

**Sterling Clime
Conservative Portfolio
(SR0010)**

Investment Summary
March 2024



Praemium (SMA)

Market & Economic Commentary

The first quarter of the calendar year has been extremely positive for global share markets. While many investors were optimistic going into 2024, the market's robust first-quarter rally still managed to surprise us, with numerous share market indices ending the month at record all-time highs.

With such an exuberant start to the year, cautious investors would be right to query whether strong returns can continue. Bullish sentiment among fund managers in March reached the highest level since the beginning of 2022, according to a monthly Bank of America survey. Their allocation to stocks and risk appetite are also at multi-year highs. Often such bullishness has indicated in the past that markets are becoming over-bought and complacent.

Nevertheless, a strong US economy underpins investors' confidence. Consumers are still spending; employers are still hiring, and unemployment is still below 4%. Fed Chair Jerome Powell believes inflation remains on a downward trend, despite a recent spell of hotter-than-expected price reports. Fed officials are still pencilling in three rate cuts later this year.

Still, some investors wonder if the underlying strength of corporate profits can keep pace with investor optimism. Analysts expect companies in the S&P 500 to report a third straight quarter of earnings growth. Profits for the first quarter are projected to have risen roughly 3% from the same period a year earlier, according to FactSet. For the calendar year, analysts on average expect 11% earnings growth.

Of course, the momentum in markets and a strong underlying economy could carry the S&P 500 higher for the rest of the year. But prudent investors should not be complacent, as risks remain:

- inflation might prove stickier-than-expected further delaying rate cuts
- the economy could slow, producing weaker-than-expected corporate earnings.

As noted previously, central banks have likely reached the end of their hiking cycles. That has shifted attention to the timing and pace of eventual rate cuts. Typically, central banks are loathe to cut rates too early, instead easing only after recessionary conditions – such as an increase in unemployment – become apparent. But this business cycle is highly unusual due to the pandemic, and so historical precedents provide limited insights. We still expect central banks to start cutting in the second half of the year, and for the RBA to wait until after the Fed has initiated cuts, as it will not want to place undue pressure on the AUD.

Outlook

On balance, we remain optimistic that inflation will continue to decline, that a soft landing for the global economy is the most probable scenario, and that 2024 is likely to see positive share market returns helped by falling rates in the latter half.

With share markets hitting new all-time highs and increasing “animal spirits” amongst investors, it is time to be selective in constructing resilient and diversified portfolios. In our view, there are still excellent investment opportunities on the ASX, particularly for companies at the quality end of the spectrum and in the small cap sector.

Portfolio Snapshot

Inception Date	SMA Model Code	Portfolio Objective	Benchmark
20th October 2017	SROO10	Deliver strong risk-adjusted total returns	Blended Conservative Index ¹

¹ Sterling Clime Blended Conservative Index is comprised of a 45% weighting to S&P/ASX 200 Accumulation Index, 5% to S&P/ASX 200 A-REIT Accumulation Index, 10% weighting to MSCI World ex Australia Index (AUD), 35% weighting to the Bloomberg AusBond Composite Index and 5% weighting to the RBA Cash Rate.

Portfolio Performance* (31/03/2024)

	1 m	3 m	6 m	1 y p.a	3 y p.a	Inception p.a
Portfolio Return	1.6%	2.8%	6.5%	8.4%	4.9%	5.0%
Capital Return	0.9%	1.7%	4.6%	4.2%	1.4%	1.5%
Income Return	0.7%	1.1%	1.9%	4.2%	3.5%	3.5%
Sharpe Ratio	-	-	-	0.94	0.47	0.45
Sterling Conservative Index	2.0%	3.1%	8.7%	7.1%	2.6%	4.1%
Difference	-0.4%	-0.3%	-2.1%	1.3%	2.3%	0.9%
Number of Individual Holdings (excluding cash):	40					

*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 Conservative portfolio returned 1.6% for the month of March, underperforming its benchmark which returned 2.0%. The key drivers of portfolio performance and major portfolio changes are outlined in the tables below.

Positive Attributors	Comment
Resmed Inc CHESD Depository Interests on a ratio of 10 CDIs per ord.sh (RMD)	Maintaining our overweight stance on RMD, which delivered a +13% share price return in March, we anticipate further market share gains amidst peers' challenges. The share price should benefit from ongoing unraveling of the negative GLP-1 narrative, underlining our positive outlook for the stock.
Negative Attributors	Comment
Pilbara Minerals Limited (PLS)	In contrast to the strong performance in February, lithium miners struggled in March as the price of metal remained relatively flat in the month and currently sits at cyclical lows. We continue to view PLS as the highest quality miner for pure play exposure to lithium and retain a small exposure.

Portfolio Activity

BUY	Comment
RMD-AU (RMD)	RMD delivered a strong result, yet has underperformed the broader market during February due to the risk associated with the GLP-1 weightloss medication. RMD is trading on approx 22x FY25 price-to-earnings (P/E) which is well below its longer term average of 30x P/E. We decided to add to the position, given the positive earnings momentum the business has, thanks to strong cost management strategies. We are confident margins will improve, and that sales will be well supported with no significant competition expected to return to the market for at the very least another year, as rival Phillips scrambles to get back to market and restore confidence.

SELL	Comment
ALQ-AU (ALQ)	ALQ has amended earnings guidance to the lower end of their range. The group has now made three acquisitions, one of which was the acquiring the remaining 51% of Nuvisan which was acquired on a call option for nothing, given Nuvisan did not meet their earn out. The initial 49% will also be written down. This is concerning, and we believe the integration of these acquisitions puts uncertainty over our outlook for the company. We decided to exit the ALQ position, since it has performed well to date and is now at our assessed fair value.

MQG-AU (MQG)	In its latest trading update, MQG pointed out a decrease in its year to date net profit after tax (NPAT) compared to last year, with notable declines across both its stable and market-linked sectors. Despite a downward revision in short-term forecasts, the company's long-term growth drivers, such as decarbonisation and infrastructure, remain strong. Capital surplus levels are slightly reduced but remain solid. In response to these developments and the recent uptick in share price, we have decided to realise profits while still recognising the company's ongoing value potential.
---------------------	---

GMG-AU (GMG)	GMG has surged over 16% since the 1H24 result, when management, yet again, upgraded earnings guidance as they have a nice habit of doing at the half year release. We remain very bullish about the outlook for GMG, having repeatedly praised management for their strategic move into Data Centre Development. The business is very well capitalised, and structural drivers for industrial property remain well intact. However, following the strong share price move, we have decided to realise some profits and trim the position based on valuation grounds.
---------------------	--

Top 5 Holdings

Security	Weight (%)
Realm High Income Fund	9.9%
ETFS US Treasury Bond (Currency hedged) ETF Units	7.0%
iShares Core Cash ETF	5.8%
ATLAS Infrastructure Australian Fdr Fund (Hedged)	5.3%
AB Global Equity Fund	5.1%

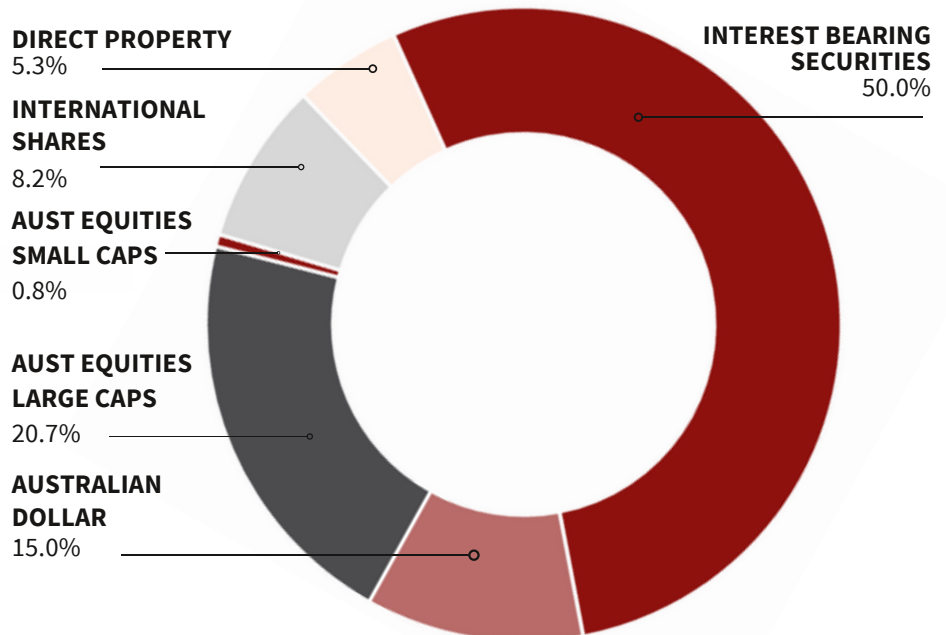
About the Model Manager

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



Issued by Praemium Australia Limited ABN 92 117 611 784, AFS Licence Number 297956 (Praemium). Praemium is the responsible entity for the Separately Managed Accounts. The information contained in this document is not intended to be a definitive statement on the subject matter nor an endorsement that this Portfolio is appropriate for you and should not be relied upon in making a decision to invest in this Service or Fund. Financial commentary contained within this report is provided by Clime Asset Management Pty Limited (ACN 098 420 770 AFSL 221146), the portfolio manager responsible for designing and managing the composition of this managed portfolio to meet the investment objectives and investment strategy detailed in model portfolio sub-advisory agreement. The information in this report is general information only and does not take into account your individual objectives, financial situation, needs or circumstances. The information is not intended to be financial product advice or legal advice. Potential investors must read the Financial Services Guide (FSG) and Praemium Managed Accounts Product Disclosure Statement (PDS) and/or Praemium Managed Accounts Superannuation Product Disclosure Statement, along with any accompanying materials. No representations or warranties express or implied, are made as to the accuracy or completeness of the information, opinions and conclusions contained in this report. Investment in securities and other financial products involves risk. An investment in a financial product may have the potential for capital growth and income but may also carry the risk that the total return on the investment may be less than the amount contributed directly by the investor. Past performance of financial products is not a reliable indicator of future performance. Information, opinions, historical performance, calculations or assessments of performance of financial products or markets rely on assumptions about tax, reinvestment, market performance, liquidity and other factors that will be important and may fluctuate over time. Model Portfolio performance is based on the theoretical performance of the Model Portfolio, and does not take into account any fees applicable to the Model Portfolio. Actual portfolios may not perform in the same manner as the Model Portfolios, depending on customisations and timing issues. Accordingly, the actual after tax returns you receive are likely to be different from the Model Portfolio returns and those of other investors. Rounding used in the presentation of data may result in minor variations.