

PORTFOLIO UPDATE

HNW Australian Equity Concentrated Portfolio

Monthly Report January 2024

- January saw continued strength in equity markets spurred by lower inflation levels and views that 2024 will see falling interest rates domestically and internationally. In December, Australian inflation declined to 3.4%, which was below market expectations and indicated that the RBA's tightening policies to tame inflation are finally working and that the plateau at the top of the interest rate cycle has been reached.
- The **HNW Australian Equity Concentrated Portfolio** gained by +3.1%, ahead of the index's return of +1.2%. Whilst pleasing to outperform the index, share prices in December and January generally move based on macroeconomic fears, not actual earnings.
- We are looking forward to the February profit season as going into reporting season, and several companies in the Portfolio have either confirmed profit guidance or given trading updates. These updates have been uniformly positive. We expect the reporting season will continue to show the resilience of company earnings from the companies held in the Portfolio.

	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	12m rolling	Incept annual
HNW Equity Concentrated Portfolio	0.6%	-1.6%	1.3%	-1.5%	0.4%	3.5%	-1.2%	-1.6%	-5.1%	4.1%	5.1%	3.1%	6.6%	5.8%
ASX 200TR	-2.4%	-0.2%	1.8%	-2.5%	1.8%	2.9%	-0.7%	-2.8%	-3.8%	5.0%	7.3%	1.2%	7.1%	8.0%
Active return	3.0%	-1.4%	-0.6%	1.0%	-1.4%	0.6%	-0.5%	1.2%	-1.3%	-0.9%	-2.2%	1.9%	-0.4%	-2.2%

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 th January 2022
Security Target	within 5% of S&P ASX 200 weights

Performance Update

There was minimal news flow in January, with companies in a "blackout" before releasing their financial results in February 2024. Several companies in the Portfolio have declared dividends or given positive trading updates throughout December and January. When investors know the value of a company's dividends, production, or revenues earned, there are a few scopes for surprises on results day, which appeals to us.

The critical news in January was that domestic and international inflation was falling faster than the market expected, spurring investors to believe we are at the top of the interest rate cycle and that rate cuts are coming later this year.

Top Ten Active Positions end January 2024

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

Estimated portfolio metrics for FY24

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

Source: Bloomberg & UBS

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January 2024

Portfolio Performance

In January, the **HNW Australian Equity Concentrated Portfolio** gained by +3.1%, ahead of the benchmark's return of +1.2%, with several companies in the Portfolio giving positive Trading Updates during January.

Over the month, positions in QBE Insurance (+7%), CSL (+5%), Commonwealth Bank (+5%) and Deterra (+5%) added value.

On the negative side of the ledger, Mineral Resources (-14 %) were off following a further fall in the lithium price. Still, they provided a positive trading update that saw Iron Ore and Lithium shipments increase over the December Quarter.

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