Akambo International Equities Fund

AFSL 322056

INVESTMENT MANAGEMENT by akambo

The Fund's objective is to provide long-term capital appreciation by investing primarily in a portfolio of securities of companies which are traded, listed or due to be listed, on recognised exchanges and/or markets throughout the world. The portfolio may include investments in the securities of companies traded, listed or due to be listed, on recognised exchanges and/or markets, or developing countries.

Top 10 Holdings

As at 30 September 2022

Australian Dollar	25.62%
Alphabet Inc	4.75%
Diageo PLC	4.65%
Johnson & Johnson	4.39%
Apple Inc	4.05%
Betashares Japan ETF	3.86%
CME Group Inc	3.77%
Microsoft Corp	3.74%
VanEck China New Economy ETF	3.66%
Lloyds Banking Group PLC	3.48%

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Market Update and Commentary

Global share markets were lower in September with the US S&P500 down 9.22%, Japan's Nikkei down 6.99%, Europe's STOXX600 down 6.43%, China's Shanghai Composite down 5.42%, and the UK's FTSE100 down 5.23%. The economic and inflation data was largely stronger than expected during September, with rising interest rates and bond yields weighing heavily on global equities as the case for a slowing or cessation of rate hikes diminished.

US consumer confidence rose for the first time in 3 months with the "present situation" component improving for the first time since March. Employment data was stronger than expected with the July JOLTS job openings report unexpectedly rising to 11.2m vacant jobs, well above consensus for a decline to 10.3m as the US labour market remained very tight. The August non-farm payrolls report was solid with another 315k jobs added and largely in line with expectations although the unemployment rate unexpectedly rose from 3.5% to 3.7% as the labour force participation rate increased, while weekly initial unemployment claims also fell to a new 5 month low during the month.

The August ISM Services unexpectedly rose to 56.9, ahead of the expected decline to 55.0 (from 56.7 in the previous month) and was the highest since April. Durable goods for August fell less than expected and August new homes sales were a big beat, although the Chicago PMI fell into contraction territory. The oil price dipped below US$82 a barrel and the lowest since January supporting the peak headline inflation narrative.

The economic data was raising hopes that the world's largest economy could pull off the soft landing, but the inflation data also came in higher than expected with the August Consumer Price Index increasing by an 8.3% annual headline rate, ahead of the 8.1% expected.

The August Personal Consumption Expenditure price index was also above expectations, adding to the persistent inflation theme. Core PCE (ex food and energy) was up 4.9% for the year, reversing the fall to 4.7% in July.

The US Federal Reserve responded with another outsized 75 basis point rate hike with a raft of Federal Reserve speakers out late in the month emphasising the "raise and hold" / "higher for longer" narrative on interest rates. US treasury yields surged on the outlook for more persistent inflation with the US 10 yr. treasury yield hitting 4%, the highest since 2009 and weighing further on equity valuations.

It was also the end of the September quarter with US Q3 earnings season to get underway shortly. The end of quarter consensus estimates are for S&P500 Earnings Per Share to increase by 3.2% from the same period a year ago, down from 9.8% EPS growth expected at the start of the quarter. Revenue is expected to increase a still high 8.7% as the demand backdrop remains strong but has also been revised down from the previously expected 9.2% growth rate, suggesting there was margin compression during the September quarter, most likely from higher wages and the rising input costs.

The Portfolio fell 2.30% for the month of September, while the benchmark fell 3.58% in AUD terms.

Changes to the Portfolio during September included reducing our longstanding position in Linde (LIN) ahead of a likely softening in demand for industrial gasses. We also reduced our Semiconductor ETF (SOXX) position with technology stocks coming under renewed selling pressure as bond yields soared.

The largest contributors to the Portfolio in September were the Goldminers ETF (GDX) up 8.03%, Johnson & Johnson up 7.93% and Linde (LIN) up 3.63%. The largest detractors were Sony Group (SONY) down 13.96%, the Golden Dragon ETF (PGJ) down 12.15% and Citigroup (C) down 9.00%.

**The above portfolio composition, weightings, and manager comments were current as of 30 September 2022. Past performance is not a reliable indicator of future performance. Returns are calculated and referenced in Australian Dollars before fees and net of franking credits.

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Refer to our Financial Services Guide (FSG) for more information. Our publication should be viewed as an additional investment resource, not as your sole source of information.

Sector Exposure

30/9/22	% Wgt		
	Port	Bench	+/-
Communication Services	5.66	7.12	-1.46
Consumer Discretionary	8.41	11.24	-2.83
Consumer Staples	5.94	7.74	-1.81
Energy	2.82	5.26	-2.44
Financials	14.60	14.91	-0.30
Health Care	12.67	12.84	-0.16
Industrials	1.22	9.94	-8.72
Information Technology	11.94	20.40	-8.46
Materials	8.61	4.72	3.90
Real Estate	0.30	2.69	-2.39
Utilities	0.06	3.16	-3.09
Not Classified	27.76	0.00	27.76

Fund Facts

Investment Manger	Akambo Financial Group
APIR Code	ETL6769AU
Inception Date	16th February 2022
Benchmark	MSCI All Country World Index (Net in AUD)
Management Fee	0.52%
Buy / Sell Spread	0.25% upon entry and 0.25% upon exit
Minimum Investment	$20,000
Distribution	Annually end of June
Performance Fee	10% of the outperformance over the MSCI All Country World Index (Net in AUD) subject to an absolute return hurdle of the yield of a 10-year Australian Government Bond
High Water Mark	Yes

Region of Risk

30/9/22	% Wgt		
	Port	Bench	+/-
North America	41.96	65.21	-23.25
South & Central America	0.18	0.96	-0.78
Western Europe	16.96	12.86	4.09
Asia Pacific	37.82	16.75	21.07
Eastern Europe	0.02	0.13	-0.11
Central Asia	2.74	2.11	0.64
Africa / Middle East	0.32	1.99	-1.67

Portfolio Characteristics

30/9/22	Port	Bmrk	Relative
# of Holdings	28.00		
Price to Earnings Ratio	13.92	16.52	-2.60
Price to Book Ratio	2.04	2.50	-0.46
Dividend Yield	2.62	2.88	-0.26

Investment Returns (net of fees)*

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
FY 21/22									-2.85%	-3.84%	-1.91%	-4.44%
Benchmark									-1.16%	-2.65%	-1.32%	-4.79%
+/-									-1.69%	-1.18%	-0.60%	0.35%
FY 22/23	3.49%	-2.33%	-2.30%									
Benchmark	5.97%	-1.97%	-3.58%									
+/-	-2.48%	-0.37%	1.28%									

	Akambo International Equities Fund	MSCI ACWI (net in AUD)	- / +
Cumulative return (since inception 16/02/2022)	-15.36%	-13.01%	-2.35%
Trailing 5 year return p.a.			
Trailing 3 year return p.a.			
Trailing 12 month return			
Trailing 3 month return	-1.25%	0.17%	-1.41%

* Data sourced from Bloomberg.

Past performance is no indication of future performance. Investments may rise and fall in value and returns cannot be guaranteed. Returns are based on the mid-point of unit prices and are net of all fees and charges. Unless otherwise stated, all figures are in Australian dollars and include GST. Return calculations covering a period greater than 12 months assume the reinvestment of distributions.

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Investment Manager

Akambo Pty Ltd is an investment management and wealth advisory business which manages over $1 billion for retail, wholesale, and not-for-profit entities. Founded in 2007, Akambo is owned and operated by highly regarded industry specialists, with a consistent track record of delivering strong risk-adjusted returns across a range of domestic and international asset classes. Foremost in the philosophy of Akambo is the protection of capital and the management of risk, which is driven by a strong focus on robust investment management processes and systems.

Fund Features

An international equities portfolio using the MSCI All Country World Index (Net in AUD) as its benchmark. A high conviction portfolio with a maximum 30 securities. The portfolio managers are "style agnostic" with the portfolio consisting of both "growth" and "value" investments. A focus on large capitalisation global companies with strong brand awareness. A "long only" strategy with an active cash weighting in order to manage risk.

Contact Details

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"The Fund's Target Market Determination is available here https://www.eqt.com.au/insto. A Target Market Determination is a document which is required to be made available from 5 October 2021. It describes who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this financial product may need to be reviewed."

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