

# Oakleigh Flagship Equities Portfolio

## Quarterly Report – June 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 <sup>1</sup>	ASX 200 Return	Excess Return
3 Months	-8.0%	-11.2%	+3.2%
1 Year	+2.4%	-3.2%	+5.6%
<b>Since Inception (annualised)<sup>3</sup></b>	<b>+11.9%</b>	<b>+12.2%</b>	<b>-0.3%</b>

*Past performance is not a reliable indicator of future performance.*

## Commentary

The June quarter saw an acceleration of the downwards trend in markets that began in early 2022. Investor concerns morphed from geopolitical (Ukraine) to economic, as central banks started making moves to check (or try to) ongoing high persistent inflation by aggressively increasing cash rates.

**The Oakleigh Flagship Equities Portfolio outperformed the ASX 200 during the quarter by 3.2%. Over the last 12 months outperformance was +5.6%.**

Outperformance was driven by elevated cash levels (more than 20% until the latter half of June) and quality stock selection, meaning in aggregate the Portfolio's holdings declined less than the broader market.

During the quarter new holdings in National Aust Bank (NAB), Orora (ORA) and The Lottery Company (TLC) were established, all companies which soundly meet our investment strategy of holding high quality or monopolistic businesses. Furthermore, a small holding in Cooper Energy (COE) was established after they acquired the Orbust Gas Processing Plant, which sets up the company as a key operator producing, processing & delivering gas into a heavily under supplied Victorian market. Portfolio holdings in South32 (S32) and Mineral Resources (MIN) were exited due to short-term concerns. Both shares were trading materially (10-20%) lower at the end of the quarter against our exit prices and are on the watchlist to repurchase in due course.

Late in June the Portfolio started to deploy its cash reserves, adding to core holdings as the June market declines were reaching -10%. Positions in BHP Group (BHP), Wesfarmers (WES), National Aust Bank (NAB), Vanguard Property Securities ETF (VAP) and Elders (ELD) were added to.

### Top Performers

Viva Energy	+23%
Amcor	+19%
Mineral Resources	+15%
MSCI World Ex Aus Quality (Hedged)	+5%
Propel Funeral Partner	+2%

### Top Holdings

Commonwealth Bank	5.2%
BHP Group	4.1%
Viva Energy	4.1%
Vanguard Aust Property Securities ETF	4.0%
Woodside Energy	4.0%

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

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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

## Stock of the Quarter

**The Lottery Company (TLC)** an Australian lottery operator underpinned by its national distribution network of 3,863 lottery outlets, 3,409 Keno venues and digital platforms (web and app). The group is licensed to provide Keno to venues in NSW, VIC, QLD, SA and the ACT (including digital approvals in the ACT and VIC). The Lottery Corporation operates the whole of its lotteries business under "The Lott" umbrella brand.

With significant barriers to new competitors, we expect The Lottery Corp will continue to dominate the Australian lotteries landscape. The Lottery Corp's lotteries are underpinned by long-dated state-based licenses in all Australian states, except WA—adding a degree of earnings certainty. We expect the scale of the business will be such that new entrants will find it extremely hard to compete against The Lottery Corp's distribution network and national jackpot pool size, at the conclusion of The Lottery Corp's exclusive state-licenses.

Our favorable view on The Lott Corp is supported by;

- TLC's earnings are defensive, with historical performance indicating resilience during economic recessions, furnishing TLC with a stable earnings profile.
- With state-based lottery licenses in all Australian states except Western Australia, TLC enjoys a near-monopoly position in Australian lotteries.
- COVID-19 lockdowns and restrictions have accelerated the move to digital sales. Greater digital sales improve TLC's operating margins while offsetting the impact of a decline in newsagent retailers

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## 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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The disclosure document for the Oakleigh Flagship Equities Portfolio can be obtained at [macquarie.com.au/investing/macquarie-wrap](http://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](http://oakleighfinancial.com/tcs).

