

Airlie Australian Share Fund - Active ETF

Ticker: AASF | ARSN: 623 378 487

A concentrated, active portfolio of Australian equities.

Fund Update: 31 March 2026

ARSN: 623 378 487

FUND FEATURES

- Access to an experienced, proven investment team specialising in Australian Equities, with a long track record of prudent common-sense investing.
- A conservative and robust investment process that focuses the team's energies on their 'best ideas'.

FUND FACTS

Investment Objective

The Fund aims to provide long-term capital growth, after fees, and income through investment in Australian equities.

Investment Strategy

- Long only, bottom up specialised and focused Australian equities fund
- Concentrated portfolio of 15-35 stocks (target 25)
- Active, high conviction approach - Airlie's 'best ideas'

Investment Risks

All investments carry risk, returns are not guaranteed and there is a risk that investors may lose money on any investment they make. The Fund's Product Disclosure Statement (PDS) sets out the significant risks relevant to the Fund. You can view the PDS at: www.airlifundsmgmt.com.au

Inception Date	1 June 2018
Benchmark	S&P/ASX 200 Accum. Index
Portfolio Size	AUD \$880.6 million
Distribution Frequency	Semi-annually
Management Fee[^]	0.78% p.a. (inclusive of net effect of GST)
Ticker	AASF
APIR	MGE9705AU
Minimum Initial Investment[#]	AUD\$25,000
Buy/Sell Spread[#]	0.18%/0.18%

[^] Transaction costs may also apply – refer to the Product Disclosure Statement. All fees are inclusive of the net effect of GST.
[#] only applicable to investors who apply for units directly with the fund.

PORTFOLIO MANAGERS



Emma Fisher
Over 13 years investment experience. Formerly an investment analyst within the Australian equities team at Fidelity International and prior to that Nomura Securities.



Matt Williams
Matt has over 25 years industry experience. Matt joined Airlie in July 2016 managing Australian share strategies for institutional clients and is co-portfolio manager for the Airlie Australian Share Fund for retail clients.

DEPUTY PORTFOLIO MANAGER



Joe Wright
Joe has over 10 years experience in the investment industry. Joe joined Airlie in 2021 as an equities analyst and became Deputy Portfolio Manager for the Airlie Australian Share Fund in 2024.

Visit www.airlieaustraliansharefund.com.au for more information, including: fund performance, unit prices and iNAV, investment insights, PDS & forms.

PERFORMANCE*

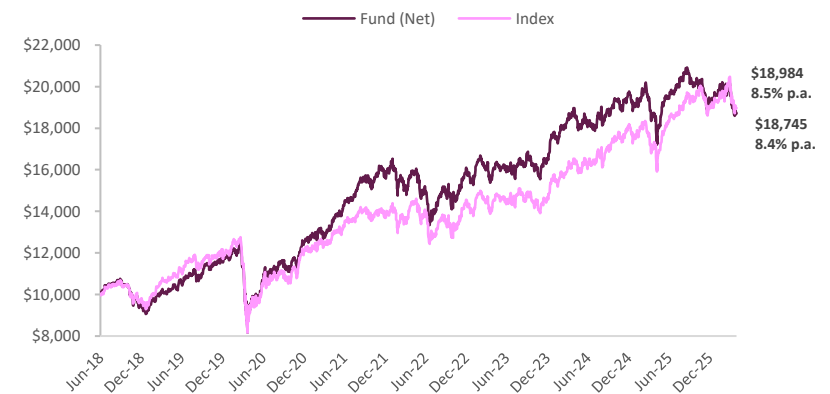
	Fund (%)	Benchmark (%)	Excess (%)
1 Month	-7.4	-7.1	-0.3
3 Months	-4.6	-1.6	-3.0
6 Months	-7.2	-2.6	-4.6
1 Year	2.2	11.7	-9.5
3 Years (p.a.)	5.5	9.5	-4.0
5 Years (p.a.)	7.3	8.6	-1.3
7 Years (p.a.)	9.2	8.6	0.6
Since Inception (p.a.)	8.4	8.5	-0.1

Past performance is not a reliable indicator of future performance.

TOP 10 POSITIONS (BY WEIGHT)

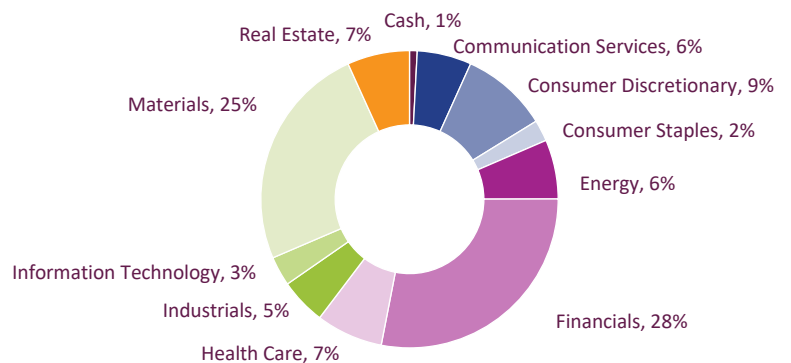
Company	Sector**
BHP	Materials
Commonwealth Bank of Australia	Financials
National Australia Bank	Financials
News Corp	Communication Services
Sigma Healthcare	Health Care
Aristocrat Leisure	Consumer Discretionary
Macquarie	Financials
BlueScope Steel	Materials
Rio Tinto	Materials
Washington H. Soul Pattinson	Financials

PERFORMANCE CHART GROWTH OF AUD \$10,000*



Past performance is not a reliable indicator of future performance.

PORTFOLIO POSITIONING**



* Calculations are based on exit price with distributions reinvested, after ongoing fees and expenses but excluding individual tax, member fees and entry fees (if applicable). Returns denoted in AUD.

** Based on GICS Sector classification, may not sum to 100% due to rounding.

MARKET COMMENTARY

The Airlie Australian Share Fund returned -4.6% for the quarter, underperforming the ASX200 return of -1.6%. This last quarter has been extraordinary, for the sheer disparity of narratives shaping each month. From the gold rush of January into the SaaSocalypse of the February reporting season, to the Iran War sell-off in March, it feels like a decade in markets has been compressed into one quarter.

The February reporting season was one of the most disappointing (and strangest) reporting seasons in memory, due largely to the disparity between how the portfolio companies we held reported (well) and the share price moves (poor). Although 75% of portfolio holdings met or exceeded consensus earnings expectations, only 40% saw share prices rise over the course of February. We put the underperformance down to an extreme flight to perceived security, as AI disruption fears reached fever pitch. The formula seemed to be: if a large Australian company met earnings expectations and appeared unlikely to be disrupted by AI, the share price was up considerably. For all other companies, it seemed like earnings did not matter. The poster child for this formula in the portfolio was News Corp, a company with no debt, which grew earnings 10% in 2Q26, beating expectations by 8%, and increased their buyback. Despite this, the News Corp share price fell 14% in February, as the market swiftly threw REA and Dow Jones in the "AI loser" bucket. We added to our position on weakness, and the stock rebounded 10% in March. Other perceived "AI losers" were not so lucky, with ongoing weakness in March.

FUND COMMENTARY

The combination of the February repricing of quality businesses, and the March repricing of many businesses more broadly, has thrown up a number of new opportunities for the portfolio. We have established positions in CAR Group, Orica, Coles and IAG. These positions have been funded largely by reducing our position in CSL and taking some profits on Aspen after a year of strong performance.

ADDRESSING MARKET NARRATIVES AND PORTFOLIO POSITIONING

We wanted to address a number of macro and micro narratives whipping through markets and causing extreme share price fluctuations, and reflect on how the portfolio is addressing these narratives.

The relative performance of the fund over the last 18 months, but particularly this last quarter, feels bizarrely at odds with how the companies we have invested in are actually doing—cash earnings are growing strongly, balance sheets are solid, in fact one third of the portfolio is in net cash businesses.

The single biggest driver of the underperformance has been an extraordinary de-rate in many holdings. Accordingly, we step through what may be driving these derates, and why we expect significant capital appreciation from here.

Narrative #1: Macro to weigh on the Australian consumer

There are three large macro drivers that will weigh on the Australian consumer over the coming months:

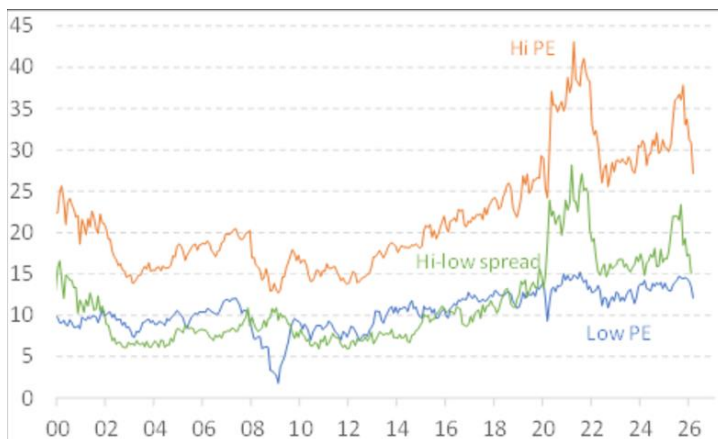
1. Iran war escalation/de-escalation. While we are no geopolitical experts, our base case is that it is difficult to sustain this level of intensity, and we think it is reasonable to expect some level of de-escalation. Our ongoing discussions with Ampol give us comfort that the fuel security situation is perhaps not as dire as headlines much suggest, albeit we expect diesel and petrol prices to continue to stay elevated while the Strait of Hormuz is closed.
2. RBA trajectory. While any de-escalation will lead to a swift unwinding of physical energy markets' premia, we suspect a large degree of damage has been done already on the inflation front. As a function of rising diesel and fertiliser costs, our discussions with companies over March suggest that an inflationary impulse has already been embedded in the economy for the next six to nine months at least. We also note the Federal Government calling for an above-inflation increase to the minimum wage, as well as the recent move to abolish junior pay rates. Simultaneously, we have an RBA that appears keen to counteract its perceived 'error' in cutting rates last year, via the only tool at its disposal: higher interest rates for mortgage holders. In our view, absent a broad economic slowdown related to point 1, rates look set to go higher from here.
3. May budget. For the first time in recent history, the government is making noises that it will do something to address "intergenerational inequality". Floated changes include restricting negative gearing to two properties and changing the capital gains tax discount from 50% to 33% for property. Either change would likely have a negative effect on investor appetite – the CGT discount reduction would change the return calculation for property investors, who rely on capital growth to justify negative cash flow. Tax changes could create a compounding effect on investor sentiment and credit appetite. These would all come on top of RBA rate hikes, the Iran war inflation shock and higher fuel costs that are already squeezing borrowers.

The net effect of the above forces is negative for Australian households. We have entered this period with our lowest-ever exposure to the Australian consumer in the portfolio, via a substantial underweight to the Big Four banks and having substantially reduced our consumer exposure over the last six months. That said, we do see absolute value beginning to emerge in pockets: we added to JB Hi-Fi over March as we think the 14x PE and net cash balance sheet are beginning to provide some compensation for the gloomy outlook.

Narrative #2: "HALO" stocks; value gets a glow-up

The market loves a narrative, and the outperformance of value stocks (typically trading on lower P/Es) coinciding with the de-rate in higher multiple, quality growth stocks has been given a name – "hard assets, low obsolescence" – or "HALO" stocks. HALO stocks are perceived as AI-proof, and they have enjoyed a significant re-rate. Airlie owns a number of businesses in this category – not because of the anti-AI narrative, but rather because they meet our definition of quality. From BHP's incredible copper and iron ore assets, to Santos's PNG LNG business, BlueScope's North American steel mill, SGH's WesTrac monopoly and Boral heavy building products assets, the ASX is home to many high-returning, unique assets that should generate strong cash flows for shareholders throughout the cycle. We seek to own as many as possible in the portfolio. It took many years for the market to wake up to the embedded value in an asset like Ampol's Lytton refinery, one of Australia's only two remaining refineries and an asset that no one in their right mind would attempt to build today. A greenfield OECD refinery would likely cost >\$8 billion to build. Similarly, it took several (non-disclosed) bids for BlueScope's North Star business from US-listed Steel Dynamics, and an outright takeover offer from a consortium of SGH and Steel Dynamics, for the market to value these unique assets more accurately, albeit for both stocks we believe there is further value uplift to come.

As the below chart shows, low PE businesses have enjoyed a re-rate, while high PE businesses have come down substantially. However, we note the high-low spread suggests this phenomenon may have further to run.



Source: MST Marquee

Narrative #3: SaaSocalypse now

As mentioned earlier, February saw AI fears reach fever pitch fuelled by long treatises by (sometimes anonymous) market pundits predicting dire outcomes in terms of unemployment and other negatives associated with the broad implementation of AI.

Airlie's Head of Equities Matt Williams worked through the 1999/2000 period where the internet was poised to destroy business models and many old-economy retail and distribution companies were considered 'toast'. We note the similarities to today are eerie. Back then, disruption narratives dominated and there was no way to disprove the most bearish theses for incumbent business models. As we know, that bubble popped and popped quickly, and the losers posted significant outperformance. This time, ironically, the "old economy" stocks are SaaS businesses and digital classifieds, some of the most capital-light, high-returning businesses the world has ever seen. To us it is madness that we can now buy **CAR Group**, a business that has returned nearly 9x over 15 years through a near 4x increase in earnings, for a lower forward multiple than **Woolworths**, a business that has not meaningfully grown earnings over the last 5-10 years and has underperformed the S&P/ASX 200 over every decent time frame. Clearly the market is betting that the next 15 years are tougher for CAR Group than the last 15. At the current share price, we are happy to take the opposing side to this view.

Obviously, AI is an amazingly powerful tool, and its future potential will have massive impacts but it is impossible to predict exactly how they will play out. Airlie has consulted with AI experts who provide more sober commentary regarding the medium-term impacts of AI. Boiling down some of their views to separate the hype from reality:

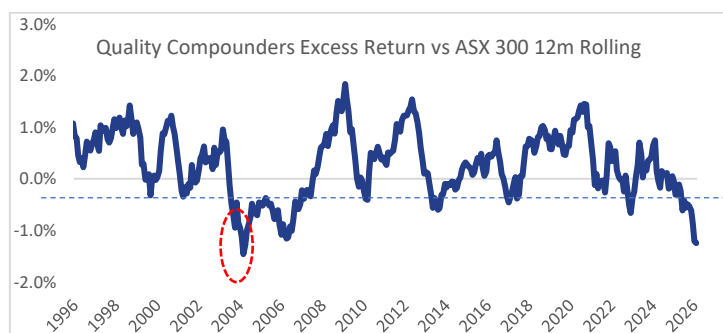
- AI agents are a fair way off from being able to 'think' for themselves. Despite rapid improvements made by Anthropic's Claude, the capabilities are overhyped.
- This hype must be considered within the context of the ongoing fundraising efforts of the frontier labs. The evolving business models of the frontier labs (**OpenAI** and **Anthropic**) are some of the most fragile business models the world has ever seen: immensely capital-hungry, reliant on the ongoing kindness of strangers being willing to fund the eye-watering billions of losses each year. It is increasingly evident that the model layer is commoditising and superior returns accruing to one player appear unlikely at this stage. Founders must therefore sell the dream and sell it hard (ahead of mooted IPOs this year that will be pivotal for ensuring ongoing access to capital). Daily news flow of new Claude plug-ins (legal, accounting, etc.) meant the new features were quickly priced into sectors as Anthropic sought to create hype regarding its ability to monetise.

- There are massive bottlenecks for computing power – energy availability, and construction constraints – such that the direst forecasts are highly unlikely to occur in the time frames postulated.
- Important business processes (e.g. banking, accounting) will need years of testing before AI is trusted to replace current processes that have to be 100% *right* 100% of the *time*.

Overall, while there is undoubtedly an element of truth in this narrative – AI is the disruptive technology of our generation and will shape our world in incredible ways to come – its impact has perhaps been priced too egregiously into many businesses, creating opportunities.

Narrative #4: Quality on sale

This narrative is partly the inverse of the HALO thesis, and partly related to perceived AI disruption. For whatever reason, high-returning businesses that meet the “quality compounder” definition have been sold off aggressively. One adviser meeting we attended in March included the memorable quote that every active fund manager who had recently been through their office had shown them the same chart. There are no prizes for originality in funds management, so we reproduce the chart below to highlight the extent of the underperformance of quality companies over the past 12 months.



Source: Macquarie Research

Markets have become highly concentrated in expensive defensives and large caps, despite limited earnings growth in many of these businesses. At the same time, concerns about AI disruption have been broadly priced into many high-quality companies, pushing valuations to levels we believe are incredibly attractive. The golden combination in stock picking is finding a business that has the twin engines of share price appreciation: significant earnings growth potential and re-rate potential. We believe the portfolio is full of companies that offer both, and as such we expect significant capital appreciation from the portfolio.

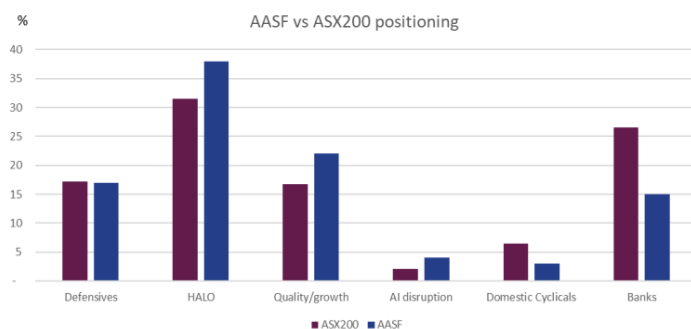
If we look at the last decade of total shareholder returns delivered by the companies that comprise our portfolio today (note we did not own all of them for a decade!), the average TSR was 5.3x, which far exceeded the index S&P/ASX 200 at 1.6x. Importantly, that was delivered largely by earnings

growth; portfolio companies saw their earnings change on average by 2.8x (vs 0.5x for the S&P/ASX 200).

Now, of course, markets are forward-looking, and the next decade may be different from the last. However, the best hunting ground for future earnings compounders is among those that have been historically able to grow earnings at a decent rate.

Pulling it all together: Airlie portfolio positioning

If we break down the active share of the portfolio, we can split our holdings into a number of categories that link to the earlier narratives.



As the chart above shows, we are “overweight” the following buckets:

- **HALO assets** (38% of portfolio) e.g. BHP, BlueScope, Ampol, Santos, Rio
- **Quality on sale** (22% of portfolio) e.g. Aristocrat, Charter Hall, James Hardie, Resmed, Aspen Group
- **AI disruption basket** (4% of portfolio) e.g. CAR Group, Xero

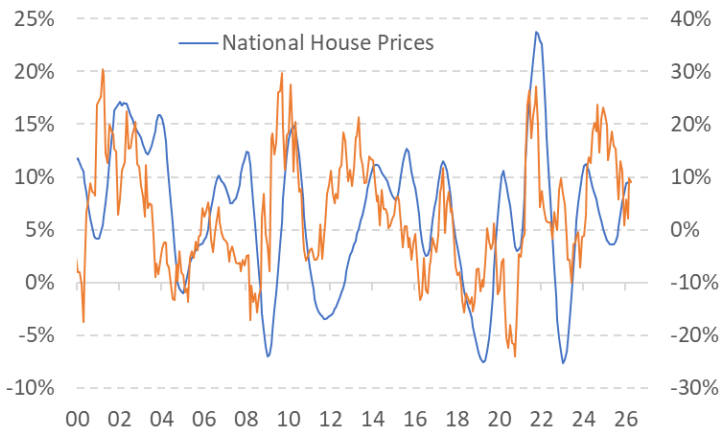
We align with the market on:

- **Defensives** (17% of portfolio) e.g. Coles, The Lottery Corporation, Medibank Private, News Corp
- We have weighted our defensive exposure towards inexpensive defensives, avoiding stocks like TLS and WOW that have re-rated to all-time high multiples.

We are “underweight”:

- **Domestic cyclicals** (3% of portfolio) e.g. JB Hi-Fi, Nick Scali
- **Major banks** (15% of portfolio) We are c10% underweight the Big Four Australian banks in the fund. While this has been a significant headwind to date for performance, we believe the combination of rising rates, falling house prices, potential government tax setting changes and banks on all-time-high PEs sets the scene for significant underperformance. Note below that banks’ relative performance versus the S&P/ASX 200 has historically been negative when house prices fall.

Chart 1: Relative TSR of Australian banks vs % national house prices change



Source: MST Marquee

Of course these groupings are simplistic - the bottom-up reasons we own each company are different: we don't own The Lottery Corp as a "defensive" *per se*, but because we believe it is a unique collection of long-dated licences with a significant long-term margin tailwind from the mix-shift to purchasing lottery tickets online, with a refreshed management team keen to drive opex discipline. The through-line for the entire portfolio is the four factors we weigh in our investment process: financial strength, business quality, management quality and valuation. This common spine allows us to cut through the various market narratives and focus on what drives long-term wealth creation in investing.

Stock Story – Ampol

(David Meehan - Equities Analyst)

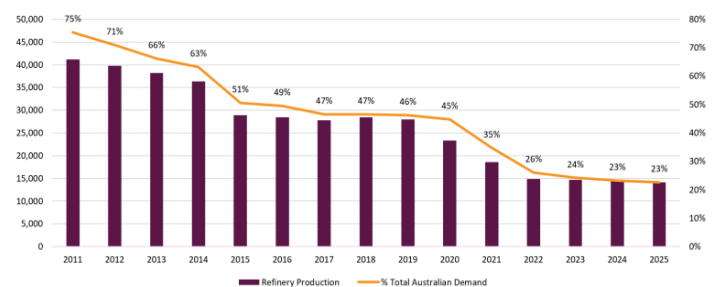


Pathway to Unlocking Value Outside the Headlines

Ampol is Australia's largest fuel refiner and distributor, playing a critical role in supplying fuel to Australian consumers and industries. While Ampol is widely recognised for its national convenience retail network, we believe the market underappreciates the strategic value of their Lytton refinery asset. Lytton is one of only two remaining refineries in Australia. While the recent Iran conflict has drawn attention to the importance of fuel security in Australia, we see the real catalyst for value realisation sitting not in the headlines themselves, but in the evolving policy discussions that underpin Lytton's long-term earnings.

Australia's refining capacity has deteriorated dramatically over the past 15 years. In 2011, the country operated seven refineries, supplying around 75% of domestic fuel demand. Today, only two refineries remain, these being Ampol's Lytton Refinery in Brisbane and Viva Energy's Geelong Refinery. Combined, these refineries meet just 20% of Australia's fuel needs. The balance of fuel is imported as refined product, predominantly from South Korea, Singapore, Malaysia, China and Japan. As Australia has shifted from refining self-sufficiency to import dependence, the strategic value of these last two refineries has grown considerably, given their role in national fuel security.

Australian Refinery Production (ML)

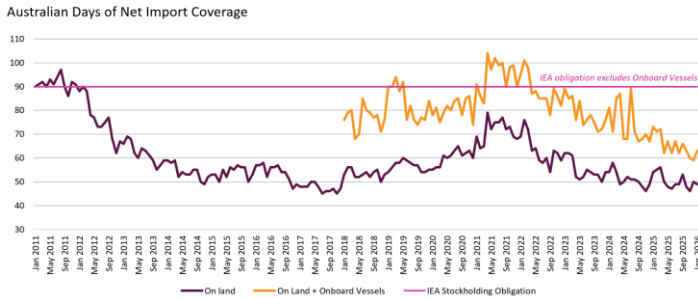


Source: Australian Petroleum Statistics

Refinery	Location	Closed	Operator	Production Capacity (bpd)	Production Capacity (ML p.a.)
Clyde	NSW	2012	Shell	75,000	4,353
Kurnell	NSW	2014	Ampol	135,000	7,835
Bulwer Island	QLD	2015	BP	102,000	5,920
Altona	VIC	2021	ExxonMobil	80,000	4,643
Kwinana	WA	2021	BP	138,000	8,009
Total Closed Refineries				530,000	30,759
Lytton	QLD	Operating	Ampol	109,000	6,326
Geelong	VIC	Operating	Viva Energy	140,000	8,125
Total Operating Refineries				249,000	14,451

Source: Australian Petroleum Statistics

The outbreak of the war against Iran and subsequent closure of the Strait of Hormuz triggered a major global supply disruption. Notably, Ampol does not use Middle Eastern crude oil, yet the cascading effects on Asian refining production and product flows still materially affected supply chains into Australia. With Australia's fuel stockholdings well below the IEA's 90-day requirement, concerns around supply security were heightened.

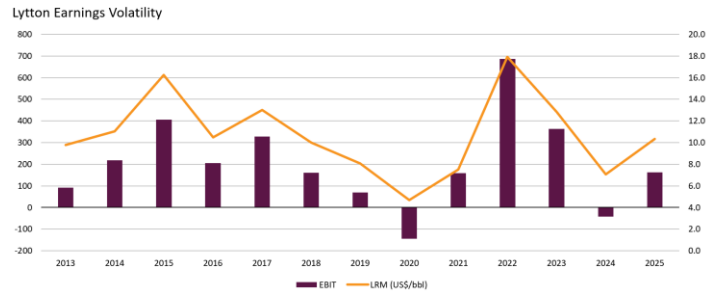


Source: Australian Petroleum Statistics

While the Iran crisis was drawing headlines, a key policy change occurred that saw the government extend and enhance the Fuel Security Services Payment (FSSP), raising the support collar to reflect elevated inflation and providing both a higher earnings floor and lower volatility for domestic refiners. We estimate the revised FSSP now underpins at least \$120 million in annual EBIT for the Lytton refinery.

Phase 2 of the FSSP, expected to conclude by the end of 2026, will address Australia's long-term ambitions for fuel supply resilience and domestic refining. Given the constructive engagement between Ampol and the government in Phase 1, we expect this collaboration to continue into Phase 2, with the policy direction pointing towards a more durable, regulated-style framework for Lytton that reflects the asset's role in national fuel security.

In our view, the market currently values Lytton on a low multiple, reflecting its cyclical earnings history rather than its emerging strategic importance. Should Phase 2 deliver a long-term regulated return structure, Lytton transitions from a volatile, commodity-exposed asset to a more predictable, infrastructure-like earnings stream, presenting a meaningful re-rating catalyst. On a regulated basis, we estimate Lytton's value at \$1.5–2.0 billion, compared to our estimate of the market's current implied valuation of less than \$1.0 billion. This gap implies \$3–\$5 per share of incremental value to Ampol's current share price from the Lytton re-rate alone, before considering further upside from the EG Group acquisition and the rollout of U-GO conversions across the convenience retail network.



Source: Ampol Annual Reports

Important Information: Units in the fund(s) referred to herein are issued by Magellan Asset Management Limited (ABN 31 120 593 946, AFS Licence No. 304 301) trading as Airlie Funds Management ('Airlie'). This material is issued by Airlie and has been prepared for general information purposes only and must not be construed as investment advice or as an investment recommendation. This material does not take into account your investment objectives, financial situation or particular needs. This material does not constitute an offer or inducement to engage in an investment activity nor does it form part of any offer documentation, offer or invitation to purchase, sell or subscribe for interests in any type of investment product or service. You should obtain and consider the relevant Product Disclosure Statement ('PDS') and Target Market Determination ('TMD') and consider obtaining professional investment advice tailored to your specific circumstances before making a decision to acquire, or continue to hold, the relevant financial product. A copy of the relevant PDS and TMD relating to an Airlie financial product may be obtained by calling +61 2 9235 4760 or by visiting www.airlifefundmanagement.com.au.

Past performance is not necessarily indicative of future results and no person guarantees the future performance of any fund, the amount or timing of any return from it, that asset allocations will be met, that it will be able to implement its investment strategy or that its investment objectives will be achieved. Statements contained in this material that are not historical facts are based on current expectations, estimates, projections, opinions and beliefs of Airlie or the third party responsible for making those statements (as relevant). Such statements involve known and unknown risks, uncertainties and other factors, and undue reliance should not be placed thereon. This material may contain 'forward-looking statements'. Actual events or results or the actual performance of an Airlie financial product or service may differ materially from those reflected or contemplated in such forward-looking statements. This material may include data, research and other information from third party sources. Airlie makes no guarantee that such information is accurate, complete or timely and does not provide any warranties regarding results obtained from its use. No representation or warranty is made with respect to the accuracy or completeness of any of the information contained in this material. Airlie will not be responsible or liable for any losses arising from your use or reliance upon any part of the information contained in this material.

Further information regarding any benchmark referred to herein can be found at www.airlifefundmanagement.com.au/benchmark-information/. Any third-party trademarks contained herein are used for information purposes only and are the property of their respective owners. Airlie claims no ownership in, nor any affiliation with, such trademarks. This material and the information contained within it may not be reproduced, or disclosed, in whole or in part, without the prior written consent of Airlie.

AASF46112