

# PORTFOLIO UPDATE

## HNW Australian Equity Portfolio

### Monthly Report April 2024

- April saw global equity markets fell between -3% and -5% over the month on market views that rapid and deep interest rate cuts this year could be unlikely as inflation continues to remain sticky across most developed economies. Paradoxically, we are in an environment where positive (*or less negative than expected*) economic data puts downward pressure on equity markets, as it is seen to push out the time frame for interest rate cuts.
- The **HNW Australian Equity Portfolio** fell by -3.6%, behind the benchmark return of -2.9%, due to macroeconomic concerns rather than stock-specific news. April was a very volatile month, with macroeconomic fears frustratingly outweighing solid trading updates from several companies in the Portfolio.
- The last twelve months have been very volatile, with significant falls from August to October and then recovery from November to March, driven mainly by macroeconomic events rather than stock-specific news. The Portfolio remains populated by companies with 1) low levels of gearing or, in the case of several portfolio companies, no debt, 2) pricing power to pass on inflation and critically, 3) established companies rather than "concept stocks" that have navigated and survived through a range of market conditions.

	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	12m rolling	Incept annual
HNW Australian Equity Portfolio	-1.6%	0.3%	3.0%	-0.8%	-2.4%	-4.8%	5.2%	6.3%	2.9%	1.7%	3.3%	-3.5%	9.4%	7.6%
ASX 200 TR	-2.5%	1.8%	2.9%	-0.7%	-2.8%	-3.8%	5.0%	7.3%	1.2%	0.8%	3.3%	-2.9%	9.1%	7.8%
Active return	0.9%	-1.5%	0.1%	0.0%	0.5%	-1.0%	0.2%	-1.0%	1.8%	0.9%	0.0%	-0.6%	0.4%	-0.2%

#### Portfolio Objective

The objective is to build a portfolio of high-quality companies that will provide returns for a client in increased value and or dividends over time.

#### Portfolio Details

Index	S&P ASX 200 Total Return
Number of Stocks	15 - 30
Asset Allocation	100% Equity
Inception Date	30 <sup>th</sup> November 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 market news in April was that inflation continues to fall in Australia, but not as fast as initially thought. Inflation over the first quarter of 2024 increased by 3.6% on last year, with service inflation (insurance and education) remaining challenging to remove in the economy.

The key news in April was BHP's \$60 billion takeover bid for miner Anglo-American, potentially the largest takeover bid ever by an Australian company. Historically large mining takeovers have invariably resulted in poor outcomes for shareholders.

Heightened global geopolitics tensions increased the Brent Oil price by 1% to US\$88.40 per barrel and sent gold to new all-time high prices of \$2,330 per ounce.

#### Top Ten Active Positions end April 2024

##### Positive

Ampol  
Transurban  
Amcor  
ANZ Bank  
QBE Insurance

##### Negative

BHP  
NAB  
Rio Tinto  
Fortescue  
Telstra

#### Estimated portfolio metrics for FY24

	ASX 200	HNW AE
PE (x) fwd.	16.9	13.7
Dividend yield (net)	3.8%	5.0%
Est Franking	67%	82%
<b>Grossed Up Yield</b>	<b>4.8%</b>	<b>6.0%</b>
Number of stocks	200	23
Avg mcap \$B	14	55
Beta (3mth rolling)	1.0	0.91

Source: Bloomberg & UBS

# PORTFOLIO UPDATE

## HNW Australian Equity Portfolio

April 2024

### Portfolio Performance

In April, the **HNW Australian Equity Portfolio** fell by -3.6%, behind the benchmark's return of -2.9%.

Over the month, positions in Whitehaven Coal (+9%), Mineral Resources (+2%), Suncorp (+1%) and Lendlease (+1%) added value.

It was pleasing to see Whitehaven Coal have a good month, with the company taking the keys to two new metallurgical coal mines from BHP. This acquisition has fundamentally moved Whitehaven into a primarily metallurgical coal producer from a previously thermal coal miner.

On the negative side of the ledger, Sonic Healthcare (-9%), Bapcor (-8%), Ampol (-7%) and Woodside (-7%) detracted value.

The falls came on no new news for Sonic Healthcare and Macquarie, with Woodside weaker on lower-than-expected realised oil prices. Given that the oil company prices cargo on a lagged basis, we expect a strong recovery in the June quarter, which has seen average oil prices rise by US\$20/barrel. During the month, Ampol provided a solid production update, which will see the company's profits remain steady compared to last year's record-high earnings.

### Portfolio Trading

No significant trading was done during the month.

### Sector Exposure April 2024

GICS Sector	ASX200	AEP	ACTIVE
Consumer Discretionary	7.7%	10.7%	3.1%
Consumer Staples	4.8%	0.0%	-4.8%
Energy	6.9%	9.3%	2.5%
Banks	24.7%	26.7%	2.0%
Diversified Fins	4.7%	12.7%	7.9%
Health Care	9.6%	12.7%	3.0%
Industrials	5.5%	8.4%	2.9%
Materials	22.4%	14.6%	-7.9%
Telecommunication Services	2.5%	0.0%	-2.5%
Listed Property	5.5%	2.0%	-3.5%
Utilities	1.3%	3.9%	2.6%

### 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