

PORTFOLIO UPDATE

Atlas Concentrated Australian Equity Portfolio

Monthly Report November 2024



- November was a strong month in global markets, with increases of +2% to +6%, boosted by Donald Trump's presidential election. This offset the losses seen in October when global markets fell between -1% and -3% as fear increased ahead of the US elections. Atlas holds several companies in the Portfolio with significant exposure to the USA; however, the demand for their non-discretionary goods and services is unlikely to change regardless of who sits in the Oval Office.
- The **Atlas Concentrated Australian Equity Portfolio** gained by +3.8%, slightly underperforming the index return of 3.9%. The Portfolio had a solid November reporting season and positive AGM trading updates from companies held in the Portfolio.
- November was a good month for income in the Portfolio, with five companies declaring franked dividends (Macquarie Bank, Westpac, ANZ Bank, Amcor and Incitec Pivot) based on solid profits reported in early November. Westpac also announced a \$1 billion on-market share buy-back on top of the \$900 million from previous years to support share prices over the coming months.

	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	12m rolling	Inception % p.a.
Atlas Australian Equity Portfolio	5.4%	2.9%	1.7%	3.2%	-3.4%	0.1%	1.3%	4.6%	-0.3%	1.7%	-1.8%	3.8%	20.6%	10.1%
ASX 200 TR ex LPT	6.9%	1.2%	0.5%	2.8%	-2.9%	0.8%	1.1%	4.0%	0.5%	2.7%	-1.2%	3.9%	21.6%	9.0%
Active return	-1.5%	1.8%	1.3%	0.5%	-0.5%	-0.7%	0.2%	0.7%	-0.8%	-1.0%	-0.6%	-0.1%	-1.0%	1.1%

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 (ex LPT)
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

There was little stock-specific news in November, with global markets focused on the US election results. Since President Donald Trump was elected, US markets have rallied, driven by less competition for US business from higher tariffs and lower corporate taxes for US companies.

Domestically, the RBA kept interest rates at 4.35% for the 8th consecutive meeting, representing over a year since the last interest rate change. Over the month, oil and iron ore prices remained flat, whilst gold fell from all-time highs following the announcement of US election results.

Top Ten Active Positions end November 2024

Positive

Amcor
Macquarie Group
ANZ
Transurban
QBE Insurance

Negative

BHP
NAB
Telstra
Rio Tinto
Aristocrat Leisure

Estimated portfolio metrics for FY25

	ASX 200	ACEP
PE (x) fwd.	18.1	14.2
Dividend yield net	3.7%	4.7%
Est Franking	67%	82%
Grossed Up Yield	4.6%	6.3%
Number of stocks	200	23
Avg mcap \$bn	13	71
Beta (3 month rolling)	1.0	0.91

Source: Bloomberg & UBS

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Portfolio Performance

In November, the **Atlas Concentrated Australian Equity Portfolio** gained by +3.8%, slightly underperforming the index based on macroeconomic speculation rather than company-specific news. The bank reporting season and trading updates across November have shown that the Portfolio is in a strong position heading into 2025.

Over the month, positions in QBE Insurance (+16%), Commonwealth Bank (+11%), JB Hi-Fi (+11%), Suncorp (+10%), and Wesfarmers (+7%) added value. On the negative side of the ledger, Mineral Resources (-15%), Whitehaven Coal (-3%), and CSL (-2%) detracted value.

Banks Reporting Season

Overall, we are happy with the November financial results from the banks owned in the Portfolio. In 2024, the big four banks plus Macquarie's first half generated \$32.3 billion in net profit after tax, leading to them all increasing dividends over the year. Increasing dividends (along with share buy-backs) signal to Atlas that the banks are performing well. Atlas sees dividends as a better measure than earnings per share for a sense of a company's health, as earnings per share are open to some degree of manipulation.

A factor that has defied higher interest rates is the banks' ability to keep bad debts at all-time lows. All the banks have kept bad debts below 0.1% of gross loans, which has been a factor in Australia's stronger-than-expected employment. These bad debts are well below the 39% increase in corporate insolvencies ASIC reported for the 2024 financial year.

Portfolio Trading

Over the month, the Portfolio took some profits from positions in CBA and QBE on valuation grounds and added to positions in Sonic Healthcare and Ampol on the back of solid trading updates.

Sector Exposure November 2024

GICS Sector	ASX200	ACEP	ACTIVE
Consumer Discretionary	9.1%	10.0%	0.9%
Consumer Staples	3.6%	0.0%	-3.6%
Energy	3.5%	7.9%	4.4%
Banks	27.3%	31.6%	4.3%
Diversified Fins	6.2%	9.8%	3.6%
Health Care	9.4%	12.2%	2.8%
Industrials	5.0%	1.8%	-3.2%
Materials	18.8%	14.0%	-4.8%
Telecommunication Services	5.2%	0.0%	-5.2%
Listed Property	6.7%	0.0%	-6.7%
Utilities	3.5%	8.8%	5.3%

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