

PORTFOLIO UPDATE

Atlas Concentrated Australian Equity Portfolio

Monthly Report September 2023



- September was a weak month, with global bond yields rising to Global Financial Crisis levels driven by macroeconomic concerns around higher interest rates and higher oil prices, which saw global stock markets uniformly fall between -3% and -5%. There were also few places to hide on the ASX, with every sector except for energy declining by around -3%.
- The **Atlas Concentrated Australian Equity Portfolio** fell by -2.40%, outperforming the index return of -2.84%. September was volatile, with share price movements dictated by macroeconomic concerns around interest rates and a slowing Chinese economy rather than stock-specific news.
- During September, there was uniform selling across equities by large index funds due to redemptions; this sees the index fund managers sell broadly across the ASX 200 without considering how a higher interest rate environment impacts individual companies. Indeed, many companies within the Atlas Portfolio actually benefit from a higher interest rate environment. Five companies in the Portfolio have a net cash position on their balance sheet, and six companies have earnings that are positively correlated with rising interest rates.

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	12m rolling	Inception % p.a.
Concentrated Aust. Equity Portfolio	7.0%	4.3%	-3.4%	4.4%	-0.2%	-1.9%	2.5%	-1.6%	0.4%	3.0%	-1.2%	-2.4%	10.8%	8.1%
ASX 200 TR	6.0%	6.6%	-3.2%	6.2%	-2.4%	-0.2%	1.8%	-2.5%	1.8%	2.9%	-0.7%	-2.8%	13.5%	7.2%
Active return	1.0%	-2.3%	-0.2%	-1.8%	2.3%	-1.7%	0.6%	0.9%	-1.4%	0.1%	-0.4%	0.4%	-2.6%	0.9%

Portfolio Objective

Our approach to investing in Australian shares is founded on fundamental company analysis, earnings quality, and sensible risk management principles. The objective is to build a portfolio of high-quality companies that deliver consistent and growing dividends with easily forecastable earnings. The Portfolio focuses on companies with strong profit and dividend growth.

Portfolio Details

Index	S&P ASX 200 Total Return
Number of Stocks	18 - 30
Asset Allocation	100% Equity
Inception Date	May 2016
Security Target	within 5% of S&P ASX 200 weights
Sector Target	within 10% of S&P GICS sector weights
Management Fee	0.44% per annum
Platform	Hub24/Netwealth/Praemium
Code	ATL001

Market Update

Global equity markets were sold off broadly in September on concerns that interest rates will remain higher for longer than previously thought. This saw Australian equities fall throughout September, driven by Tech (-8%) and REITS (-9%) as bond yield climbed, with the Australian 10-year bond yield rising to 4.49%, the highest level since July 2011.

Commodities remained strong throughout the month, with Iron Ore prices remaining stable and oil prices rising by 10% to finish the month at US\$95 per barrel. The RBA kept rates on hold for the third month, with the official cash rate remaining at 4.1%.

Top Ten Active Positions end September 2023

Positive

Ampol
Transurban
Amcor
ANZ Bank
QBE Insurance

Negative

BHP
NAB
Fortescue
Woolworths
Telstra

Estimated portfolio metrics for FY 24

	ASX 200	ACEP
PE (x) fwd.	15.0	14.0
Dividend yield net	4.2%	4.5%
Est Franking	64%	80%
Grossed Up Yield	5.2%	6.0%
Number of stocks	200	24
Avg mcap \$bn	14	55
Beta (3 month rolling)	1.0	0.91

Source: Bloomberg & UBS

PORTFOLIO UPDATE

Atlas Concentrated Australian Equity Portfolio

September 2023



Portfolio Performance

In September, the **Atlas Concentrated Australian Equity Portfolio** declined by -2.40%, ahead of the benchmark's return of -2.84%. The August reporting season demonstrated that the Portfolio was in good shape, with every company profitable and paying a dividend, a great position to be in when heading for uncertain economic times.

The top-performing companies within the Portfolio were Deterra (+8%), Incitec Pivot (+7%) and QBE Insurance (+5%), all adding value.

On the negative side of the ledger, CSL Limited (-8%), The Lottery Corporation (-6%) and Janus Henderson (-6%) detracted from the Portfolio's performance. Atlas Arteria (-6%) fell after the French Government proposed implementing a new tax on French transport infrastructure (airports and motorways). While we recognise that the profitability of toll roads has increased as revenues are directly linked to inflation, the current French concession for Atlas Arteria motorways provides immunity from the state implementing additional taxes without compensation for potential losses.

Higher Interest Rates for Longer

During September, we saw uniform selling of equities by large index funds due to the risks around rising interest rates without understanding how rising rates will impact different companies.

Examples of companies that benefit from higher interest rate environments are insurers who invest billions of dollars in bonds due to the timing of receiving premiums and paying claims. Other companies indifferent to higher interest rates are net cash-positive companies such as JB-HI FI and Janus Hendersons, who both have a net cash position and earn an interest income on their cash.

Currently, within the Portfolio, five companies do not have any debt and sit with a favourable net cash position: three insurers who all benefit from rising bond yields for their billion-dollar investment floats and three banks that benefit from expanding net interest margins on their home loan portfolios.

Portfolio Trading

No significant trading was done over the month.

Sector Exposure September 2023

GICS Sector	ASX200	ACEP	ACTIVE
Consumer Discretionary	7.8%	11.1%	3.2%
Consumer Staples	4.7%	0.0%	-4.7%
Energy	6.6%	9.1%	2.5%
Banks	22.7%	27.9%	5.2%
Diversified Fins	5.0%	14.4%	9.4%
Health Care	9.0%	10.7%	1.7%
Industrials	5.7%	7.3%	1.6%
Materials	23.5%	13.4%	-10.2%
Telecommunication Services	2.5%	0.0%	-2.5%
Listed Property	5.6%	1.8%	-3.8%
Utilities	1.3%	3.4%	2.1%

This document is issued by Atlas Funds Management Pty Ltd. Atlas Funds Management Pty Ltd is not providing any general advice or personal advice regarding any potential investment in any financial products within the meaning of section 766B of the Corporations Act. No consideration has been made of any specific person's investment objectives, financial situation or needs. The provision of this presentation is not and should not be considered as a recommendation in relation to an investment in any entity or that an investment in any entity is a suitable investment for any specific person. Recipients should make their own enquiries and evaluations they consider appropriate to determine the suitability of any investment (including regarding their investment objectives, financial situation, and particular needs) and should seek all necessary financial, legal, tax and investment advice. Atlas Funds Management Pty Ltd, its directors and employees do not accept any liability for results of any actions taken or not taken on the basis of information in this presentation, or for any negligent misstatements, errors or omissions. This presentation is not an advertisement and is not intended for public use or distribution. Past performance of a fund is no guarantee as to its performance.