

PORTFOLIO UPDATE

HNW Australian Equity Income Portfolio

Monthly Report March 2024

- March saw the equity market rebound that started in November continue, with forecasted economic recessions in Australia and the US now looking unlikely. This was reinforced by positive economic data from the RBA released over the month, which showed that households are well placed to handle 'higher-for-longer' periods of interest rates, along with the ABS releasing positive February retail sales.
- The **HNW Australian Equity Income Portfolio** gained by +4.1%, comfortably ahead of the benchmark return of 1.9%. In March, the ASX saw inflows from Asian institutional investors seemingly impressed by the February reporting season, which showed stronger-than-expected profits for Australian corporates. This was understandably positive for Australian shares over the month.
- March was another solid month for income for our investors, with seven positions held by the Portfolio paying dividends. These cash flows swelled the Portfolio's cash weight and will result in a rebalance in April.

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	12m rolling	Incept annual
HNW Australian Equity Income Portfolio	1.9%	-1.6%	0.7%	4.2%	-0.5%	-2.3%	-4.4%	4.7%	5.6%	2.5%	2.7%	4.1%	18.5%	11.5%
ASX 200TR/RBA +3%	1.1%	-1.1%	1.0%	1.6%	-0.1%	-1.1%	-1.6%	2.8%	3.9%	0.9%	0.7%	1.9%	10.3%	7.0%
Active return	0.9%	-0.5%	-0.4%	2.7%	-0.5%	-1.2%	-2.8%	1.9%	1.7%	1.6%	2.0%	2.2%	8.2%	4.5%

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

Performance Update

There is always very little stock-specific news in March, coming directly after the February reporting season. Domestically, the key news over the month was that the RBA continued to hold interest rates at 4.35%, and oil prices increased by +5% on rising tensions in the Middle East. Conversely, iron ore fell by 15% due to weak demand from China, though this fall was not reflected in the share prices of the iron ore miners.

The ASX appeared to benefit from capital inflows from Asian investors and \$23 billion of \$34 billion of dividends reinvested in the market. Globally, markets performed stronger on the view that there would not be a hard landing in Australia and the US.

Top Positions end March 2024 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 24

	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	4.8%	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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Portfolio Performance

In March, the **HNW Australian Equity Income Portfolio** gained by +4.1%. We are pleased with the Portfolio in March after having a solid February reporting season, with all companies profitable, paying dividends and increasing income to shareholders above the inflation rate.

The return was ahead of the "growth" portfolio due to some of the undervalued listed property positions having very good months, namely Arena REIT (+17%), Dexus Industrial (+8%), Region (8%) as well as QBE Insurance (+8%), Incitec Pivot (+7%), Amcor (+6%), Ampol (+6%) and Min Resources (+7%)..

Political Theatre

On the negative side of the ledger, Transurban (-2%) hurt performance after a noisy independent review of toll road pricing in NSW, which proposed changes to toll road pricing in Sydney. TCL said they welcomed toll reform provided the NSW state government compensates the company for future revenue lost in any restructuring of toll fares.

Atlas sees this as political theatre rather than substance, similar to the Senate inquiry into the Grocery Industry. It is unlikely that the government will break iron-clad toll road contracts or write a very large cheque to reimburse Transurban and its partners. In 2021, TCL and its partners (AustralasianSuper, Canada Pension Plan & Abu Dhabi Investment Authority) paid the NSW government \$20 billion for the right to operate the 33km long WestConnex until 2060. Breaking this contract would result in the NSW Government facing litigation and significantly increase the state's sovereign risk rating in future financial deals.

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.

Portfolio Trading

No significant trading was done during the month.

Sector Exposure March 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