

PORTFOLIO UPDATE

Atlas Concentrated Australian Equity Portfolio

Monthly Report December 2024



- December was a volatile month, with hopes of a "Santa Claus" rally on the ASX dashed by the US Federal Reserve, which indicated on the 18th of December that 2025 would likely see fewer rate cuts than the market expected. This piece of macroeconomics saw the ASX200 sell-off and the Australian Dollar fall by -5%.
- The **Atlas Concentrated Australian Equity Portfolio** declined by -2.8%, ahead of the index return of -3%. December was volatile, with share price movements dictated by macroeconomic concerns around interest rate cuts in the United States in 2025 rather than company profits.
- Atlas is looking forward to the February profit season. We expect the reporting season will continue to show the resilience of company earnings from the companies held in the Portfolio and that management will guide to higher profits and dividends over the coming year. The fall in the Australian dollar will positively impact the Portfolio, which has a high weight toward companies that generate profits in USD.

	Jan	Feb	Mar	Apr	May	June	Jul	Aug	Sep	Oct	Nov	Dec	12m rolling	Inception % p.a.
Concentrated Aust. Equity Portfolio	2.9%	1.7%	3.3%	-3.6%	0.1%	1.2%	4.6%	-0.3%	1.7%	-1.8%	3.8%	-2.8%	11.0%	9.2%
ASX 200 TR ex LPT	1.2%	0.5%	2.8%	-2.9%	0.9%	1.0%	4.0%	0.5%	2.7%	-1.2%	3.9%	-3.0%	10.4%	8.2%
Active return	1.7%	1.2%	0.5%	-0.7%	-0.7%	0.2%	0.7%	-0.8%	-1.0%	-0.6%	-0.1%	0.2%	0.6%	1.0%

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

December is always a quiet month for stock-specific news, with most companies in blackout as they prepare their financial accounts for release in February. The key news in December was that the US Federal Reserve lowered its outlook for 2025 interest rate cuts from four cuts over the year to only two.

December marked another month in which the Chinese government pledged to boost the economy through a more proactive fiscal policy. Atlas remains sceptical that this will see China implementing steel-hungry policies that will add to their housing oversupply but instead focus on subsidies to stimulate demand for household goods.

Top Ten Active Positions end December 2024

Positive

Amcor
Macquarie Group
ANZ
Transurban
QBE Insurance

Negative

BHP
NAB
Telstra
Aristocrat Leisure
Rio Tinto

Estimated portfolio metrics for FY25

	ASX 200	ACEP
PE (x) fwd.	18.1	14.2
Dividend yield net	3.5%	4.7%
Est Franking	67%	82%
Grossed Up Yield	4.4%	6.3%
Number of stocks	200	23
Avg mcap \$bn	14	71
Beta (3 month rolling)	1.0	0.91

Source: Bloomberg & UBS

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Portfolio Performance

In December, the **Atlas Concentrated Australian Equity Portfolio** declined by -2.8%, ahead of the index return of -3%, based on macroeconomic speculation rather than company-specific news. Over the month, positions in Transurban (+7%), Bapcor (+5%), JB Hi-Fi (+2%), and Mineral Resources (+2%) added value.

On the negative side of the ledger, Amcor (-9%), ANZ (-8%), Incitec Pivot (-7%), and Sonic Healthcare (-5%) detracted value. Atlas was surprised to see these USD-earning companies down in December. This -5% fall in the Australian Dollar in December will see the US Dollar earnings and dividends paid in AUD of these companies automatically boosted by the fall in the AUD, which is now at its lowest level in 22 years. The fall in the AUD is bad news for consumers planning skiing holidays in Aspen but good news for companies earnings profits in US dollars. If the AUD does not rally over the next month, we will see higher-than-expected dividends in February.

2024 in Review

2024 proved to be a solid year for Australian Equities, posting an above-average double-digit return to what we saw in 2023. The ASX finished up 11.4% for the year, a great outcome given the market did not see a Christmas rally into the year's final months.

Over the past 12 months, investors have faced many global geopolitical events that put pressure on international markets, including the Japanese carry trade in early August. This event caused concern, which saw the SP500, Nasdaq, and ASX 200 down around 5% in two days of trading. While these events impact some international companies, many Australian companies sell non-discretionary goods, often into the domestic Australian markets, and will see minimal to no impact on the operational side of their businesses.

Portfolio Trading

Over the month, we reduced our position in JB Hi-Fi (+2%) on valuation concerns. The low-cost electrical retailer had a stellar 2024, up +81% and has continued to take market share off Harvey Norman but offers less margin of safety at current prices.

Sector Exposure December 2024

GICS Sector	ASX200	ACEP	ACTIVE
Consumer Discretionary	9.1%	10.0%	0.9%
Consumer Staples	3.7%	0.0%	-3.7%
Energy	3.7%	7.9%	4.2%
Banks	26.9%	31.6%	4.7%
Diversified Fins	6.3%	9.8%	3.5%
Health Care	9.5%	12.2%	2.7%
Industrials	5.1%	1.8%	-3.3%
Materials	18.4%	14.0%	-4.4%
Telecommunication Services	5.1%	0.0%	-5.1%
Listed Property	6.7%	0.0%	-6.7%
Utilities	3.7%	8.8%	5.2%

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