

# PORTFOLIO UPDATE

## HNW Australian Equity Income Concentrated Portfolio

### Monthly Report October 2023

- October was a weak month, with global markets continuing to fall for the third month in a row, driven by expectations of more rate rises to combat the stickier-than-expected inflation. There was nowhere to hide in global markets, with the S&P 500 down -2.2%, the NASDAQ down -2.8% and the Australian market down -4%.
- The **HNW Australian Equity Income Concentrated Portfolio** fell by -3.3%. October was a volatile month, with macroeconomic fears triumphing over a very positive Annual General Meeting season that saw several companies in the Portfolio report strong [current trading conditions](#), at odds with the doom and gloom prevailing on global share markets.
- During October, the limits of the RBA's usage of tightening monetary policy to reduce inflation were laid bare. Despite a 4% increase in the cash rate over the past 18 months, retail sales data and retailers' quarterly updates have shown consumers to remain far more resilient to rate hikes. This indicates to us that full employment, household savings, record immigration and expansionary fiscal policy are offsetting the RBA's efforts to cool the economy.

	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%			-0.3%

#### 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

Global equity markets have fallen nearly 10% over the last three months. At the close of October 2023, many companies on the ASX200 are trading near or even below the lows of March 2020 despite having better business operations and higher profits in 2023 than they did three years ago.

#### Top Positions October 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.	14.6	13.0
Dividend yield (net)	4.3%	5.5%
Est Franking	64%	81%
<b>Grossed Up Yield</b>	<b>5.3%</b>	<b>7.2%</b>
Number of stocks	200	23
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** declined by -3.3%. The October AGM season has demonstrated that the Portfolio was in good shape and performing well over the first quarter of FY24, a position that was not reflected by current share prices.

### Portfolio Trading

Over the month, we added to positions in Transurban (-7%) and Charter Hall Retail (-3%) on weakness. However, both companies provided strong quarterly updates, with Transurban showing record profits.

### 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