman Group** as our position size was over 40%, compared to the benchmark at 37%. Goodman has had an extremely positive 2 years with the share price continuing to move up. The company had moved past our estimated fair value, so we decided to reduce our position size.

The other trims made were based on taking some risk off the table as uncertainty around the US economy and interest rate hikes in Australia made markets nervous. Trimming Charter Hall Group, HMC Capital and Ingenia was a decision made to reduce risk. These companies are still large holdings in the portfolio, but we reduced their overweight position to the benchmark.

BOUGHT

Australian Unity Office Fund – Buy 2.0%

We took a new position in Australian Unity Office Fund (AOF) during the quarter. This is a special situation as AOF is a REIT in wind-up. After enjoying a volatile journey as a listed REIT since 2016, management decided to sell down all assets and return capital to shareholders. Holding 9 office buildings in the fund at listing, the REIT now has 4 assets left. So, we are getting in at the back end of the wind down as we believe the sale of the majority of assets has derisked our potential returns.

NextDC Ltd – Buy 3%

Discussed above.

SOLD

Dexus Industria REIT – Trim -0.80%

Charter Hall Social Infrastructure REIT – Trim -1.20%

We trimmed both above names to buy AOF. This was done to reduce our exposure to industrial property and childcare assets. Both of which we still have a high exposure to and remain overweight compared to the benchmark.

The trims below were discussed above.

Charter Hall Group – Trim -5.4%

Goodman Group – Trim -5%

HMC Capital – Trim -1.6%

Ingenia Communities Group – Trim -2.4%

Oracle Property Securities Portfolio Update

Top 10 Performers	Portfolio Position	3 month Performance
Lendlease Group	2.50%	33.0%
Waypoint REIT	2.46%	23.6%
Charter Hall Group	4.16%	22.3%
Scentre Group	11.93%	19.7%
Charter Hall Social REIT	2.68%	16.9%
Hotel Property Investments Ltd.	3.03%	16.7%
Abacus Storage King REIT	1.98%	14.7%
HealthCo Wellness REIT	1.74%	11.9%
National Storage REIT	4.15%	10.9%
HMC Capital	1.58%	10.8%

Portfolio Characteristics	Portfolio	Index
Historical - FFO growth - 3 years	4.0%	3.0%
Forward - EPS Growth - 3 years	3.5%	2.2%
Price/FFO Forward - 1 year	16.1	14.9
Dividend Yield	5.4%	6.1%
Return on Equity (RoE) - 3 year average	11.2%	9.2%
Gearing	25.9%	29.5%
Number of Holdings	18	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

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Oracle Ethical Balanced Portfolio Update



Luke Durbin
Portfolio Manager

For the September 2024 quarter, the Ethical Balanced Portfolio reported a gain of 1.23%, which lagged the Morningstar Balanced benchmark return of 4.62%. We will discuss the reasons for this disparity in the below report.

Looking at world indices, those at the top of the leaderboard at the end of the quarter were those that skew towards value companies such as commodities, finance, and other mature companies. Outside of China (which experienced a strong September due to aggressive stimulus measures and to which the portfolio and the benchmark have little exposure), three of the top performing indices were the Toronto Stock Exchange Composite, up 10.5% (dominated by oil companies), followed by the Dow Jones Industrial Average, up 8.7% (by definition, full of large, mature companies), and the ASX 200 (dominated by resources and banks). This is a section of the market we are underweight, preferring to invest more towards growth names, which tend to be priced more richly by the market.

This is confirmed when looking at the drivers of the portfolio on a sector level. Real Estate was up big in anticipation of clearly signalled US rate cuts, followed by financials and materials: two sectors the portfolio is underweight.

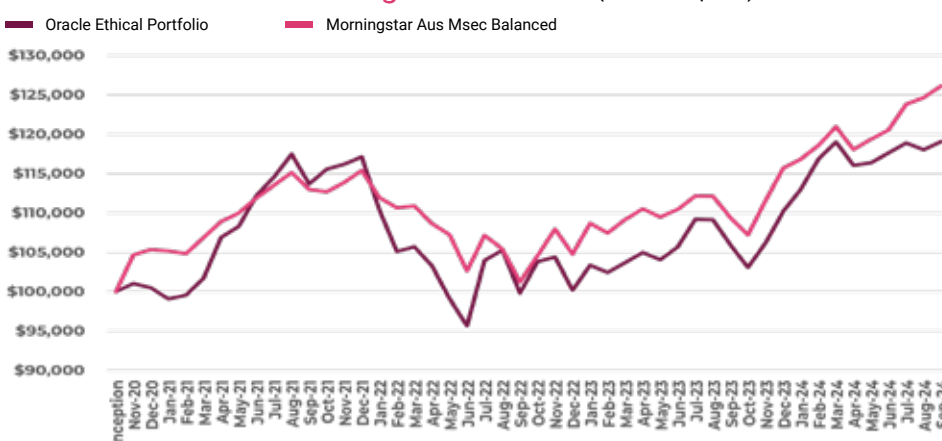
When looking at what went against the portfolio, the biggest drivers in terms of contribution to total portfolio performance were our position in Alphabet (-0.58%), Airbnb (-0.56%), Universal Music Group (-0.36%, now sold), and Lululemon (-0.33%). To clarify, this is not how the stocks performed, but how much of the portfolio's total performance they each contributed or detracted.

Portfolio Performance

Rolling	Ethical Balanced Portfolio	Benchmark (Morningstar Balanced)	Comparative Performance
3 month	1.23%	4.62%	-3.39%
6 month	0.06%	4.28%	-4.22%
1 year	12.39%	15.29%	-2.90%
2 year p.a	9.22%	11.63%	-2.41%
3 year p.a	1.56%	3.73%	-2.17%
Since Inception p.a (1 November 2020)	4.56%	6.11%	-1.55%

Comparative Performance

Ethical Balanced vs Morningstar Balanced (since inception)



Alphabet (down 19.5% for the quarter), actually reported quite well, its 2nd Quarter result coming in ahead of consensus expectations. Revenue grew 13%, margins expanded, and Google Cloud continued to grow. However, additional capex requirements, particularly as the company ramps up spending in the Cloud segment (which essentially requires building capital intensive data centres) has led to analysts revising their discounted cash flow valuations downward (including our own). As a result, the Price/Earnings expansion the company had enjoyed up to that point peaked just before the result at around 24x, bottomed at 18x, and is now around 20x. It is worth remembering also that Alphabet was the best performer last quarter, up 14%.

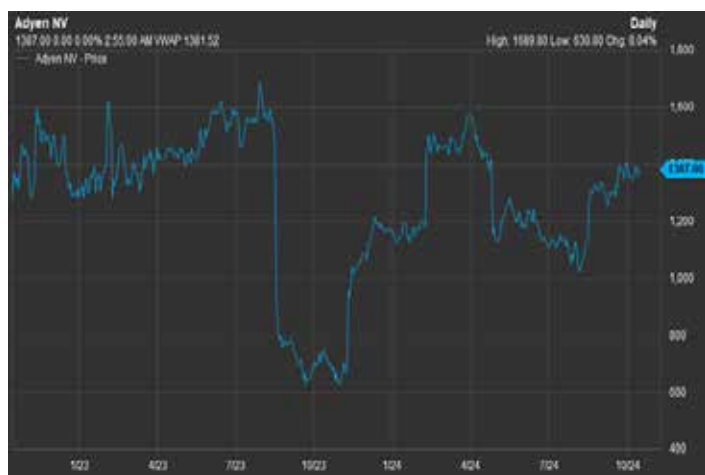
It was not quite the same story at Airbnb, which is making this list for the second quarter in a row and also released its 2nd Quarter result. While revenue was about what the market expected, profits were lower by about 10% more than expectations due to higher than expected costs across the board, especially stock based compensation and tax, two notoriously difficult items for analysts to forecast. What didn't help is that the company was probably overvalued at the time, and the result was a reminder to the market of this fact. Despite the setback, ABNB continues to mint cash and is buying back shares by the boatload. This is astute capital management, as the company has no use for the cash beyond the expansion activities they are currently undertaking. This will increase earnings per share over time, benefitting remaining shareholders.

Oracle Ethical Balanced Portfolio Update

Lululemon was also discussed last quarter and continued its slide towards a multiple of 18x. This is a multiple the company has not traded on since the Global Financial Crisis in 2008-09. Since then the brand has only grown in value. Although there are competitive pressures on the company, some concerns around China, and management has made some product missteps, we continue to believe the company strategy is sound and the brand remains strong. But as a discretionary retailer, it will be impacted by a weak consumer, and this is likely the case in both the US and China. We always invest with a medium to long-term time horizon, and expect that despite getting our entry timing wrong, investors will be rewarded for their patience.

Last quarter's biggest detractor – Adyen – recouped most of what it lost, bouncing 26% after falling 31% last quarter. This is a classic case of the market focusing on short-term earnings movements when the company is so clearly focused on the future. Adyen has given guidance for the year 2026, leaving analysts to fill in the blanks between now and then, and when the periodic earnings do not match what the analysts pencil in for those periods, the stock reacts. When the stock is priced highly like Adyen is (currently priced at a multiple of 39.5x next twelve months' earnings) the moves can be violent.

Below is a chart of the last 2 years. I count at least 5 sharp moves that were a result of the analyst community under- or over-estimating short-term earnings. Suffice it to say that we agree wholeheartedly with management's preference in managing the business for a few years ahead and are happy to ride the wave while the company continues its strong momentum.



Source: FactSet

It reminds me of something Jeff Bezos said while he was CEO of Amazon:

"Friends congratulate me after a quarterly earnings announcement and say, 'Good job, great quarter,' and I'll say, 'Thank you, but that quarter was baked three years ago.' I'm working on a quarter that'll happen in 2021 right now."

I believe it is the same situation with Adyen's management.

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The listed fixed interest holdings don't get as much coverage in these updates, frankly because they don't move as much and there isn't as much news to write about. But in the September quarter the **Australian Unity perpetual notes** (AYUPA) was the largest contributor, providing a 13.6% total return, and given its large (5.1%) weighting, contributed the most to performance (+0.68%). This strong performance was largely due to a rebound in price after Australian Unity issued approximately \$118.7 million in new notes at \$72.50. This price was a material discount to the previously traded price of over \$82.00. We were unable to participate in the corporate action in the Ethical Portfolio, but we did buy some on market at \$75.00, as this represented a very attractive running yield, given the 5% coupon and the discount to face value. The price has now returned almost to the level of trading prior to the capital raise, locking in a substantial and one-off capital gain.

UK-listed property portal Rightmove (RMV) made headlines in September, as it received a takeover offer from fellow portfolio holding REA Group. REA Group made a cash and share offer for RMV, valuing it at about £7.00 per share while it was trading at around £5.20. This and 3 subsequent bids were all rejected, including a final bid of £8.15. RMV management continued to argue these bids all undervalued the company, but we find this a little hard to swallow, given this was a premium of about 55% to the undisturbed price. Given RMV's purported lack of engagement and the language used in rebuffing REA, we took the view that the risk/reward had changed and that the upside from the takeover completing versus the downside if it failed was now asymmetric to the downside, so we halved the position. While we would have been happy to accept the £8.15 offer ourselves, we are content with the increased attention this brought to the stock, especially seeing as the market is now ascribing it a higher valuation.

Finally, we repositioned the portfolio somewhat through the quarter to reduce the risk that an economic hard landing emerges. There were quite a few small changes but the main ones to call out were the increase in cash holdings and the addition of **Perth Mint Gold** (ASX:PMGOLD). Both of these can be viewed as extra ballast in the portfolio in an uncertain environment. Cash will act as a buffer if equities fall, and gold will benefit if interest rates fall, as it becomes relatively more attractive compared to lower yielding bonds. Indeed, this latter theory has already played out somewhat, with US interest rates being cut by the US Federal Reserve by 50 basis points. As a result of falling interest rates, PMGOLD was up 5% for the time during the quarter that we have held it, and the large 5% weighting we assigned it made it a top 5 contributor.

In addition, the other new position in the portfolio is **Wise Plc** (LSE:WISE). Based in the UK, Wise is a payments transfer company that provides foreign currency transfers between international bank accounts faster than almost any other service worldwide.

Continued over the page

Oracle Ethical Balanced Portfolio Update

And because it is also one of, if not the, cheapest in the market, it has been rapidly gaining market share since its founding in 2011. During this time, Wise has essentially built a network of bank accounts throughout the world and uses these in combination with its proprietary software to make local payment transfers, cutting out intermediary banks. In recent years, Wise has added the capability for users to hold money on their account which can earn interest or be invested into bond and equity markets without sacrificing its liquidity.

Wise itself also earns a good amount of interest on these holdings and with higher interest rates, this has all dropped to the bottom line. Although Wise is on the record saying they want to share more of this with their customers (not to mention that we are nearing or are at the peak of the interest rate cycle), interest rates are certainly not returning to zero and the growth of the underlying products should neutralise any loss of interest income going forward. We have purchased an initial 1.5% position in Wise.

Top 10 Performers	Portfolio Position	3 month Performance
ResMed	1.9%	20.5%
Rightmove	2.1%	18.1%
Waypoint REIT	SOLD	15.7%
Australian Unity Perpetual Notes	5.6%	13.6%
Macquarie Group	1.7%	13.5%
CorPay	1.9%	13.0%
Euronext	1.7%	13.0%
Aussie Broadband	2.0%	12.5%
Arena REIT	0.6%	11.5%
Lovisa Holdings	1.7%	10.8%

Selected Investment Holdings	Ethical Theme	Weighting
Lululemon	Responsibly sourced athletic apparel	2.3%
Euronext	European market infrastructure	1.7%
Wise plc	Global remittance provider	1.5%
Vertex Pharmaceuticals	Cystic Fibrosis Treatment	2.9%
Laserbond	Industrial Machinery Refurbishment	1.3%
Airbnb	Accommodation Platform	2.2%
Adyen	Payments Platform	1.8%
Rightmove	Real Estate Portal	2.1%

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%

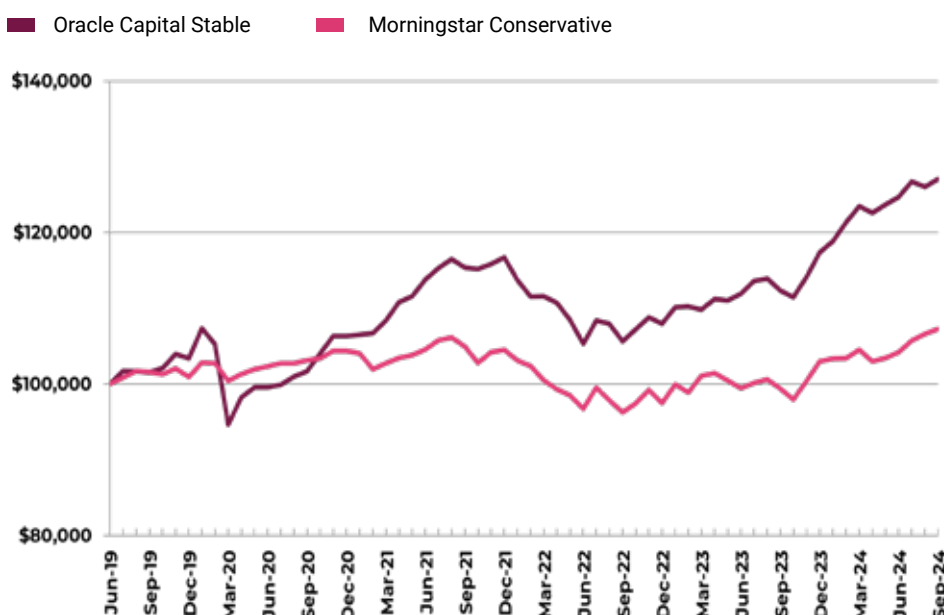
Investment Fee (% per annum)	
Capital Stable Portfolio	0.6%

Portfolio Performance

Rolling	Oracle Capital Stable	Benchmark (Morningstar Aus Msec Conservative)	Comparative Performance
3 month	1.90%	2.95%	-1.05%
6 month	2.91%	2.62%	0.29%
1 year	13.10%	7.93%	5.17%
2 year p.a	9.67%	5.55%	4.12%
3 year p.a	3.27%	0.74%	2.53%
Inception p.a. (1 July 2019)	4.67%	1.34%	3.33%

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%

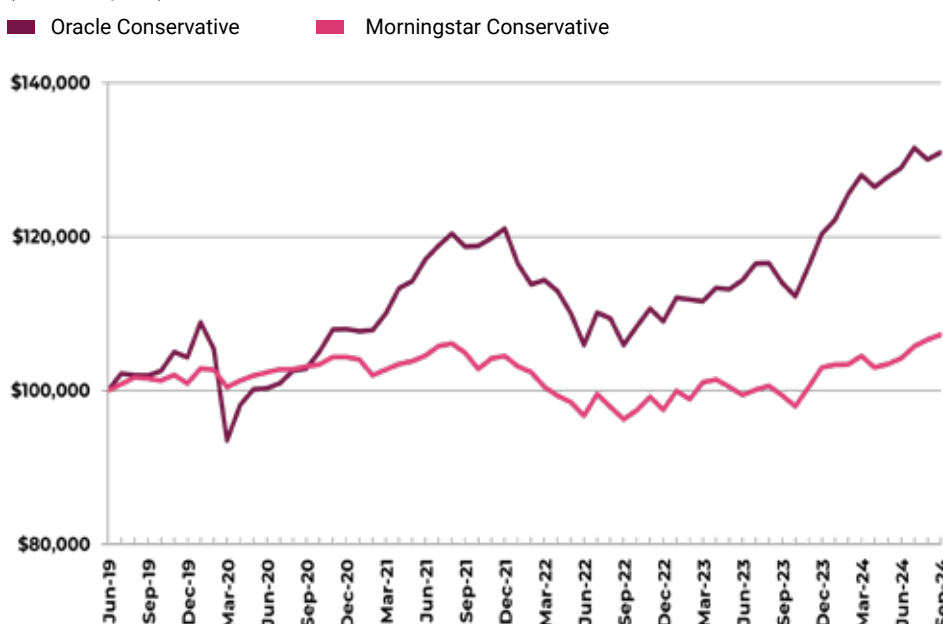
Investment Fee (% per annum)	
Conservative Portfolio	0.65%

Portfolio Performance

Rolling	Oracle Conservative	Benchmark (Morningstar Aus Msec Conservative)	Comparative Performance
3 month	1.53%	2.95%	-1.42%
6 month	2.26%	2.62%	-0.36%
1 year	14.88%	7.93%	6.95%
2 year p.a	11.18%	5.55%	5.63%
3 year p.a	3.31%	0.74%	2.57%
Inception p.a. (1 July 2019)	5.27%	1.34%	3.93%

Comparative Performance

Oracle 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%

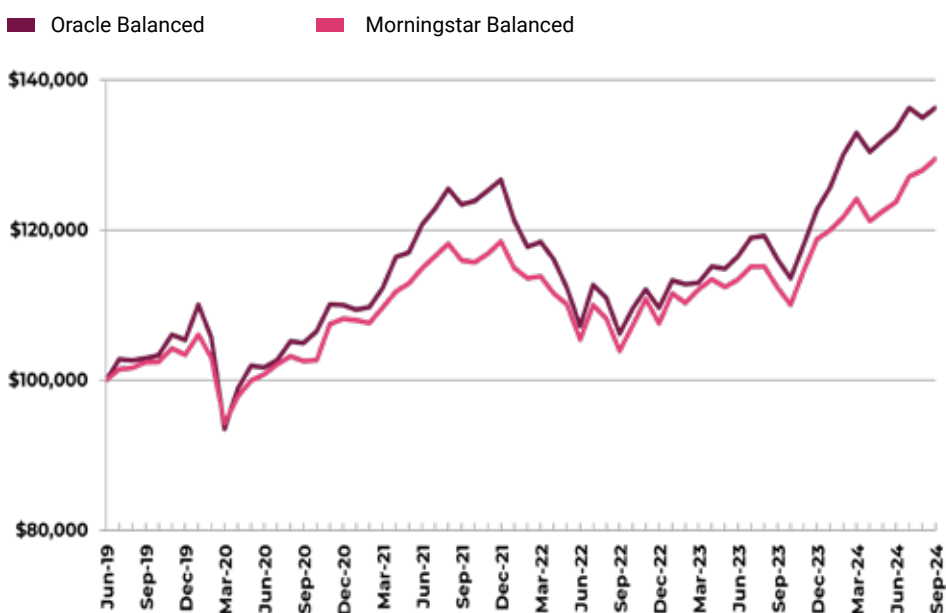
Investment Fee (% per annum)	
Balanced Portfolio	0.7%

Portfolio Performance

Rolling	Oracle Balanced	Benchmark (Morningstar Aus Msec Balanced)	Comparative Performance
3 month	2.11%	4.62%	-2.51%
6 month	2.50%	4.28%	-1.78%
1 year	17.38%	15.29%	2.09%
2 year p.a	13.27%	11.63%	1.64%
3 year p.a	3.36%	3.73%	-0.37%
Inception p.a. (1 July 2019)	6.07%	5.04%	1.03%

Comparative Performance

Oracle Balanced vs Morningstar Balanced (since inception)



Diversified Managed: Growth Portfolio

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

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

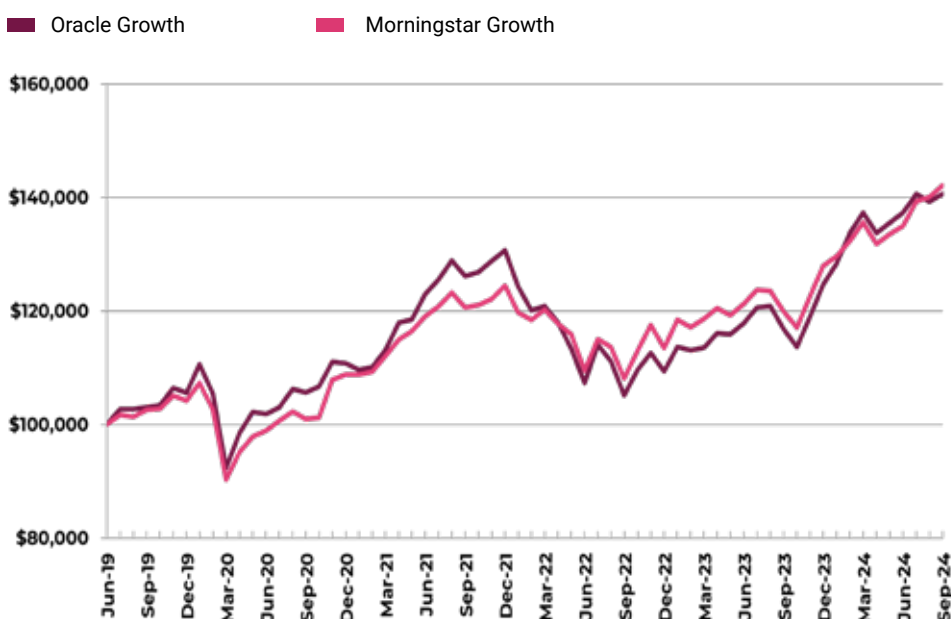
Investment Fee (% per annum)	
Growth Portfolio	0.75%

Portfolio Performance

Rolling	Oracle Growth	Benchmark (Morningstar Aus Msec Growth)	Comparative Performance
3 month	2.42%	5.33%	-2.91%
6 month	2.40%	4.83%	-2.43%
1 year	20.41%	18.51%	1.90%
2 year p.a	15.64%	14.65%	0.99%
3 year p.a	3.68%	5.63%	-1.95%
Inception p.a. (1 July 2019)	6.72%	6.93%	-0.21%

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%

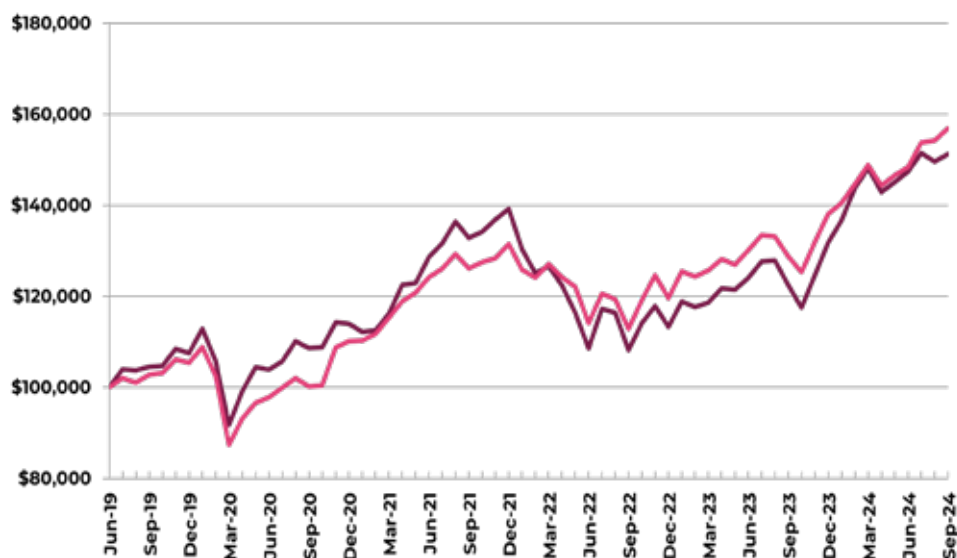
Portfolio Performance

Rolling	Oracle High Growth	Benchmark (Morningstar Aus Msec Aggressive)	Comparative Performance
3 month	2.56%	5.72%	-3.16%
6 month	2.05%	5.39%	-3.34%
1 year	23.49%	21.84%	1.65%
2 year p.a	18.24%	17.92%	0.32%
3 year p.a	4.41%	7.54%	-3.13%
Inception p.a. (1 July 2019)	8.19%	8.96%	-0.77%

Comparative Performance

Oracle High Growth vs Morningstar Aggressive (since inception)

Oracle High Growth Morningstar Aggressive



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One Managed Investment Funds Limited
ACN 117 400 987 | AFSL 297042

Responsible Entity & Issuer - Oracle Managed Accounts

The Trust Company (RE Services) Limited
ABN 45 003 278 831 | AFS Licence 235150

Promoter

Margaret Street Promoter Services Pty Ltd
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