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 31 July 2023

Freeport-McMoran inc	5.12%
Betashares Japan ETF	4.95%
Microsoft Corporation	4.72%
Diageo plc	4.59%
CME Group Inc	4.58%
Johnson & Johnson	4.17%
Ishares 1-3 Year Treasury Bond	4.12%
Alphabet Inc Class C	3.90%
Apple Inc	3.83%
Vaneck China New Economy ETF	3.73%

Superior

SQM RESEARCH

Market Update and Commentary

International share markets were higher again July. The S&P 500 rose 3.11%, China's Shanghai Composite rose 2.78, the UK's FTSE100 rose 2.23%, Europe's STOXX600 rose 2.04% while Japan's Nikkei fell 0.05% with July the 5th up month in a row for the S&P 500 and Nasdaq indices. Growth names had led the rally this year with the recently named "Magnificent Seven" (Apple, Microsoft, Alphabet, Amazon, Nvidia, Tesla and Meta Platforms) responsible for 73% of the S&P 500 gains in the first half of 2023, each up 90% in 6 months on average. But it was value stocks that made a comeback in July as the economy picked up steam, recession calls got pushed out, and earnings came in better than expected with the Dow up 13 straight sessions during the month, the longest streak since 1987. Q2 earnings were on track to fall around 7% from the year ago period, the 3rd quarter in a row of falling earnings. The first estimate for Q2 GDP came in at a 2.4% growth rate, well ahead of consensus for 1.5% and accelerating from Q1's 2.0% pace and providing some comfort that the current Q2 could in fact be the trough in earnings with EPS growth currently expected to stabilize in Q3, then resume growth in Q4. Manufacturing remained a weak spot, but other data was solid. The June ISM Services index rose more than expected to the highest since February. The July NAHB Housing Market Index rose for the seventh-straight month and the highest since June 2022. The University of Michigan consumer sentiment was ahead of expectations and the highest since September 2021. Headline June durable goods orders rose 4.7% for the month, well above forecasts, the weekly Initial jobless claims fell to the lowest since February and June retail sales were up 0.2%, not as high as expected but the prior month was revised higher from 0.3% to 0.5%. June nonfarm payrolls increased by 209K slightly below expectations for 225K and the first time in 15 months that the headline number had missed estimates although the unemployment rate ticked back down to 3.6% from 3.7% and remains historically low. Annualized headline CPI for June of 3.0% was a tad below estimates for 3.1% and the lowest since March 2021, and a huge step down from the peak 9.1% annual rate in June last year although core measures remain stubborn. The Federal Reserve hiked interest rates another 25 basis points to 5.5% as expected and a 22 year high. They left the door open for further hikes if needed but combined with the lower CPI data prompted a significant repricing of the expected path for interest rates with the July hike now expected to be the last hike for this cycle, down from at least 2 more hikes expected at the beginning of the month. 2024 rate cuts were also repriced and now expected to start in January, brought forward from May, although longer term bond yields remained elevated and could cast some doubt on these new market assumptions.

The Portfolio rose 2.22% in July while the benchmark rose 2.80% in AUD terms.

Changes to the Portfolio in July included a new position in leading oilfield services company Schlumberger (SLB), as demand for oil and gas production, exploration and development picks up following years of underinvestment. And a new position in the Quality International Small Companies ETF (QSML) following a period of significant underperformance for smaller capitalization companies providing what looks like an attractive entry point.

The largest contributors to the Portfolio in July were the China Golden Dragon ETF (PGJ) up 11.04%, Freeport McMoRan (FCX) up 10.66%, and Bank of America (BAC) up 10.18%. The largest detractors were Verizon (VZ) down 7.83%, SSE (SSE) down 4.84%, and Regal Asian Investments (RG8) down 3.35%.

Bank of America (BAC) reported Q2 EPS of $0.88 last month, ahead of the $0.84. Net charge offs, non-performing loans and provisions for losses were all lower than expected. They also guided for Q3 net interest income in the $14.2-14.3B range, ahead of the $14.04B estimates. BofA said consumers are still in a healthy place and spending more money, while charge-offs are still well below pandemic levels. Broader themes from the July's Bank reporting included JPMorgan noting consumers in good shape and still spending down excess cash and that low borrowing levels and elevated house prices provide key cushions. Citi said it sees US consumer as resilient with behaviour more cautionary than recessionary. And Wells Fargo noted strong credit quality and healthy consumer balance sheets.

Johnson & Johnson (JNJ) led the market higher last month with Q2 EPS of $2.80 ex-items ahead of the $2.62 expected. Revenue of $25.53B was also ahead of the $24.63B expected. Full year guidance was upgraded to EPS of $10.70-10.80 from $10.60-10.70 and FY revenue for $99.3-100.3B vs prior guidance $97.9-98.9B. The better-than-expected result was largely due to strong sales growth from the company's medtech business. The medtech division provides devices for surgeries, orthopaedics and vision with the company benefiting from a rebound in demand for nonurgent surgeries from older people who delayed procedures during the pandemic. The full-year guidance includes results from J&J's consumer health business, which was spun out as an independent company (Kenvue) in May with a current market cap around $50B. J&J still owns nearly 90% of Kenvue and plans to reduce its stake through an exchange offer.

Schlumberger (SLB) is the world's largest offshore oilfield services company. They reported Q2 EPS of $0.72 ex-items last month, up 44% year on year that was largely in line with the $0.71 expected. Revenue of $8.10 billion was up 20% year on year. SLB CEO Olivier Le Peuch commented, "I am very pleased with our second-quarter results, which reflect significant growth in the international markets. As the upcycle continues to unfold, we are excited about the opportunities for our business, with international- and offshore-led growth fuelling strong pretax segment operating margin expansion and cash flows as highlighted in this quarter's results". Adding, "This is a compelling environment for our industry" and "As international spending builds further momentum in H2 of 2023 and North America moderates as anticipated, this cycle continues to align closely with SLB's strengths, affirming our confidence in our full-year financial ambitions.

**The above portfolio composition, weightings, and manager comments were current as of 31 July 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

31/07/2023	% Wgt		
	Port	Bench	+/-
Communication Services	7.72	7.36	0.36
Consumer Discretionary	11.32	11.07	0.25
Consumer Staples	6.15	7.22	-1.07
Energy	4.85	4.88	-0.03
Financials	14.41	15.90	-1.49
Health Care	14.98	11.53	3.45
Industrials	2.50	10.83	-8.33
Information Technology	12.22	21.56	-9.34
Materials	16.15	4.58	11.57
Real Estate	0.28	2.34	-2.06
Utilities	1.77	2.73	-0.96
Not Classified	7.65	0.00	7.65

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

31/07/2023	% Wgt		
	Port	Bench	+/-
North America	60.45	65.88	-5.43
South & Central America	0.35	0.93	-0.58
Western Europe	18.05	13.26	4.79
Asia Pacific	17.54	16.12	1.42
Eastern Europe	0.02	0.21	-0.19
Central Asia	3.21	1.79	1.42
Africa / Middle East	0.38	1.81	-1.43

Portfolio Characteristics

31/07/2023	Port	Bmrk	Relative
# of Holdings	35.00		
Price to Earnings Ratio	17.26	19.54	-2.28
Price to Book Ratio	2.38	2.80	-0.42
Dividend Yield	2.44	2.36	0.08

Investment Returns (net of fees)*

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Since Inception
FY 21/22									-2.85%	-3.84%	-1.91%	-4.44%	-3.69%
Benchmark									-1.16%	-2.65%	-1.32%	-4.79%	7.82%
+/-									-1.69%	-1.18%	-0.60%	0.35%	-11.51%
FY 22/23	3.49%	-2.33%	-2.30%	3.11%	2.62%	-4.82%	2.55%	1.42%	2.81%	2.34%	-0.26%	1.28%	
Benchmark	5.97%	-1.97%	-3.58%	6.60%	2.70%	-5.46%	3.67%	1.41%	3.90%	2.69%	1.25%	2.57%	
+/-	-2.48%	-0.37%	1.28%	-3.49%	-0.07%	0.63%	-1.13%	0.01%	-1.09%	-0.36%	-1.51%	-1.29%	
FY 23/24	2.22%												
Benchmark	2.80%												
+/-	-0.58%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	

	Akambo International Equities Fund	MSCI ACWI (net in USD)	-/+
Cumulative return (since inception 16/02/2022)	-3.69%	7.82%	-11.51%
Trailing 5 year return p.a.			
Trailing 3 year return p.a.			
Trailing 12 month return p.a.	8.58%	17.16%	-8.58%
Trailing 3 month return p.a.	3.26%	6.76%	-3.50%

* 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.

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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."