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 August 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 lower in August. The S&P 500 fell 1.77%, China's Shanghai Composite fell 5.20%, the UK's FTSE 100 fell 3.38%, Europe's STOXX 600 fell 2.79% while Japan's Nikkei fell 1.67%. US equities were off to a weak start with the year-to-date rally leaving US equities fully valued with August the first down month for the S&P 500 and Nasdaq since February. Ratings agency Fitch downgrading the US credit rating from AAA to AA+ also weighed. It was a month of two halves with ongoing stronger than expected economic data pushing bond yields to a 16-year high and stocks selling off sharply. But the data softened later in the month with bond yields easing back somewhat and equities finding support. July nonfarm payrolls were in line with expectations although the 187K jobs gain was the lowest monthly increase since December 2020, but the unemployment rate unexpectedly fell to 3.5%, from 3.6% prior. Retail sales for July were up a strong 0.7% for the month, well ahead of estimates. Manufacturing data saw a noticeable improvement. Philadelphia Fed's August manufacturing index jumped 25 points and the first positive read since August 2022. The July ISM Manufacturing and Richmond Fed Manufacturing Indexes also improved, and weekly unemployment claims fell to the lowest since earlier this year. The Q2 reporting season wrapped up with the blended Q2 earnings declining 4.9% year on year, better than the 7.0% decline expected at the beginning of the reporting season, with roughly 80% of companies beating consensus expectations, a 2 year high for that measure. The more upbeat themes from the Q2 reporting have included consumer resilience, largely intact secular growth narratives surrounding big tech boosted by AI, lingering normalization tailwinds for travel & entertainment, strength in auto and industrial end-markets, a tight supply backdrop for homebuilders, and some investment banking and IPO green shoots. Cautious themes revolved around heightened macro uncertainty, increasing costs crimping margins, and elevated longer term bond yields. With the better-than-expected earnings and economic data economists were upgrading their Q3 GDP estimates, a notable reversal after calling for a Q3/Q4 recession a few months ago. From there the data weakened somewhat. The July ISM Services index fell more than expected. The NAHB Housing Market Index snapped a seven-month winning streak and Existing Home Sales unexpectedly fell with some softness creeping back into housing indicators. Durable Goods Orders fell 5.2% for the month, the sharpest decrease since April 2020. Fed Chair Powell's speech at the Jakson Hole Symposium provided a balanced view, highlighting both upside and downside risks to the outlook for monetary policy. He reaffirmed the Fed's commitment to the 2% inflation target and firmly believes the current Fed Funds Rate at 5.5% is restrictive but acknowledged the current neutral rate is uncertain. He mentioned the recent economic data is stronger than expected and would be prepared to raise rates further if appropriate but there wasn't a lot of new insights in the speech.

The Portfolio rose 0.79% in August while the benchmark rose 1.04% in AUD terms.

Changes to the Portfolio in August included adding to positions in Schlumberger (SLB), as demand for oil and gas production, exploration and development picks up following years of underinvestment, and added to SSE (SSE) with the recent fall in share price diverging from positive forward earnings guidance trends. Citigroup (C) was removed from the portfolio with progress towards their strategic targets slower than anticipated.

The largest contributors to the Portfolio in August were Novo Nordisk (NOVO) up 20.04%, Amazon (AMZN) up 7.43%, and Alphabet (GOOG) up 7.38%. The largest detractors were CVS Health (CVS) down 9.20%, Citigroup (C) down 9.07%, and Sony (SONY) down 7.51%.

Novo Nordisk (NOVO) surged 17% on results from the SELECT cardiovascular outcomes trial that achieved its primary objective by demonstrating a statistically significant and superior reduction in major adverse cardiovascular events (MACE) for people treated with semaglutide (WEGOVY). The SELECT trial was initiated in 2018, enrolled 17,604 adults and has been conducted in 41 countries at more than 800 investigator sites. The primary objective of the trial was to demonstrate superiority of semaglutide with respect to reducing the incidence of cardiovascular death, non-fatal myocardial infarction, or non-fatal stroke. Novo now expects to file for regulatory approvals of a label indication expansion for semaglutide in the US and the EU this year.

Sony (SONY) reported better than expected Q1 results last month, but full year guidance was below market expectations. Q1 revenue of ¥2.964T was up 33% year on year and ahead of the ¥2.516T consensus as was net income of ¥217.55B vs ¥169.76B. The company upgraded full year guidance for net income to ¥860.00B which was higher than prior guidance for ¥840.00B but below market estimates for ¥909.96B. The Japanese conglomerates operations span movies, music, financial services, electronic components, and gaming. The company said the PS5, Sony's most important product, sales momentum had been picking up in July after slowing in the June Q but cut the outlook on its image sensors used in smartphones with recovery in China's smartphone market taking longer than expected and key customer Apple recently noting that iPhone demand is also sluggish.

Amazon (AMZN) reported a big beat last month with Q2 EPS of $0.65 way ahead of the $0.35 expected. Cost-cutting efforts from last year are beginning to bear fruit, as did their recent "Prime Day" in July which was its biggest ever in terms of number of products sold, and AWS growth stabilized as customers started shifting from cost optimization to new workload deployment. The company also upgraded Q3 revenue guidance to between $138 billion and $143 billion, or growth between 9% and 13%, ahead of expectations for revenue of $138.25 billion. "It was another strong quarter of progress for Amazon," said Andy Jassy, Amazon CEO. "We continued lowering our cost to serve in our fulfillment network, while also providing Prime customers with the fastest delivery speeds we've ever recorded, and AWS has continued to add to its meaningful leadership position in the cloud with a slew of generative AI releases."

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

31/08/2023	% Wgt		
	Port	Bench	+/-
Communication Services	7.67	7.40	0.27
Consumer Discretionary	10.86	10.99	-0.13
Consumer Staples	5.83	7.15	-1.32
Energy	6.37	5.09	1.28
Financials	11.90	15.68	-3.78
Health Care	15.57	11.75	3.82
Industrials	2.45	10.76	-8.31
Information Technology	11.14	21.73	-10.59
Materials	15.41	4.46	10.95
Real Estate	0.29	2.33	-2.04
Utilities	2.60	2.65	-0.05
Not Classified	9.91	0.00	9.91

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

31/08/2023	% Wgt		
	Port	Bench	+/-
North America	58.64	66.54	-7.90
South & Central America	0.33	0.89	-0.56
Western Europe	18.91	13.08	5.83
Asia Pacific	18.48	15.67	2.81
Eastern Europe	0.02	0.21	-0.19
Central Asia	3.28	1.80	1.48
Africa / Middle East	0.34	1.81	-1.47

Portfolio Characteristics

31/08/2023	Port	Bmrk	Relative
# of Holdings	33.00		
Price to Earnings Ratio	18.30	19.59	-1.29
Price to Book Ratio	2.82	2.82	0.00
Dividend Yield	2.52	2.39	0.13

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%	-2.93%
Benchmark									-1.16%	-2.65%	-1.32%	-4.79%	8.94%
+/-									-1.69%	-1.18%	-0.60%	0.35%	-11.87%
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%	0.79%											
Benchmark	2.80%	1.04%											
+/-	-0.58%	-0.25%	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)	-2.93%	8.94%	-11.87%
Trailing 5 year return p.a.			
Trailing 3 year return p.a.			
Trailing 12 month return p.a.	12.05%	20.75%	-8.70%
Trailing 3 month return p.a.	4.34%	6.53%	-2.19%

* 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

Akambo Financial Group

Level 9, 90 Collins Street

Melbourne, Victoria 3000

Phone: 03 9602 3233

www.akambofg.com

P: 03 9602 3233

F: 03 9602 5009

www.akamboFG.com

"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."