Australian Eagle
Asset Management

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

Portfolio Performance

As at 30 June 2025	3mth	6mth	1yr	3yr p.a.	5yr p.a.	7yr p.a.	Net Return S/I p.a.
Aust. Eagle Trust*	**9.60%**	**10.76%**	**16.62%**	**10.79%**	**12.24%**	**11.67%**	**14.47%**
S&P/ASX 100 Acc**	9.59%	6.35%	13.90%	13.75%	12.34%	9.25%	10.14%
Out/(under) performance	0.02%	4.41%	2.72%	-2.96%	-0.11%	2.42%	4.32%

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 9.60% after fees for the June 2025 quarter, matching the S&P/ASX100 Accumulation Index benchmark which returned 9.59%. While the quarterly return may seem like a significant return for a 3-month period in absolute terms, the number somewhat masks the volatility that the markets experienced. The continued rise of Commonwealth Bank of Australia and the other big 4 banks has proven to be a challenge for the long portfolio as our underweight position detracted from relative performance. However, the short portfolio successfully offset this impact, delivering its third consecutive quarter of positive contribution. The overall result highlights the balanced nature of the fund, especially with the short portfolio providing effective downside protection when the long portfolio is not outperforming.

After a sharp fall at the beginning of the quarter, the US market quickly regained lost ground, driven by technology and AI-related stocks. The Australian market followed a similar path, led by a combination of the big banks, energy stocks and technology stocks. The June quarter provided some important information as the bank reporting season produced modest growth and net interest margin pressure from competition. Confession season resulted in some downgrades from companies like Treasury Wine Estates and IDP Education due to deterioration of trading conditions and company specific issues. The Macquarie conference also provided a snapshot of the situation across the broader Australian economy, signalling that things were generally stable with no significant improvement or deterioration.

US President Trump's "liberation day" tariff announcement caused significant volatility but markets rebounded within weeks as a 90 day reprieve was agreed with major trading partners. However, the potential widespread flow-on effect of tariffs caused central banks to factor in their effect on their respective economies. The threat of a global war was briefly entertained after the US bombed Iran's nuclear bunkers in an attempt to neuter their nuclear weapons ambitions, driving the Brent oil price up to US$80/bbl at one stage. The gold price rallied from US$3100/oz to above US$3300/oz as investors sought safety and diversification away from the US dollar amidst policy uncertainty. The US dollar also declined to recent lows versus all major currencies as the Federal Reserve kept interest rates on hold awaiting the outcome on growth and inflation from tariff policy. China released mixed economic data with retail sales exceeding expectations but industrial production, steel output and home prices all fell, reflecting the fading impact of recent stimulus measures.

The Long portfolio underperformed due to the underweight positioning in the big banks. TechnologyOne outperformed on strong UK momentum, underpinned by a 50% uplift in Annual Recurring Revenue (ARR) and wins in education and local government. Cochlear rose on the launch of its next-gen Nucleus Nexa System, featuring internal memory and a lightweight, longer-lasting processor. Xero also contributed positively, driven by strong operating momentum and robust payments growth. Its strategic expansion in North America supported by the acquisition of Melio, presents a compelling long-term opportunity.

The Short portfolio delivered strong absolute and relative performance for the quarter, with several positions declining sharply due to both company-specific and sector-wide disappointments. IDP Education continued to weaken as challenging trading conditions weighed on student placement volumes. Flight Centre also declined after lowering its FY25 guidance, citing subdued transaction growth amid rising competition and instability in the Middle East. Reece was impacted by increased competition and ongoing housing market softness in the US and ANZ, resulting in lower volumes and margin pressure.

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.

Australian Eagle Asset Management

Portfolio Highlights

Positives

IDP Education Ltd (Short) – The share price declined sharply following a weaker-than-expected trading update. Management revealed a drop in both student placement and English testing volumes and flagged continued headwinds from regulatory tightening across all key markets. Despite management maintaining confidence to outperform during this downturn, volumes have come in softer than the broader sector.

TechnologyOne Ltd (Long) – The share price rallied strongly after a strong 1H25 result. Growth in the UK continues to accelerate and recent acquisitions have strengthened market share while unlocking cross-sell opportunities. Management reaffirmed their long-term targets, including doubling the business every five years and reaching $1 billion in ARR by 2030.

Cochlear Ltd (Long) – The share price rose after the company revealed the imminent release of a new cochlear implant and sound processor. This upcoming product cycle is expected to drive an upgrade wave and help the company regain market share from competitors.

Negatives

Paladin Energy Ltd (Short) – The share price rose amid a resurgence in uranium equities, driven by increased spot market activity and renewed interest from physical uranium funds. Positive sentiment was further supported by optimism around data centre energy consumption and long-term demand outlook. Despite the rally, the company's ramp up at the restarted Langer Heinrich mine has encountered several issues.

Viva Energy Ltd (Short) – The share price rallied sharply with the oil price following a period of underperformance. Despite still having a highly leveraged balance sheet, falling retail fuel volumes and a slower than expected convenience turnaround, the market responded positively to a rise in oil price as sentiment may have shifted in regards to the company's weak refining margins.

NextDC Ltd (Short) – The share price outperformed following consecutive positive updates. The company reported strong customer contract wins in both Victorian data centres and Kuala Lumpur, boosting investor confidence in its growth trajectory. Despite improved sentiment, the capital expenditure commitments, highly leveraged balance sheet and delayed revenue realisation carries significant execution risk.

Portfolio Changes

Increased Exposure

Life360 Inc. (+4.50%; Entry Long): A multinational family safety platform operator. The company's quarterly report revealed management's shift in focus towards monetisation of its user base through advertising while maintaining a strong growth rate. Management has also successfully raised a shareholder-friendly US$250m convertible note, using the proceeds to further accelerate its growth and monetisation plans.

Sonic Healthcare Ltd (+2.50%; Exit Short): A multinational laboratory and medical services company. The position was exited after it reached its time stop.

Aristocrat Leisure Ltd (+1.50%; Long): A multinational regulated gaming 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.

Decreased Exposure

Treasury Wine Estates Ltd (-3.25%; Exit Long, Entry Short): A multinational wine company. The company downgraded FY25 earnings due to its underperforming commercial wine portfolio while one of its major US distributors will cease operations in California in September. The CEO has also tendered his resignation while his externally hired replacement will only start in late October, increasing near term uncertainty.

James Hardie Industries plc (-1.75%; Entry Short): A multi-regional building materials company. The acquisition of AZEK raised questions including overpaying in a period of fundamental decline for a weaker brand and significant dilution of existing shareholders. Management also denied Australian shareholders a vote despite raising more than 35% of its issued capital to fund the acquisition.

Orora Ltd (-1.50%; Entry Short): A multinational manufacturer and distributor of packaging products. The company's downgrade cited tariff uncertainty and weak consumption trends especially in wine and luxury alcohol. Recent capital deployment has been detrimental to shareholders after acquiring an expensive and underperforming high end glass bottle maker and selling its most consistent performing asset.

Australian Eagle
Asset Management

Quarter-End Position & Portfolio Exposures

As at 30 June 2025, the Fund had net exposure of 96.3% and gross exposure of 197.2% to equities. Cash was 3.7%.

Major portfolio exposures were to medical devices & medical services, technology and certain financial services with less portfolio weight in major banks and energy distribution companies.

Stock Highlight: Life360 Inc (360) – Long Position

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

Turning Circles into Cashflow

At first glance, Life360 may appear to be a simple real-time location tracking app. In reality, it is building a far more powerful platform and ecosystem — one underpinned by deep emotional utility and a rare level of brand trust among families. Its core competitive advantage lies in the unique permission it has earned to track loved ones in a way that feels protective rather than invasive, something the platform giants like Apple or Google simply cannot do.

Even though almost all modern smartphones offer basic functionality similar to the Life360 app through different in-built apps and systems, Life360 has carved out a defensible niche by positioning itself as a trusted ally in family safety — creating a high-frequency, habit-driven use case that is difficult to replicate.

After years of losses, Life360 has now reached a key inflection point, generating positive operating cash flow and Adjusted EBITDA. The narrative behind the company has shifted from growing subscribers to monetising their 83.7m monthly active user base, much like the path that many other technology and platform companies have gone through previously.

With the number of monthly active users more than half of their 150 million aspirational target, the attention has now turned to advertising and increasing the Average Revenue Per Paying Circle (ARPPC). The deep emotional utility of users wanting to know that their loved ones are safe, has resulted in the app being the 4th most used social networking app in the US, with users opening the app 5 times per day on average, creating an environment rich in opportunity for advertising and monetisation.

Although at the beginning of its monetisation journey, the potential advertising revenue per user is likely to surpass its freemium peers like Snapchat (US$7) and Spotify (US$5), given the superior quality and stickiness of its user base. A similar strategy has been employed by Life360, targeting free users with advertising, while premium subscribers receive little or no advertising. While introducing advertising may result in churn for users, we do not anticipate a significant change in user numbers or activity, given the "essential" nature of the app.

In addition to advertising, deeper international expansion remains an important cog in the company's objective to increase ARPPC. At the most recent quarterly report, management revealed that subscription revenue ex-US is on a steeper monetisation curve, with users upgrading to premium tiers at an accelerated rate versus the US. Subscription price rises have also been instrumental and highlighted by management as a vital contributor.

Looking ahead, we see a multi-year upside driven by three key levers: advertising to their freemium user base, deeper international expansion and a broader product suite leveraging its core strengths (including pet tracking and elderly safety). As the ecosystem deepens, Life360's monetisation profile is evolving from a single-product app to a platform with significant optionality. As financial metrics continue to improve and new revenue streams gain momentum, we expect the business to attract a broader investor base and re-rate over time through both earnings growth and multiple expansion.

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%	4.18%	3.71%	1.45%	**16.62%**

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.