

Sterling Clime
Australian Equities
Portfolio (SR0014)

Investment Summary
November 2024



Praemium (SMA)

Market & Economic Commentary

Markets rallied in November after Donald Trump and the Republican Party secured control of the US Presidency and Congress. Trump's economic and trade policies, including tax cuts, tariffs, deregulation, and mass deportations, have raised concerns about inflation, rising debt, a stronger US dollar, and tighter labour markets. These risks suggest volatile inflation, slower interest rate cuts, and a potential surge in US public debt.

US stock indexes rose in November, with the S&P 500 up 5.73%, Dow Jones up 7.54%, and Nasdaq up 6.84%. Global markets were mostly higher, except for Japan's Nikkei, which dropped 2.22%. The ASX 200 rose, led by technology and financials, while resources, particularly gold, underperformed. Valuations are high, with the ASX 200's forward price-earnings ratio at 18.5x, above the long-term average of 14.5x.

The AUD fell below USD 0.65, influenced by a strong USD, which rose following Trump's election. Although Trump prefers a weaker USD, his policies may drive the greenback higher, impacting global markets and possibly strengthening the USD further.

Germany's economy contracted in 2023 and early 2024 due to high inflation, rising interest rates, and energy costs. It remains one of the weakest major economies. In China, the government announced a major fiscal stimulus package to offset trade tensions and the impact of potential US tariffs, which could negatively affect Australian exports like iron ore and coal.

Despite market momentum, valuations are stretched, and geopolitical and economic risks remain elevated. A defensive stance is recommended as uncertainty surrounding US policy grows.

Key Trends for the Year Ahead:

- Inflation is falling steadily.
- Central banks, including the Reserve Bank of Australia, are lowering interest rates.
- Global growth is moderate, with no major recession anticipated.
- The USD and gold are strong, while the AUD and crude oil are weak.
- Share market valuations remain high.
- The US economy is growing robustly, while Australia's economy is subdued.
- Bond markets are at risk due to high debt levels in developed economies.

Portfolio Snapshot

Inception Date	SMA Model Code	Portfolio Objective	Benchmark
20th October 2017	SROO14	Deliver strong risk-adjusted total returns	Australian Equities Index ¹

¹ Sterling Clime Australian Equity Index is S&P/ASX 200 Accumulation Index

Portfolio Performance* (30/11/2024)

	1 m	3 m	6 m	1 y p.a	3 y p.a	Inception p.a
Portfolio Return	1.1%	0.9%	6.2%	14.4%	5.4%	6.9%
Capital Return	0.7%	-0.2%	4.7%	11.0%	1.9%	3.5%
Income Return	0.4%	1.1%	1.5%	3.3%	3.5%	3.4%
Sharpe Ratio	-	-	-	1.26	0.19	0.34
Sterling Australian Equities Index	3.8%	5.5%	11.5%	23.4%	9.6%	9.3%
Difference	-2.7%	-4.6%	-5.3%	-9.1%	-4.1%	-2.4%
Number of Individual Holdings (excluding cash):	23					

*Due to rounding, the sum of the capital and income return figures may not add up to the portfolio return figure.

Portfolio Commentary

The Sterling Clime Australian Equities Growth portfolio returned 1.1% for the month of November, underperforming its benchmark which returned 3.8%. The key drivers of portfolio performance and major portfolio changes are outlined in the tables below.

Positive Attributors	Comment
Aristocrat Leisure Limited (ALL.ASX)	ALL delivered solid performance during November following a strong FY24 result. The earnings outlook remains positive, underpinned by its dominant market position, robust underlying operating conditions and superior research and development (R&D) budget driving share gains in the high margin North American premium gaming ops division.
Negative Attributors	Comment
BHP Group Ltd (BHP.ASX)	BHP detracted from performance as the iron ore price weakened due to continued slower growth expectations in China. We maintain conviction in BHP's copper portfolio strategy, which stands to benefit from electrification and renewable energy over the long term.
GQG Partners, Inc. Shs Chess Depository Interests Repr 1 Sh (GQG.ASX)	GQG was negatively impacted during November as key investments held across its funds, particularly Adani Group companies, following news of legal action in the US. This development represented a significant change to our investment thesis, as the risk to future funds under management (FUM) inflows now appears elevated. Consequently, we decided to exit the position.

Portfolio Activity

BUY	Comment
Transurban Group Ltd. (TCL.ASX)	In the last 3 months, TCL has fallen 4% while the S&P/ASX 200 Index has risen 5%. Given the operations remain sound and dividends per share (DPS) guidance for financial year 2025 (FY25) was reiterated at the recent annual general meeting (AGM), we have decided to top-up the position.
SELL	Comment
GQG Partners, Inc. Shs Chess Depository Interests Repr 1 Sh (GQG.ASX)	GQG has a known 10% exposure to Adani Group Companies via underlying equities within its various fund strategies. We view the recently announced charges against CEO Gautam Adani and certain other Adani Group executives and companies as a clear negative impact to GQG and a change to our investment thesis. We view GQG as now carrying an elevated level of risk including potential strategy underperformance, slowing or declining funds under management (FUM) flow and a loss of institutional clients, therefore view it as prudent to exit the position.
Commonwealth Bank of Australia (CBA.ASX)	CBA has risen 12% in the last 3 months vs a broader gain for the ASX 200 of 5%. The continued rally in CBA's share price does not reconcile with recent earnings delivery or the outlook. As evidence of CBA's excessive valuation, we note that CBA recently issued a bond priced at a 6.152% p.a. coupon which compares to CBA's (higher risk) current dividend yield of 4.4% p.a. (grossed up for franking credits). Accordingly we have decided to further reduce our position on a view that valuation is excessive and will not be sustained.
Aristocrat Leisure Limited (ALL.ASX)	Our investment view for ALL has pleasingly played out as expected and we now view most of the upside has been captured. In recognition the stock has risen >60% YTD, we view it as prudent to lock further profits in post the result. We remain of the view ALL is the clear market leader, supported by strong earnings outlook, superior R&D budget driving share gains in high margin premium gaming ops in North America, robust underlying operating conditions, and balance sheet strength.

Top 5 Holdings

Security	Weight (%)
BHP Group Ltd	9.3%
CSL Limited	7.6%
Westpac Banking Corporation	6.4%
Macquarie Group, Ltd.	5.1%
Resmed Inc CHESS Depository Interests on a ratio of 10 CDIs per ord.sh	4.4%

About the Model Manager

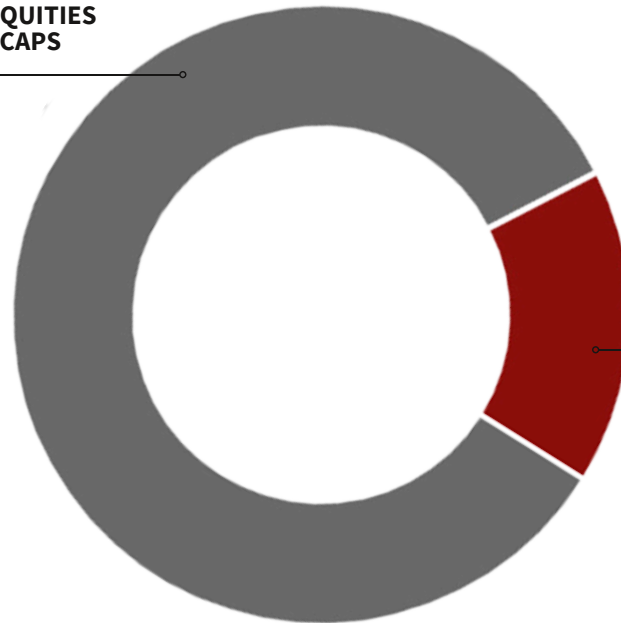
Clime applies a consistent approach to identify the most attractive investment opportunities within the universe of stocks.

Clime invests with a focus on quality and a strong valuation discipline. Our investment solutions are centred on helping clients grow their wealth.

Asset Allocation

Note: the sum here may not add up to 100% due to rounding

**AUST EQUITIES
LARGE CAPS**
83.5%



**AUSTRALIAN
DOLLAR**
16.5%

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