

# PORTFOLIO UPDATE

## HNW Australian Equity Portfolio

### Monthly Report March 2024

- March saw the equity market rebound that started in November continue, with forecasted economic recessions in Australia and the US now looking unlikely. This was reinforced by positive economic data from the RBA released over the month, which showed that households are well placed to handle 'higher-for-longer' periods of interest rates, along with the ABS releasing positive February retail sales.
- The **HNW Australian Equity Portfolio** gained by +3.30%, marginally ahead of the ASX 200 return of +3.27%. In March, the ASX saw inflows from Asian institutional investors seemingly impressed by the February reporting season, which showed stronger-than-expected profits for Australian corporates. This was understandably positive for Australian shares over the month.
- March was another solid month for income for our investors, with eight positions held by the Portfolio paying dividends. These cash flows swelled the Portfolio's cash weight and will result in a rebalance in April.

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	12m rolling	Incept annual
HNW Australian Equity Portfolio	2.5%	-1.6%	0.3%	3.0%	-0.8%	-2.4%	-4.8%	5.2%	6.3%	2.9%	1.7%	3.3%	16.2%	11.0%
ASX 200 TR	1.8%	-2.5%	1.8%	2.9%	-0.7%	-2.8%	-3.8%	5.0%	7.3%	1.2%	0.8%	3.3%	14.4%	10.8%
Active return	0.6%	0.9%	-1.5%	0.1%	0.0%	0.5%	-1.0%	0.2%	-1.0%	1.8%	0.9%	0.0%	1.7%	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 <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

There is always very little stock-specific news in March, coming directly after the February reporting season. Domestically, the key news over the month was that the RBA continued to hold interest rates at 4.35%, and oil prices increased by +5% on rising tensions in the Middle East. Conversely, iron ore fell by 15% due to weak demand from China, though this fall was not reflected in the share prices of the iron ore miners.

The ASX appeared to benefit from capital inflows from Asian investors and \$23 billion of \$34 billion of dividends reinvested in the market. Globally, markets performed stronger on the view that there would not be a hard landing in Australia and the US.

#### Top Ten Active Positions end March 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.	17.3	14.1
Dividend yield (net)	3.8%	4.7%
Est Franking	67%	82%
<b>Grossed Up Yield</b>	<b>4.8%</b>	<b>6.2%</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

March 2024

### Portfolio Performance

In March, the **HNW Australian Equity Portfolio** gained by +3.3%, slightly ahead of the benchmark's return of +3.3%. We are pleased with the Portfolio in March after having a solid February reporting season, with all companies profitable, paying dividends and increasing income to shareholders above the inflation rate.

Over the month, positions Bapcor (+8%), QBE Insurance (+8%), Suncorp (+7%), Incitec Pivot (+7%), Mineral Resources (+7%), Amcor (+6%) and Ampol (+6%) continued to gain after reporting solid results in February.

### Political Theatre

On the negative side of the ledger, Transurban (-2%) hurt performance after a noisy independent review of toll road pricing in NSW, which proposed changes to toll road pricing in Sydney. TCL said they welcomed toll reform provided the NSW state government compensates the company for future revenue lost in any restructuring of toll fares.

Atlas sees this as political theatre rather than substance, similar to the Senate inquiry into the Grocery Industry. It is unlikely that the government will break iron-clad toll road contracts or write a very large cheque to reimburse Transurban and its partners. In 2021, TCL and its partners (AustralasianSuper, Canada Pension Plan & Abu Dhabi Investment Authority) paid the NSW government \$20 billion for the right to operate the 33km long WestConnex until 2060. Breaking this contract would result in the NSW Government facing litigation and significantly increase the state's sovereign risk rating in future financial deals.

### Portfolio Trading

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