

# PORTFOLIO UPDATE

## HNW Australian Equity Concentrated Portfolio

### Monthly Report December 2024

- December was a volatile month, with hopes of a "Santa Claus" rally on the ASX dashed by the US Federal Reserve, which indicated on 18th December that 2025 would likely see fewer rate cuts than the market expected. This piece of macroeconomics saw the ASX200 sell-off and the Australian Dollar fall by -5%.
- The **HNW Australian Equity Concentrated Portfolio** declined by -2.6%, ahead of the index return of -3.2%. December was volatile, with share price movements dictated by macroeconomic concerns around interest rate cuts in the United States in 2025 rather than company profits.
- 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. The fall in the Australian dollar will positively impact the Portfolio, which has a high weight toward companies that generate profits in USD.

	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec	12m rolling	Incept annual
HNW Equity Concentrated Portfolio	3.1%	0.8%	3.6%	-4.5%	0.8%	-0.4%	3.0%	-0.7%	2.4%	-2.3%	2.7%	-2.6%	5.6%	4.6%
ASX 200TR	1.2%	0.8%	3.3%	-2.9%	0.9%	1.0%	4.2%	0.5%	3.0%	-1.3%	3.8%	-3.2%	11.4%	9.3%
Active return	1.9%	0.0%	0.3%	-1.6%	-0.1%	-1.4%	-1.2%	-1.2%	-0.6%	-1.0%	-1.1%	0.6%	-5.8%	-4.7%

#### Portfolio Objective

Investments within the Australian Equity portfolio is selected based on highest conviction. This December 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> November 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 that the US Federal Reserve lowered its outlook for 2025 interest rate cuts from four cuts over the year to only two.

December marked another month in which the Chinese government pledged to boost the economy through a more proactive fiscal policy. Atlas remains sceptical that this will see China implementing steel-hungry policies that will add to their housing oversupply but instead focus on subsidies to stimulate demand for household goods.

#### Top Dividend Gross Yield end December 2024

Company	Yield
Commonwealth Bank	4.1%
Woodside	7.3%
ANZ Bank	6.9%
Ampol	6.2%
Transurban	5.0%

#### Estimated portfolio metrics for FY25

	ASX 200	HNW Con
PE (x) fwd.	18.1	13.8
Dividend yield (net)	3.5%	5.2%
Est Franking	67%	81%
<b>Grossed Up Yield</b>	<b>4.6%</b>	<b>6.7%</b>
Number of stocks	200	13
Avg mcap \$B	12	55
Beta (3mth rolling)	1.0	0.91

Source: Bloomberg & UBS

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December 2024

### Portfolio Performance

In December, the **HNW Australian Equity Concentrated Portfolio** declined by -2.6%, ahead of the index return of -3.2%, based on macroeconomic speculation rather than company-specific news. Over the month, positions in Transurban (+7%), Bapcor (+5%) and Mineral Resources (+2%) added value.

On the negative side of the ledger, Amcor (-9%), ANZ (-8%), Incitec Pivot (-7%), and WhiteHaven Coal (-6%) detracted value. Atlas was surprised to see these USD-earning companies down in December. This -5% fall in the Australian Dollar in December will see the US Dollar earnings and dividends paid in AUD of these companies automatically boosted by the fall in the AUD, which is now at its lowest level in 22 years. The fall in the AUD is bad news for consumers planning skiing holidays in Aspen but good news for companies earnings profits in US dollars. If the AUD does not rally over the next month, we will see higher-than-expected dividends in February.

### Portfolio Trading

Over the month, we added to our position in toll road owner Atlas Arteria (-1%). The company continues to perform well operationally and is likely to see a takeover offer in the near future.

### 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

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