

PORTFOLIO UPDATE

HNW Australian Equity Portfolio

Monthly Report July 2024

- In July, the key piece of news was the weaker Australian Dollar due to rate cuts being forecasted to start in the US in September, falling oil prices and the July quarter inflation number, which came in below market expectations and mitigated against the chance of a rate rise in August.
- The **HNW Australian Equity Portfolio** gained by +4.64% ahead of the benchmark return of +4.19%. As always, it is challenging in July to deviate significantly from the index unless you can dodge the companies that confess that they won't be able to make their guidance – something we were able to do.
- We are looking forward to the upcoming August profit season, which we expect will show the resilience in earnings and dividends of the companies we own in the Portfolio. In the last weeks of July, seven companies gave guidance on their upcoming results, all of which were positive. An advantage in populating a portfolio with established and profitable companies over newly listed firms with novel business models is that investors have a guide on how these companies should perform in changing business conditions.

	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	July	12m rolling	Incept annual
HNW Australian Equity Portfolio	-0.8%	-2.4%	-4.8%	5.2%	6.3%	2.9%	1.7%	3.3%	-3.5%	0.2%	1.2%	4.6%	14.3%	10.3%
ASX 200 TR	-0.7%	-2.8%	-3.8%	5.0%	7.3%	1.2%	0.8%	3.3%	-2.9%	0.9%	1.0%	4.2%	13.5%	10.5%
Active return	0.0%	0.5%	-1.0%	0.2%	-1.0%	1.8%	0.9%	0.0%	-0.6%	-0.7%	0.2%	0.4%	0.8%	-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 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

The key highlights during the month were the inflation level of 3.8%, which came in below market expectations and removed expectations of rate hikes in August. This change in expectations saw the Australian Dollar depreciate against the US Dollar, increasing earnings for companies that generate significant profits from overseas.

During July, commodities were softer, primarily iron ore (-4.5%) and oil (-7%), on concerns about Chinese demand falling due to worsening economic conditions. Due to ongoing Middle East concerns, Atlas expects the oil price to remain resilient in the coming months.

Top Ten Active Positions end July 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.	17.5	13.7
Dividend yield (net)	3.6%	4.9%
Est Franking	67%	82%
Grossed Up Yield	4.6%	6.5%
Number of stocks	200	23
Avg mcap \$B	12	60
Beta (3mth rolling)	1.0	0.91

Source: Bloomberg & UBS

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July 2024

Portfolio Performance

In July, the **HNW Australian Equity Portfolio** gained by +4.6%, ahead of the benchmark's return of 4.2%.

Over the month, positions Lendlease (+16%), JB Hi-Fi (+15%), Wesfarmers (+11%), Westpac (+9%) and Amcor (+9%) added value. On the other side of the ledger, Woodside (-2%) and The Lottery Corporation (-2%) detracted value.

Quarterly Updates

During July, the Portfolio had seven companies give quarterly updates with positive results.

Ampol (+3%) provided a resilient trading update in which earnings will be in line with last year's record performance. Ampol's convenience retail offering was the strongest through the half year, driven by a favourable product mix of premium fuels.

Woodside Energy (-2%) provided a solid update, with sales volumes for the quarter up 5% to 48 million barrels for the quarter. Woodside also confirmed they are on target for the first oil from their Scarborough Project in 2026.

Mineral Resources (+1%) provided a good update on its new Onslow iron ore mine in Western Australia. Mineral Resources expects the mine to have a run-rate 35 million tonnes a year by June 2025.

Atlas Arteria (+3%) provided a traffic update during July, showing that the average traffic across their road system was the same as last year. Still, their revenue had increased by 4.6%, primarily driven by inflation-linked toll escalations.

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.

Portfolio Trading

During July, we decided to trim our JB Hi-Fi (+14%) position back to 2%, following strong appreciation in the share price and expansion of its earnings multiple. We still hold the thesis that JB Hi-Fi is Australia's best electrical goods retailer and continues to market share away from Harvey Norman. We may look to exit the rest of the position on further share price strength or potentially re-enter at a more attractive share price.

Sector Exposure July 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%