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**AC Managed Equity Portfolio**

**June 2023 Quarterly Review**

PORTFOLIO PERFORMANCE

The AC Managed Equity Portfolio returned -2.76% compared to the benchmark S&P/ASX 200 (TR) return of 1.01% giving a relative performance of -3.77% for the period.

## PERFORMANCE TO 30 JUNE 2023

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Return %** | **1Mth** | **3Mths** | **6Mths** | **1Yr** | **3Yrs** | **5Yrs** | **Since Inception (29/10/2013)** |
| Portfolio | -1.81 | -2.76 | 1.87 | 18.26 | 9.30 | 11.97 | 11.13 |
| Benchmark | 1.76 | 1.01 | 4.51 | 14.78 | 11.12 | 7.15 | 7.30 |
| **Relative Performance** | **-3.57** | **-3.77** | **-2.64** | **3.48** | **-1.82** | **4.82** | **3.83** |

The table above sets out the investment performance returns (AFTER investment management fees, but BEFORE administration fees, performance based fees and taxes) for the Portfolio. The performance returns have been calculated on a daily basis taking into account brokerage costs, and are accumulated for the period shown. Returns are shown as annualised if the period is over 1 year, or as total returns otherwise.

## QUARTERLY REVIEW

The portfolio limped home in the second quarter, slightly underperforming a flat market for the quarter, although maintaining an outperformance for the twelve months, with the five year average dipping to 11.97% p.a. On closer inspection the damage was very late in June, when both our gold stocks and our latest investment, Droneshield (DRO.ASX) all dropped about 20%+ in the final week or so. DRO slipped from over 32c down to a low of 21.5c as two of the directors sold down their holdings ahead of the close of the tax year.

Normally, director selling is a negative sign, but although their reasons were unknown to me, I viewed it as an opportunity to acquire a potential multi-bagger small company again at a very attractive entry. Having already paid 30c in the recent issue, buying in bulk at around 23c average was a no brainer. As a consequence, it ended the quarter as our largest holding!

## TOP 5 STOCKS BY WEIGHT AS AT 30 JUNE 2023

|  |  |
| --- | --- |
| **Company Name** | **Sector** |
| DRONESHIELD LIMITED ORDINARY | Information Technology |
| ELDERS LIMITED ORDINARY | Consumer Staples |
| BELLEVUE GOLD LTD ORDINARY | Materials |
| HUB24 LTD ORDINARY | Financials |
| JAMES HARDIE INDUST PLC CHESS DEPOSITARY INT | Materials |

## MARKET OUTLOOK

The big topic is at what point will interest rates peak, and are we heading for a 1987 style crash as equity markets continue to defy gravity by rising as negative factors like impending recessions, stagflation and rising interest rates threaten the level of valuations?

To be honest I don’t know the answer. The RBA here is trying not to raise rates, and now lagging US interest rates which is unusual. We are seeing some great opportunities too, but I remain uncomfortable that the US markets in particular are living dangerously. As a consequence a significant portion of the portfolio is defensively positioned.

At the time of writing, DRO has bounced back from its June close of 23c and is trading at 33c. Likewise, Bellevue Gold has rebounded despite the gold price marking time below $2000. So the portfolio has had a free kick for the quarter which helps.

IMPORTANT INFORMATION

The financial commentary contained within this quarterly report has been prepared and provided by Aldersley Capital Pty Ltd (ABN 14 002 972 901) a corporate authorised representative (No. 420193) of Andika Pty Ltd (ABN 41 117 403 326 and AFSL 297069), who is the Portfolio Manager of the managed portfolio options available through the HUB24 Managed Portfolio Service.

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