

PORTFOLIO UPDATE

HNW Australian Equity Income Portfolio

Monthly Report May 2025

- May proved to be a stronger month for global markets after three negative months under Trump, and tariff fatigue was setting in amongst investors following positive talks between the US and China. Domestically, Australia saw the Reserve Bank cut rates following subdued inflation in the March quarter.
- The **HNW Australian Equity Income Portfolio** had a solid month up 4.5% and ahead of its the benchmark return of +2.4%, a pleasing outcome from a lower beta portfolio in a strong up month.
- May was an active month for the Portfolio, with five companies reporting profit results for the six months ending March 2025. Atlas was pleased with the May earnings season, as all companies in the Portfolio reported solid results. The month was also healthy for dividends in the Portfolio, with five companies declaring dividends and Westpac and Dyno announcing share buy-backs.

	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	12m rolling	Incept annual
Australian Equity Income Portfolio	0.1%	4.3%	0.1%	2.4%	-1.3%	3.9%	-1.7%	4.2%	-2.3%	-2.4%	2.5%	4.5%	14.6%	9.6%
ASX 200TR/RBA +3%	0.8%	2.4%	0.5%	1.8%	-0.4%	2.2%	-1.3%	2.6%	-1.6%	-1.4%	2.1%	2.4%	10.6%	7.0%
Active return	-0.7%	1.9%	-0.5%	0.6%	-1.0%	1.7%	-0.4%	1.6%	-0.8%	-1.1%	0.4%	2.1%	4.1%	2.5%

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.

Top Positions end May 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

Estimated portfolio metrics for FY25

	ASX 200	HNW EI
PE (x) fwd.	18.8	13.8
Dividend yield (net)	3.4%	5.4%
Est Franking	67%	81%
Grossed Up Yield	4.0%	7.0%
Number of stocks	200	23
Avg mcap \$B	12	58
Beta (3mth rolling)	1.0	0.91

Performance Update

May is always an important month for investors, with the first week dominated by the banks' reporting season, which was overall positive, with low bad debts, higher dividends, strong capital positions and large share buybacks to continue.

Alongside this, during the month, we saw the Australian Federal Election payout which Atlas expects to have little to no impact on our Portfolio as most of our companies offer large non-discretionary products that operate regardless of regulatory environment.

During May, the Reserve Bank also cut the interest rate by 0.25% to 3.85% which was seen as a positive move by the market.

Source: Bloomberg & UBS

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May 2025

Portfolio Performance

In May the **HNW Australian Equities Income Focus Portfolio** had a solid month +4.47% ahead of its blended benchmark of +2.38%. Over the month positions in Dyno Nobel (+18%), Macquarie Bank (+13%), WhiteHaven Coal (+11%), Dexus Industrial (+10%) and Charter Hall Retail (+5%) added value. Our holdings in Lotteries (-2%) and Amcor (-1%) dragged on performance.

Strong Income

May was a good month for income for the Portfolio, with four companies paying dividends: Amcor, Macquarie Bank, ANZ, and Westpac. Dyno Nobel (née Incitec Pivot) will also pay dividends in the coming months. Pleasingly, all the companies paid the same or higher dividends than last year, minus Dyno Nobel, which is currently buying back 17% of the company through an on-market buyback. As always, Atlas looks closely at whether a company is increasing dividends as an earnings quality signal and an indication of board confidence in the health of a company's finances and outlook. A far more powerful signal than mere words offered by management during a results call.

Sector Exposure May 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 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