

PORTFOLIO UPDATE

HNW Australian Equity Income Portfolio

Monthly Report August 2025

- Over the month of August, Australian markets saw significant volatility, with the average results day trading range of close to 8%. Overall, the reporting season was better than expected, suggesting that the domestic economy was in a stronger position than the global economy. Consumers are spending, and bank bad debts are still very low.
- The **HNW Australian Equity Income Focus Portfolio** had a solid month, up +3.5% and ahead of its benchmark return of +1.8%, a pleasing outcome in an extremely volatile month.
- It was pleasing to see that portfolio companies, on a weighted average, increased dividends by 2% in the August reporting season, ahead of the wider ASX 200, which declined by 2%. We view dividends as a more accurate measure than earnings per share for gauging a company's actual financial health. While in the short term, the market is a voting machine, rewarding popular companies, in the long term, the market is a weighing machine and recognises companies that consistently pay dividends to shareholders. Seven companies in the Portfolio paid dividends in August with more to come in September.

	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	12m rolling	Incept annual
Australian Equity Income Portfolio	2.4%	-1.3%	3.9%	-1.7%	4.2%	-2.3%	-2.4%	2.5%	4.5%	1.9%	2.0%	3.5%	17.9%	11.5%
ASX 200TR/RBA +3%	1.8%	-0.4%	2.2%	-1.3%	2.6%	-1.6%	-1.4%	2.1%	2.4%	1.0%	1.5%	1.8%	11.2%	8.0%
Active return	0.6%	-1.0%	1.7%	-0.4%	1.6%	-0.8%	-1.1%	0.4%	2.1%	0.8%	0.5%	1.6%	6.7%	3.4%

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.

Top Positions end July 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 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

The key news over the month was the heightened volatility around earnings season, with both small positive and negative misses seeing large share price movements on results day.

The dominant themes of the August reporting season were increased volatility and share price movements on reporting day, with the banks remaining strong, interest rate cuts to support consumer spending, and weaker housing markets in Australia and the United States. Despite all the volatility, the ASX posted quite a strong result with the Australian economy remaining resilient and most companies increasing earnings over the last twelve months.

Estimated portfolio metrics for FY25

	ASX 200	HNW EI
PE (x) fwd.	21.7	15.0
Dividend yield (net)	3.0%	5.2%
Est Franking	67%	81%
Grossed Up Yield	3.8%	6.8%
Number of stocks	200	23
Avg mcap \$B	11	58
Beta (3mth rolling)	1.0	0.91

Source: Bloomberg & UBS

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Portfolio Performance

In August, the **HNW Australian Equities Income Focus Portfolio** gained by +3.5%, outperforming the benchmark return of +1.8% in an extremely volatile month.

Over the month, positions in Westpac (+14%), The Lottery Corp (+10%), Arena REIT (+10%), ANZ (+10%) and Ampol (+9%) added value.

On the negative side of the ledger, Sonic Healthcare (-12%), Amcor (-11%) and QBE Insurance (-5%) detracted value.

Dividends signal the health of a company

When a company reports a result, one of the first things we look at is the dividend paid, as this is the best indication of the actual health of a company. A company's board is unlikely to raise dividends if business conditions are worsening. Also, earnings per share can be restated later due to "accounting opinions" or financial shenanigans from the CFO. However, once dividends are paid into bank accounts, they can never be taken back.

In August, the Portfolio increased dividends by +26%, with the help of Wesfarmers and QBE Insurance, increasing dividends by 81% and 29% respectively. The 6% increase compares favourably with the ASX 200, which saw dividends fall by -2% as the index was dragged down by index heavyweights BHP and Woolworths, which saw dividends fall by -25% and -42% respectively.

Portfolio Trading

Over the month, the Portfolio topped up positions in Sonic Healthcare, Atlas Arteria and Ampol following solid earnings results. This was funded by selling down the Portfolio's position in Wesfarmers, which remains a great company but was trading at an expensive 40x earnings multiple.

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.

Sector Exposure August 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%

- Performance numbers are presented on an unaudited basis