

# PORTFOLIO UPDATE

## HNW Australian Equity Income Portfolio

### Monthly Report October 2024

- October was a weak month, with global markets retreating between -1% and -3% due to concerns about the US election, with commodities volatile on opaque indications of what the purported Chinese stimulus plan may look like. Over the month, the Chinese central bank lowered interest rates again to boost consumption but stopped short of any stimulus that would increase the need to consume more iron ore.
- The **HNW Australian Equity Income Portfolio** fell by -1.3%, underperforming the index return of -0.4%, mainly due to macroeconomic fears rather than the outlook for individual company profits in 2025. We have been pleased with the Portfolio's returns over the past year.
- Looking back at October 2023, there were many reasons to sell equities, with both the US and Australia touted to head into recession and further rate rise tipped to occur in 2024 to combat inflation. However, this would have been a mistake as the past twelve months have been very positive for investors in Australian equities, who have enjoyed returns over 20%. Indeed, against grim backdrop one year ago many individual companies were reporting strong trading conditions, at odds with the doom and gloom prevailing then on global share markets.

	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	12m rolling	Incept annual
HNW Australian Equity Income Portfolio	4.7%	5.6%	2.5%	2.7%	4.1%	-4.3%	0.6%	0.4%	4.3%	0.1%	2.4%	-1.3%	23.5%	8.7%
ASX 200TR/RBA +3%	2.8%	3.9%	0.9%	0.7%	1.9%	-1.2%	0.8%	0.8%	2.4%	0.5%	1.8%	-0.4%	15.9%	6.5%
Active return	1.9%	1.7%	1.6%	2.0%	2.2%	-3.1%	-0.2%	-0.4%	1.9%	-0.5%	0.6%	-1.0%	7.6%	2.2%

#### 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.

#### 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

The key news over the month was global equities pausing and bond yield rates increasing ahead of the United States election in November.

Over the month, the market took a much more conservative approach, which saw the price of gold increase by 6% to US\$2,777 per ounce ahead of the United States election. Similarly, Oil edged up 1% over the month to finish at US\$72.55.

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

Company	Yield
Woodside	9.6%
Macquarie Bank	3.7%
Transurban	5.1%
Commonwealth Bank	5.2%
ANZ Bank	9.0%

#### Estimated portfolio metrics for FY25

	ASX 200	HNW EI
PE (x) fwd.	18.8	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

October 2024

### Portfolio Performance

In October, the **HNW Australian Equity Income Portfolio** fell by -1.3%, underperforming the index based on macroeconomic speculation rather than company-specific news. The October AGM season showed that companies in the Portfolio have had a solid start for 2025, with most companies showing an increase in sales.

Over the month, positions in Commonwealth Bank (+5%), QBE Insurance (+4%), JB Hi-Fi (+3%), Amcor (+2%) and ANZ (+2%) added value. On the negative side of the ledger, Mineral Resources (-24%), Ampol (-9%), Dexus Industrial (-7%) and Deterra (-8%) detracted value.

### Quarterly Updates

In October each year, listed Australian companies with a June financial year end host their annual general meetings (AGMs) and gave their first quarter trading update.

In the first quarter, we saw mixed results across the retail space, with the grocers posting a sales growth of 3-5% but being hit with higher costs, which saw Woolworths (-10%) provide a -6% earnings downgrade for the first half of 2025.

Companies that saw a performance increase included JB Hi-Fi (+3%), which saw sales up +5%. We were pleased to see Whitehaven (-7%) posting an 80% increase in coal production following their new Queensland mines' first full quarter of production.

Both toll road operators, Transurban and Atlas Arteria, posted strong traffic numbers. Transurban recorded a 1% increase in average daily traffic to 2.5 million daily trips. Atlas Arteria also saw a 1% increase in traffic and a 5% increase in revenue from inflation-linked toll prices.

However, it was not all good news for corporate Australia; Flight Centre (-29%) fell after revealing a more negative outlook for the business following a soft first quarter. Bathroom retailer Reece (-19%) announced that they now expect full-year earnings to be down 10-20% on last year following softer-than-expected trading across Australia and the US.

### 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

No significant trading was done over the month.

### Sector Exposure October 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