

PORTFOLIO UPDATE

HNW Australian Equity Income Concentrated Portfolio

Monthly Report January 2024

- The **HNW Australian Equity Income Concentrated Portfolio** gained by +2.0%, ahead of the index's return of +1.2%. Whilst pleasing to outperform the index, share prices in December and January generally move based on macroeconomic fears, not actual earnings.
- In December, chemical company Incitec Pivot (+4%) received US\$1.675 billion from selling their Louisiana ammonia plant to CF Industries. In January company returned \$0.26 per share back to shareholders from the plant sale in two components. Firstly, \$0.16 per share will be returned via a tax-effective, non-taxable capital return, and \$0.10 per share will be returned via an unfranked dividend. This was the only income paid over the month into the Portfolio.

	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	12m rolling	Incept annual
HNW Equity Income Concentrated Portfolio	-0.8%	-2.1%	1.8%	-1.9%	-0.2%	4.9%	-0.9%	-1.5%	-3.3%	4.1%	5.1%	2.0%	7.1%	4.2%

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

Market Update

There was minimal news flow in January, with companies in a "blackout" before releasing their financial results in February 2024. Several companies in the Portfolio have declared dividends or given positive trading updates throughout December and January. When investors know the value of a company's dividends, production, or revenues earned, there are a few scopes for surprises on results day, which appeals to us.

Top Positions January 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.	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 +2.0%.

Over the month, positions in QBE Insurance (+7%), Westpac (+6%), Deterra (+5%) and ANZ (+5%) added value.

On the negative side of the ledger, Mineral Resources (-14 %) were off following a further fall in the lithium price. Still, they provided a positive trading update that saw Iron Ore and Lithium shipments increase over the December Quarter. Atlas Arteria (-6%) also provided an update showing a record quarter for the toll road company, with traffic rising by +3% over the year and revenue increasing by +7% due to inflation escalators.

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