

Oakleigh Flagship Equities Portfolio

Quarterly Report – Q4 2022



Investment Objective and Strategy:

The Oakleigh Flagship Equities Portfolio aims to generate returns in excess of CPI + 5% over rolling 5-year periods through a managed portfolio of Australian and international securities.

Stock selection focuses on growth and value securities with emphasis on companies that have a sustainable competitive advantage or business model with monopolistic traits, high sustainable cash flow generation or structural tailwinds.

Performance	Portfolio Return ¹	S&P/ASX 200 Accum Index	Excess Return
3 Months	+8.7%	+9.4%	-0.7%
1 Year	-1.0%	-1.1%	+0.1%
Since Inception (per annum) ³	+10.8%	+9.4%	+1.4%
Since Inception (absolute) ³	+27.0%	+23.5%	+3.5%

Past performance is not a reliable indicator of future performance.

Commentary

Global markets retested the June lows in early October and found support, recovering throughout the remainder of the December quarter.

The Australian market continued to outperform its US peer (S&P500 -18% in 2022), largely due to its overweight exposure to Materials (resources & energy) and underweight exposure to Information Technology (IT) related sectors.

The Portfolio continues to maintain a Beta of below 0.8, indicating investors have experienced significantly less portfolio volatility than the S&P/ASX 200 Index.

The Portfolio underperformed the S&P/ASX 200 during the quarter by a small margin, but has outperformed its benchmark over the last year and since inception.

Portfolio turnover in the quarter was low. Two acquisitions were made; Telstra (TLS) and ASX (ASX). Both stocks meet the Portfolios goal of having high quality, monopolistic businesses with strong balance sheets. More insight into the investment in TLS is on the following page.

Investors will notice cash levels dropped materially in the second half of 2022. The Cash levels at the end of the quarter were roughly 1%. The Portfolio is now fully invested.

Broadly we are bullish on the market over the next 2-4 years and have positioned the Portfolio accordingly. Whilst we see likely volatility over the first quarter of 2023, we see any weakness as buying opportunities.

As the Portfolio is invested for the long-term we have chosen to be fully invested now rather than try pick any possible dips, collecting dividends for investors along the way.

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Portfolio Details

Investment Objective:

CPI + 5%p.a. over rolling 5-year periods

Benchmark:

S&P/ASX 200

Minimum Investment:

\$50,000

Management Fee:

0.75%

Performance Fee:

Nil

Investments:

Australian shares and listed property
International shares (via Exchange Traded Funds (ETF's) and managed investments)

Indicative Number of Holdings:

15-30

Suggested investment timeframe:

5 Years

Availability:

- Macquarie Manager II
- Macquarie Consolidator II

Top Performers

Evolution Minig (EVN)	+45%
Challenger (CGF)	+30%
Newcrest Mining (NCM)	+22%
BHP Group (BHP)	+18%
Steadfast Group (SDF)	+18%

Top Holdings

VanEck MSCI World Ex Aus Quality Hedged ETF (QHAL)	7.0%
Commonwealth Bank (CBA)	5.7%
BHP Group (BHP)	4.3%
Woodside Energy (WDS)	4.3%
Wesfarmers (WES)	4.1%

'Top Performers' - Total Returns (stock price gains plus distributions) over the quarter or for the period the stock position was held by the Portfolio during the quarter.

Stock of the Quarter

Telstra (TLS) is the dominant player in the Australian telecom industry. It is the market leader in fixed voice, broadband, mobile services, and the corporate telecom market. Telstra's mobile unit benefits from a network quality advantage that underpins a 40%-plus subscriber market share position. The Government-owned National Broadband Network (NBN) has changed the structure of the broadband market. How management handles its broadband businesses under the NBN regime is key, with significant bearing on maintainability of current dividends. The balance sheet is solid, and the group has a good track record of extracting productivity benefits and replacing lost earnings. TPG Telecom's aborted plans to enter the mobile network market have diminished fears of heightened competition for Telstra, although the merged TPG-Vodafone entity will be a more formidable competitor.

In October 2022, Telstra shareholders approved a significant corporate restructure into four separate subsidiaries. The key reason for the complex restructure, was in our view, was to separate the infrastructure assets from the retail and wholesale business.

We anticipate that the sale of the infrastructure assets will occur in 2023, most likely through the sale of 49% of those assets to investors who will more highly value these income streams than Telstra shareholders.

If an asset sale does occur, it is likely to realise substantial value for Telstra shareholders that could underpin major capital returns or special dividends for shareholders.

About the Portfolio Manager

Oakleigh Investment Management Pty Limited is the Portfolio Manager of several investment portfolios, including the Oakleigh Flagship Equities Portfolio. Oakleigh Investment Management is part of the Oakleigh Financial Services group, an Adelaide based, boutique financial services business with advisers who have been providing financial solutions to small business owners, families and high-net-worth clients since 2004. The group specialise in portfolio construction, asset allocation and investment management with a focus on equities. Oakleigh Investment Management is advised by the experienced investment professionals that comprise its Investment Committee.

Performance

1. Performance is calculated before the Management Fees (but inclusive of indirect investment management fees). Assumes reinvestment of distributions and franking credits. Returns over periods longer than 12 months are annualised.
2. Based on CPI + 5% per annum where CPI is Consumer Price Index, Australia. CPI + figures shown here use the most recent published figure based on CPI data issued by the Australian Bureau of Statistics (ABS). The quarterly Target Return is calculated based on a quarter of the most recent publicised annualised CPI rate (due to the quarterly CPI not being released by the ABS for one month after the end of the latest quarter).
3. Inception Date 16 October 2020.

Past performance is not a reliable indicator of future performance. Oakleigh Investment Management does not guarantee the performance of the Oakleigh Flagship Equities Portfolio.

Important information

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Performance data provided is sourced from Iress Portfolio System (IPS). Iress, a listed Australian technology company, is used by more than 9,000 businesses and 500,000 globally.

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The disclosure document for the Oakleigh Flagship Equities Portfolio can be obtained at macquarie.com.au/investing/macquarie-wrap. For more information on services provided by the Oakleigh Financial Services group refer to the Financial Services Guide (FSG) at oakleighfinancial.com/tcs.



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