

PORTFOLIO UPDATE

HNW Australian Equity Portfolio

Monthly Report September 2024

- September was a strong but very volatile month with the ASX 200 gaining 3% over the month, following the announcement of stimulus from the Chinese central bank. This rally saw the Australian market outperform global markets led by the miners that dragged up the ASX on the expectation of a Chinese stimulus plan akin to those from 2009 and 2015, with spending directed towards steel-intensive heavy infrastructure.
- The **HNW Australian Equity Portfolio** gained by 1.7%, underperforming the index return of 2.9%. A disappointing outcome with the relative underperformance occurring during the final five days of the month after the announcement of measures in China to stimulate their economy saw the miners' share prices rally around +15%. October revealed that the Chinese stimulus plan was more modest than expected and geared towards the domestic consumer, rather than steel-intensive construction.
- September was a very active month for dividends, with 14 companies paying dividends during the month and Woodside and Wesfarmers paying their dividends early in October.

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	12m rolling	Incept annual
HNW Australian Equity Portfolio	-4.8%	5.2%	6.3%	2.9%	1.7%	3.3%	-3.5%	0.2%	1.2%	4.6%	-0.2%	1.7%	19.7%	10.2%
ASX 200 TR	-3.8%	5.0%	7.3%	1.2%	0.8%	3.3%	-2.9%	0.9%	1.0%	4.2%	0.5%	3.0%	21.8%	11.6%
Active return	-1.0%	0.2%	-1.0%	1.8%	0.9%	0.0%	-0.6%	-0.7%	0.2%	0.4%	-0.7%	-1.3%	-2.0%	-1.4%

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 news over the month was the announcement of the Chinese central bank: 1) the Chinese central bank lowering interest rates on existing mortgages, 2) lowering the required downpayment for a second home to 15%, and 3) allowing institutions to borrow to buy Chinese shares. These announcements saw a 10% increase in the iron ore price and an appreciation of the Australian dollar to above US\$0.69.

In the United States, the Federal Reserve cut interest rates by 0.5% to 5% since raising interest rates 11 times from a low of 0.25% at the start of 2022. Domestically, the RBA kept the cash rate on hold at 4.35% as inflation remained outside the target band of 2-3%.

Top Ten Active Positions end September 2024

Positive

Ampol
Transurban
Amcor
ANZ Bank
QBE Insurance

Negative

BHP
NAB
Rio Tinto
Fortescue
Telstra

Estimated portfolio metrics for FY25

	ASX 200	HNW AE
PE (x) fwd.	18.8	14.2
Dividend yield (net)	3.5%	4.7%
Est Franking	67%	82%
Grossed Up Yield	4.6%	6.4%
Number of stocks	200	23
Avg mcap \$B	12	68
Beta (3mth rolling)	1.0	0.91

Source: Bloomberg & UBS

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September 2024

Portfolio Performance

In September, the **HNW Australian Equity Portfolio** gained by 1.7%, underperforming the index based on macroeconomic speculation rather than company-specific news. The August reporting season showed that the Portfolio was in good shape, with every company paying a dividend minus Mineral Resources as they pay their current debt.

Over the month, positions in Mineral Resources (+30%), Whitehaven Coal (+10%), Deterra (+10%), Bapcor (+9%) and Macquarie (+8%) added value.

On the negative side of the ledger, CSL (-6%), Woodside Energy (-3.5%) and Transurban (-3%) detracted value on no new news.

Chinese Stimulus Plan

During the month, following subdued economic growth and continued property downturn, the Chinese Central bank announced that they would stimulate the economy through an interest rate cut of 0.25%, banks having to hold 0.5% less capital on their balance sheet, lowering interest rates on existing mortgages by 0.5% as well as relaxing home purchases restrictions in three tier one cities.

Atlas sees these measures as being more directed towards absorbing demand for unsold apartment inventory and boosting Chinese consumer sentiment within the economy rather than necessitating large increases in demand for iron ore. The large stimulus plans from 2009 (US\$586 billion) and 2015 (US\$1.1 trillion) saw a large increase in demand for iron ore frequently spent on bridges to nowhere with dubious economic return.

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.

Portfolio Trading

Over the month, we added to positions in WhiteHaven Coal and Mineral Resources, a move that proved to be fortuitous in light of the strong upward moves in the company share prices towards the end of the month.

Sector Exposure September 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