

# PORTFOLIO UPDATE

## HNW Australian Equity Income Portfolio

### Monthly Report December 2024

- December was a volatile month, with hopes of a "Santa Claus" rally on the ASX dashed by the US Federal Reserve, which indicated on 18th December that 2025 would likely see fewer rate cuts than the market expected. This piece of macroeconomics saw the ASX200 sell-off and the Australian Dollar fall by -5%.
- The **HNW Australian Equity Income Portfolio** declined by -1.9%, behind the blended benchmark of -1.3%. December was volatile, with share price movements dictated by macroeconomic concerns around interest rate cuts in the United States in 2025 rather than company profits.
- Income was very healthy over the month, with six companies in the Portfolio declaring distributions, which will hit investors' cash accounts in February.

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	12m rolling	Incept annual
Australian Equity Income Portfolio	2.5%	2.7%	4.1%	-4.3%	0.6%	0.4%	4.3%	0.1%	2.4%	-1.3%	3.9%	-1.9%	13.8%	10.3%
ASX 200TR/RBA +3%	0.9%	0.7%	1.9%	-1.2%	0.8%	0.8%	2.4%	0.5%	1.8%	-0.4%	2.2%	-1.3%	9.5%	7.4%
Active return	1.6%	2.0%	2.2%	-3.1%	-0.2%	-0.4%	1.9%	-0.5%	0.6%	-1.0%	1.7%	-0.6%	4.3%	2.9%

#### 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 <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

#### Performance Update

December is always a quiet month for stock-specific news, with most companies in blackout as they prepare their financial accounts for release in February. The key news in December was that the US Federal Reserve lowered its outlook for 2025 interest rate cuts from four cuts over the year to only two.

December marked another month in which the Chinese government pledged to boost the economy through a more proactive fiscal policy. Atlas remains sceptical that this will see China implementing steel-hungry policies that will add to their housing oversupply but instead focus on subsidies to stimulate demand for household goods.

#### Top Positions end December 2024 Yield (incl-franking)

Company	Yield
Woodside	9.1%
Macquarie Bank	4.8%
Transurban	5.0%
Commonwealth Bank	4.1%
ANZ Bank	8.2%

#### Estimated portfolio metrics for FY25

	ASX 200	HNW EI
PE (x) fwd.	18.1	13.5
Dividend yield (net)	3.5%	5.2%
Est Franking	67%	81%
Grossed Up Yield	<b>4.6%</b>	<b>6.8%</b>
Number of stocks	200	23
Avg mcap \$B	12	58
Beta (3mth rolling)	1.0	0.91

Source: Bloomberg & UBS

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## HNW Australian Equity Income Portfolio

December 2024

### Portfolio Performance

In December, the **HNW Australian Equity Income Portfolio** declined by -1.9%, based on macroeconomic speculation rather than company-specific news. Over the month, positions in Transurban (+7%), JB Hi-Fi (+2%), and Mineral Resources (+2%) added value.

On the negative side of the ledger, Amcor (-9%), ANZ (-8%), Incitec Pivot (-7%), and Areal REIT (-5%) detracted value. Atlas was surprised to see these USD-earning companies down in December. This -5% fall in the Australian Dollar in December will see the US Dollar earnings and dividends paid in AUD of these companies automatically boosted by the fall in the AUD, which is now at its lowest level in 22 years. The fall in the AUD is bad news for consumers planning skiing holidays in Aspen but good news for companies earnings profits in US dollars. If the AUD does not rally over the next month, we will see higher-than-expected dividends in February.

### 2024 in Review

2024 proved a solid year for Australian Equities, posting an above-average double-digit return to what we saw in 2023. The ASX finished up 11.4% for the year, a great outcome given the market did not see a Christmas rally into the year's final months.

Over the past 12 months, investors have faced many global geopolitical events that put pressure on international markets, including the Japanese carry trade in early August. This event caused concern, which saw the SP500, Nasdaq, and ASX 200 down around 5% in two days of trading. While these events impact some international companies, many Australian companies sell non-discretionary goods, often into the domestic Australian markets, and will see minimal to no impact on the operational side of their businesses.

### 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.

### Portfolio Trading

Over the month, we reduced our position in JB Hi-Fi (+2%) on valuation concerns. The low-cost electrical retailer had a stellar 2024, up +81% and has continued to take market share off Harvey Norman but offers less margin of safety at current prices.

### Sector Exposure December 2024

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%

- 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