

PORTFOLIO UPDATE

HNW Australian Equity Portfolio

Monthly Report February 2024

- February was very eventful, mainly dominated by Australian corporate earnings, which were much better than market expectations. It also revealed that many Australian companies are managing higher inflation pressures and interest rates well, with the Australian consumer remaining resilient.
- The **HNW Australian Equity Portfolio** gained by +1.7%, ahead of the benchmark return of +0.8%. It was pleasing to see the Portfolio post a strong result during the reporting season, demonstrating that our companies are in good health and mainly offer non-discretionary goods and services in the domestic market where consumers and the economy remain resilient.
- It was pleasing to see Portfolio companies, on average, increase dividends by +7.3% in the February reporting season, with every company in the Portfolio paying a dividend. Atlas sees that dividends are a better measure of a company's financial health than earnings per share. While in the short-term, the market is a voting machine, rewarding popular companies, in the long term, it is a weighing machine and recognises companies that consistently pay dividends to shareholders.

	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	12m rolling	Incept annual
HNW Australian Equity Portfolio	-1.8%	2.5%	-1.6%	0.3%	3.0%	-0.8%	-2.4%	-4.8%	5.2%	6.3%	2.9%	1.7%	10.4%	8.9%
ASX 200 TR	-0.3%	1.8%	-2.5%	1.8%	2.9%	-0.7%	-2.8%	-3.8%	5.0%	7.3%	1.2%	0.8%	10.5%	8.7%
Active return	-1.6%	0.6%	0.9%	-1.5%	0.1%	0.0%	0.5%	-1.0%	0.2%	-1.0%	1.8%	0.9%	-0.1%	0.3%

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 th November 2022
Security Target	Within 5% of S&P ASX 200 weights
Sector Target	Within 10% of S&P GICS sector weights

Performance Update

As always, February is dominated by Australian corporate earnings and allows investors to closely examine the financial accounts of large companies that dominate the Australian economy. The February 2024 reporting season saw more divergence in the financial performance of Australian corporations than we have seen in recent years. Over the month, some companies reported falling profits and cut their dividends, whereas others reported record profits and confident outlooks. The divergence was seen in the share prices of the ASX 200, which ranged from Altium +30% to Whitehaven -17%!

Top Ten Active Positions end February 2024

Positive

Ampol
Transurban
Amcors
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)	3.9%	4.6%
Est Franking	67%	77%
Grossed Up Yield	4.9%	6.1%
Number of stocks	200	23
Avg mcap \$B	14	55
Beta (3mth rolling)	1.0	0.91

Source: Bloomberg & UBS

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February 2024

Portfolio Performance

In February, the **HNW Australian Equity Portfolio** gained by +1.7%, ahead of the benchmark's return of +0.8%. Atlas was very pleased with the Portfolio through the reporting season, with all companies profitable, paying dividends and increasing income to shareholders above the inflation rate.

Over the month, positions in Wesfarmers (+16%), Mineral Resources (+11%), JB Hi-Fi (+10%) and Suncorp (+10%) added value after reporting strong results in the February reporting season.

On the negative side of the ledger, Lendlease (-12%) and Deterra (-8%) hurt performance despite the latter company reporting record profits and dividends.

Dividends signal the health of a company.

When a company reports a result, one of the first things we look at is the dividend paid, as this is the best indication of the actual health of a company. A company's board is unlikely to raise dividends if business conditions worsen. Also, earnings per share can be restated later due to "accounting opinions" or financial shenanigans from the CFO. However, once dividends are paid into investors' bank accounts, they can't be returned.

During the reporting season, on a weighted average, Portfolio dividends increased by 7.3%, ahead of both inflation and the wider ASX 200, which saw dividends shrink by -8.2%, mainly due to dividend cuts by BHP (-20%) and Rio (-12%).

Portfolio Trading

No significant 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.
- Performance does not include consideration of taxation including capital gains tax.
- Performance numbers are presented on an unaudited basis

HNW Guided Portfolios are managed by HNW Planning's Investment Committee which receives guidance from several expert asset consultants. Changes to the Guided Portfolios are put forward by HNW Planning [AFSL 225216] as its advice to you. Whilst HNW Planning is supported by external consultants in its advice to clients, HNW Planning, is responsible for the appropriateness of advice to clients, and its implementation and execution. Neither HNW nor its expert asset consultants guarantee returns, investment performance or the money you invest.

Sector Exposure February 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%