

# PORTFOLIO UPDATE

HNW Australian Equity Income Concentrated Portfolio

Monthly Report August 2024

- August saw most Australian companies release their financial reports for the first six months of 2024. The month showed that Australian listed companies are in better health than feared, with more companies beating expectations and guidance than missing. The dominant themes of the August reporting season have been surprising resilience for the consumer, higher interest repayments and impacts from a slowing Chinese market.
- The **HNW Australian Equity Income Concentrated Portfolio** had a weaker month falling -1.5%.
- August was a big month for dividends, with seven companies paying dividends. These cash flows will hit our investor's cash accounts in September.

	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	12m rolling	Incept annual
HNW Equity Income Concentrated Portfolio	-1.5%	-3.3%	3.7%	5.1%	2.1%	2.5%	4.0%	-4.0%	0.3%	-2.6%	4.5%	-1.5%	9.0%	3.6%

## 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 news over the month was a significant fall (-6%) in the ASX 200 at the start of the month due to concerns about the US economy and the unwind of the Japanese carry trade after the Japanese Central Bank (JCB) raised rates for the first time since 2007; however, the ASX rallied from 9<sup>th</sup> August onwards on better-than-expected corporate profit results to finish marginally in the black.

## Top Positions August 2024 Yield (incl-franking)

Position	Yield
Woodside	9.6%
ANZ Bank	9.0%
Transurban	5.1%
Westpac	7.6%
Ampol	10.6%

## Estimated portfolio metrics for FY25

	ASX 200	HNW Con
PE (x) fwd.	16.6	12.9
Dividend yield (net)	3.6%	5.9%
Est Franking	67%	81%
<b>Grossed Up Yield</b>	<b>4.6%</b>	<b>7.5%</b>
Number of stocks	200	15
Avg mcap \$B	12	55
Beta (3mth rolling)	1.0	0.91

Source: Bloomberg & UBS

# PORTFOLIO UPDATE

## HNW Australian Equity Income Concentrated Portfolio

August 2024

### Portfolio Performance

In August, the **HNW Australian Equity Income Concentrated Portfolio** declined by -1.5%

Over the month, positions in Westpac (+5%), ANZ (+5%), Charter Hall Retail (+4%) and Transurban (+4%) added value. We were pleased to see the banks provide strong quarterly results, which showed that they are keeping their margins high and bad debts at record lows.

On the negative side of the ledger, Mineral Resources (-26%), Ampol (-12%) and QBE Insurance (-11%) detracted value. It was surprising to see these companies down as much as they were during the month, with most of them posting good financial results in August and increasing shareholder returns. Indeed, QBE posted a record profit result and increased its dividend by 71%.

### 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