# 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 28 February 2023

| | |
|---|---|
| Lloyds Banking Group plc | 5.38% |
| Diageo plc | 4.99% |
| Freeport-McMoran inc | 4.92% |
| CME Group Inc | 4.77% |
| Betashares Japan ETF | 4.56% |
| Vaneck China New Economy ETF | 4.51% |
| Ishares 1-3 Year Treasury Bond | 4.50% |
| Ishares Semiconductor ETF | 4.39% |
| Johnson & Johnson | 4.28% |
| Australian Dollar | 4.18% |

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## Market Update and Commentary

International share markets were mixed in February. The S&P 500 fell 2.45% but other major indices gained with Europe's STOXX600 up 1.89%, UK's FTSE100 up 1.76%, Japan's Nikkei up 0.49%, and China's Shanghai Composite up 0.74%. It was a strong month for U.S employment data with the JOLTS (Job Openings) report surging back to 11 million vacancies and the highest in five months and the non-Farm payrolls printing at +517K jobs, well ahead of the +185K expected. The Unemployment rate also unexpectedly fell from 3.5% to 3.4%, the lowest since 1969 and the weekly initial unemployment claims fell to a 9-month low. The Federal Reserve hiked rates another 25 basis points as expected with Chair Powell leaning dovish in the statement and news conference and talked up the soft landing with his base case being for a return to 2% inflation without a substantial drop in employment. Following the strong gains in January the forward 12-month P/E for the S&P 500 had moved up to 18.4 x with valuations becoming a bit of a headwind although sentiment improved further with the AAII Investor survey turning net bullish for the first time in almost a year and the most bullish since November 2021. The Q4 earnings season moved into its later stages with S&P 500 companies reporting earnings that in aggregate were largely underwhelming. The blended annual earnings decline for the fourth quarter was -4.7%, falling further than what was expected at the beginning of the year. The blended annual revenue growth rate was 5.1%, highlighting the issue with profit margins where revenue was higher but net income was down. U.S economic data continued to improve following the easing of financial conditions over recent months with Citigroup's U.S Economic Surprise Index hitting the highest since April last year although the second estimate for Q4 GDP was revised down to 2.7% growth from 2.9% at the first estimate. U.S January inflation reports were key with both the Consumer and Producer Price Indices falling less than expected year on year, due to rising more than expected over the month. Annualized headline CPI dropped to 6.4%, higher than the consensus estimate for 6.2%, while annualised headline PPI dropped to 6%, well ahead of the 5.4% expected. Personal Consumption Expenditure (PCE) data late in the month showed price rises were much higher than expected. Core PCE (the Fed's preferred measure) was up 0.6% for the month, above consensus for a 0.4% increase with the annualised core unexpectedly rising 0.1% to 4.7% versus an expected fall to 4.3%. The higher-than-expected inflation data during February has seen the previous-expected 2nd half of 2023 rate cuts now largely priced out with the 10 yr. U.S treasury bond yield surging 50 basis points to a 3-month high.

The Portfolio rose 1.42% in February while the benchmark also rose 1.41% in AUD terms, both buoyed by a 4.66% fall in the AUD to US67.27c at month's end.

Changes to the Portfolio during February included adding a new position in the Nasdaq 100 ETF (QQQ) to reduce our meaningful underweight to the Info Tech sector. We also added to existing positions in defensive names Thermo Fisher Scientific (TMO) and CME Group (CME) on the back solid earnings results from both companies leading to valuation upgrades.

The largest contributors to the Portfolio in February were Shell (SHEL) up 10.39%, Linde (LIN) up 9.82%, and CME Group (CME) up 9.61%. The largest detractors were the Goldminers ETF (GDX) down 10.25%, Alphabet (GOOG) down 5.55% and Amazon (AMZN) down 4.55%.

**Linde (LIN)** reported a strong quarter with Q4 EPS of $3.16 vs. consensus of $2.90. Q4 Revenue of $7.90B was a slight miss on the $8.40B expected but this was a strong result. Management comments included "Despite the challenging environment, the Linde team again delivered outstanding performance including a record ROC of 22.9%, expanding operating margin to 25.3% and a ninth consecutive quarter of delivering 20% or more EPS growth ex. FX". "Looking ahead, the geopolitical and macro environments continue to remain uncertain. However, we are well positioned to win more than our fair share of high-quality projects, primarily in clean-energy and again create shareholder value by leveraging all the opportunities that lie ahead." Full year 2023 guidance was provided in the range of EPS of $13.15 - $13.55 and was also ahead of the $12.95 consensus.

**CME Group (CME)** the world's largest derivatives exchange (formerly Chicago Mercantile Exchange) reported better than expected Q4 results with Q4 EPS of $1.92 vs estimates of around $1.88. "Last year was the best year in our history as global market participants turned to CME Group to navigate tremendous economic and geopolitical uncertainty, generating a 19% increase in Average Daily Volume (ADV) to a record 23.3 million contracts," said Terry Duffy, CME Group Chairman and CEO. Adding "Our 2022 performance was driven by new records in financial products, options on futures, and volume from outside the United States. In addition, CME Group had its best Q4 ever, with record ADV of 21.8 million contracts resulting from double-digit growth in equity index and foreign exchange."

**Lloyds (LLOY)** reported a strong Q4 with net income of GBP 5 billion on higher Net Interest Income, up from GBP 4.12 billion in the year ago period and ahead of consensus of GBP4.69 billion. A final dividend of 1.6 pence per share takes the full-year payout to 2.4 pence, up 20% on last year. The company also announced a GBP2.0 billion share buyback. The U.K Bank posted a pretax profit for the quarter of GBP1.76 billion compared with GBP968 million for the same period a year ago, in line with expectations. Lloyds said they expect banking Net Interest Margin to be greater than 3.05% for 2023, which is below the 3.15% expected and the 3.22% it reported for the fourth quarter. And was cautious on the outlook as British consumers and the housing market adjust to the higher interest rates.

**The above portfolio composition, weightings, and manager comments were current as of 28 February 2023. 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.

## Sector Exposure

| 28/02/2023 | % Wgt | | |
|---|---|---|---|
| | Port | Bench | +/- |
| Communication Services | 5.80 | 6.81 | -1.01 |
| Consumer Discretionary | 7.96 | 10.86 | -2.90 |
| Consumer Staples | 6.74 | 7.43 | -0.69 |
| Energy | 3.63 | 5.21 | -1.58 |
| Financials | 17.51 | 15.60 | 1.91 |
| Health Care | 14.88 | 12.20 | 2.68 |
| Industrials | 1.61 | 10.65 | -9.04 |
| Information Technology | 15.36 | 20.86 | -5.50 |
| Materials | 14.51 | 4.97 | 9.54 |
| Real Estate | 0.14 | 2.54 | -2.40 |
| Utilities | 0.11 | 2.88 | -2.77 |
| Not Classified | 11.74 | 0.00 | 11.74 |

## Fund Facts

| | |
|---|---|
| Investment Manger | Akambo Financial Group |
| APIR Code | ETL6769AU |
| Inception Date | 16th February 2022 |
| Benchmark | MSCI All CountryWorld 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

| 28/02/2023 | % Wgt | | |
|---|---|---|---|
| | Port | Bench | +/- |
| North America | 56.28 | 64.12 | -7.84 |
| South & Central America | 0.41 | 0.88 | -0.47 |
| Western Europe | 22.34 | 14.39 | 7.95 |
| Asia Pacific | 17.56 | 16.97 | 0.59 |
| Eastern Europe | 0.02 | 0.18 | -0.16 |
| Central Asia | 3.05 | 1.77 | 1.28 |
| Africa / Middle East | 0.34 | 1.69 | -1.35 |

## Portfolio Characteristics

| 28/02/2023 | Port | Bmrk | Relative |
|---|---|---|---|
| # of Holdings | 32.00 | | |
| Price to Earnings Ratio | 13.57 | 17.39 | -3.82 |
| Price to Book Ratio | 2.14 | 2.60 | -0.46 |
| Dividend Yield | 2.94 | 2.64 | 0.30 |

## 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% | 3.11% | 2.62% | -4.82% | 2.55% | 1.42% | | | | |
| Benchmark | 5.97% | -1.97% | -3.58% | 6.60% | 2.70% | -5.46% | 3.67% | 1.41% | | | | |
| +/- | -2.48% | -0.37% | 1.28% | -3.49% | -0.07% | 0.63% | -1.13% | 0.01% | 0.00% | 0.00% | 0.00% | 0.00% |

| | Akambo International Equities Fund | MSCI ACWI (net in USD) | -/+ |
|---|---|---|---|
| Cumulative return (since inception 16/02/2022) | -11.35% | -5.35% | -6.00% |
| Trailing 5 year return p.a. | | | |
| Trailing 3 year return p.a. | | | |
| Trailing 12 month return p.a. | | | |
| Trailing 3 month return p.a. | -1.02% | -0.61% | -0.41% |

* 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.

## 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."