

# PORTFOLIO UPDATE

## HNW Australian Equity Concentrated Portfolio

### Monthly Report December 2023

- December saw investors holding out for a "Santa Claus" rally rewarded with continued strength from November across the world indices in December. The key factor driving solid returns in share markets was the view that rate cuts are likely in 2024. The year ended with a recession in either the US or Australia that many predicted twelve months ago, with economies more resilient than expected and better placed to weather higher interest rates.
- The **HNW Australian Equity Concentrated Portfolio** gained by 5.1%, behind the index's return of 7.3%. Without any meaningful stock-specific news, the companies that posted the highest gains in December were the higher-risk and higher beta companies. Given the Portfolio's lower risk and quality approach, we expect to trail in a month not driven by fundamentals.
- Atlas is looking forward to the February profit season. We expect the reporting season will continue to show the resilience of company earnings from the companies held in the Portfolio and that management will guide to higher profits and dividends over the coming year.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	12m rolling	Incept annual
HNW Equity Concentrated Portfolio	5.0%	0.6%	-1.6%	1.3%	-1.5%	0.4%	3.5%	-1.2%	-1.6%	-5.1%	4.1%	5.1%	8.6%	3.5%
ASX 200TR	6.2%	-2.4%	-0.2%	1.8%	-2.5%	1.8%	2.9%	-0.7%	-2.8%	-3.8%	5.0%	7.3%	12.4%	7.5%
Active return	-1.2%	3.0%	-1.4%	-0.6%	1.0%	-1.4%	0.6%	-0.5%	1.2%	-1.3%	-1.0%	-2.2%	-3.8%	-4.0%

#### Portfolio Objective

Investments within the AE portfolio are selected based on highest conviction. This may result in some GICs being over or underrepresented relative to the index.

#### Appropriate Investors

Accumulation for entities wanting higher conviction or that have more limited resources.

#### Portfolio Details

Benchmark	Not Aware
Number of Stocks	10-15
Asset Allocation	100% Equity
Inception Date	30 <sup>th</sup> December 2022
Security Target	within 5% of S&P ASX 200 weights

#### Performance Update

December is always a quiet month for stock-specific news, with most companies in blackout as they prepare their financial accounts for release in February. The key news in December was falling bond yields as markets repriced for a lower inflation and a lower interest rate environment, with the benchmark Australian 10-year bond falling to 3.96%, a decline of 1% over the past two months.

#### Top Ten Active Positions end December 2023

Company	Yield
Commonwealth Bank	4.7%
Woodside	6.3%
ANZ Bank	6.0%
Ampol	6.0%
Transurban	4.0%

#### Estimated portfolio metrics for FY23

	ASX 200	HNW Con
PE (x) fwd.	15.8	13.4
Dividend yield (net)	3.9%	4.9%
Est Franking	64%	81%
<b>Grossed Up Yield</b>	<b>5.1%</b>	<b>6.5%</b>
Number of stocks	200	23
Avg mcap \$B	14	55
Beta (3mth rolling)	1.0	0.91

Source: Bloomberg & UBS

# PORTFOLIO UPDATE

## HNW Australian Equity Concentrated Portfolio

December 2023

### Portfolio Performance

In December, the **HNW Australian Equity Concentrated Portfolio** gained by +5.1%.

Over the month, positions in Mineral Resources (+14%), CSL (+9%), Macquarie (+9%) and Transurban (+7%) added value.

On the negative side of the ledger, QBE (-4%) dragged on performance on concerns that interest rates may fall in 2024. Notwithstanding these concerns, the company is performing well at the moment; premium rates are increasing, underwriting looks prudent, and cat claims for 2023 were around expectations. QBE looks set to report a stellar result in February, increasing profits from US\$664M in 2022 to our estimate of US\$1,350 million for 2023.

### Portfolio Trading

No Significant trading was done over the month.

### Performance Calculation Methodology

The following conventions have been adopted for calculating performance:

- Transaction expenses of 10bp are applied to Portfolio buy and sells. Transaction expenses are capitalised into the cost base. Rebalancing transactions incur transaction expenses.
- Cash-flow from dividends is credited on the ex-date rather than the pay date. Franking is not considered which is consistent with the calculation methodology of the benchmark. Cash-flow from dividends is assumed to be reinvested in issuer stock at the closing price on the ex-date.
- The Portfolio can participate in entitlement-based capital raisings, however, cannot participate in institutional raisings.
- The Portfolio must fund the required amount by the sale of the equivalent amount of equity. In the event of a subsequent scale-back the Portfolio will also record the pro-rata amount of script issued.
- Performance does not include consideration of taxation including capital gains tax.
- Performance numbers are presented on an unaudited basis