PORTFOLIO UPDATE

HNW Australian Equity Concentrated Portfolio

Monthly Report September 2023

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

- September was a weak month, with global bond yields rising to Global Financial Crisis levels driven by macroeconomic concerns around higher interest rates and higher oil prices, which saw global stock markets uniformly fall between -3% and -5%. There were also few places to hide on the ASX, with every sector except for energy declining by around -3%.
- The **HNW Australian Equity Concentrated Portfolio** fell by -1.64%, outperforming the index return of -2.84%. September was volatile, with share price movements dictated by macroeconomic concerns around interest rates and a slowing Chinese economy rather than stock-specific news.
- During September, there was uniform selling across equities by large index funds due to redemptions; this sees the index fund managers sell broadly across the ASX 200 without considering how a higher interest rate environment impacts individual companies. Indeed, many companies within the Portfolio actually benefit from a higher interest rate environment.

	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%				0.5%
ASX 200TR	-3.2%	6.2%	-2.4%	-0.2%	1.8%	-2.5%	1.8%	2.9%	-0.7%	-2.8%				0.4%
Active return	-0.5%	-1.2%	3.0%	-1.4%	-0.6%	1.0%	-1.4%	0.6%	-0.5%	1.2%				0.1%

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.

Company	Yield
Woodside	9.5%
Macquarie Bank	4.0%
Transurban	4.0%
Commonwealth Bank	4.2%
ANZ Bank	6.2%

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

Estimated portfolio metrics for FY23

	ASX 200	HNW Con
PE (x) fwd.	15.0	13.5
Dividend yield (net)	4.2%	5.2%
Est Franking	64%	70%
Grossed Up Yield	**5.2%**	**6.9%**
Number of stocks	200	13
Avg mcap $B	12	52
Beta (3mth rolling)	1.0	0.94

Source: Bloomberg & UBS

Performance Update

Global equity markets were sold off broadly in September on concerns that interest rates will remain higher for longer than previously thought. This saw Australian equities fall throughout September, driven by Tech (-8%) and REITS (-9%) as bond yield climbed, with the Australian 10-year bond yield rising to 4.49%, the highest level since July 2011.

Commodities remained strong throughout the month, with Iron Ore prices remaining stable and oil prices rising by 10% to finish the month at US$95 per barrel. The RBA kept rates on hold for the third month, with the official cash rate remaining at 4.1%.

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Top Ten Active Positions end September 2023

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Portfolio Performance

In September, the **HNW Australian Equity Concentrated Portfolio** declined by -1.64%, ahead of the benchmark's return of -2.84%. The August reporting season demonstrated that the Portfolio was in good shape, with every company profitable and paying a dividend, a great position to be in when heading for uncertain economic times.

The top-performing companies within the Portfolio were Deterra (+8%), Incitec Pivot (+7%) and QBE Insurance (+5%), all adding value.

On the negative side of the ledger, CSL Limited (-8%), The Lottery Corporation (-6%) and Macquarie (-6%) detracted from the Portfolio's performance.

Higher Interest Rates for Longer

During September, we saw uniform selling of equities by large index funds due to the risks around rising interest rates without understanding how rising rates will impact different companies.

Examples of companies that benefit from higher interest rate environments are insurers who invest billions of dollars in bonds due to the timing of receiving premiums and paying claims.

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