

PORTFOLIO UPDATE

HNW Australian Equity Portfolio

Monthly Report December 2023

- December saw investors holding out for a "Santa Claus" rally rewarded with continued strength from November across the world indices in December. The key factor driving solid returns in share markets was the view that rate cuts are likely in 2024. The year ended with a recession in either the US or Australia that many predicted twelve months ago, with economies more resilient than expected and better placed to weather higher interest rates.
- The **HNW Australian Equity Portfolio** gained by 6.3%, behind the index's return of 7.3%. Without any meaningful stock-specific news, the companies that posted the highest gains in December were the higher-risk and higher beta companies. Given the Portfolio's lower risk and quality approach, we expect to trail in a month not driven by fundamentals.
- Atlas is looking forward to the February profit season. We expect the reporting season will continue to show the resilience of company earnings from the companies held in the Portfolio and that management will guide to higher profits and dividends over the coming year.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Nov	12m rolling	Incept annual
HNW Australian Equity Portfolio	4.5%	-0.1%	-1.8%	2.5%	-1.6%	0.3%	3.0%	-0.8%	-2.4%	-4.8%	5.2%	6.3%	10.1%	6.3%
ASX200 TR	6.2%	-2.4%	-0.3%	1.8%	-2.5%	1.8%	2.9%	-0.7%	-2.8%	-3.8%	5.0%	7.3%	12.3%	8.8%
Active return	-1.8%	2.3%	-1.6%	0.6%	0.9%	-1.5%	0.1%	0.0%	0.5%	-1.0%	0.2%	-1.0%	-2.2%	-2.5%

Portfolio Objective

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

Portfolio Details

Index	S&P ASX 200 Total Return
Number of Stocks	15 - 30
Asset Allocation	100% Equity
Inception Date	30 th December 2022
Security Target	Within 5% of S&P ASX 200 weights
Sector Target	Within 10% of S&P GICS sector weights

Performance Update

December is always a quiet month for stock-specific news, with most companies in blackout as they prepare their financial accounts for release in February. The key news in December was falling bond yields as markets repriced for a lower inflation and a lower interest rate environment, with the benchmark Australian 10-year bond falling to 3.96%, a decline of 1% over the past two months.

Top Ten Active Positions end December 2023

Positive	Negative
Transurban	BHP
Ampol	NAB
Amcor	Woolworths
Atlas Arteria	Rio Tinto
Macquarie Bank	Telstra

Estimated portfolio metrics for FY24

	ASX 200	HNW AE
PE (x) fwd.	15.8	13.4
Dividend yield (net)	3.9%	4.9%
Est Franking	64%	81%
Grossed Up Yield	5.1%	6.5%
Number of stocks	200	23
Avg mcap \$B	14	55
Beta (3mth rolling)	1.0	0.91

Source: Bloomberg & UBS

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December 2023

Portfolio Performance

In December, the **HNW Australian Equity Portfolio** gained by +6.3%, behind the benchmark's return of +7.3%, driven by macroeconomic news rather than stock-specific news.

Over the month, positions in Mineral Resources (+14%), Lend Lease (+13%), JB Hi-Fi (+11%) and Sonic Healthcare (+10%) unsurprisingly added value. Additionally, it was pleasing to see portfolio heavyweights CSL (+9%) and Macquarie (+9%) finish the year well.

On the negative side of the ledger, our insurance positions QBE (-4%) and Suncorp (-1%) dragged on performance on concerns that interest rates may fall in 2024. Notwithstanding these concerns, both companies are performing well at the moment; premium rates are increasing, underwriting looks good, and both have already revealed that cat claims for 2023 were around expectations. QBE looks set to report a stellar result in February, increasing profits from US\$664M in 2022 to our estimate of US\$1,350 million for 2023.

2023 in Review

2023 has been volatile, with most of the ASX returns coming in the last month of the year. The ASX finished up 12.4% for the year, a great outcome given that the market was down by -3.5% at the end of October.

Over the past twelve months, investors faced a litany of geopolitical events that put share markets under pressure, from the US debt ceiling to conflicts in the Middle East. While these may impact some international companies, many Australian companies sell non-discretionary goods, often into the domestic Australian market and will see minimal to no impact from these adverse events.

Portfolio Trading

No trading was done over the month.

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.

Sector Exposure December 2023

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 does not include consideration of taxation including capital gains tax.
- Performance numbers are presented on an unaudited basis