

PORTFOLIO UPDATE

Atlas Concentrated Australian Equity Portfolio

Monthly Report August 2024



- August saw most Australian companies release their financial reports for the first six months of 2024. The month showed that Australian listed companies are in better health than feared, with more companies beating expectations and guidance than missing. The dominant themes of the August reporting season have been surprising resilience for the consumer, higher interest repayments and impacts from a slowing Chinese market.
- The **Atlas Concentrated Australian Equity Portfolio** fell by 0.3%, a surprising outcome after the Portfolio had a strong reporting season and healthy dividend increases.
- It was pleasing to see portfolio companies, on average, increase dividends by 2% in the August reporting season ahead of the wider ASX 200, which was down -4%. All companies within the Portfolio paid a dividend except Mineral Resources, which is directing cash towards expansion projects. We see dividends as a better measure than earnings per share for a sense of a company's actual health. 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.

	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	12m rolling	Inception % p.a.
Atlas Australian Equity Portfolio	-2.4%	-4.9%	5.1%	5.4%	2.9%	1.7%	3.2%	-3.4%	0.1%	1.3%	4.6%	-0.3%	13.5%	9.8%
ASX 200 TR ex LPT	-2.8%	-3.8%	4.6%	6.9%	1.2%	0.5%	2.8%	-2.9%	0.8%	1.1%	4.0%	0.5%	12.8%	8.0%
Active return	0.4%	-1.1%	0.5%	-1.5%	1.8%	1.3%	0.5%	-0.5%	-0.7%	0.2%	0.7%	-0.8%	0.7%	1.8%

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

The key news over the month was a significant fall (-6%) in the ASX 200 at the start of the month due to concerns about the US economy and the unwind of the Japanese carry trade after the Japanese Central Bank (JCB) raised rates for the first time since 2007; however, the ASX rallied from 9th August onwards on better-than-expected corporate profit results to finish marginally in the black.

Top Ten Active Positions end August 2024

Positive

Amcor
Transurban
ANZ
Macquarie Group
QBE Insurance

Negative

BHP
NAB
Goodman
Telstra
Woolworths

Estimated portfolio metrics for FY25

	ASX 200	ACEP
PE (x) fwd.	17.5	13.8
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 \$bn	14	60
Beta (3 month rolling)	1.0	0.91

Source: Bloomberg & UBS

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Portfolio Performance

In August, the **Atlas Concentrated Australian Equity Portfolio** was slightly down by -0.3%, behind the benchmark's return of 0.5%.

Over the month, positions in JB HI-FI (+17%), Lendlease (+9%), Westpac (+5%), ANZ (+5%) and Transurban (+4%) added value. We were pleased to see the banks provide strong quarterly results which showed that they are keeping their margins high and bad debts at record lows.

On the negative side of the ledger, Mineral Resources (-26%), Whitehaven Coal (-13%), Ampol (-12%) and QBE Insurance (-11%) detracted value. It was surprising to see these companies down as much as they were during the month with most of them posting good financial results in August and increasing returns to shareholders. Indeed, QBE posted a record profit result and increased their dividend by 71%.

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 are worsening. Also, earnings per share can be restated later due to "accounting opinions" or financial shenanigans from the CFO. However, once dividends are paid into bank accounts, they can never be taken back.

In August, the Portfolio increased dividends by +2%, with the help of our two general insurers, QBE and Suncorp, increasing dividends by 71% and 30% respectively. The 2% increase compares favourably the ASX 200, which saw dividends fall by -4% as the index was dragged down by index heavyweight BHP which saw a -17% fall in dividends.

Portfolio Trading

No significant trading was done over the month.

Sector Exposure August 2024

GICS Sector	ASX200	ACEP	ACTIVE
Consumer Discretionary	8.6%	12.8%	4.2%
Consumer Staples	4.2%	0.0%	-4.2%
Energy	4.8%	10.1%	5.3%
Banks	23.7%	29.7%	6.0%
Diversified Fins	5.5%	10.2%	4.7%
Health Care	9.8%	11.4%	1.6%
Industrials	4.5%	1.6%	-2.9%
Materials	24.3%	14.3%	-10.0%
Telecommunication Services	2.3%	0.0%	-2.3%
Listed Property	5.8%	0.0%	-5.8%
Utilities	2.4%	8.4%	4.6%

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