

# PORTFOLIO UPDATE

## HNW Australian Equity Income Portfolio

### Monthly Report June 2024

- In June, the key piece of news impacting the ASX over the month was the spike in inflation to 4%, which raises the spectre of an interest rate rise in August rather than the cuts that some market participants were forecasting. Despite this negative news, the market was able to finish up in the green for the month.
- The **HNW Australian Equity Income Portfolio** posted a small 0.12% gain trailing the blended benchmark's return of 0.8%, though we are happy with the year as a whole on an absolute and relative basis.
- June was another solid month for income for our investors, with Arena, Transurban, Incitec Pivot and Dexus Industrial all declaring dividends. The dividends will flow into investors cash accounts in August.

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	12m rolling	Incept annual
HNW Australian Equity Income Portfolio	4.2%	-0.5%	-2.3%	-4.4%	4.7%	5.6%	2.8%	2.7%	4.1%	-4.3%	0.6%	0.1%	13.6%	7.5%
ASX 200TR/RBA +3%	1.6%	-0.1%	-1.1%	-1.6%	2.8%	3.9%	0.9%	0.7%	1.9%	-1.2%	0.8%	0.8%	9.7%	5.1%
Active return	2.7%	-0.5%	-1.2%	-2.8%	1.9%	1.7%	2.0%	2.0%	2.2%	-3.1%	-0.1%	-0.7%	3.9%	2.3%

### 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> October 2022
Security Target	within 5% of S&P ASX 200 weights
Sector Target	within 10% of S&P GICS sector weights

### Performance Update

June was a very volatile month, driven primarily by concerns about higher inflation in the Australian economy and whether an interest rate increase would be needed at the August monetary policy meeting. There was minimal company specific news with companies in black-out prior to reporting their profit results in August.

Over the month, oil continued to climb by 6% to US\$86 per barrel, driven by higher consumption during the northern hemisphere summer break.

### Top Positions end June 2025 Yield (ex franking)

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

### Estimated portfolio metrics for FY 25

	ASX 200	HNW EI
PE (x) fwd.	17.3	13.0
Dividend yield (net)	3.8%	5.2%
Est Franking	67%	81%
Grossed Up Yield	<b>4.8%</b>	<b>6.8%</b>
Number of stocks	200	23
Avg mcap \$B	14	55
Beta (3mth rolling)	1.0	0.91

Source: Bloomberg & UBS

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## HNW Australian Equity Income Portfolio

June 2024

### Portfolio Performance

In June, the **HNW Australian Equity Income Portfolio** posted a small gain. Over the month, positions in Bapcor (+21%), Suncorp (+9%), Macquarie Group (+7%), Commonwealth Bank (+7%) and Arena REIT (+5%) added value. On the negative side of the ledger, Mineral Resources (-25%), Deterra (-14%) and Ampol (-7%) detracted from value.

### Year in Review

The 2024 financial year was very volatile, with falls in the market across September and October offset by a strong rally in equity markets across November and December and continued through the first half of 2024. Inflation has been a key driver for global equity markets, with the most recent rally coming from the thoughts that interest rates could be coming down earlier than first thought.

Despite what feels like a bruising twelve months for investors, the ASX 200 has enjoyed a pretty good year, up +7.8% or +12.1% with dividends. Across the Portfolio, we have seen significant gains from positions in JB Hi-Fi (+46%), Wesfarmers (+36%), Westpac (+35%) and Suncorp (+34%). Additionally, every stock in the Portfolio paid a dividend. While the market is a voting machine over the short term, it is a weighing machine over the longer term, rewarding companies that increase cash flows to their investors.

### Portfolio Trading

During June, Atlas made the decision to trim our Commonwealth Bank exposure, at \$128, back to market weight due to its current PE ratio of 22 times, diverging from its long-run average of 16 times. Atlas still believes that CBA will have a good result in August, but the current share price is pricing in perfection. The proceeds of this reduction were deployed to increase holdings in Woodside (+2%) and Atlas Arteria (-4%).

### 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.

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 June 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 numbers are presented on an unaudited basis