SCOPE OF ADVICE

With domestic equity markets having recorded strong gains in the first quarter of 2024, the subsequent quarters carry an air of uncertainty, particularly concerning key data points like inflation. This underscores the need to assess the financial performance and outlook for companies to ensure they are suitable for portfolios.

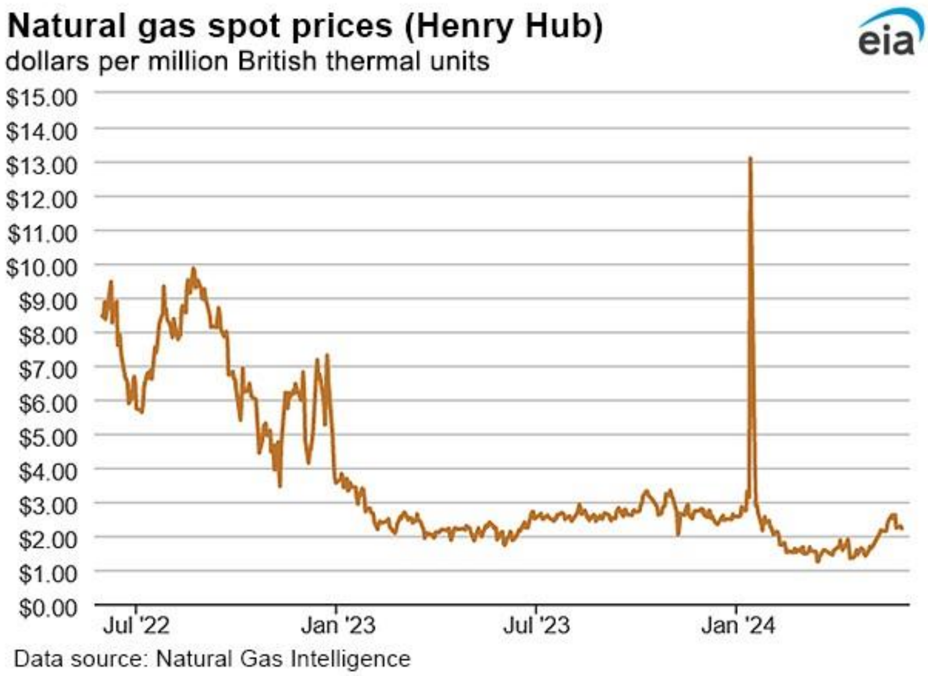
This dynamic setting prompts us to carefully review portfolio exposures, ensuring they align with the aim of achieving strong returns while effectively managing risks.

SELL WDS

For context, Woodside Energy Group Limited (WDS) is an Australian petroleum exploration and production company. Woodside is the largest independent dedicated operator of oil and gas production in Australia.

Despite efforts to capitalise on demand via its existing portfolio through the Scarborough project, set to come into production in 2026; Woodside's overall portfolio remains vulnerable to spot prices in the LNG (natural gas) market.

Over the past few years, LNG has faced moderating price expectations as global production (supply) through 2026 exceeds the demand, while oil-linked contracts have demonstrated strength and outperformed.



Historically, Woodside's LNG developments have been costly, putting WDS's balance sheet at risk until these projects achieve their expected production targets. With reliance on the Scarborough project and its supporting Pluto Train 2 project, there is a risk to future performance and the subsequent return of capital to investors.

Woodside has maintained a payout ratio of 80% which is at the top end of WDS's range. This heightens our doubts about the sustainability of dividends over the next few years, consequently impacting the investment case for Woodside.

Furthermore, since Woodside's financial performance is closely linked to the underlying commodity prices of oil and natural gas, a decline in these prices can significantly affect its revenues and profitability. Given this volatility, we believe there are more lucrative exposures, offering better risk adjusted returns and greater portfolio diversification.

In consideration of these circumstances, **we recommend selling Woodside Energy (WDS).**

SELL AMC

For context, Amcor is a global company that develops and produces packaging for food, beverage, and healthcare customers.

Despite the defensive nature of its end-market exposure to consumer staples, healthcare, personal care and beverages, Amcor is not immune from the slowdown in consumer demand triggered by rising costs of living. Over the past decade, its share price has stagnated around $14-15.

Amcor's recent performance has been influenced by two main factors: channel destocking and subdued consumer demand. Channel destocking refers to a reduction in packaging orders from major customers like Nestle and Pepsi, who are dealing with high inventory levels stemming from the COVID-19 period.

Soft consumer demand has compounded the destocking issue, resulting in prolonged periods of low sales volumes for Amcor. These trends persisted through the first two quarters of FY24. In its 2Q and 3QFY24 results announced on May 1, 2024, Amcor highlighted significant destocking in the global healthcare segment, impacting volumes and earnings.

While we anticipate a gradual resolution of these issues, Amcor's financial position complicates matters. As of March 31, 2024, Amcor has a net debt of $6,729 million and a net debt to EBITDA ratio of 3.4x. A substantial segment of this debt is tied to floating interest rates, presenting a considerable cost burden for Amcor, especially given the current interest rates.

Further to this, Amcor's competitive advantage continues to narrow, as packaging innovation continues to evolve, and a growing number of competitors are replicating the innovative product differentiations that were once unique to Amcor.

Lastly, as a global entity, Amcor's products are exposed to developed nations increasing focus on greener alternatives when it comes to packaging. Environmental concerns and potential plastic legislation can reduce the demand for Amcor's wide range of products, which have historically focused on cost rather than impact.

In consideration of these circumstances, **we recommend selling Amcor CDI (AMC).**

SELL BXB

For context, Brambles is the world's largest operator of reusable pallets, crates, and containers to assist in supply chain logistics globally.

In recent times, plastic pallets have become a newly increasing threat to the competitive advantage of Bramble's wooden pallets offering, which accounts for over 85% of revenue.

Wooden pallets are projected to lose market share to plastic pallets, which offer advantages in durability, weight, safety, and tracking. Given their status as an older technology, wooden pallets may not seamlessly integrate with modern logistics systems, especially automated warehouses, and are susceptible to notable damage and losses.

Brambles' 3Q24 results show that the rate of price growth is moderating, decreasing from +11% in the first half to +8% in the third quarter, though the underlying market remains strong. The results also introduced a new risk for Bramble's volume growth expectations.

Inventory optimisation by retailers and manufacturers in North America and Europe continues to reduce inventory levels, decreasing demand from existing customers and resulting in a like-for-like volume decline of 1% during 3Q FY24.

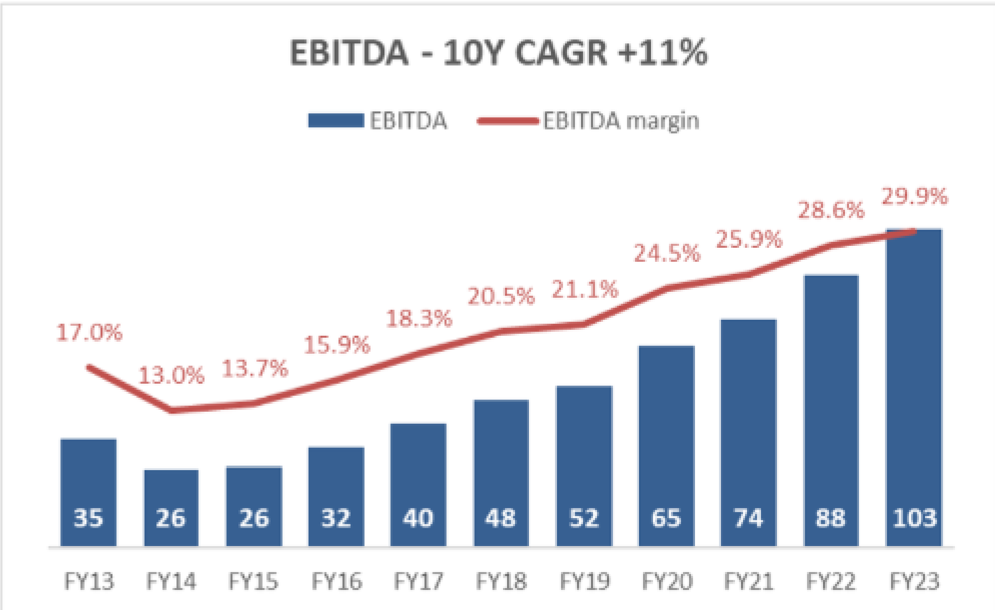
We recommend selling Brambles Limited (BXB)

BUY MAQ

For context, Macquarie Technology Group Limited provides telecommunications, cloud computing, cybersecurity, and data centre services to corporate and government clients across Australia.

The company presents a well-balanced blend of growth opportunities benefiting from the expanding global embrace of cloud and cybersecurity, alongside the recent expansion into data centres, which constitute 80% of their earnings base. Additionally, the defensive characteristics of its customer base are noteworthy, with 90% of revenue derived from recurring monthly payments, and more than 42 of its clients being government agencies.

Macquarie Technology's strategy revolves around sustained growth, with a compound annual growth rate of 17% on a 5-year basis. It is projected that 50% of data centre demand will come from AI from 2022 to 20230.



Further to this, we favour the balance sheet of Macquarie Technologies, allowing it to be situated in a strong position for increased growth. This is illustrated by net debt to EBITDA recently declining to 1.2x and is estimated to drop further to 0.9x over the short term. This position allows MAQ greater room for increased investments into data centre developments and continued focus on expansion and compounding of existing services.

Importantly, data centres require a tremendous amount of power demand, marking a major event developed nations where electricity demand is poised for exponential growth. Based on estimates, US power demand is set to grow 2% per annum between 2022 and 2030, with data centres contributing to 0.90% of the estimated 2.4% US power demand.

Recently, part of Macquarie Technologies' competitive advantage has been the focus on owning the land and buildings that their data centres operate on. Allowing for long-term assets that have secured power and capacity for the group, operational as soon as completed. Most notably, the recent A$174 acquisition of the Super West data centre in Sydney Macquarie Park Data Center Campus.

Moreover, we consider the current valuation of MAQ to be highly attractive for entry, as demonstrated by the accompanying graph comparing the 12-month forward EV/EBITDA of MAQ with other Australian-linked data centre peers.

Company Name	FY-2024	FY-2025	FY-2026	FY-2027	FY-2028	FY-2029
Macquarie Technology	18.3	16.8	15.5	13.4	11.0	8.9
NEXTDC Ltd.	53.3	45.9	36.0	27.7	21.3	17.3
Megaport Ltd	38.3	27.9	19.8	15.0	11.8	9.6
Goodman Group	27.4	24.6	21.7	19.5	17.6	15.1
Average	**34.3**	**28.8**	**23.3**	**18.9**	**15.4**	**12.7**

Source: Visible Alpha

Considering Macquarie Technologies is trading at notably lower multiples in comparison to its peers (18x versus an average of 34x FY24), we believe that the company is currently undervalued and strategically positioned to capitalise on the rising demand for artificial intelligence.

In consideration of these circumstances, **we recommend buying Macquarie Technology (MAQ).**

BUY ORG

By way of background, Origin Energy (ORG) is an integrated energy business involved in the exploration and production of natural gas including wholesale and retail sale of electricity and gas to residential, commercial and industrial customers.

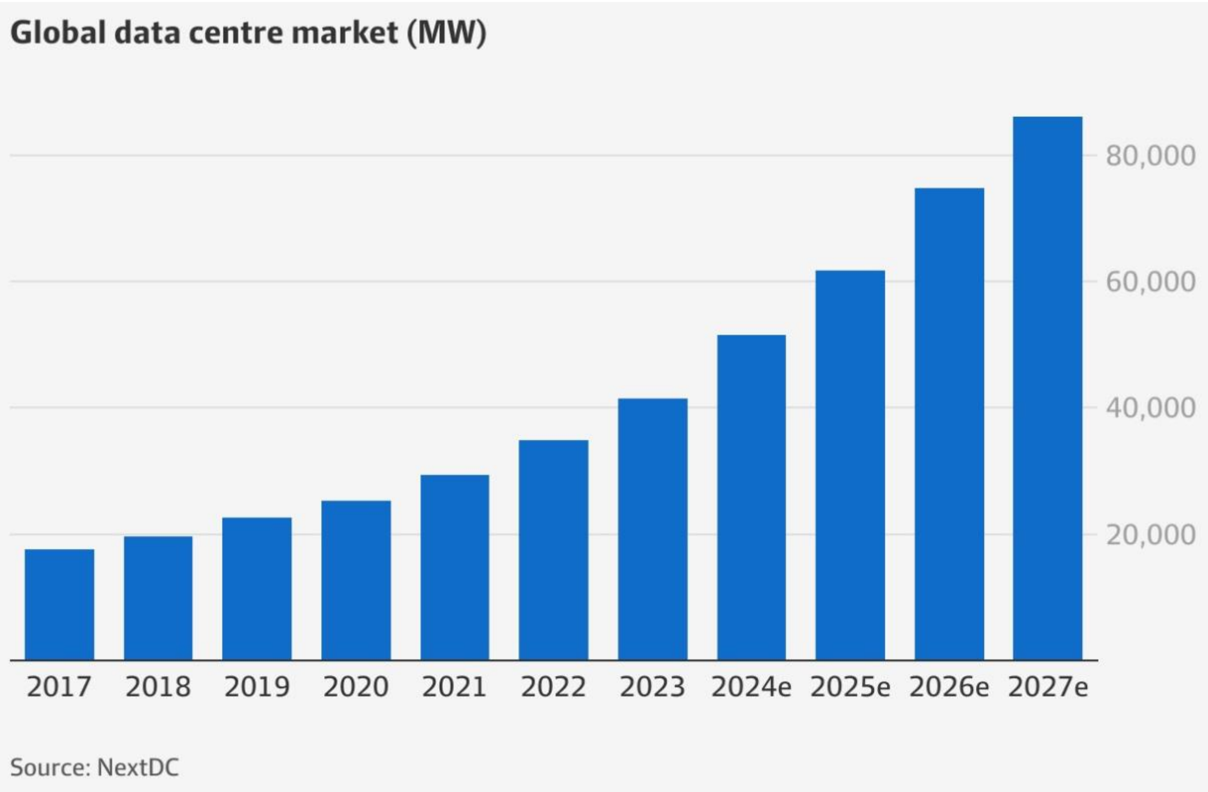
Origin has an expanding portfolio in renewables and battery storage, positioning it as a leader in providing reliable energy during the National Electricity Market (NEM) transition. Origin's owned and contracted renewable generation capacity is planned to grow to 4GW by 2030 with virtual power plant (Origin Loop) capacity from rooftop solar, electric vehicles and demand management batteries to reach 2GW by 2026.

Australia's National Electricity Market (NEM) targets a national renewable electricity target of 82% by 2030, of which Origin supplies electricity and gas to 27% of all NEM customer accounts. The company has emphasised its commitment to energy transition projects, such as batteries and retail growth initiatives, in order to meet the NEM's projected future demand.

These renewable investments are expected to be mainly funded off-balance sheet, enabling Origin to maintain robust financial flexibility, as evidenced by its favourable NET DEBT/EBITDA ratio of 0.9x as of 1H2024, well below its targeted range of 2-3x.

Origin has solidified its position as a formidable player in the international energy market by leveraging emerging service and cost advantages, notably through its partial ownership of the Kraken customer management system. Thus far, Origin has rolled out of the Kraken enterprise software to over 5 million customers and plans to further integrate the software, enhancing its service offerings and customer retention while delivering substantial cost benefits to its customer base.

Further to this, we see technological advancements that strengthen the investment case for Origin. The rapid expansion of data centres has significantly escalated electricity demand projections, fuelled further by the surging utilisation of artificial intelligence, which necessitates additional power to accommodate the heightened computing requirements. Origin stands as a direct beneficiary of this growing trend as pictured below.



Further to this, we also favour the robust income yield offered by ORG, boasting a solid 5.5% fully franked yield.

Considering its potential for both capital appreciation and consistent income generation, we view Origin as offering strong risk-adjusted returns for portfolios.

In consideration of these circumstances, **we recommend buying Origin Energy (ORG).**

REASONS

We recommend the transaction(s) as suitable on the following basis:

- The basis of our advice is not significantly different from the basis of advice in the reference SoA because these recommendations are made as part of the ongoing investment management of your portfolio in line with your investor risk profile and investment objectives.

Buy - MACQUARIE TECHNOLOGY

- The company offers strong growth opportunities from global expansion into cloud, cybersecurity, and data centres, which make up 80% of its earnings. Data centres are expected to contribute ~37% of all US power demand by 2030.

- Macquarie Technologies' customer base is highly stable, with 90% of revenue from recurring monthly payments and over 42 government agency clients.

- Macquarie Technology's strategy focuses on sustained growth, achieving a 17% compound annual growth rate over five years. Projections indicate that AI will drive 50% of data centre demand from 2022 to 2030.

- We favour Macquarie Technologies' strong balance sheet, with net debt to EBITDA of 1.2x this positions MAQ well for increased investments in data centre development and service expansion.

Buy – ORIGIN ENERGY

- Origin is enhancing its portfolio in renewables and battery storage, establishing itself as a leader in supplying reliable energy amid the National Electricity Market (NEM) transition.

- Ongoing Investments in renewables are well-positioned due to a favourable net debt to EBITDA ratio of 0.9x, which is comfortably within the target range of 2-3x.

- By leveraging its partial ownership of the Kraken system, Origin has rolled out Kraken to over 5 million customers, enhancing service, boosting retention, and reducing costs. Origin aims to continue growing the platform.

- Technological advancements and the rapid expansion of data centres, driven by increased AI usage, boost electricity demand and strengthen Origin's investment case, making it a direct beneficiary of this growing trend.

- ORG offers a solid 5.5% fully franked yield.

Sell – WOODSIDE ENERGY

- Woodside's overall portfolio remains vulnerable to spot prices in the LNG (natural gas) market.
- In recent years, LNG has seen moderating price expectations as global production through 2026 is projected to exceed demand, while oil-linked contracts have shown strength and outperformed.
- Since Woodside's financial performance is closely tied to oil and natural gas prices, a decline in these commodities can significantly impact its revenues and profitability.
- Woodside has kept a payout ratio of 80%, the upper limit of its range, raising concerns about the sustainability of dividends in the coming years.

Sell – AMCOR PLC

- Despite its defensive market exposure, Amcor is affected by the consumer demand slowdown from rising living costs, with its share price stagnating around $14-15 over the past decade.
- Amcor has $6,729 million in net debt and a 3.4x net debt to EBITDA ratio. Much of this debt is tied to floating interest rates, creating a significant cost burden given current rates.

Sell – BRAMBLES LTD

- Plastic pallets have emerged as a threat to Bramble's wooden pallets, which generate over 85% of its revenue. Plastic pallets are gaining market share due to their durability, lighter weight, safety, and better tracking.
- Inventory optimization by North American and European retailers and manufacturers has reduced inventory levels, leading to a 1% volume decline in 3Q FY24. As a global entity, Amcor faces reduced demand for its products due to developed nations' increasing focus on greener packaging alternatives and potential plastic legislation.

CONSEQUENCES

The consequences of implementing our recommendations may include:

- You should be aware that the cash levels of the portfolio may increase/decrease and other asset classes (Australian shares) may increase/decrease as a result of the recommendations. Your overall weight between Defensive and Growth assets may also shift.

- There may be tax consequences, such as capital gains/losses, of making the recommended investment changes. Please confirm tax consequences with your accountant.

OTHER DISCLOSURES YOU SHOULD BE AWARE OF

- Prime will continue to receive our Ongoing Adviser Service Fee for the funds invested. Please refer to your reference SOA for details.

- Primestock Securities Ltd and your adviser may from time to time be invited to social and sporting events and receive the occasional gift such as a bottle of wine on special occasions from product providers. It is not possible to quantify the value for these as they depend on the circumstances at the time. They are not generally related to any one product or sale.

- Associations - Primestock Securities Ltd is a company that is 100% owned by the Prime Financial Group Ltd group of companies.

- Third-Party Administration Fees will continue to apply to the extent that your investments are held on a 'Wrap Platform'. No administration fee applies to portfolios held off-platform directly with our preferred brokers, managed funds, cash or term deposit providers.

NEXT STEPS

Please provide us with your instructions on how you wish to proceed with our advice.

Those instructions may be to implement the advice with or without variations or to not implement the advice. Please note that if you implement our instructions with variations, the advice may not be appropriate for you.

Please note that our advice will be current for 30 days from the date of this document. Please contact us if you wish to rely on the advice after that time.

Should you have any queries in relation to the above or should you wish to fine-tune any aspect of the recommended strategy, please do not hesitate to contact me.