Australian Eagle Trust (Long-Short Fund) Quarterly Report – March 2025

Portfolio Performance

As at 31 March 2025	3mth	6mth	1yr	3yr p.a.	5yr p.a.	7yr p.a.	Net Return S/I p.a.
Aust. Eagle Trust*	**1.06%**	**5.38%**	**2.89%**	**5.34%**	**14.87%**	**11.79%**	**13.71%**
S&P/ASX 100 Acc**	-2.95%	-3.71%	3.11%	6.08%	13.62%	9.08%	9.30%
Out/(under) performance	4.01%	9.09%	-0.23%	-0.73%	1.25%	2.71%	4.41%

Performance is net of fees and expenses, *Inception date 1 July 2016, **Performance benchmark
Past performance is not an indicator of future performance

Portfolio & Market Commentary

The Fund returned 1.06% after fees for the March 2025 quarter, outperforming the benchmark which fell -2.95%, resulting in positive alpha of 4.01%. This marks the second consecutive quarter of outperformance and a positive return in an otherwise declining market. While the Long portfolio struggled versus the benchmark, the Short portfolio was the key driver of outperformance. The result highlights the resilience and balance of The Fund, especially with the protective nature of the short portfolio when broader market conditions are unfavourable.

The market experienced sharp swings over the quarter with the volatility of the big banks and resources driving general market direction. Reporting season was volatile and highly event driven, with several earnings surprises along with cost and margin pressure being felt across sectors. Importantly, stocks in the short portfolio with weak fundamentals and limited pricing power were heavily punished, validating our positions in lower or deteriorating quality businesses that remain vulnerable in an environment where operational execution and cost control are under increased scrutiny.

Global markets also experienced a volatile quarter, driven by increasing geopolitical tensions and uncertainty arising from President Trump's inflammatory trade war rhetoric. The threat of tariffs on all trade partners caused widespread flow-on effects with the US Fed hinting at a slower pace of rate cuts and the price of gold increasing to all-time highs above US$3,000/oz. US bonds also rallied on this uncertainty with the yield curve flattening towards the end of the quarter. Markets were also affected by the emergence of a low-cost Chinese AI model which challenged the plans of the US tech giants. China unveiled more plans for stimulus aimed at stabilising the economy in preparation for US tariffs by increasing household consumption and arresting the decline in property. Iron ore prices remained relatively stable above US$100/t despite disappointing Chinese economic data.

The Long portfolio detracted slightly from relative performance with gains in select names offsetting weakness elsewhere. QBE Insurance performed well as investors responded positively to improving underwriting margins, continued strong premium growth and a healthy return on the $30bn investment book. Evolution Mining rose on the back of a firmer gold price and growing confidence in its production guidance. Telix Pharmaceuticals was supported by ongoing commercial momentum and positive updates across its clinical pipeline. While several other names experienced volatility during the reporting season, these contributors played a key role in cushioning the long portfolio's relative performance against a declining market backdrop.

The Short portfolio delivered strong absolute and relative performance for the quarter, with several positions declining sharply on both company-specific and sector-wide disappointments. Paladin Energy fell after withdrawing production guidance and a data centre sector sell off. IDP Education fell amid mounting concerns over shrinking international student flows and a deteriorating policy backdrop in key destination markets. Viva Energy declined after the company reported deteriorating cashflow from lower refining margins and a large debt pile originating from the recent and questionable OTR acquisition. These outcomes reflected a common thread across the short book — deteriorating quality businesses with earnings and cashflow pressure having trouble navigating the current external environment.

The portfolio remains well balanced in terms of exposures, given the uncertainty over interest rates, geopolitical issues and commodity prices. The team will continue to diligently apply the Australian Eagle investment process of uncovering companies with a medium-term change thesis.

Portfolio Highlights

<u>Positives</u>

QBE Insurance Group Ltd (Long) – The share price rose as bond yields remain elevated and strong FY24 results. Robust premium rate increases across key geographies and continued margin expansion in its underwriting operations was well received by the market as management's restructuring efforts begin to bear fruit. Investor sentiment was further buoyed by an improving dividend payout ratio, with room for further upside as capital efficiency improves and catastrophe losses remain contained.

Evolution Mining Ltd (Long) – The share price rallied strongly as the gold price rose to record highs amid global macroeconomic uncertainty. The company's recent results showed an improving production profile and disciplined cost control, helping rebuild investor confidence after prior operational issues.

Paladin Energy Ltd (Short) – The share price declined after its 1H25 results fell short of expectations on production volume and unit costs. The share price also came under additional pressure amid a broad de-rating of data centre–exposed stocks following the emergence of DeepSeek's low-cost AI model.

<u>Negatives</u>

Pilbara Minerals Ltd (Long) – The share price underperformed as lithium prices continued to decline, reflecting ongoing oversupply concerns and subdued demand from Chinese EV manufacturers. The market also reacted negatively to management commentary around margin pressure and cautious near-term pricing expectations. Despite near term pressure, the company retains its world class asset, low-cost position and strong balance sheet, positioning it well for long-term demand recovery.

NIB Holdings Ltd (Short) – The share price rallied after revealing lower-than-expected claims inflation and modest policyholder growth. The stock was also supported by a rotation into defensive healthcare names amidst broader market volatility. While near-term earnings momentum surprised positively, there are still concerns around claims volatility and regulatory risk in a rising cost environment.

ARB Corporation Ltd (Long) – The share price fell as the market digested softer trading conditions in Australia and early signs of demand normalisation in key export markets. Concerns also surfaced around overall easing in Australian new car demand, margin pressure due to input cost inflation and currency headwinds. Nevertheless, we continue to hold the stock given its dominant market position, product innovation pipeline, strong brand loyalty and export market optionality which we believe will support earnings resilience over the medium term.

Portfolio Changes

<u>Increased Exposure</u>

Aristocrat Leisure Ltd (+3.00%; Entry Long): A multinational regulated gaming machine manufacturer. The company continues to shift its land-based business toward higher-margin and recurring revenue streams through daily fee arrangements. The acquisition of NeoGames refocuses the group on its core strength in regulated gaming while simultaneously exiting its less successful attempt at digital casual gaming.

Qantas Ltd (+3.00%; Exit Short): A domestic and international airline operator. The share price has not reflected the large capital expenditure plans for the replacement of their ageing fleet and an already stretched balance sheet. The Fund exited the position after management delayed the fleet renewal timetable and reintroduced a dividend for the first time since FY19.

Orora Ltd (+2.75%; Exit Short): A multinational packaging company. The position was exited after it reached its time stop.

<u>Decreased Exposure</u>

Treasury Wine Estates Ltd (-3.00%; Long): A multinational wine company. The HY25 result raised concerns around ongoing margin pressure in the US and a slower than expected recovery in China. Management's decision not to divest the underperforming commercial wine portfolio has resulted in a continued drag on overall group performance.

Reece Ltd (-3.00%; Entry Short): A multinational distributor of plumbing and waterworks products. The company is under increasing pressure as slowing US housing activity, margin pressure and recent management turnover in the US business raises concerns about execution in a key growth region

NextDC Ltd (-2.50%; Entry Short): A data centre owner and operator. DeepSeek's low-cost model release has prompted concerns about potential demand in a sector that has recently experienced a construction boom on the back of Artificial Intelligence.

Quarter-End Position & Portfolio Exposures

As at 31 March 2025, the Fund had net exposure of 95.5% and gross exposure of 196.1% to equities. Cash was 4.5%.

Major portfolio exposures were to medical devices & services and certain financial services with less portfolio weight in major banks and real estate.

Stock Highlight: QBE Insurance Group Ltd (QBE) – Long Position

This stock highlight is not an investment recommendation and is intended to be read in the context of the Australian Eagle portfolio.

Insuring Its Own Future – The QBE Turnaround

QBE has been a long-term holding of the Australian Eagle Long portfolio, albeit one that has faced its share of missteps over the years. However in recent periods, the business has undergone a clear and deliberate transformation under current management, with a renewed focus on profitability, discipline, and simplification. The company's recent internal improvements including more disciplined underwriting, portfolio simplification and stronger capital management are increasingly being recognised by the market, just as external conditions have turned favourable. The current environment of rising insurance premiums and higher bond yields plays directly to QBE's strengths, providing a supportive backdrop for earnings momentum and improving returns on equity.

A key driver of the turnaround has been the strategic exit of non-core and underperforming business lines. QBE has materially scaled back or exited operations in Asia, Latin America and other specialist portfolios that lacked sufficient pricing power or market positioning. These changes have redirected capital toward markets where QBE holds genuine competitive advantages. As a result, the Group's combined operating ratio (COR) has consistently improved, reflecting more disciplined underwriting and reduced exposure to loss-prone segments.

At the same time, the macro environment has provided a tailwind. US short-term bond yields remain elevated, driving a substantial uplift in investment income from its ~$30bn investment portfolio. This is particularly impactful for QBE given the relatively short duration nature of the book. With cash earnings underpinned by both underwriting and investment returns, the company's profitability has become more balanced and resilient.

Capital management has also improved markedly. After years of disappointing shareholder returns, the company has begun increasing its dividend payout ratio, reflecting greater confidence in an improving earnings quality profile and surplus capital generation. We believe further improvements in capital efficiency are likely, especially as attritional claims normalise and internal capital buffers strengthen.

Despite this progress, QBE continues to trade at a valuation discount to insurance peers. In the investment team's view, the market has yet to fully reflect the structural improvement in underwriting quality, operating leverage from simplification and the recent uplift in investment income. With management now executing on a clear strategy in addition to tailwinds from rate increases and capital discipline, we see scope for further earnings growth and a multiple re-rating over the medium term.

Australian Eagle
Asset Management

Australian Eagle Trust - Net Monthly Returns

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY
2016/17	10.52%	0.99%	-1.08%	-4.14%	2.94%	5.16%	-0.25%	5.15%	-0.06%	1.94%	1.31%	0.36%	**24.48%**
2017/18	-1.70%	5.27%	0.20%	5.35%	1.05%	1.10%	2.41%	3.08%	-3.86%	4.18%	2.34%	3.60%	**25.13%**
2018/19	-1.09%	1.45%	-2.24%	-7.62%	-0.53%	2.23%	5.98%	3.70%	1.76%	3.65%	2.15%	6.57%	**16.27%**
2019/20	4.00%	-2.46%	-0.18%	-0.34%	3.80%	-1.78%	5.45%	-6.50%	-16.24%	8.32%	9.97%	3.34%	**4.59%**
2020/21	3.60%	1.83%	-3.53%	4.35%	-0.62%	0.00%	0.13%	1.86%	1.45%	7.26%	3.63%	4.02%	**26.24%**
2021/22	3.37%	3.02%	-1.76%	2.64%	0.63%	3.25%	-9.77%	-0.47%	9.88%	2.54%	-3.88%	-4.39%	**3.73%**
2022/23	1.92%	5.56%	-3.40%	3.69%	5.96%	-3.57%	1.99%	-0.86%	1.66%	2.19%	-4.77%	1.25%	**11.51%**
2023/24	-0.32%	1.79%	-1.21%	-3.92%	3.22%	3.75%	1.19%	3.22%	0.41%	-3.94%	-0.08%	0.74%	**4.58%**
2024/25	3.40%	-2.52%	0.17%	0.41%	6.13%	-2.14%	5.54%	-2.53%	-1.76%				**6.40%**

Past performance is not an indicator of future performance. Net monthly returns are calculated using exit prices after taking into account all of the Australian Eagle Trust's ongoing fees as disclosed in the PDS and assuming reinvestment of distributions. No allowance has been made for entry fees, the buy sell spread or taxation.

About the Australian Eagle Trust Long-Short Fund

Australian Eagle Asset Management Ltd is an Australian boutique wholesale fund manager specialising in Australian equities. Australian Eagle's investment process seeks to deliver significant outperformance by identifying mispriced stocks with changing growth profiles and building concentrated portfolios of those stocks.

The Australian Eagle Trust Long-Short Fund aims to outperform the Australian equity market over a period of 5 years by allowing clients to access Australian Eagle's demonstrated historical strength in constructing Australian share portfolios applied to a long-short product.

This fund is appropriate for investors with a "Very High" risk and return profiles. A suitable investor for this fund is prepared to accept high risk in the pursuit of capital growth with a medium or long investment timeframe. Investors should refer to the TMD for further information.

How to Invest

The Australian Eagle Trust Long-Short Fund is only available to investors via the Australian Eagle Trust Product Disclosure Statement (PDS). You should consider the PDS prior to making any investment decisions. The PDS and target market determination can be obtained by calling 02 8252 7559 or visiting our website http://austeagle.com/how-to-invest/ for the PDS or https://documents.feprecisionplus.com/tmd/pct/tmd/p9iy-alr2783au.pdf for the target market determination.

The PDS offers investors the opportunity to invest a minimum of $20,000 in the Australian Eagle Trust (the Fund). The Trustee has the discretion to waive or vary this minimum requirement. The offer of units in the Fund are available to investors who are resident in either Australia or New Zealand. Investors who are not residents in Australia can invest in the Fund where they are permitted by law to do so. The Trust Company (RE Services) Ltd ABN 45 003 278 831 AFSL 235150, part of Perpetual Limited, is the responsible entity and issuer of units in the Australian Eagle Trust ARSN 632 568 846. The Investment Manager of the Fund is Australian Eagle Asset Management Pty Ltd ABN 89 629 484 840, a corporate authorised representative of Alleron Investment Management Pty Ltd AFSL 278856 and a corporate authorised representative of Montgomery Investment Management Pty Ltd AFSL 354564.