

# PORTFOLIO UPDATE

HNW Australian Equity Income Concentrated Portfolio

Monthly Report April 2024

- April saw global equity markets fell between -3% and -5% over the month on market views that rapid and deep interest rate cuts this year could be unlikely as inflation continues to remain sticky across most developed economies. Paradoxically, we are in an environment where positive (or less negative than expected) economic data puts downward pressure on equity markets, as it is seen to push out the time frame for interest rate cuts.
- The **HNW Australian Equity Income Concentrated Portfolio** fell by -4% due to macroeconomic concerns rather than stock-specific news. April was a very volatile month, with macroeconomic fears frustratingly outweighing solid trading updates from several companies in the Portfolio. This is the first down month since October 2023 and not unexpected as all “yield-stocks” were sold off.

	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	12m rolling	Incept annual
HNW Equity Income Concentrated Portfolio	-2.3%	-0.2%	4.9%	-0.8%	-1.5%	-3.3%	3.7%	5.1%	1.8%	2.5%	4.0%	-4.0%	9.8%	4.3%

## Portfolio Objective

Investment decisions are determined by the ability of the companies to maintain or grow income to shareholders or that are likely to provide franking credits (including contemplation of possible off-market buybacks).

## Appropriate Investors

Pensioners or otherwise low marginal tax rate investors who might have more limited resources or otherwise used with other investments as a diversifier.

## 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

## Market Update

The key market news in April was that inflation continues to fall in Australia, but not as fast as initially thought. Inflation over the first quarter of 2024 increased by 3.6% on last year, with service inflation (insurance and education) remaining challenging to remove in the economy.

The key news in April was BHP's \$60 billion takeover bid for miner Anglo-American, potentially the largest takeover bid ever by an Australian company. Historically large mining takeovers have invariably resulted in poor outcomes for shareholders.

Heightened global geopolitics tensions increased the Brent Oil price by 1% to US\$88.40 per barrel and sent gold to new all-time high prices of \$2,330 per ounce.

## Top Positions April 2024 Yield (ex franking)

Position	Yield
Woodside	6.3%
ANZ Bank	6.0%
Transurban	4.0%
Westpac	5.8%
Ampol	6.0%

## Estimated portfolio metrics for FY24

	ASX 200	HNW Con
PE (x) fwd.	16.9	12.5
Dividend yield (net)	3.8%	5.9%
Est Franking	67%	81%
<b>Grossed Up Yield</b>	<b>4.8%</b>	<b>7.5%</b>
Number of stocks	200	15
Avg mcap \$B	14	55
Beta (3mth rolling)	1.0	0.91

Source: Bloomberg & UBS

# PORTFOLIO UPDATE

## HNW Australian Equity Income Concentrated Portfolio

April 2024

### Portfolio Performance

The **HNW Equity Income Concentrated Portfolio** had a weaker month and fell by -4.0%. This was entirely due to macroeconomic fears, which several companies in the Portfolio providing positive updates.

Over the month positions in Charter Hall Retail (-10%), Region (-8%) and Ampol (-7%) hurt performance, with Mineral Resources (+2%) and Deterra (+1%) providing a small offset.

### Portfolio Trading

No 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