MG Alpha Return Portfolio

(Separately Managed Account)

ShawandPartners
Morrissey Group

SMA Update 31 December 2022

SMA FACTS

Investment Objective: To outperform the benchmark over a 5 to 7 year time horizon by seeking out investments trading at a discount to their intrinsic value. The objective is not a forecast, nor are returns guaranteed.

Investment Strategy:

- Use qualitative and quantitative analysis to seek out value.
- Focus on value investing, indiscriminate of income or growth.
- Diversification when value opportunity is most apparent.

Benchmark	ASX200
Indicative no of securities	20

INVESTMENT MANAGERS

Ben Morrissey

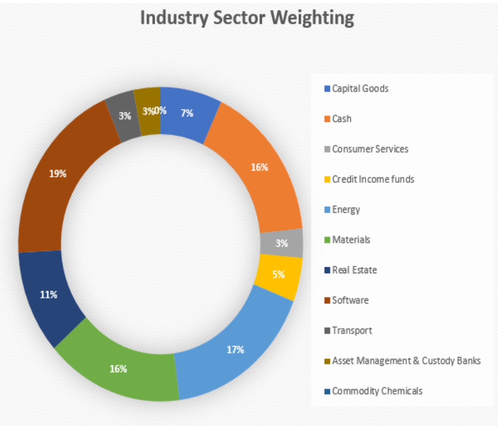
30 years investment experience. Lead investment manager and founding advisor for the Morrissey Group.

Alex Henderson

10 years investment experience. Formerly of Goldman Sachs J.B. Were, and current Morrissey Group Model Manager.

TOP 5 PORTFOLIO POSITIONS

Cash	Australian Dollars
IOD	IODM Limited
WPL	Woodside Petroleum
WHC	Whitehaven Coal
CYG	Coventry Group



Steady as she goes

The MG Alpha Return portfolio rose 4.6%, whilst the **ASX200** rose 8.7% in the December quarter. Markets rebounded from a dismal September by rallying over 6% in both October and November, before easing in December. For the rolling 12 months the portfolio has strongly outperformed, rising 7.2% vs the ASX –5.5%. The **Dow Jones** retreated 8.8%, **NASDAQ** 33.1% and in the UK, the **FTSE** gained 0.9% against an increasingly pessimistic backdrop. 2022 was an extremely challenging year, delivering a rare dual bear market for stocks and bonds. Inflation in Australia appears to be moderating, with peak interest rates now tipped to be 3.63% by September 2023 (from the current 3.10%).

IODM Limited (IOD) continued to rally, up **31.8%** for the quarter, after news of improved terms with Western Union Business Services. **Newcrest Mining (NCM)** up **22%** and have continued their revival into 2023.

PORTFOLIO HIGHLIGHTS

Leading performance drivers over the past 3 months

Code	Name	Movement (%)
Performance Contributors		
IOD	IODM Limited	31.8
NCM	Newcrest Mining Ltd	22.0
Performance Detractors		
JRV	Jervois Global	-52.5
KYP	Kinatico Ltd	-20.7

PORTFOLIO CHANGES

During the past 3 months the following changes were made to the portfolio

INCREASE			DECREASE		
Stock Code	Up (%)	Held (%)	Stock Code	Down (%)	Held (%)
COF	3.0	3.1	WHC	4.0	7.5
RPL	3.0	3.0	NAB	2.5	0.0

STRATEGY UPDATE

The RBA continued to raise rates in the December quarter, rising from 2.60% in October to 3.10%, although the pace of change is slowing as inflation moderates. One of the most significant factors for business in 2023 across the globe will be reductions in the workforce or RIF's. Elon Musk was a key player in this strategy late in 2022 as he sacked 75% of the Twitter staff. That's a remarkable figure and illustrates how fat and happy business became during a low to no interest rate period when money was basically free. That is now changing rapidly, and the big tech businesses were the first to follow his lead, which as per usual, has now spread across the rest of the sector and globe.

HOLDING UPDATES

Energy Technologies (EGY)

EGY held its AGM in early December, and while FY'22 was without question a dud of a year, the issues that caused the poor performance are largely behind us.

Lock downs impacted demand and the supply chain, and close contact isolation clearly had a dramatic impact on staffing - whether genuine or otherwise. Despite these issues, they did still manage to grow revenue by 33% and processed twice as much copper.

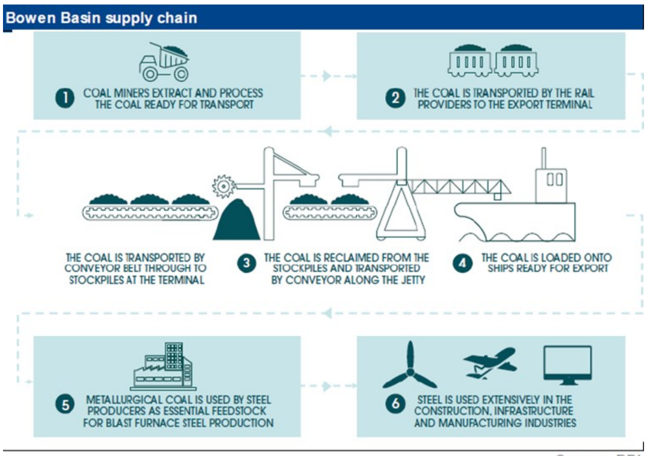
FY'23 should prove to be the breakout year barring any further lockdowns.

No excuses from here.

Dalrymple Bay Infrastructure (DBI)

In early October DBI announced they had FINALLY reached agreement on pricing and commercial terms for a ten-year period to June 2031 with all of its existing customers under the new light-handed regulatory framework.

The Terminal Infrastructure Charge (TIC) for 2021/22 is now $3.02 per tonne and for 2022/23 will be $3.18 per tonne, representing a 23% and 29% increase respectively under the previous heavy-handed regime



Source: DBI

The TIC will be increased annually for inflation, with the new pricing and commercial terms applying from 1 July 2021 to 30 June 2031 under revised user agreements with each existing user.

As a result of the backdating, payment adjustments totalling $61m is to be paid by customers for the period from 1 July 2021 to 30 September 2022.

DBI has now increased its distribution guidance to $0.201 cps, payable quarterly, from the already increased guidance of $0.1827. This represents a yield of 8.3% on the current price of $2.43.

DBI are also targeting distribution growth of 3-7% 'for the foreseeable future, subject to business developments and market conditions'.

The company stated, "The finalisation of the agreements provides significant cashflow certainty for the business, which will allow DBI to plan with confidence over the medium to longer term. DBI has the flexibility to continue to cash-fund the equity portion of its non-expansionary capital expenditure (NECAP) program while now also considering other capital management initiatives including debt repayments, buy-backs and/or diversification through potential acquisitions."

OUTLOOK

We remain heavily overweight to cash for now, as the large miners continue to run on higher commodity prices. No sign yet of traction in the small cap space, where we are waiting for the market to recognise strong business performance.