Sunbird Portfolios™
QUALITY LISTED PORTFOLIOS

Australian Equity Model Portfolio Performance

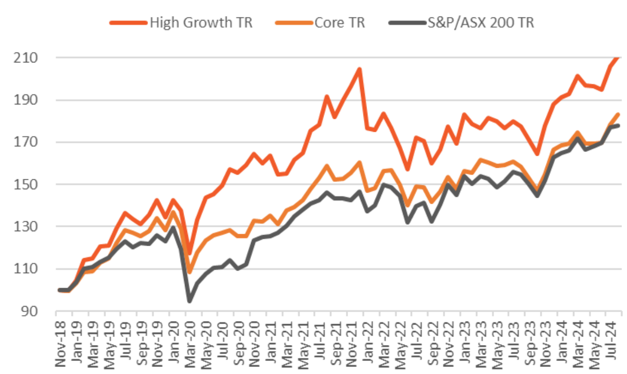
Rolling returns to 31 August 2024

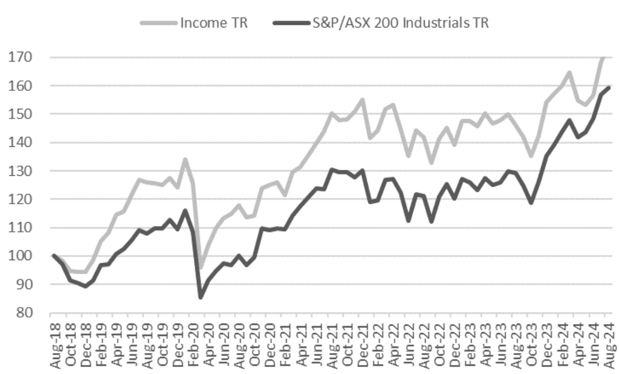
Sunbird Portfolios	1M (%)	3M (%)	6M (%)	1Y (%)	3Y (% p.a.)	5Y (% p.a.)	Since Inception (% p.a.)	Yield	FY25F (%)
High Growth TR	**2.4**	**7.2**	**9.3**	**18.8**	**3.2**	**9.5**	**13.9**	Cash yield	2.2
S&P/ASX 200 TR	0.5	5.7	7.0	14.9	6.7	8.1	10.5	Franking	50
Excess Return	1.9	1.5	2.3	3.9	-3.5	1.4	3.4	Gross yield	2.8
Growth TR	**4.1**	**9.9**	**10.1**	**18.0**	**4.5**	**8.7**	**10.4**	Cash yield	2.7
S&P/ASX 200 TR	0.5	5.7	7.0	14.9	6.7	8.1	8.3	Franking	47
Excess Return	3.6	4.2	3.1	3.1	-2.2	0.6	2.1	Gross Yield	3.3
Core TR	**2.6**	**8.1**	**8.2**	**15.7**	**4.8**	**7.6**	**11.1**	Cash yield	3.4
S&P/ASX 200 TR	0.5	5.7	7.0	14.9	6.7	8.1	10.5	Franking	60
Excess Return	2.1	2.4	1.2	0.8	-1.9	-0.5	0.6	Gross Yield	4.4
Income TR	**3.8**	**14.0**	**9.2**	**19.5**	**5.1**	**6.8**	**9.7**	Cash yield	4.0
S&P/ASX 200 Indus. TR	1.5	10.9	10.8	23.0	6.8	8.1	8.1	Franking	63
Excess Return	2.3	3.1	-1.6	-3.5	-1.7	-1.3	1.6	Gross Yield	5.0
ESG TR	**4.3**	**10.9**	**12.0**	**18.9**	**5.9**		**11.8**	Cash yield	3.0
S&P/ASX 200 TR	0.5	5.7	7.0	14.9	6.7		10.1	Franking	52
Excess Return	3.8	5.2	5.0	4.0	-0.8	n/a	1.7	Gross Yield	3.8

TR = Total Return (before fees and franking credits, assumes dividends are reinvested and the portfolios are rebalanced 3-4x per year). Sunbird's performance methodology is consistent with the benchmark. Platform performance figures may differ depending on slight differences in portfolio weightings and the treatment of fees (gross or net) and income (paid out or reinvested). Growth and Income inception 31/08/18, Core and High Growth inception 30/11/18, ESG inception 31/12/20. Past performance is not a reliable indicator of future performance.

Portfolio performance

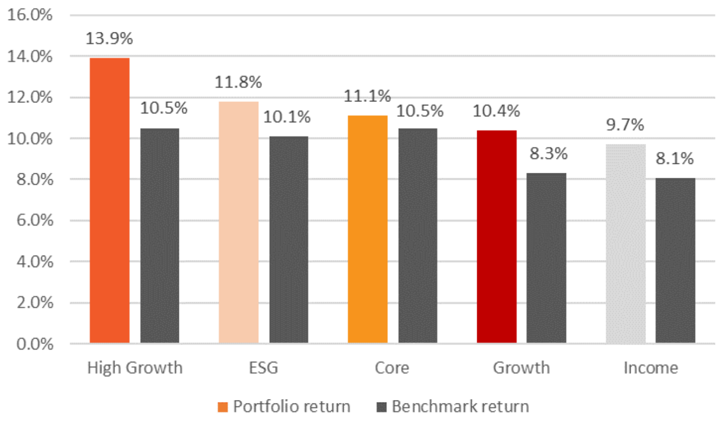
Key portfolios are outperforming, since inception





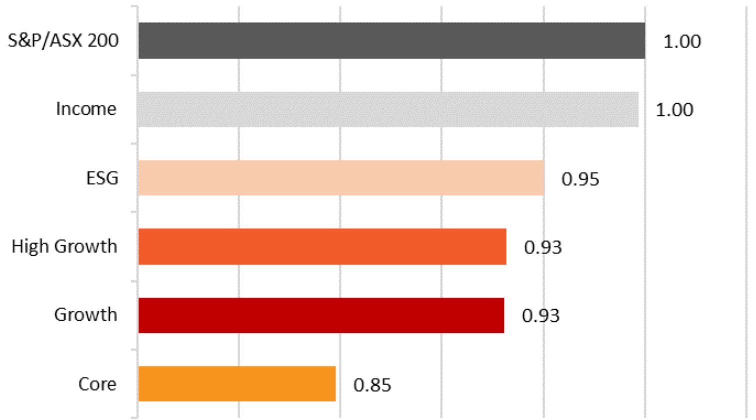
Portfolio performance

Returns range from +9.7% to 13.9% p.a. | Excess returns range from 0.6% to 3.4% p.a.



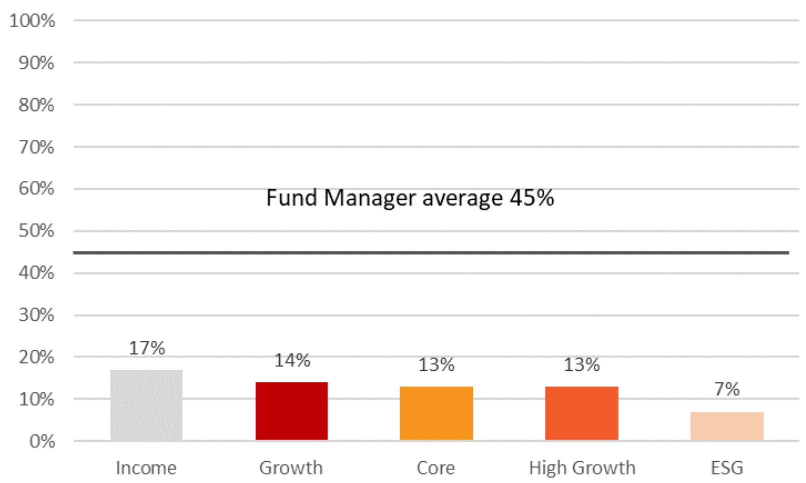
Portfolio risk, since inception

Portfolio risk has been lowered, as evidenced by portfolio beta's equal to or below 1.0



Portfolio turnover, since inception

Portfolio turnover is very low, which lowers transaction, administration and taxation expenses



Portfolio commentary

The portfolios had another strong month in absolute and relative terms, as Industrial and Property stocks recover ahead of interest rates easing in the US and Australia.

Portfolio performance was led by Industrial stocks (BXB, JBH, TNE, RMD) and Property stocks (CHC, CLW, SGP). Interestingly, LYC and NST also outperformed, which was against the flow, given the Materials sector was down 1.9% in August. Our general underweight in Materials (-8.3% quarter) and no exposure to Energy (-7.8% quarter), has been adding value over the past quarter.

As we get closer to interest rates easing in the US and Australia, we expect Industrial and Property stocks to continue to outperform, which is where we are positioned. That said, we did increase our exposure to Financials and Materials during FY24, but we generally remain underweight these sectors and continue to have no energy exposure (concerned over oil oversupply and heightened capex and regulatory risk).

August reporting season saw FY24 market aggregate EPS fall by 5.4% but a recovery to 3.7% growth is expected in FY25. We found that over 82% of our stocks had their valuations upgraded (a record level) as we rolled past a weak FY24 year into a more promising FY25, as inflation levels off and interest rates ease. This is reflected in the market P/E moving up to 17.3x, above its long-term average of 14.8x. Overall, we remain confident that portfolio performance will continue to improve over the course of FY25.

Market commentary

Global

Equity market volatility has increased in recent weeks on concerns over slowing economic growth in the US and China. While both economies are slowing, growth remains positive, hence the soft-landing scenario still looks likely over recession.

The good news is that slowing growth seems to be easing inflationary pressures, particularly regarding commodity prices. In addition, global bond yields have moved under 4.0%, which is supportive of growth assets. Given the easing cycle is really only beginning in the G7 (Europe, UK and Canada have started but the US is expected to begin this month) we think a global recovery is likely in 2025.

One key question is, will a recovery in the G7 boost the Chinese economy? Normally this would be a given, but Chinese exports are increasingly the target of sanctions & tariffs, and its property sector remains weak. The answer to this question will largely determine the outlook for commodities. Our view is that a recovery in the G7 is still likely to be a net positive for China and commodity prices should eventually recover.

Australia

The economy slowed to 1.5% annual growth over FY24, but nonetheless growth remains positive, and recession seems unlikely. The Federal and State governments are providing support via income tax cuts and infrastructure spending, but this is arguably making the RBA's task harder by delaying the retreat in inflation.

Headline inflation has retreated to 3.5%, with electricity subsidies helping, but core inflation remains around 3.9%. The RBA expects headline inflation to retreat to 3.0% by December 2024, while core inflation is expected to be around 3.5%. Both are inching closer to the RBA's 2-3% target range. The RBA is adamant that no rate cuts are due in 2024, but the futures market is pricing in rate cuts beginning in December 2024. If there are no rate cuts in 2024, the earliest the RBA can cut is February 2025, as it doesn't meet in January.

Outlook

Inflation is gradually retreating to target, and a soft-landing scenario looks probable. Weakness in commodities is a further positive for the inflation outlook. Interest rates are already easing in the G7, with Australia likely to follow suit in early 2025. We expect a global recovery to emerge in 2025.

A soft-landing, followed by easing interest rates, is usually a bullish scenario for growth assets. We would need to see recession to be more bearish, which seems unlikely (perhaps 20% probability). Overall, we retain a bullish view.

The key known risks are around geopolitical or climate change events upsetting global trade and/or the US election impacting US policies on trade, foreign policy and the US budget deficit.

For further information on macro and portfolio stocks, please see our regular email notes and research on the portal.

Core Portfolio

Description

A diversified portfolio of around 22 quality stocks, selected from the S&P/ASX 200, with a focus on a balance of income and capital growth.

Portfolio Objective

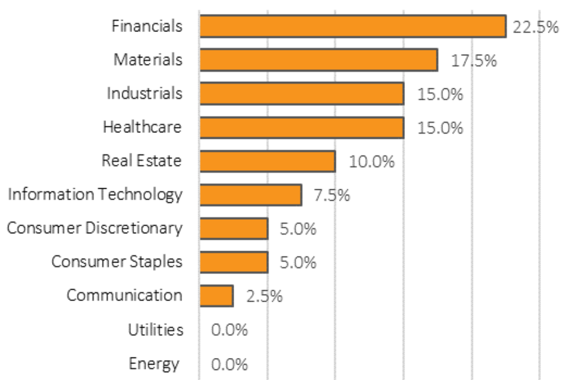
To add 1-2% p.a. in value over the S&P/ASX 200, with a similar or lower risk profile to the benchmark.

Investment Philosophy

- Quality and Value
- High Conviction
- Defensive

Universe	S&P/ASX 200
Benchmark	S&P/ASX 200 TR
Risk Limits	
Min/Max stock weight	2.5%/10.0%
Maximum sector weight	30.0%
Maximum cash weight	10.0%
Portfolio Data	
Inception date	30/11/2018
Total Return	11.1% p.a.
Excess return	0.6% p.a.
Dividend yield	3.4% cash 4.4% gross
Portfolio volatility	14.3% p.a.
Portfolio beta	0.85
Downside capture	0.88
Portfolio turnover	13% p.a.
ASX 100 exposure	95.0%
Defensive exposure	30.0%
Cash exposure	0.0%

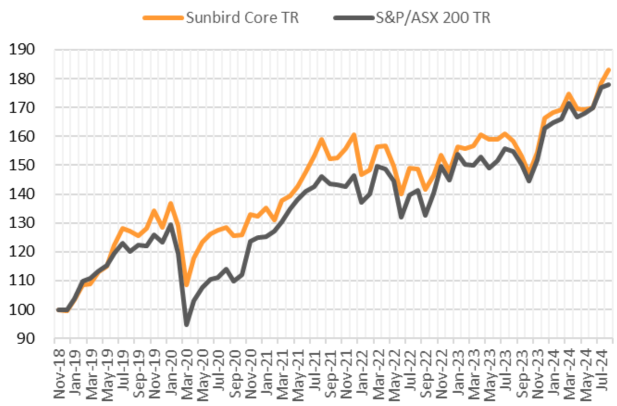
Sector Exposure



Portfolio Performance

Performance to 31/08/24	1M (%)	3M (%)	1Y (%)	3Y (% p.a.)	5Y (% p.a.)	Incept. (% p.a.)
Core TR (%)	2.6	8.1	15.7	4.8	7.6	11.1
S&P/ASX 200 TR (%)	0.5	5.7	14.9	6.7	8.1	10.5
Excess Return (%)	2.1	2.4	0.8	-1.9	-0.5	0.6

TR = Total Return (before fees and franking credits, assumes dividends are reinvested). Core inception date 30/11/18. Past performance is not a reliable indicator of future performance.



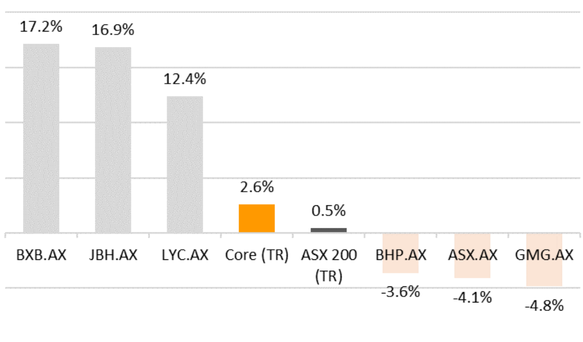
Portfolio Commentary

The Core portfolio had another excellent month in absolute and relative terms, returning +2.6% and outperforming the benchmark.

A strong month from Technology, Industrial and Real Estate stocks drove outperformance (of which the portfolio is overweight). Being underweight Energy and Materials (-6% and -1.9% in August, respectively) provided additional alpha.

We are positioned for interest rates to ease over the short term and expect recent outperformance to continue.

Key contributors and detractors – August 2024



BXB was the top contributor in August on the back of a strong month for the sector. BXB beat earnings expectations, lifted its payout ratio and announced a US$500m share buyback. JBH was another top performer as it also beat earnings expectations and outperformed the Consumer Discretionary sector. LYC also had a stellar month on the back of strong NdPr prices, with the stock also outperforming the Materials sector (which struggled as a whole on the back of weaker commodity prices - BHP was down -3.6%).

ASX and GMG were the other primary detractors, with the ASX still struggling from higher expenses and capex (though this headwind is waning), and GMG correcting after a stellar 12 months.

Income Portfolio

Description

A diversified portfolio of around 17 quality industrial stocks, selected from the S&P/ASX 200 Industrials, with a focus on income first and capital growth second.

Portfolio Objective

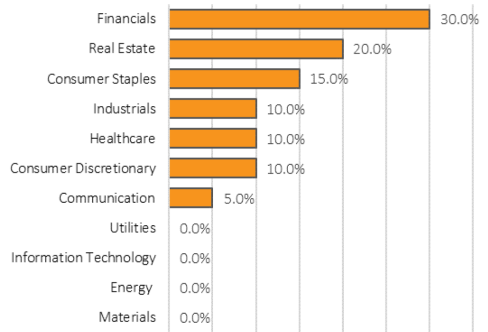
To provide an attractive income and to add +1-2% p.a. in value over the S&P/ASX 200 Industrials Index, with a similar or lower risk profile to the benchmark.

Investment Philosophy

- Quality and Value
- High Conviction
- Defensive

Universe	S&P/ASX 200 Industrials
Benchmark	S&P/ASX 200 Industrials TR
Risk Limits	
Min/Max stock weight	2.5%/10.0%
Maximum sector weight	30.0%
Maximum cash weight	10.0%
Portfolio Data	
Inception date	31/08/2018
Total Return	9.7% p.a.
Excess return	1.6% p.a.
Dividend yield	4.0% cash 5.0% gross
Portfolio volatility	17.1% p.a.
Portfolio beta	1.00
Sharpe ratio	0.33
Portfolio turnover	17% p.a.
ASX 100 exposure	90.0%
Defensive exposure	57.5%
Cash exposure	0.0%

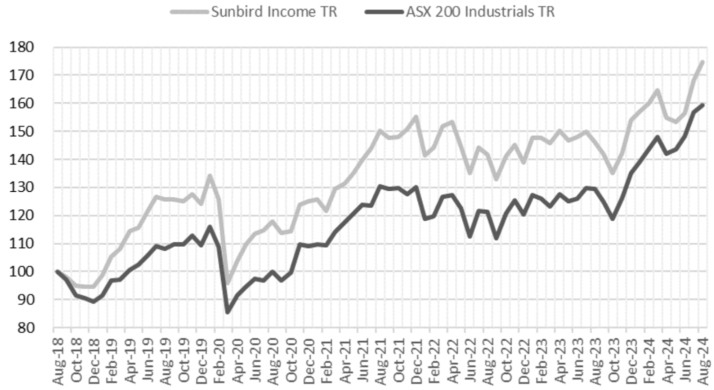
Sector Exposure



Portfolio Performance

Performance to 31/08/24	1M (%)	3M (%)	1Y (%)	3Y (% p.a.)	5Y (% p.a.)	Incept. (% p.a.)
Income TR (%)	3.8	14.0	19.5	5.1	6.8	9.7
S&P/ASX 200 Industrials TR (%)	1.5	10.9	23.0	6.8	8.1	8.1
Excess Return (%)	2.3	3.1	-3.5	-1.7	-1.3	1.6

TR = Total Return (before fees and franking credits, assumes dividends are reinvested). Income inception date 31/08/18. Past performance is not a reliable indicator of future performance.

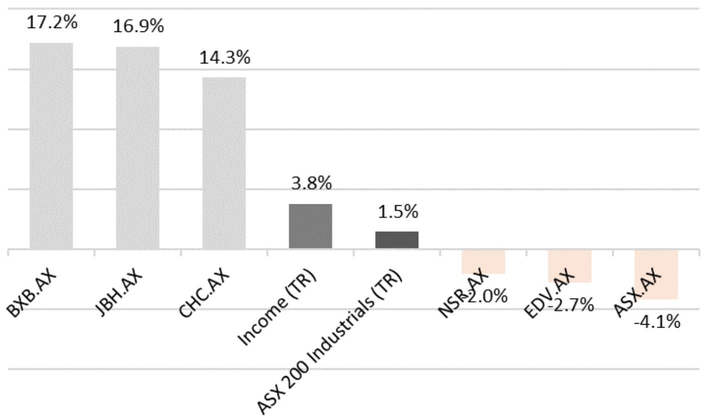


Portfolio Commentary

The Income portfolio returned 3.8% in August, outperforming the benchmark by 2.3%. This was another very strong month for the portfolio and was led primarily by the Property and Industrials sectors as inflation and interest rates trended lower.

The portfolio generates an attractive income **(4.0% cash or 5.0% gross)** and has outperformed the benchmark (since inception), due to our focus on risk-adjusted total return (not just income).

Key contributors and detractors – August 2024



The key contributors in August were Industrials (BXB), Consumer Discretionary (JBH) and Real Estate (CHC). BXB had an excellent month after it beat earnings expectations, lifted its payout ratio and announced a US$500m share buyback. JBH was another top performer as it also beat earnings expectations, while CHC benefitted from lower interest rates.

NSR, EDV and ASX were the primary detractors. ASX is still struggling from higher expenses and capex, while EDV is dealing with tough retail conditions. NSR corrected slightly in August following a period of strong returns. We remain comfortable with all three stocks.

ESG Portfolio

Description

The ESG portfolio aims to offer a balance of income and growth from investing in quality companies that are also responsible investments. Each company must pass a number of Environmental, Social and Governance (ESG) filters.

Portfolio Objective

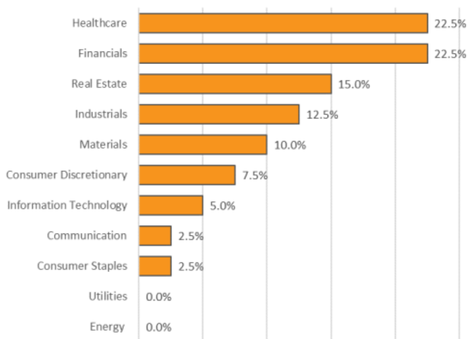
To add +1-2% p.a. in value over the S&P/ASX 200, with a similar or lower risk profile to the benchmark.

Investment Philosophy

- Quality and Value
- ESG filters

Universe	S&P/ASX 200
Benchmark	S&P/ASX 200 TR
Risk Limits	
Min/Max stock weight	2.5%/10.0%
Maximum sector weight	30.0%
Maximum cash weight	10.0%
Portfolio Data	
Inception date	31/12/2020
Total Return	11.8% p.a.
Excess return	1.7% p.a.
Dividend yield	3.0% cash 3.8% gross
Portfolio volatility	13.7% p.a.
Portfolio beta	0.95
Sharpe ratio	0.57
Portfolio turnover	7% p.a.
ASX 100 exposure	95.0%
Defensive exposure	32.5%
Cash exposure	0.0%

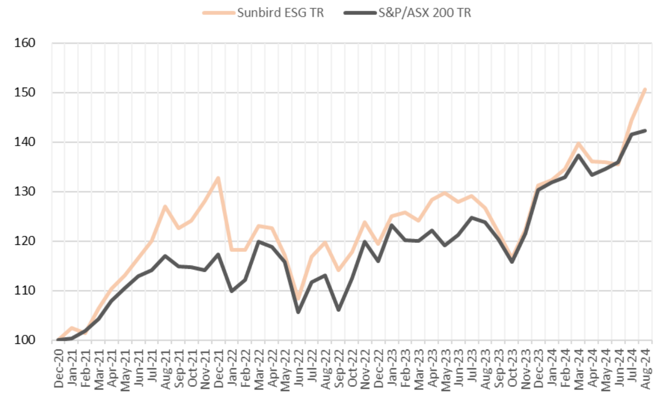
Sector Exposure



Portfolio Performance

Performance to 31/08/24	1M (%)	3M (%)	1Y (%)	2Y (% p.a.)	3Y (% p.a.)	Incept. (% p.a.)
ESG TR (%)	4.3	10.9	18.9	12.2	5.9	11.8
S&P/ASX 200 TR (%)	0.5	5.7	14.9	12.2	6.7	10.1
Excess Return (%)	3.8	5.2	4.0	0.0	-0.8	1.7

TR = Total Return (before fees and franking credits, assumes dividends are reinvested). ESG inception date 31/12/20. Past performance is not a reliable indicator of future performance.

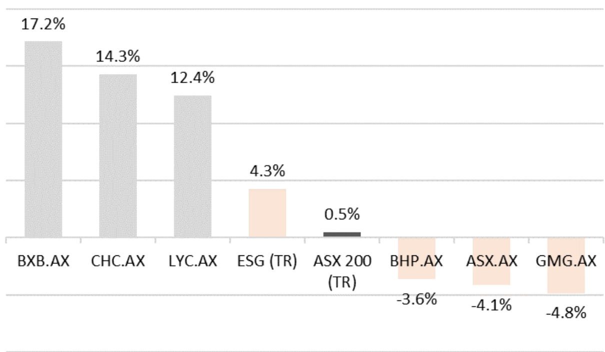


Portfolio Commentary

The ESG portfolio returned 4.3% in August, outperforming the benchmark by 3.8%. The portfolio is now firmly outperforming the benchmark over the past 12 months, in addition to generating 1.7% alpha, since inception.

Overweight exposure to the Industrials and Real Estate sectors was the primary driver of outperformance, in addition to underweight exposure to Energy and Materials.

Key contributors and detractors – August 2024



Industrials (BXB) and Property (CHC) were the top contributors for the month. BXB had an excellent month after it beat earnings expectations, lifted its payout ratio and announced a US$500m share buyback, while CHC benefitted from lower interest rates. LYC also had a stellar month on the back of strong NdPr prices, with the stock also outperforming the Materials sector (which struggled as a whole on the back of weaker commodity prices – BHP was down -3.6%).

ASX and GMG were the other primary detractors, with ASX still struggling from higher expenses and capex (though this headwind is waning), and GMG correcting after a stellar 12 months.

High Growth Portfolio

Description

A diversified portfolio of around 15 quality stocks, selected from the S&P/ASX 200, with a focus on capital growth.

Portfolio Objective

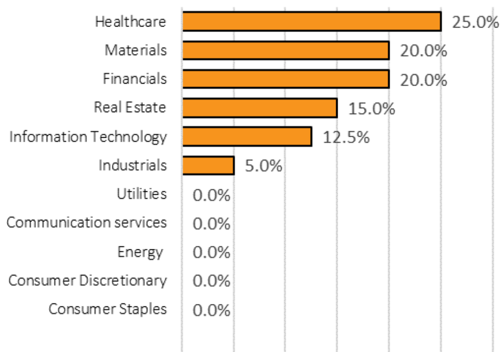
To add +2-4% p.a. in value over the S&P/ASX 200, with a similar risk profile to the benchmark.

Investment Philosophy

- Quality and Value
- High Conviction
- Defensive

Universe	S&P/ASX 200
Benchmark	S&P/ASX 200 TR
Risk Limits	
Min/Max stock weight	2.5%/10.0%
Maximum sector weight	30.0%
Maximum cash weight	15.0%
Portfolio Data	
Inception date	30/11/2018
Total Return	13.9% p.a.
Excess return	3.4% p.a.
Dividend yield	2.2% cash 2.8% gross
Portfolio volatility	17.5% p.a.
Portfolio beta	0.93
Sharpe ratio	0.57
Portfolio turnover	13% p.a.
ASX 100 exposure	97.5%
Defensive exposure	12.5%
Cash exposure	2.5%

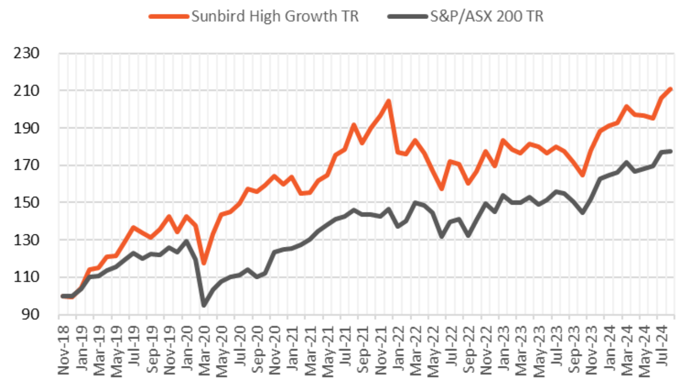
Sector Exposure



Portfolio Performance

Performance to 31/08/24	1M (%)	3M (%)	1Y (%)	3Y (% p.a.)	5Y (% p.a.)	Incept. (% p.a.)
High Growth TR (%)	2.4	7.2	18.8	3.2	9.5	13.9
S&P/ASX 200 TR (%)	0.5	5.7	14.9	6.7	8.1	10.5
Excess Return (%)	1.9	1.5	3.9	-3.5	1.4	3.4

TR = Total Return (before fees and franking credits, assumes dividends are reinvested). High Growth inception date 30/11/18. Past performance is not a reliable indicator of future performance.

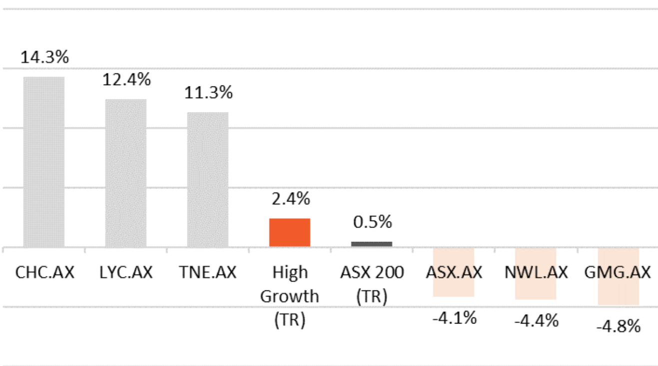


Portfolio Commentary

The High Growth portfolio returned 2.4% in August, outperforming the benchmark by 1.9%. The portfolio has now outperformed the benchmark by 3.9% over the past 12 months and has been generating 3.4% alpha since inception.

This month's outperformance was primarily driven by Property, Technology and surprisingly Materials (LYC and NST), which was against the flow (given the Materials sector was down 1.9% in August). The portfolio still holds 2.5% cash as we await an opportunity to add another quality growth stock to the portfolio.

Key contributors and detractors – August 2024



Property (CHC) was the top contributors for the month, in addition to LYC and Technology (TNE). CHC benefitted from lower interest rates, as did TNE. LYC also had a stellar month on the back of strong NdPr prices, with the stock also outperforming the Materials sector, as it struggled as a whole on the back of weaker commodity prices.

ASX, NWL and GMG were the other primary detractors, with ASX still struggling from higher expenses and capex (though this headwind is waning), and GMG and NWL correcting after a stellar 12 months.

Growth Portfolio

Description

A diversified portfolio of around 20 quality stocks, selected from the S&P/ASX 200, with a focus on capital growth first and income second.

Portfolio Objective

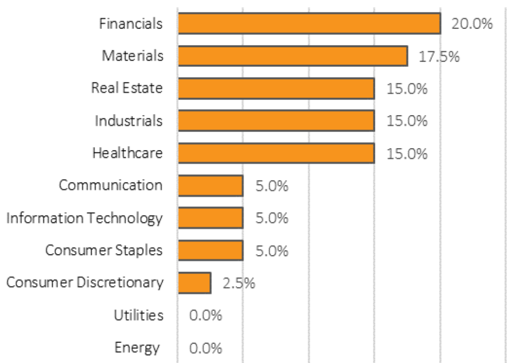
To add +2-3% p.a. in value over the S&P/ASX 200, with a similar risk profile to the benchmark.

Investment Philosophy

- Quality and Value
- High Conviction
- Defensive

Universe	S&P/ASX 200
Benchmark	S&P/ASX 200 TR
Risk Limits	
Min/Max stock weight	2.5%/10.0%
Maximum sector weight	30.0%
Maximum cash weight	10.0%
Portfolio Data	
Inception date	31/08/2018
Total Return	10.4% p.a.
Excess return	2.1% p.a.
Dividend yield	2.7% cash 3.3% gross
Portfolio volatility	16.8% p.a.
Portfolio beta	0.93
Sharpe ratio	0.38
Portfolio turnover	14% p.a.
ASX 100 exposure	95.0%
Defensive exposure	20.0%
Cash exposure	0.0%

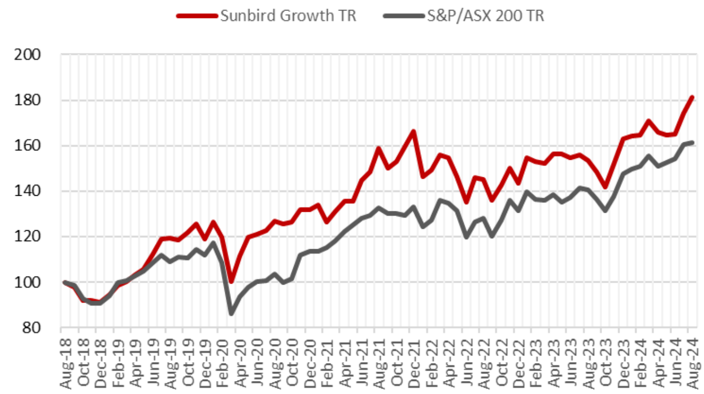
Sector Exposure



Portfolio Performance

Performance to 31/08/24	1M (%)	3M (%)	1Y (%)	3Y (% p.a.)	5Y (% p.a.)	Incept. (% p.a.)
Growth (%)	4.1	9.9	18.0	4.5	8.7	10.4
S&P/ASX 200 TR (%)	0.5	5.7	14.9	6.7	8.1	8.3
Excess Return (%)	3.6	4.2	3.1	-2.2	0.6	2.1

TR = Total Return (before fees and franking credits, assumes dividends are reinvested). Growth inception date 31/08/18. Past performance is not a reliable indicator of future performance.

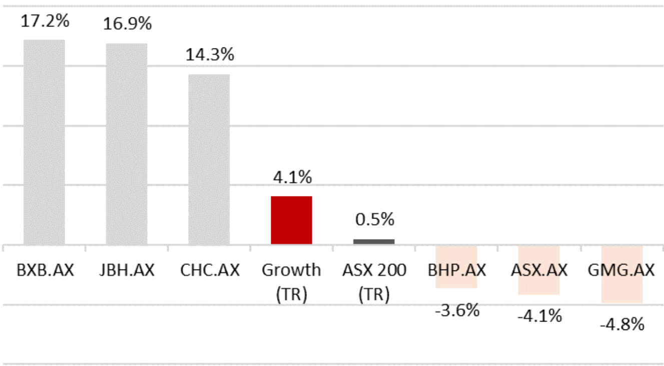


Portfolio Commentary

The Growth portfolio returned 4.1% in August, outperforming the benchmark by 3.6%. The portfolio is now ahead of the benchmark by 3.1% over the past 12 months and has been generating 2.1% in alpha since inception.

This outperformance was primarily a result of overweight exposure to Real Estate and Industrials, as well as underweight exposure to Energy and Materials.

Key contributors and detractors – August 2024



The key contributors in August were Industrials (BXB), Consumer Discretionary (JBH) and Real Estate (CHC). BXB had an excellent month after it beat earnings expectations, lifted its payout ratio and announced a US$500m share buyback. JBH beat earnings expectations while CHC benefitted from lower interest rates.

BHP, ASX and GMG were the other primary detractors. BHP struggled as a result of lower commodity prices during the month. ASX continues to struggle from higher expenses and capex (though this headwind is waning), while GMG underwent a corrective period following a stellar 12 months.

Portfolio Profiles

	High Growth	Growth	Core	Income	ESG
Description	A concentrated portfolio focused on capital growth	A concentrated portfolio focused on capital growth first and income second	A more diversified portfolio focused on a balance of income and capital growth	A concentrated portfolio focused on income first and capital growth second	A Core portfolio, with an ESG overlay. A higher growth profile than the Core.
Inception date	30/11/2018	31/08/2018	30/11/2018	31/08/2018	31/12/2020
Objective	Benchmark +2-4% p.a.	Benchmark +2-3% p.a.	Benchmark +1-2% p.a.	Benchmark +1-2% p.a.	Benchmark +1-2% p.a.
Risk target	Portfolio Beta <1.0	Portfolio Beta <1.0	Portfolio Beta <1.0	Portfolio Beta <1.0	Portfolio Beta <1.0
Typical no. of stocks	15	20	20	17	17
Universe	S&P/ASX 200	S&P/ASX 200	S&P/ASX 200	S&P/ASX 200 Industrials	S&P/ASX 200
Benchmark	S&P/ASX 200 Total Return	S&P/ASX 200 Total Return	S&P/ASX 200 Total Return	S&P/ASX 200 Industrials Total Return	S&P/ASX 200 Total Return
ASX 100 exposure	97.5%	95.0%	95.0%	90.0%	95.0%
Defensive exposure	12.5%	20.0%	30.0%	57.5%	32.5%
Minimum GICS sectors	5	6	6	6	6
Min/Max stock target weight	2.5%/10%	2.5%/10.0%	2.5%/10.0%	2.5%/10.0%	2.5%/10.0%
Maximum sector target weight	30.0%	30.0%	30.0%	30.0%	30.0%
Maximum cash limit	10%	10%	10%	10%	10%
Turnover history	13% p.a.	14% p.a.	13% p.a.	17% p.a.	7% p.a.
Stock weight inputs	Market cap/liquidity, Sector exposure, Growth vs Income characteristics, Defensive characteristics, Portfolio Yield, Quality and Risk score, Portfolio manager conviction, Portfolio expected return vs expected risk				
Capital protection measures	Quality and value investment process, Portfolio diversification, Defensive stock exposure, Cash weighting up to 10%				

Investment Philosophy and Process

Sunbird employs a *Quality and Value* investment philosophy and process. Sunbird has a proven track record of adding value and lowering risk by investing in quality companies, that offer value and have positive medium-to-long-term momentum. Sunbird avoids quality companies that are expensive and poor-quality companies that are 'cheap'.

About Sunbird Portfolio Services (Sunbird)

Sunbird is a listed portfolio specialist that provides high performing, quality portfolios at a low cost. Sunbird has a small but highly experienced team, with a proven track record of adding value and lowering risk. Sunbird's investment philosophy and process has been developed over the past 17 years (at Sunbird and Lonsec).

Warnings, Disclosures and Disclaimers

Date issued: Monday, September 16, 2024

This document is provided by Sunbird Portfolios Pty Ltd (Sunbird) |ABN 91 620 481 218 | AFSL 503266.

Warnings

Any advice provided in this document is general in nature only and does not take into consideration your objectives, financial situation or needs. Before acting on the advice, you must consider whether it is personally appropriate considering your financial circumstances or should seek independent financial advice on its appropriateness. Past performance is not a reliable indicator of future performance.

Disclosures

Sunbird DOES NOT accept fees or gifts from companies or product issuers. Sunbird and its respective officers may have an interest in the financial product of any entities referred to in this material. See www.sunbirdportfolios.com.au for a list of Director shareholdings. All views expressed in this report accurately reflect the author's personal views about the subject investment theme and/or company securities.

Disclaimer

The material in this report has been obtained from sources reasonably believed to be true and neither Sunbird nor its associates make any representation or warranty concerning the accuracy, or reliability or completeness of the information or the performance of the companies or portfolios referred to in this report.

Any opinions and/or recommendations expressed or implied in this material are subject to change without notice and Sunbird is not under any obligation to update or keep current the information contained herein. References made to third parties are based on information believed to be reliable but are not guaranteed as being accurate. Every attempt has been reasonably made by Sunbird to verify the accuracy of the information contained in the report. Sunbird, its associates, officers, directors, employees and agents are not liable for any errors or omissions (except any statutory liability which cannot be excluded) in connection with this report. Except for any liability which cannot be excluded, Sunbird, its directors, employees and agents accept no liability or responsibility for any loss or damage of any kind, direct or indirect, arising out of the use of all or any part of this report.

This report is intended for certain recipients only. It is confidential and may contain information which is privileged or personal. If you are not an intended recipient, you must not disclose or use this report for any purpose. If you have received this report in error, please call us and then destroy the report or delete it from your computer system.

W www.sunbirdportfolios.com.au

E support@sunbirdportfolios.com.au

M 0403534426

T 03 8840 7886

A Exchange Tower, Level 1, 530 Little Collins Street, Melbourne, VIC 3000