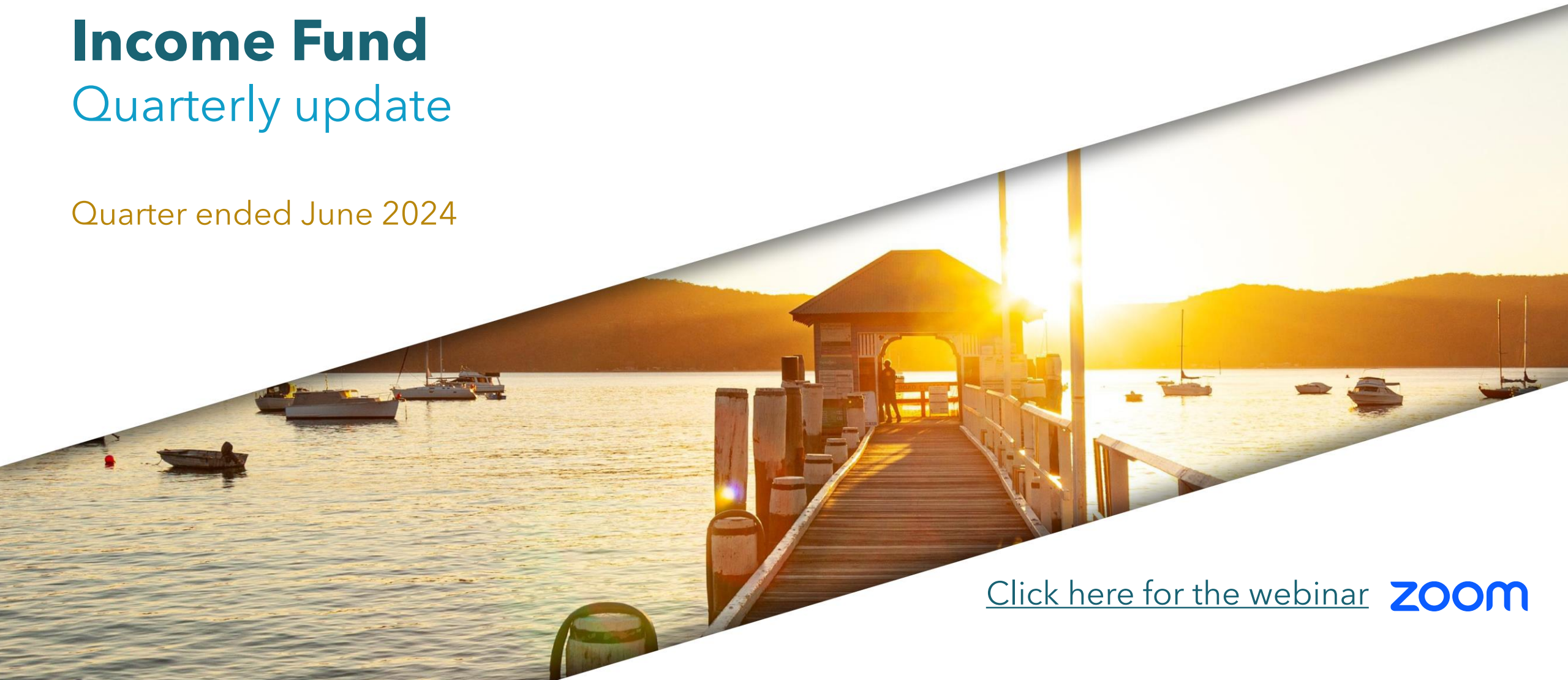


Hamilton12 Australian Shares Income Fund

Quarterly update

Quarter ended June 2024



[Click here for the webinar](#) **zoom**

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Investment objective



Generate long-term after-tax returns for Australian resident investors in excess of the Benchmark after fees, including an annual gross dividend yield (including franking) that exceeds the gross dividend yield of the Benchmark.

The Fund uses the same systematic, rules-based approach as the **Hamilton12 Australian Diversified Yield Index** that allocates the portfolio toward securities offering high franked dividend yield and aims to mitigate risk by ensuring the fund is diversified across industries.

The investment universe is the Australian-listed securities of the **All Ordinaries Index**. The fund's benchmark is the **S&P/ASX 200 Franking Credit Adjusted Daily Total Return Index (Superannuation)**.

Investment thesis



Stocks paying high, franked dividends are no more expensive than stocks paying unfranked or zero dividends: Investors receive the franking credits for free.

High yield stocks have, on average, earned above-market returns over time and across different equity markets. High dividends is associated with disciplined capital allocation decisions by executives. Low dividends is associated with investor willingness to overpay for growth.

A portfolio of high yield stocks paying franked dividends is the appropriate portfolio of Australian-listed stocks for Australian resident investors. Default alternatives, funds that mirror the S&P/ASX 200 or the S&P/ASX 300, offer diversification at the expense of material tax benefits.

Most diversification benefits can be achieved by allocation across industries and companies of different size.

Fund returns 9 September 2022 to 30 June 2024



	Corporate (30% tax; capital gains tax incl)			Superannuation (15% tax)			Grossed-up (0% tax)		
	3 mths	1 year	SI	3 mths	1 year	SI	3 mths	1 year	SI
Hamilton12 Australian Shares Income Fund									
Price return	-2.2	4.6	2.6	-2.2	4.6	2.6	-2.2	4.6	2.6
Dividend yield	0.9	7.4	7.4	0.9	7.2	7.4	0.9	7.2	7.4
Pre-tax return	-1.4	11.9	10.0	-1.4	11.9	10.0	-1.4	11.9	10.0
Net tax benefit	0.7	-1.5	-0.9	0.2	1.4	1.4	0.4	2.9	2.9
Total return	-0.7	10.3	9.1	-1.2	13.2	11.3	-1.0	14.8	12.9
After-tax dividend yield	0.9	7.1	7.3	1.0	8.6	8.7	1.2	10.1	10.3
S&P/ASX 200									
Price return	-1.6	7.8	6.8	-1.6	7.8	6.8	-1.6	7.8	6.8
Dividend yield	0.6	4.3	4.1	0.6	4.3	4.1	0.6	4.3	4.1
Pre-tax return	-1.1	12.1	10.9	-1.1	12.1	10.9	-1.1	12.1	10.9
Net tax benefit	0.4	-2.7	-2.3	0.1	0.5	0.5	0.2	1.3	1.3
Total return	-0.6	9.4	8.6	-1.0	12.6	11.4	-0.9	13.4	12.2
After-tax dividend yield	0.5	3.9	3.8	0.6	4.8	4.6	0.8	5.6	5.4

Performance figures are calculated after fees have been deducted and assume distributions have been reinvested. Taxes on capital gains are accounted for in the corporate returns but not in the superannuation and tax-exempt returns. 3 month and 1 year returns are totals. Since inception returns are per year.

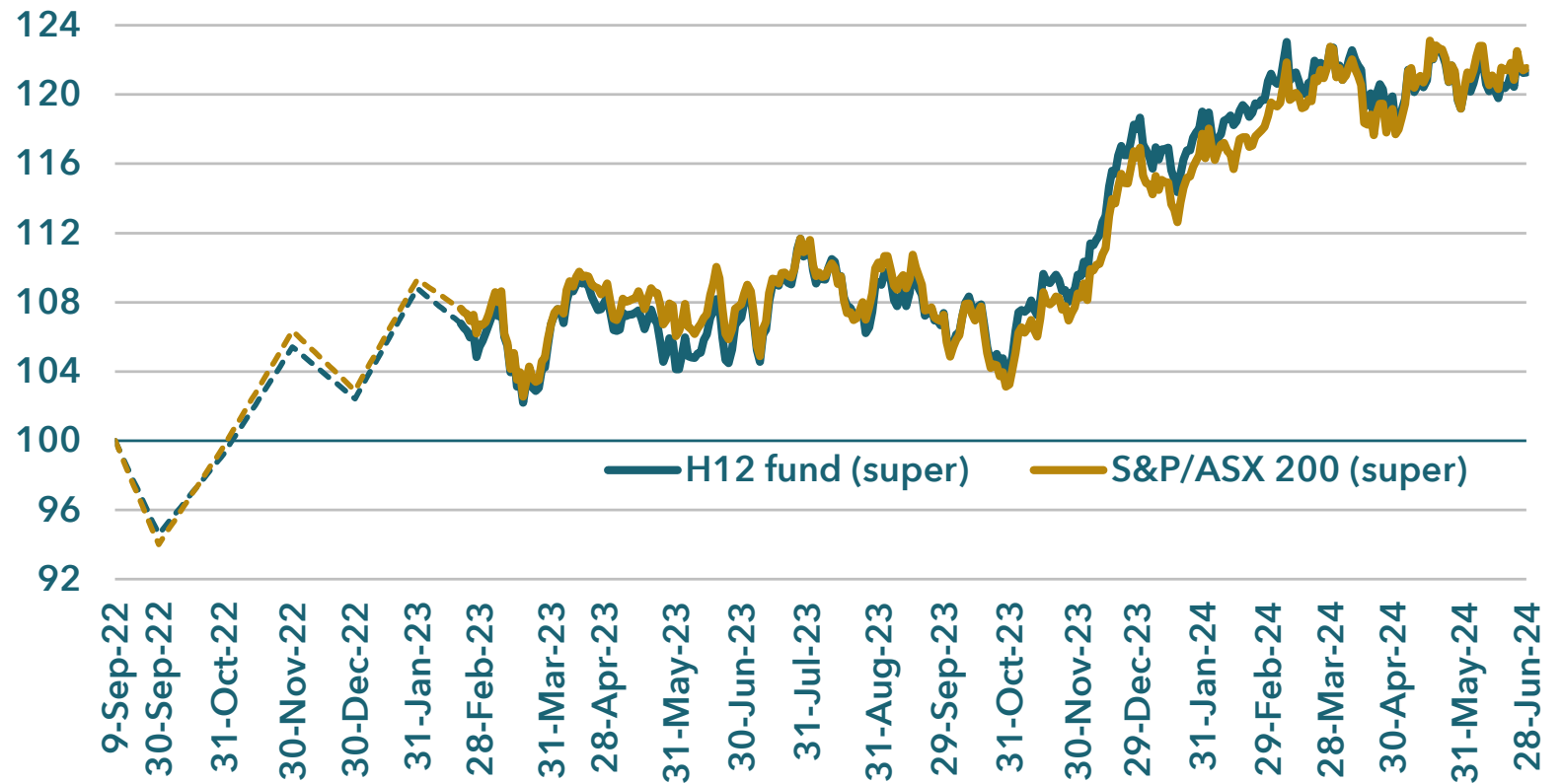
Fund returns 9 September 2022 to 30 June 2024



The fund closely tracks the S&P/ASX 200 due to its allocation to 11 industries and stocks with market cap above and below \$2.4 billion.

Annualised standard deviation of monthly returns = 13.7% vs 14.1% for the S&P/ASX 200

Annualised standard deviation of difference in monthly returns = 3.1%



Average fund sector allocation & top 10 holdings

Industry	Fund	S&P/ASX 200	Company	Fund	S&P/ASX 200
Financials	22.9%	26.7%	BHP	10.8%	9.2%
Basic Materials	22.5%	20.5%	Commonwealth Bank	5.8%	7.5%
Industrials	10.3%	10.8%	ANZ	4.6%	3.2%
Consumer Discretionary	10.2%	8.0%	Fortescue	4.3%	3.0%
Health Care	8.6%	10.2%	National Australia Bank	3.7%	3.9%
Energy	6.1%	5.8%	Rio Tinto	3.4%	1.8%
Real Estate	5.8%	6.6%	Cochlear	3.2%	0.8%
Consumer Staples	4.5%	3.9%	REA Group	3.0%	0.9%
Technology	3.3%	3.6%	Sonic Healthcare	2.2%	0.6%
Telecommunications	2.2%	2.6%	Westpac Banking	2.2%	3.3%
Utilities	1.6%	1.2%	Top 10	43.2%	34.2%
Industry active share	8.2%		Stock active share	61.0%	

The table is based upon average weights in the Hamilton12 Australian Shares Income Fund at the end of each month for the 12 months from July 2023 to June 2024, and the corresponding relative market capitalisation of stocks in the S&P/ASX 200. Active share is the sum of absolute differences between Hamilton12 Australian Shares Income Fund weight and S&P/ASX 200 weight, averaged across the six rebalancing dates.

Fundamentals at 30 June 2024

Stock selection is based upon prospective dividend yield, ex-dividend dates and franking percentage. Stocks selected on this basis have:

- below-benchmark price/earnings ratios;
- above-benchmark return on equity;
- above-benchmark dividend payout ratios;
- above-benchmark buy and hold dividend yield; and
- comparable-benchmark credit risk.

Hamilton12 Australian Shares Income Fund					S&P/ASX 200			
Profitability and value	12 mth		24 mth		12 mth		24 mth	
Price/Earnings	14.3		14.1		16.3		15.2	
Price/Book	2.1				2.1			
Return on equity	14.9%		15.2%		13.0%		13.6%	
Dividend payout ratios	67%		66%		63%		61%	
Buy and hold dividend yield	4.7%		4.7%		3.9%		4.0%	
Credit risk								
Refinitiv credit rating type	Structural		Financial ratios		Structural		Ratios	
Weighted median credit rating	AA-		A-		A+		BBB+	
ESG Grades								
Refinitiv ESG Score and Pillars	Overall	Environment	Social	Governance	Overall	Environment	Social	Governance
Weighted median ESG grade	B+	B	A-	A-	A-	B	A-	A-

Refinitiv produces credit ratings based upon financial ratios and structural credit rating. The latter is a credit rating that accounts for each company's debt, market capitalisation and volatility of asset returns, based upon the Merton distance to default model. The structural credit rating is a more timely measure of default risk than credit ratings based upon financial ratios. The credit ratings presented in the table are weighted medians at 30 June 2024. By market capitalisation, the distribution of structural credit ratings in the S&P/ASX 200 is 47% AAA to AA-, 44% A+ to A-, 4% BBB+ to BBB-, 3% BB+ to BB-, and 3% B+ to CCC+ and unrated; and the distribution of credit ratings derived from financial ratios is 4% AAA to AA-, 32% A+ to A-, 51% BBB+ to BBB-, 10% BB+ to BB- and 4% B+ to CCC+ and unrated.

Long-term returns to the Hamilton12 Australian Diversified Yield Index



Index annual returns since H12 index live on 13 Nov 2020 (3.6 years)

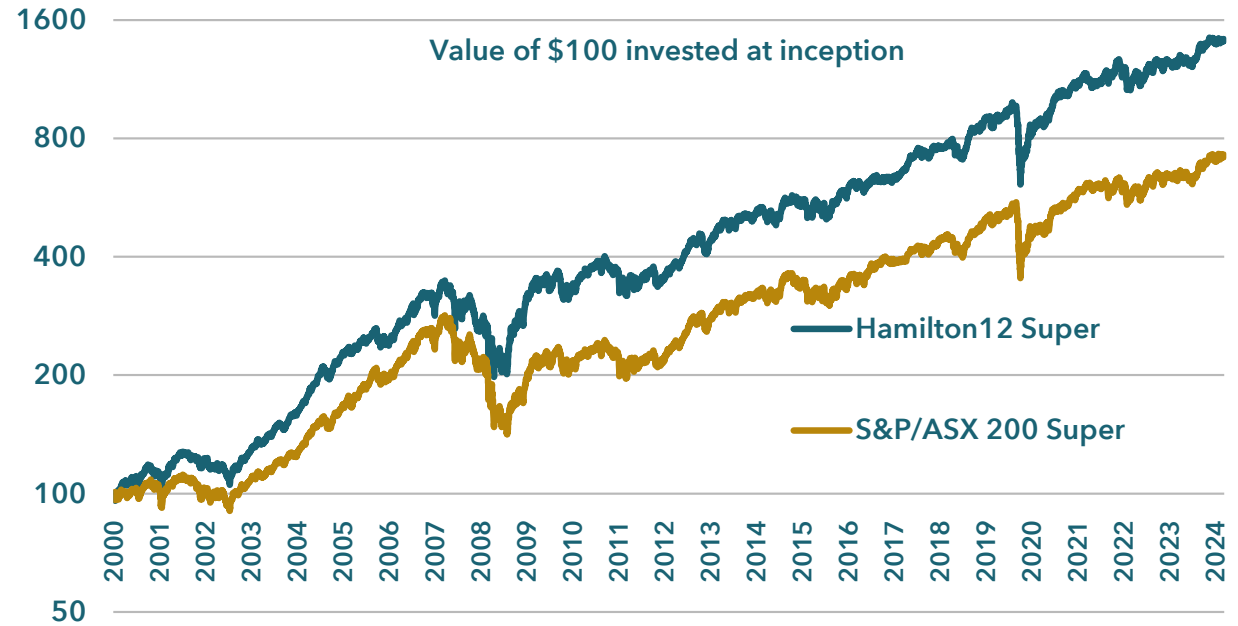
12.3% @ 15% tax incl 9.4% after-tax yield

14.1% @ 0% tax incl 11.2% after-tax yield

Index annual returns since H12 fund live on 9 Sep 2022 (1.8 years)

12.1% @ 15% tax incl 8.8% after-tax yield

13.8% @ 0% tax incl 10.5% after-tax yield



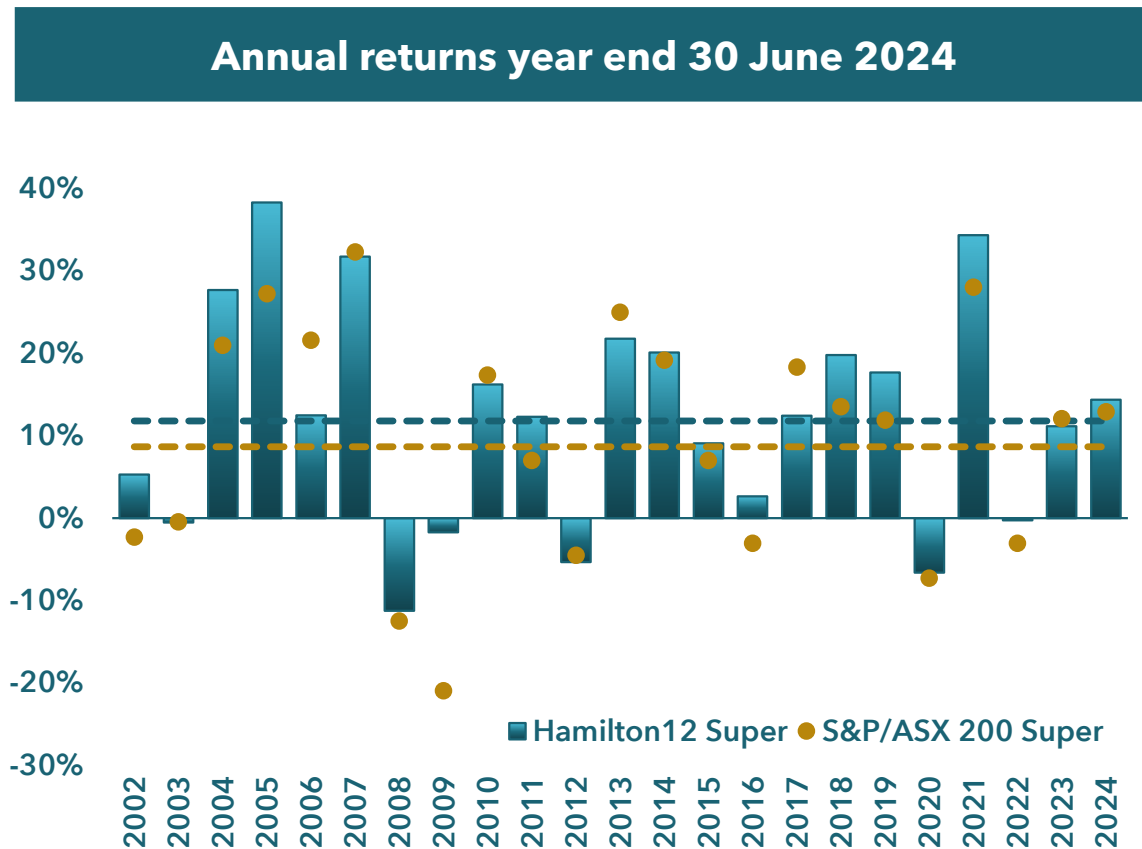
Period	Super (15% tax)		Grossed-up (0% tax)	
	Hamilton12	S&P/ASX 200	Hamilton12	S&P/ASX 200
1 yr	14.4	12.9	16.1	13.8
1.8 yrs (fund live)	12.1	11.3	13.8	12.3
3 yrs	8.2	7.1	10.0	8.0
3.6 yrs (index live)	12.3	10.3	14.1	11.2
5 yrs	9.7	7.8	11.4	8.7
10 yrs	11.0	8.6	12.6	9.5
All 24 yrs	11.8	8.7	13.5	9.6

Annualised returns. Inception date = 8 September 2000. From 8 September 2000 to 30 June 2005, S&P/ASX 200 returns are estimated using their average tax benefits, relative to dividend yield, from 1 July 2005 to 30 June 2022. After-tax returns are based upon an assumed tax rate of 15% for a superannuation fund and 0% in computing grossed-up returns.

Risk metrics from long-term returns



Portfolio risk approximates the benchmark and is comparatively defensive.
There will be periods of underperformance, as with any style-based portfolio.



Concept	Metric	Super (15% tax)	Grossed-up (0% tax)
Overall risk	Standard deviation	15.6%	15.8%
	S&P/ASX 200 Std dev	14.6%	14.7%
	Maximum drawdown	43.1%	42.2%
	Recovery (years)	2.3	2.1
	S&P/ASX 200 max draw	50.2%	49.4%
	S&P/ASX 200 rec (yrs)	5.5	5.5
Reward-for-risk	Sharpe ratio	0.56	0.66
	ASX 200 Sharpe	0.38	0.44
Equity market exposure	Alpha	3.1%	3.8%
	Beta	0.97	0.97
	Upside capture	105%	108%
	Downside capture	89%	88%

RBA-reported interest rates and RBA economic forecasts



Interest rate	Rate	vs 4-yr median
3-year advertised term deposit rates, 30 June 2024	4.0	0.0
10-year government bonds, 30 June 2024	4.2	+0.6
10-year BBB corporate bonds, 30 June 2024	6.0	-0.2
Home loans (Variable, owner-occupied) funded in the month, 31 May 2024	6.3	+1.4
Margin loans funded in the month, 31 May 2024	7.1	+0.6
Fixed rate, fixed term personal loans funded in the month, 31 May 2024	11.0	+1.0

Economic variable	Dec 23	Jun 24	Dec 24	Jun 25	Dec 25	Jun 26
Annual real GDP growth (%)	1.5	1.2	1.6	2.1	2.3	2.4
Unemployment rate, quarter (%)	3.9	4.0	4.2	4.3	4.3	4.3
Annual nominal wages growth (%)	4.2	4.2	3.8	3.6	3.4	3.3
Annual change in the consumer price index (%)	4.1	3.8	3.8	3.2	2.8	2.6

Contact us

www.hamilton12.com



BRISBANE

Level 5
300 Adelaide Street
Brisbane Qld 4000
Australia

ANN ARBOR

1321 Fountain Street
Ann Arbor Michigan 48103
United States of America