

PORTFOLIO UPDATE

HNW Australian Equity Income Portfolio

Monthly Report July 2024

- In July, the key piece of news was the weaker Australian Dollar due to rate cuts being forecasted to start in the US in September, falling oil prices and the July quarter inflation number, which came in below market expectations and mitigated against the chance of a rate rise in August.
- The **HNW Australian Equity Income Portfolio** gained by +4.3% ahead of the benchmark return of +2.4%. As always, it is challenging in July to deviate significantly from the index unless you can dodge the companies that confess that they won't be able to make their guidance – something we were able to do.
- Typically, July does not see dividends paid by Australian listed companies; however, we saw one in the Portfolio, Charter Hall Retail, whose June dividend slipped into July.

	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	12m rolling	Incept annual
HNW Australian Equity Income Portfolio	-0.5%	-2.3%	-4.4%	4.7%	5.6%	2.5%	2.7%	4.1%	-4.3%	0.6%	0.1%	4.3%	13.3%	9.5%
ASX200TR/RBA +3%	-0.1%	-1.1%	-1.6%	2.8%	3.9%	0.9%	0.7%	1.9%	-1.2%	0.8%	0.8%	2.4%	10.5%	6.3%
Active return	-0.5%	-1.2%	-2.8%	1.9%	1.7%	1.6%	2.0%	2.2%	-3.1%	-0.2%	-0.7%	1.9%	2.8%	3.2%

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 (ex-franking)

Company	Yield
Woodside	6.3%
Macquarie Bank	4.2%
Transurban	4.2%
Commonwealth Bank	4.7%
ANZ Bank	6.2%

Portfolio Details

Index	S&P ASX 200 Total Return/RBA +3%
Number of Stocks	15 - 30
Asset Allocation	100% Equity
Inception Date	30 th October 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 highlights during the month were the inflation level of 3.8%, which came in below market expectations and removed expectations of rate hikes in August. This change in expectations saw the Australian Dollar depreciate against the US Dollar, increasing earnings for companies that generate significant profits from overseas.

During July, commodities were softer, primarily iron ore (-4.5%) and oil (-7%), on concerns about Chinese demand falling due to worsening economic conditions. Due to ongoing Middle East concerns, Atlas expects the oil price to remain resilient in the coming months.

Estimated portfolio metrics for FY 25

	ASX 200	HNW EI
PE (x) fwd.	17.5	13.0
Dividend yield (net)	3.6%	5.2%
Est Franking	67%	81%
Grossed Up Yield	4.6%	6.8%
Number of stocks	200	23
Avg mcap \$B	14	55
Beta (3mth rolling)	1.0	0.91

Source: Bloomberg & UBS

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July 2024

Portfolio Performance

In July, the **HNW Australian Equity Income Portfolio** had a solid month up +4.3%.

Performance was assisted by positions in Wesfarmers (+13%), (+8%), Charter Hall Retail (+11%), Amcor (+9%) and JB Hi-Fi (+14%), but generally a very solid month. On the negative side of the ledger, Woodside (-2%) and the Lottery Corp (-2%) hurt performance, along with Detera (0%) and Arena REIT (0%). Income was limited to Charter Hall Retail's dividend.

Portfolio Trading

During July, we decided to trim our JB Hi-Fi (+14%) position back to 2%, following strong appreciation in the share price and expansion of its earnings multiple. Atlas still holds the thesis that JB Hi-Fi is Australia's best electrical goods retailer and continues to market share away from Harvey Norman. On further share price strength, we may exit the rest of the position or potentially re-enter at a more attractive share price.

Sector Exposure July 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%

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