

# PORTFOLIO UPDATE

## HNW Australian Equity Income Portfolio

### Monthly Report September 2024

- September was a strong but very volatile month with the ASX 200 gaining 3% over the month, following the announcement of stimulus from the Chinese central bank. This rally saw the Australian market outperform global markets led by the miners that dragged up the ASX on the expectation of a Chinese stimulus plan akin to those from 2009 and 2015, with spending directed towards steel-intensive heavy infrastructure.
- The **HNW Australian Equity Income Portfolio** gained by 2.4%, ahead of the benchmark return of 1.8%. A disappointing outcome with the Portfolio's relative outperformance reduced in the final five days of the month after the announcement of measures in China to stimulate their economy saw the miners' share prices rally around +15%.
- September was a very active month for dividends, with 9 companies paying dividends during the month and Woodside and Wesfarmers paying their dividends early in October.

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	12m rolling	Incept annual
HNW Australian Equity Income Portfolio	-4.4%	4.7%	5.6%	2.7%	2.7%	4.1%	-4.3%	0.6%	0.1%	4.3%	0.1%	2.4%	19.6%	10.0%
ASX 200TR/RBA +3%	-1.6%	2.8%	3.9%	0.9%	0.7%	1.9%	-1.2%	0.8%	0.8%	2.4%	0.5%	1.8%	14.5%	7.0%
Active return	-2.8%	1.9%	1.7%	1.8%	2.0%	2.2%	-3.1%	-0.2%	-0.7%	1.9%	-0.5%	0.6%	5.2%	3.0%

#### 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 the announcement of the Chinese central bank: 1) the Chinese central bank lowering interest rates on existing mortgages, 2) lowering the required downpayment for a second home to 15%, and 3) allowing institutions to borrow to buy Chinese shares. These announcements saw a 10% increase in the iron ore price and an appreciation of the Australian dollar to above US\$0.69.

In the United States, the Federal Reserve cut interest rates by 0.5% to 5% since raising interest rates 11 times from a low of 0.25% at the start of 2022. Domestically, the RBA kept the cash rate on hold at 4.35% as inflation remained outside the target band of 2-3%.

#### Top Positions end September 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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September 2024

### Portfolio Performance

In September, the **HNW Australian Equity Income Portfolio** gained by 2.4%. The August reporting season showed that the Portfolio was in good shape, with every company paying a dividend minus Mineral Resources as they pay their current debt.

Over the month, positions in Mineral Resources (+30%), Whitehaven Coal (+21%), Deterra (+10%), Macquarie (+8%) and Dexus Industrial (+5%) added value.

On the negative side of the ledger, Woodside Energy (-7%), Medibank Private (-5%) and Transurban (-3%) detracted value on no new news.

### Portfolio Trading

Over the month, we added WhiteHaven Coal (+21%) to the Portfolio and added to the existing position in Mineral Resources, a move that proved to be fortuitous in light of the strong upward moves in the company share prices towards the end of the month.

### Sector Exposure September 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