

## AIRLIE AUSTRALIAN SHARE FUND UPDATE - Q2 2025

**Deputy Portfolio Manager Joe Wright shares an update on the recent quarter, detailing how the portfolio was strategically positioned and where he identified key investment opportunities. He also offers valuable insights into the performance of several core holdings and reinforces Airlie's disciplined investment approach.**

**How did the team navigate the portfolio through the recent period of heightened market volatility?**

It's been a volatile quarter. Markets dropped sharply in April following Donald Trump's Liberation Day announcements and tariff changes but have since rebounded to record highs. During the sell-off, we stayed true to our core approach, adding to high-quality, well-understood companies with strong balance sheets like BlueScope, JB Hi-Fi and Charter Hall. We also took the opportunity to build a position in Goodman Group, a stock we've long admired but struggled with on valuation. After doing extensive research on data centres last year, we gained the conviction needed to invest. Overall, we stayed disciplined and made the most of the opportunities the volatility presented.

**CBA has been rising steadily, yet the fund remains underweight. What's your view on this position?**

CBA has experienced a remarkable rally, rising to around \$185 per share – up 20% over three months and 50% over the past year – and now trading at a forward P/E of about 30 times. While it's a high-quality, well-managed bank, the fund has remained underweight due to concerns over its stretched valuation, which was already considered expensive at \$120. Despite its strong performance, at Airlie we continue to focus on buying quality businesses at discounts to intrinsic value and CBA doesn't currently meet that criterion.

**Where is Airlie currently identifying the most compelling investment opportunities?**

We're currently seeing value in the resources sector, particularly in diversified companies like BHP and Rio, which have strong asset quality. We see upside in high-quality cyclical businesses such as BlueScope, where we expect to see growth in mid-cycle earnings and valuation multiples over the next few years. Additionally, CSL has become attractive after years of underperformance due to tariff uncertainty and a poor acquisition. CSL is now trading at a historically low valuation.

**Santos received a takeover bid during the quarter, but market sentiment remains cautious. What's your perspective on the situation and the company's outlook?**

During the quarter, Santos received a non-binding, indicative cash offer of \$8.90 per share from a consortium led by the Abu Dhabi National Oil Company. Based on our long-standing DCF valuation using a mid-cycle oil price of \$65–\$70, we believe the offer represents fair value and are supportive of the transaction.

That said, we acknowledge the market's scepticism around whether the deal will proceed, particularly given the potential hurdles with the Foreign Investment Review Board (FIRB). However, most of Santos's value lies in offshore assets that don't affect Australia's domestic energy supply, and recent regulatory challenges for project development make it difficult to argue these assets are of national significance.

We see this as an opportunity for the government to negotiate meaningful investment and employment commitments, similar to the Nippon–US Steel deal in the US. Ultimately, we believe a well-structured agreement could benefit both Santos shareholders and the broader Australian economy, and we remain optimistic that FIRB will approve the transaction.

## Have any new investment ideas been added to the portfolio recently that you'd like to share with our investors?

One of the new additions to the portfolio this year is Aspen Group, a developer and operator of affordable housing across various formats, including land lease communities, build-to-rent housing, apartments and caravan parks. We began investing in January and added significantly during a recent capital raise. Aspen screens strongly across our investment criteria: financial strength, business and management quality and valuation. The company has consistently delivered returns on capital above 20% over the past five years, and its joint CEOs each hold a meaningful ownership stake. We're excited about its long-term prospects and confident in management's ability to deploy capital effectively.

Watch the video [here](#).

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