

PORTFOLIO UPDATE

Atlas Concentrated Australian Equity Portfolio

Monthly Report February 2024



- February proved to be a very eventful month, mainly dominated by Australian corporate earnings, which were much better than market expectations and revealed that many Australian companies are managing higher inflation pressures and interest rates well, with the Australian consumer remaining resilient.
- The **Atlas Concentrated 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	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	12m rolling	Inception % p.a.
Concentrated Aust. Equity Portfolio	-1.9%	2.5%	-1.6%	0.4%	3.0%	-1.2%	-2.4%	-4.8%	5.2%	5.6%	2.9%	1.7%	9.2%	9.3%
ASX 200 TR	-0.2%	1.8%	-2.5%	1.8%	2.9%	-0.7%	-2.8%	-3.8%	5.0%	7.3%	1.2%	0.8%	10.6%	7.9%
Active return	-1.7%	0.6%	0.9%	-1.4%	0.1%	-0.4%	0.4%	-1.0%	0.2%	-1.6%	1.7%	0.9%	-1.4%	1.3%

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 (GST included)
Platform	Hub24/Netwealth/Praemium
Code	ATL001

Market 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

Transurban
Ampol Limited
Amcor
QBE Insurance
Atlas Arteria

Negative

BHP
NAB
Fortescue
Woolworths
Telstra

Estimated portfolio metrics for FY 24

	ASX 200	ACEP
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 \$bn	14	55
Beta (3 month rolling)	1.0	0.91

Source: Bloomberg & UBS

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Portfolio Performance

In February, the **Atlas Concentrated 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

At the end of the month, we added Whitehaven to the Portfolio, a stock that had been on our radar for a while but was trading above our target entry price. Atlas sees that acquiring two metallurgical coal mines from BHP will be a company transformation move that substantially increases profits and decreases volatility.

Sector Exposure February 2024

GICS Sector	ASX200	ACEP	ACTIVE
Consumer Discretionary	8.6%	12.8%	4.2%
Consumer Staples	4.2%	0.0%	-4.2%
Energy	5.1%	9.3%	4.2%
Banks	23.7%	28.2%	4.5%
Diversified Fins	5.5%	12.1%	6.6%
Health Care	9.8%	10.4%	0.6%
Industrials	4.5%	1.4%	-2.9%
Materials	24.0%	13.4%	-10.6%
Telecommunication Services	2.3%	0.0%	-2.3%
Listed Property	5.8%	1.8%	-4.0%
Utilities	2.4%	9.2%	6.8%

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