

# PORTFOLIO UPDATE

## HNW Australian Equity Income Concentrated Portfolio

### Monthly Report November 2023

- November saw a recovery from October's lows as equity markets rallied after the US Federal Reserve hinted that they were at the peak of this interest rate cycle. Domestically, the RBA raised the cash rate by 0.25%, driven by higher inflation data from October, but also hinted that this could be the last rate hike for some time—a positive move for interest-rate-sensitive stocks such as toll roads and infrastructure in the Portfolio.
- The **HNW Australian Equity Income Concentrated Portfolio** gained by 4%. The share prices of many companies in the Portfolio are recovering from the falls seen during the market panic in September and October. These share price falls were based on the assumption that company profit margins would fall from higher interest costs, which we believe is incorrect.
- November was a solid month for income in the Portfolio, with three companies paying franked dividends (Macquarie Bank, Westpac and ANZ) based on solid profit results reported in October and November.

	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	12m rolling	Incept annual
HNW Equity Income Concentrated Portfolio	-3.1%	3.7%	-0.8%	-2.1%	1.8%	-1.9%	-0.2%	4.9%	-0.9%	-1.5%	-3.3%	4.1%	0.4%	0.4%

#### 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

There was little stock-specific news in November, with the market focus on interest rates influencing share prices. The key news was the weakening of the benchmark 10-year government bond yield to 3.5%, which fell from 4.2% in mid-October. Falls in the bond yield are positive for interest-rate-sensitive stocks and indicate the rate at which the RBA will stop tightening interest rates.

#### Top Positions November 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.	15.5	13.0
Dividend yield (net)	4.1%	5.5%
Est Franking	64%	81%
<b>Grossed Up Yield</b>	<b>5.1%</b>	<b>7.2%</b>
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** gained by +4%. The November AGM season has demonstrated that the Portfolio was in good shape and performed well over the first quarter of FY24.

Over the month, positions in Dexus Industrial (+12%), Transurban (+10%) and Atlas Arteria (+9%) added value. On the negative side of the ledger, Woodside (-10%) hurt performance along with QBE (-2%), which declined despite revealing third-quarter premium growth of 11%, low levels of cat claims and what is shaping up to be the best year for investment returns for the company in a decade.

### 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