AIRLIE AUSTRALIAN SHARE FUND

Dear Investor,

This letter provides insight into our investment process and how the fund performed amid a volatile but overall solid 12 months for the S&P/ASX 200. Please look to our June 2025 Quarterly Commentary for a more detailed assessment of performance and individual stock attribution.

The Airlie Australian Share Fund delivered positive absolute performance in FY25; however, disappointingly, the fund underperformed the S&P/ASX 200 benchmark. Global macroeconomic and geopolitical uncertainty dominated market narratives in the latter half of the year, particularly as President Trump announced some of the most broad-based and punitive trade policy reforms seen this millennium. Following "Liberation Day" in April, the S&P 500 and the S&P/ASX 200 declined 12% and 7% respectively over the next four trading sessions. We like to remind investors regularly that our ability to predict short-term macro shocks is effectively non-existent. Instead, we devote our research efforts towards understanding the economics of businesses, valuing those businesses and then assessing that value relative to prevailing market prices. Put another way, we don't try to time markets. Furthermore, we won't use macroeconomic events to justify underperformance, nor do we believe these events ultimately affect performance over the long term. For what it's worth, the S&P/ASX 200 touched a record high during June.

At Airlie we define our investment style as focusing on "undervalued quality". This means we look for instances where quality businesses are trading at attractive prices. We define quality as generating a high return on capital, as well as having opportunities to grow at attractive rates on incremental capital. In the short term the share market can be very volatile, and investors can focus on factors that are often irrelevant to the long-term intrinsic value of a business. This myopia creates great opportunities for us to buy quality companies, as long as we remain patient and duly follow our process. The beauty of buying and holding quality companies at discounted valuations is your investment return can be driven by both compounding earnings growth and multiple expansion, the combination of which is powerful over the long term. It should be unsurprising then that many of the fund's top performers this financial year, such as Sigma Healthcare, Aristocrat, ResMed and Seven Group Holdings, have also been top performers in prior periods.

Our conviction that the market regularly misprices quality businesses is a two-sided coin. For every great business we believe is undervalued, there are generally multiple businesses we think the market is overvaluing. Over the last 12 months, the largest detractor from the fund's relative performance has been our underweight to the banking sector, particularly the Commonwealth Bank of Australia (CBA). For context, CBA now trades at a 50% premium to the S&P/ASX 200 on a forward P/E basis, relative to its 30-year average of a 1% discount. This is despite a negligible difference in return on equity between the two. Westpac generates a single-digit return on equity that has been trending downwards for a decade and yet is only marginally cheaper than the index. We do not find much comfort in justifying underperformance by discussing companies and sectors we are underweight or don't own; however, it's not often their contributions are this material.

Other key detractors during the period were our holdings in Mineral Resources and IDP Education. We have since exited these positions, as neither company passes our investment process at present. Since exiting the positions, the share prices of both companies have continued to decline meaningfully.

The Airlie Australian Share Fund is a concentrated portfolio of 15-35 names. Each investment must stack up against both the existing holdings and potential new investments. Every day, we focus on improving the portfolio by ensuring the companies we hold offer the best risk-reward profile under our investment process. In FY25, we added Goodman Group and Aspen Group to the portfolio and increased our weighting in CSL. We believe each of these represents a compelling investment opportunity over the medium term and was available to us at attractive valuations throughout the year.

Airlie Funds Management

Looking ahead to FY26, we are optimistic about the Fund's future returns. Each company we own has a strong balance sheet, significant opportunities to deploy capital at high returns, and management teams whose incentives are aligned with us as minority shareholders. Most importantly, we believe we purchased these companies at material discounts to their intrinsic value. Since inception of the fund, we have delivered outperformance for clients by following our investment process and we aim to continue to achieve this outperformance over the long term. Our commitment to current and future investors is to continue to relentlessly pursue outperformance while refining our investment process to ensure we are taking an acceptable level of risk. Our goal, as always, is to grow the wealth of our clients alongside our own.

Thank you for your continued support.

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