PORTFOLIO UPDATE

HNW Australian Equity Concentrated Portfolio

Monthly Report February 2025

HNW NEXUS Planning
HNW Planning Pty Ltd | ABN 42 083 745 055

- February was a very eventful month, mainly dominated by Australian corporate earnings, which were quite mixed across the economy. Share price volatility over the month was compounded by Trump's erratic trade policies, imposing and then reversing tariffs dented market confidence.
- The **HNW Australian Equity Concentrated Portfolio** fell by -3.5%, slightly outperforming the benchmark return of -3.8%. It was pleasing to see the Portfolio post a solid result during the reporting season, demonstrating that our companies are in good health and mainly offer non-discretionary goods and services in the domestic market where consumers and the economy remain resilient.
- It was pleasing to see the Portfolio companies, on average, increase dividends by +6% in the February reporting season. This is a great outcome, with the wider ASX 200 decreasing dividends by -6%. Atlas sees that dividends are a better measure of a company's financial health than earnings per share. In the short term, the market is a voting machine that rewards popular companies; in the long term, it is a weighing machine that rewards companies that consistently pay increasing dividends to shareholders.

	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	12m rolling	Incept annual
HNW Equity Concentrated Portfolio	3.6%	-4.5%	0.8%	-0.4%	3.0%	-0.7%	2.4%	-2.3%	2.7%	-2.6%	5.2%	-3.5%	3.1%	5.0%
ASX 200TR	3.3%	-2.9%	0.9%	1.0%	4.2%	0.5%	3.0%	-1.3%	3.8%	-3.2%	4.6%	-3.8%	9.9%	8.9%
Active return	0.3%	-1.6%	-0.1%	-1.4%	-1.2%	-1.2%	-0.6%	-1.0%	-1.1%	0.6%	0.7%	0.2%	-6.9%	-3.9%

Portfolio Objective

Investments within the Australian Equity portfolio is selected based on highest conviction. This February 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	30th November 2022
Security Target	within 5% of S&P ASX 200 weights

Performance Update

As always, February is dominated by Australian corporate earnings and allows investors to closely examine the financial accounts of large companies that dominate the Australian economy. The February reporting season saw a large divergence in the financial performance of Australian corporates compared to recent years. Over the month, some companies reported falling profits and cut their dividends, whereas others reported record profits and confident outlooks. Across the wider ASX200, dividends declined by -6%, mainly due to the cuts from miners who scaled back distributions due to weaker commodity prices and large future capital expenditures.

Top Dividend Gross Yield end February 2025

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	14.2
Dividend yield (net)	3.3%	5.2%
Est Franking	67%	81%
Grossed Up Yield	**4.1%**	**6.7%**
Number of stocks	200	13
Avg mcap $B	12	55
Beta (3mth rolling)	1.0	0.91

Source: Bloomberg & UBS

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Portfolio Performance

In February, the **HNW Australian Equity Concentrated Portfolio** fell by -3.5%, ahead of the benchmark return of -3.8%. Overall, Atlas was pleased with the Portfolio through the reporting season, with all companies profitable, paying dividends and increasing income to shareholders above the inflation rate.

Over the month, positions in Amcor (+4%), QBE Insurance (+3%), Woodside (+1%), and added value. On the negative side of the ledger, Mineral Resources (-35%), Deterra (-10%), and Ampol (-9%) detracted value.

Dividends signal the health of a company.

When a company reports a result, one of the first things we look at is the dividend paid, as this is the best indication of the actual health of a company. A company's board is unlikely to raise dividends if business conditions are deteriorating. Also, earnings per share can be restated later due to "accounting opinions" or financial shenanigans from the CFO. However, once dividends are paid into investors' bank accounts, they can't be returned.

During the reporting season, on a weighted average, Portfolio dividends increased by 6%, ahead of both inflation and the wider ASX 200, which saw dividends shrink by -6%, mainly due to dividend cuts by BHP (-28%), Rio (-10%), Fortescue (-54%) and Santos (-39%).

Portfolio Trading

No trading was done during 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