

PORTFOLIO UPDATE

HNW Australian Equity Concentrated Portfolio

Monthly Report September 2024

- September was a strong but very volatile month with the ASX 200 gaining 3% over the month, following the announcement of stimulus from the Chinese central bank. This rally saw the Australian market outperform global markets led by the miners that dragged up the ASX on the expectation of a Chinese stimulus plan akin to those from 2009 and 2015, with spending directed towards steel-intensive heavy infrastructure.
- The **HNW Australian Equity Concentrated Portfolio** gained by 2.4%, underperforming the index return of 2.9%. A disappointing outcome with the relative underperformance occurring during the final five days of the month after the announcement of measures in China to stimulate their economy saw the miners' share prices rally around +15%. October revealed that the Chinese stimulus plan was more modest than expected and geared towards the domestic consumer, rather than steel-intensive construction.
- September was a very active month for dividends, with Woodside, CSL, Amcor and WhiteHaven all paying dividends.

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	12m rolling	Incept annual
HNW Equity Concentrated Portfolio	-5.1%	4.1%	5.1%	3.1%	0.8%	3.6%	-4.5%	0.8%	-0.4%	3.0%	-0.7%	2.4%	12.2%	6.6%
ASX 200TR	-3.8%	5.0%	7.3%	1.2%	0.8%	3.3%	-2.9%	0.9%	1.0%	4.2%	0.5%	3.0%	21.8%	11.0%
Active return	-1.3%	-0.9%	-2.2%	1.9%	0.0%	0.3%	-1.6%	-0.1%	-1.4%	-1.2%	-1.2%	-0.6%	-9.6%	-4.5%

Portfolio Objective

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

Performance Update

The key news over the month was the announcement of the Chinese central bank: 1) the Chinese central bank lowering interest rates on existing mortgages, 2) lowering the required downpayment for a second home to 15%, and 3) allowing institutions to borrow to buy Chinese shares. These announcements saw a 10% increase in the iron ore price and an appreciation of the Australian dollar to above US\$0.69.

In the United States, the Federal Reserve cut interest rates by 0.5% to 5% since raising interest rates 11 times from a low of 0.25% at the start of 2022. Domestically, the RBA kept the cash rate on hold at 4.35% as inflation remained outside the target band of 2-3%.

Top Dividend Gross Yield end September 2024

Company	Yield
Commonwealth Bank	5.2%
Woodside	9.6%
ANZ Bank	9.0%
Ampol	10.6%
Transurban	5.1%

Estimated portfolio metrics for FY25

	ASX 200	HNW Con
PE (x) fwd.	18.8	13.8
Dividend yield (net)	3.5%	5.2%
Est Franking	67%	81%
Grossed Up Yield	4.6%	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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September 2024

Portfolio Performance

In September, the **HNW Australian Equity Portfolio** gained by 2.4%, underperforming the index based on macroeconomic speculation rather than company-specific news. The August reporting season showed that the Portfolio was in good shape, with every company paying a dividend minus Mineral Resources as they pay down their current debt.

Over the month, positions in Mineral Resources (+30%), Whitehaven Coal (+10%), Deterra (+10%) and Macquarie (+8%) added value.

On the negative side of the ledger, CSL (-6%), Woodside Energy (-3.5%) and Transurban (-3%) detracted value on no new news.

Portfolio Trading

Over the month, we added to positions in WhiteHaven Coal, Bapcor and Mineral Resources, a move that proved to be fortuitous in light of the strong upward moves in the company share prices towards the end of the month.

Macquarie Bank was trimmed in the Portfolio. Macquarie's share price has been a very strong performer in 2024 up +29% with improving capital markets activity globally. However, in the concentrated fund the bank's weight has expanded beyond our risk tolerances.

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