

PORTFOLIO UPDATE

HNW Australian Equity Income Concentrated Portfolio

Monthly Report December 2023

- December saw investors holding out for a "Santa Claus" rally rewarded with continued strength from November across the world indices in December. The key factor driving solid returns in share markets was the view that rate cuts are likely in 2024. The year ended with a recession in either the US or Australia that many predicted twelve months ago, with economies more resilient than expected and better placed to weather higher interest rates.
- The **HNW Australian Equity Income Concentrated Portfolio** gained by 5.1%.
- Pleasingly December was a good month for income with five companies in the portfolio declaring dividends. This income will be paid in the first two weeks of February.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	12m rolling	Incept annual
HNW Equity Income Concentrated Portfolio	3.7%	-0.8%	-2.1%	1.8%	-1.9%	-0.2%	4.9%	-0.9%	-1.5%	-3.3%	4.1%	5.1%	8.8%	2.7%

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 th December 2022
Security Target	within 5% of S&P ASX 200 weights

Market Update

December is always a quiet month for stock-specific news, with most companies in blackout as they prepare their financial accounts for release in February. The key news in December was falling bond yields as markets repriced for a lower inflation and a lower interest rate environment, with the benchmark Australian 10-year bond falling to 3.96%, a decline of 1% over the past two months.

Top Positions December 2023 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 FY23

	ASX 200	HNW Con
PE (x) fwd.	15.8	13.0
Dividend yield (net)	3.9%	5.5%
Est Franking	64%	81%
Grossed Up Yield	5.1%	7.2%
Number of stocks	200	15
Avg mcap \$B	14	55
Beta (3mth rolling)	1.0	0.91

Source: Bloomberg & UBS

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Portfolio Performance

The **HNW Equity Income Concentrated Portfolio** had a solid month and gained by +5.1%.

Over the month, positions in Charter Hall Retail (+16%), Mineral Resources (+14%) and Region (+12%) added value.

On the negative side of the ledger, QBE (-4%) dragged on performance on concerns that interest rates may fall in 2024. Notwithstanding these concerns, the company is performing well at the moment; premium rates are increasing, underwriting looks prudent, and cat claims for 2023 were around expectations. QBE looks set to report a stellar result in February, increasing profits from US\$664M in 2022 to our estimate of US\$1,350 million for 2023.

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