

PORTFOLIO UPDATE

HNW Australian Equity Income Portfolio

Monthly Report August 2023

- August saw most Australian companies release their financial reports for the first six months of 2023. The month showed that Australian listed companies are in better health than feared, with more companies beating expectations and guidance than missing. The dominant theme moving share prices over the month was issues in the Chinese property sector and a falling Australian dollar (-6%), along with actual company financial results.
- The **HNW Australian Equity Income Portfolio** fell by -0.4%, trailing behind its blended benchmark's return of -0.07%. Overall, the Portfolio had a strong reporting season with healthy increases in dividends and avoided massive blow-ups, such as Alumina (-24%), Resmed (-24%), Block (-24%) and WiseTech -19%.
- It was pleasing to see portfolio companies, on average, increase dividends by +15% in the August reporting season, with every company in the Portfolio paying a dividend. We see dividends as a better measure than earnings per share for a sense of a company's actual health. While in the short term, the market is a voting machine, rewarding popular companies, in the long term, it is a weighing machine and recognises companies that consistently pay dividends to shareholders.

	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	12m rolling	Incept annual
HNW Australian Equity Income Portfolio	-3.0%	3.9%	0.8%	-2.4%	2.2%	-1.0%	0.7%	4.3%	-0.4%					5.0%
ASX 200TR/RBA +3%	-1.5%	3.3%	-1.1%	0.1%	1.1%	-1.1%	1.0%	1.6%	-0.1%					3.5%
Active return	-1.5%	0.6%	1.9%	-2.4%	1.2%	0.1%	-0.3%	2.7%	-0.3%					1.5%

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.

Portfolio Details

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

Performance Update

During August, we saw the Australian Dollar fall -3.6% vs. the USD to finish at US\$0.64. The sell-off came after Chinese economic data showed a dramatic weakening of the property sector, and the two largest developers, Evergrande and Country Garden, defaulted on debt repayments.

As of the end of August, no stimulus policy has been announced by the Chinese Communist Party. Atlas views that any stimulus will likely favour the Chinese consumer and domestic consumption rather than bridges to nowhere and large infrastructure projects consuming Australian iron ore, such as in 2008 and 2020.

Top Ten Active Positions end August 2023

Positive	Negative
Ampol	BHP
Dexus Industrial	NAB
Transurban	Woolworths
Ancor	Rio Tinto
Deterra Royalty	Telstra

Estimated portfolio metrics for FY 23

	ASX 200	HNW EI
PE (x) fwd.	15.2	14.0
Dividend yield (net)	4.1%	5.8%
Est Franking	64%	68%
Grossed Up Yield	5.2%	7.2%
Number of stocks	200	23
Avg mcap \$B	12	52
Beta (3mth rolling)	1.0	0.94

Source: Bloomberg & UBS

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August 2023

Portfolio Performance

The **HNW Equity Income Portfolio** gave back some of July's stellar performance, falling by -0.36% behind its blended benchmark's return of -0.07%. The rate rises are making the RBA +3% benchmark a greater challenge than it was 12 months ago. Positions in Wesfarmers (+11%), Ampol (+7%) and Medibank Private (+4%) added value, which was offset by falls in Transurban and Region (-10%). In August, the Income Portfolio increased dividends by 15.0%.

Dividends signal the health of a company.

In August, the Portfolio increased dividends by +15%, helped by our two general insurers, Suncorp (-2%) and QBE (-4%), increasing dividends by over +50%. This places the Portfolio's dividend growth significantly ahead of inflation and compares favourably with the broader ASX 200, where average dividends increased by 4%. Dividend growth on the ASX 200 was dragged down by the major iron ore miners who cut dividends between -17% and -32%.

Portfolio Trading

Over the month, we added to positions in QBE and Transurban on share price weakness to reduce the portfolio cash weight that had built up due to dividend flows.

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 August 2023

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	25.2%	26.0%	0.8%
Diversified Fins	4.8%	10.0%	5.2%
Health Care	9.8%	0.0%	-9.8%
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%