

# PORTFOLIO UPDATE

## HNW Australian Equity Concentrated Portfolio

### Monthly Report November 2023

- November saw a recovery from October's lows as equity markets rallied after the US Federal Reserve hinted that they were at the peak of this interest rate cycle. Domestically, the RBA raised the cash rate by 0.25%, driven by higher inflation data from October, but also hinted that this could be the last rate hike for some time—a positive move for interest-rate-sensitive stocks such as toll roads and infrastructure in the Portfolio.
- The **HNW Australian Equity Concentrated Portfolio** gained by 4.1%, underperforming the index return of 5.0%, solely due to the high weighting to Woodside. The share prices of many companies in the Portfolio are recovering from the falls seen during the market panic in September and October. These share price falls were based on the assumption that company profit margins would fall from higher interest costs. In the Portfolio, we hold companies with no net debt on the balance sheet and others that will see a boost in profitability from higher interest rates.
- November was a solid month for income in the Portfolio, with three companies paying franked dividends (Macquarie Bank, ANZ Bank and Amcor) based on solid profit results reported in October and November. Incitec Pivot and Macquarie Bank also announced significant on-market share buy-backs that will support share prices over the coming months.

	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	12m rolling	Incept annual
HNW Equity Concentrated Portfolio	-3.8%	5.0%	0.6%	-1.6%	1.3%	-1.5%	0.4%	3.5%	-1.2%	-1.6%	-5.1%	4.1%	-0.5%	-0.5%
ASX 200TR	-3.2%	6.2%	-2.4%	-0.2%	1.8%	-2.5%	1.8%	2.9%	-0.7%	-2.8%	-3.8%	5.0%	1.5%	1.5%
Active return	-0.5%	-1.2%	3.0%	-1.4%	-0.6%	1.0%	-1.4%	0.6%	-0.5%	1.2%	-1.3%	-0.9%	-1.9%	-1.9%

#### 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> November 2022
Security Target	within 5% of S&P ASX 200 weights

#### Performance Update

There was little stock-specific news in November, with the market focus on interest rates influencing share prices. The key news was the weakening of the benchmark 10-year government bond yield to 3.5%, which fell from 4.2% in mid-October. Falls in the bond yield are positive for interest-rate-sensitive stocks and indicate the rate at which the RBA will stop tightening interest rates.

#### Top Ten Active Positions end November 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.	15.5	13.2
Dividend yield (net)	4.1%	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

November 2023

### Portfolio Performance

In November, the **HNW Australian Equity Concentrated Portfolio** gained by +4.0%, behind the benchmark's return of +5%. The November AGM season has demonstrated that the Portfolio was in good shape and performed well over the first quarter of FY24.

Over the month, positions in CSL (+13%), Transurban (+10%), Ampol (+8%) (+9%) added value. On the negative side of the ledger, Woodside (-10%) hurt performance along with QBE (-2%), which declined despite revealing third-quarter premium growth of 11%, low levels of cat claims and what is shaping up to be the best year for investment returns for the company in a decade.

### Bank Reporting Season

Overall, we are happy with the financial results in November from the banks owned in the Portfolio. In 2023, the banks generated \$32.7 billion in net profits after tax, which saw the big four banks' dividends per share increasing by an average of 15% per share. Positions in the Portfolio, ANZ (+2%), and Commonwealth Bank (+8%) increased their dividends to above pre-pandemic levels, which is a crucial signal indicating improving prospects.

Macquarie Bank's earnings and dividends decreased on the back of the asset management side of the business, cycling off-record in the first half of 2023. Outside of the market-facing business, the banking and financial services business has been outperforming, with the home loan portfolio growing by 6% to \$114 billion and deposits growing to \$131 billion. This is an excellent outcome for the bank, taking market share away from the big four banks while maintaining a robust net interest margin.

### 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.

### Portfolio Trading

No Significant trading was done over the month.

- 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

HNW Guided Portfolios are managed by HNW Planning's Investment Committee which receives guidance from several expert asset consultants. Changes to the Guided Portfolios are put forward by HNW Planning [AFSL 225216] as its advice to you. Whilst HNW Planning is supported by external consultants in its advice to clients, HNW Planning, is responsible for the appropriateness of advice to clients, and its implementation and execution. Neither HNW nor its expert asset consultants guarantee returns, investment performance or the money you invest.