PORTFOLIO UPDATE

Atlas Australian Core Equity Portfolio

Monthly Report February 2025

ATLAS FUNDS MANAGEMENT

- February was a very eventful month, mainly dominated by Australian corporate earnings, which were quite mixed across the economy. Share price volatility over the month was compounded by Trump's erratic trade policies, imposing and then reversing tariffs dented market confidence.
- The **Atlas Concentrated Australian Equity Portfolio** fell by -3.6%, outperforming the benchmark return of -3.8%. It was pleasing to see the Portfolio post a solid 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 the Portfolio companies, on average, increase dividends by +6% in the February reporting season, with all companies paying a dividend except Mineral Resources, which is directing cash towards paying down its debt. This is a great outcome, with the wider ASX 200 decreasing dividends by -6%. Atlas sees that dividends are a better measure of a company's financial health than earnings per share. In the short term, the market is a voting machine that rewards popular companies; in the long term, it is a weighing machine that rewards companies that consistently pay increasing dividends to shareholders.

	Mar	Apr	May	June	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	12m rolling	Inception % p.a.
Atlas Core Australian Equity Portfolio	3.3%	-3.6%	0.1%	1.2%	4.6%	-0.3%	1.7%	-1.8%	3.8%	-2.8%	4.5%	-3.6%	6.9%	9.0%
ASX 200 TR ex LPT	2.8%	-2.9%	0.9%	1.0%	4.0%	0.5%	2.7%	-1.2%	3.9%	-3.0%	4.6%	-3.8%	9.2%	8.0%
Active return	0.5%	-0.7%	-0.7%	0.2%	0.7%	-0.8%	-1.0%	-0.6%	-0.1%	0.2%	0.0%	0.2%	-2.3%	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 (ex LPT)
Number of Stocks	18 - 30
Asset Allocation	100% Equity
Inception Date	March 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 reporting season saw a large divergence in the financial performance of Australian corporates compared to recent years. Over the month, some companies reported falling profits and cut their dividends, whereas others reported record profits and confident outlooks. Across the wider ASX200, dividends declined by -6%, mainly due to the cuts from miners who scaled back distributions due to weaker commodity prices and large future capital expenditures.

Top Ten Active Positions end February 2025

Positive	Negative
Amcor	BHP
Macquarie Group	NAB
ANZ	Telstra
Transurban	Aristocrat Leisure
QBE Insurance	Rio Tinto

Estimated portfolio metrics for FY25

	ASX 200	ACEP
PE (x) fwd.	18.1	14.2
Dividend yield net	3.3%	4.8%
Est Franking	67%	82%
Grossed Up Yield	**4.1%**	**6.4%**
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 February, the **Atlas Concentrated Australian Equity Portfolio** fell by -3.6%, outperforming the benchmark return of -3.8%. Overall, Atlas was 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 Medibank Private (+9%), Amcor (+4%), Bapcor (+3%), and QBE Insurance (+3%) added value. On the negative side of the ledger, Mineral Resources (-35%), Deterra (-10%), and Ampol (-9%) detracted value.

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 deteriorating. 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 6%, ahead of both inflation and the wider ASX 200, which saw dividends shrink by -6%, mainly due to dividend cuts by BHP (-28%), Rio (-10%), Fortescue (-54%) and Santos (-39%).

Portfolio Trading

During the month, we added to Mineral Resources on the back of share price weakness. The company's share price was marked down sharply due to lost sales from problems at their Onslow iron ore haulage road. Atlas sees that the issues around the 150km haulage road are solvable, with 13.8 centimetres of tarmac and close to 10% of the road already done. Iron ore tonnes have been mined and are sitting at the mine but not shipped, and unlike milk, tonnes of iron ore do not go off. Once this road is up and running, the stock will re-rate sharply.

Sector Exposure February 2025

GICS Sector	ASX200	ACEP	ACTIVE
Consumer Discretionary	9.4%	10.0%	0.6%
Consumer Staples	3.8%	0.0%	-3.8%
Energy	3.5%	7.9%	4.4%
Banks	26.7%	31.6%	4.9%
Diversified Fins	6.2%	9.8%	3.7%
Health Care	9.0%	12.2%	3.2%
Industrials	5.4%	1.8%	-3.6%
Materials	18.7%	14.0%	-4.7%
Telecommunication Services	5.0%	0.0%	-5.0%
Listed Property	6.7%	0.0%	-6.7%
Utilities	3.6%	8.8%	5.2%