

# PORTFOLIO UPDATE

## HNW Australian Equity Income Portfolio

### Monthly Report April 2025

- April proved to be the most volatile month for many years, with the ASX collapsing by -6.5% on the 7th of April on tariff concerns, before recovering over the back end of the month predominantly due to offshore inflows into the ASX attracted Australia's "safe haven" status and isolation from the vagaries of US trade policy. Indeed, the ASX was the top-performing developed market in April. The high degree of volatility saw the Portfolio's relative performance against the index swing around daily.
- The **HNW Australian Equity Income Portfolio** gained by +2.53%, outperforming the benchmark return of +2.1%. Whilst it is pleasing to post a positive return in such a volatile month, it was frustrating with macroeconomic conditions dictating massive moves in markets rather than earnings.
- The start of 2025 has been very volatile, with gains in January offset by falls driven by variations in US trade policy rather than actual Australian company profits. The Portfolio remains populated by companies with 1) low levels of gearing or, in the case of several Portfolio companies, no debt, 2) pricing power to pass on inflation if Australia sees a resurgence, and critically, 3) established companies rather than "concept stocks" that have navigated and survived through a range of market cycles and conditions.

	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	12m rolling	Incept annual
Australian Equity Income Portfolio	0.6%	0.4%	4.3%	0.1%	2.4%	-1.3%	3.9%	-1.9%	4.2%	-2.3%	-2.4%	2.5%	10.4%	8.1%
ASX 200TR/RBA +3%	0.8%	0.8%	2.4%	0.5%	1.8%	-0.4%	2.2%	-1.3%	2.6%	-1.6%	-1.4%	2.1%	8.8%	6.3%
Active return	-0.2%	-0.4%	1.9%	-0.5%	0.6%	-1.0%	1.7%	-0.6%	1.6%	-0.8%	-1.1%	0.4%	1.6%	1.8%

#### 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.

#### Top Positions end April 2025 Yield (incl-franking)

Company	Yield
Woodside	8.1%
Macquarie Bank	4.8%
Transurban	5.0%
Commonwealth Bank	3.5%
ANZ Bank	8.0%

#### Portfolio Details

Index	S&P ASX 200 Total Return/RBA +3%
Number of Stocks	15 - 30
Asset Allocation	100% Equity
Inception Date	30 <sup>th</sup> November 2022
Security Target	within 5% of S&P ASX 200 weights
Sector Target	within 10% of S&P GICS sector weights

#### Estimated portfolio metrics for FY25

	ASX 200	HNW EI
PE (x) fwd.	18.0	13.8
Dividend yield (net)	3.4%	5.4%
Est Franking	67%	81%
Grossed Up Yield	<b>4.0%</b>	<b>7.0%</b>
Number of stocks	200	23
Avg mcap \$B	12	58
Beta (3mth rolling)	1.0	0.91

#### Performance Update

The key market news in April was that the United States had placed reciprocal tariffs on countries with which it had a trade deficit. Just as quickly as the tariffs were announced, President Trump changed course and released a 90-day pause on his "reciprocal" tariffs. This saw markets begin their rebound to finish in positive territory. Domestically, inflation continues to trend down, with the March quarter coming in at +2.4%. This paves the way for the RBA to cut the cash rate further in 2025.

Source: Bloomberg & UBS

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April 2025

### Portfolio Performance

In April, the **HNW Australian Equity Income Portfolio** gained by +2.53%.

Over the month, positions in Region (+12%), JB Hi-Fi (+12%), Lotteries Corp (+10%), Wesfarmers (+9%) and Arena REIT (+8%) added value. On the negative side of the ledger Dyno Nobel (-11%) and Amcor (-5%) hurt performance.

Commonwealth Bank (+10%) also hurt performance due to the Portfolio's underweight position increasing during the month, with the bank's share price hitting an all-time high of \$167. Atlas decided to trim the CBA position on valuation grounds following offshoring buying that pushed the stock higher to trade on 28 times earnings and a forward yield of 2.7%. This is a significant premium to CBA's peers that trade on an average of 15 times earnings.

### Portfolio Trading

In conjunction with trimming our CBA (+10%) position, we put those cash proceeds towards Macquarie Bank (-1%) and added Sonic Healthcare (1%).

Sonic Healthcare is the largest pathology player in Australia and Europe and the third largest in the US. Sonic gives investors exposure to the rising demand for medical testing, exacerbated by new medical technologies, an aging population, and doctors' desire to cover themselves against malpractice claims by increasing the number of tests ordered.

### 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

HNW Guided Portfolios are managed by HNW Planning's Investment Committee which receives guidance from several expert asset consultants. Changes to the Guided Portfolios are put forward by HNW Planning [AFSL 225216] as its advice to you. Whilst HNW Planning is supported by external consultants in its advice to clients, HNW Planning, is responsible for the appropriateness of advice to clients, and its implementation and execution. Neither HNW nor its expert asset consultants guarantee returns, investment performance or the money you invest.

### Sector Exposure April 2025

GICS Sector	ASX200	Income	ACTIVE
Consumer Disc	7.8%	10.5%	2.7%
Consumer Staples	4.8%	0.0%	-4.8%
Energy	7.0%	12.0%	5.0%
Banks	24.0%	26.0%	-2.0%
Diversified Fins	4.8%	10.0%	5.2%
Health Care	9.8%	2.0%	-7.8%
Industrials	5.6%	0.0%	-5.6%
Materials	22.8%	16.5%	-6.3%
Telco	2.5%	0.0%	-2.5%
Listed Property	5.6%	14.0%	8.4%
Utilities	1.3%	10.0%	8.7%