Australian Eagle Asset Management

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

Portfolio Performance

As at 30 September 2025	3mth	6mth	1yr	3yr p.a.	5yr p.a.	7yr p.a.	Net Return S/I p.a.
Aust. Eagle Trust*	-0.43%	9.14%	15.01%	9.22%	11.75%	11.91%	13.99%
S&P/ASX 100 Acc**	3.78%	13.73%	9.51%	14.94%	13.36%	9.59%	10.29%
Out/(under) performance	-4.21%	-4.59%	5.50%	-5.72%	-1.61%	2.32%	3.70%

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 -0.43% after fees for the September 2025 quarter, underperforming the S&P/ASX100 Accumulation Index benchmark which returned 3.78%. Despite the Fund outperforming in both July and September, this was overshadowed by a very difficult and unusual August, where short term volatility in larger portfolio positions affected returns. The portfolio's positions in CSL, Telix Pharmaceuticals and QBE detracted after missing market expectations but the investment team has readjusted the portfolio to reflect the change in circumstances and remain patient for volatility to subside and fundamentals to reassert themselves.

Despite persistent global volatility, US equity markets continued to reset record highs, buoyed by investor enthusiasm in technology and AI sectors. In contrast, the Australian market saw more modest gains, driven primarily by resource stocks amid a firmer commodity outlook. Heightened volatility during the reporting season, combined with an unusually low tolerance for uncertainty, led to sharp and sometimes disproportionate share price reactions across both long and short positions. Several long holdings saw material drawdowns despite otherwise sound fundamentals, reflecting a market environment dominated by sentiment rather than substance. While disappointing, these short-term dislocations reaffirm the team's focus on identifying structural improvements in quality and earnings over the long term.

President Trump's unpredictability continued to cause uncertainty with his America First theme, striking numerous trade deals while targeting multiple industries with extensive tariffs to convince companies to bring manufacturing operations back to the US. Geopolitical tensions remained elevated as the US government started acquiring strategic stakes in resources companies, directly challenging China's dominance. The US Federal Reserve cut interest rates 25bps to 4.0-4.25% range while remaining cautious of the threat of resurgent inflation due to the ever-changing nature of tariffs and its effect on employment and the broader economy. The gold price continued to surge, rising 17% to over US$3800/oz as global uncertainty encouraged investors and central banks to seek safety and diversification away from the US dollar. China's recent crackdown on industrial overcapacity gave encouragement to investors in resources stocks, but there is scant evidence that it is yet to take effect with the Chinese trade surplus continuing to widen. Chinese economic data remained mixed as home prices continued to fall despite fresh stimulus announced in August.

Despite intra-quarter volatility, the Long portfolio outperformed, driven by some of the Fund's high conviction positions. Life360 Inc reported strong acceleration of international subscriber upgrades in addition to promising signs of growth in its nascent advertising business. Evolution Mining rose after reporting strong gold production, robust free cashflow generation and support from a surging gold price that hit record highs during the period. SILEX Systems rose strongly after announcing successful completion of internal testing for their JV demonstration plant for uranium enrichment, a key milestone in preparation for Technology Readiness Level 6 (TRL-6).

Some earlier successful short positions reversed this quarter, with share prices rising despite clear evidence of deteriorating fundamentals. Mineral Resources rallied despite reporting a messy result featuring negative operating cashflow, high-cost lithium and iron ore production, increasing pressure on an already highly geared balance sheet and continued governance concerns. IDP Education rose despite a challenging outlook with continued double-digit student placement volume decline as developed nations continued to clamp down on immigration. NextDC rose on optimism around AI-driven data centre demand despite execution risks associated with a debt-fuelled and unproven international expansion into Asia.

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 and high quality strategic assets.

Portfolio Highlights

Positives

Life360 Inc. (Long) – The share price rose throughout the quarter, following US technology stocks higher. The market continued to digest a strong result from the August 2025 reporting season. Most notably, advertising revenue showed strong growth while international subscribers adopted paid tiers at a faster pace than in the U.S. at the same phase of its rollout.

Evolution Mining Ltd (Long) – The share price outperformed after reporting record cashflow and profit supported by a rising gold price. Red Lake made a positive contribution through improved execution and production metrics. With a portfolio of high-quality assets, management has shifted focus toward margin preservation over volume, aiming to accelerate deleveraging and maintain strong shareholder returns.

Silex Systems Ltd (Long) – The share price outperformed after raising $150m to strengthen cash reserves to support the commercialisation of the SILEX uranium enrichment technology. Management also completed internal testing on its demonstration plant in Paducah while the US DoE is due to announce the awardees of its US$900m LEU acquisition program where SILEX Systems is 1 of 6 potential recipients.

Negatives

Mineral Resources Ltd (Short) – The share price rose as the spodumene price bounced after the suspension of 2 Chinese lithium mines. The FY25 report revealed a highly leveraged balance sheet, persistent negative operating cashflow and ongoing issues with the Onslow Haul Road. Compounding these concerns are high profile governance issues which continue to negatively affect our company quality ratings.

IDP Education Ltd (Short) – The share price rallied despite international student placement volumes falling 29% as developed nations continued to restrict migration while English Language Testing volumes also declined on weaker student flow. Although management are embarking on a $25m cost reduction in FY26, the outlook remains fundamentally weak with a further expected decline of 20-30% in market volumes.

Telix Pharmaceuticals Ltd (Long) – The share price declined after reporting margin pressure from rising competition and integration costs related to recent acquisitions. Despite delays in approvals for brain and kidney cancer diagnostics, Illuccix continues to generate strong cashflow and we believe there is further upside should the company overcome these near-term challenges and reaccelerate growth.

Portfolio Changes

Increased Exposure

Brambles Ltd (+4.50%; Entry Long): A global pallet pooling and logistics provider. The company is improving its capital deployment with the rollout of automation in pallet repair centres, materially reducing labour intensity and unit costs. Combined with the new Serialisation+ program reducing capex requirements, improvements in earnings quality paves a clearer path for improved cashflow and capital returns.

National Australia Bank Ltd (+4.00%; Long): A big 4 Australian retail and business bank. Net interest margin expansion and cost control have resulted in recent growth. Management have continued to utilise their market leading position in the business and private banking division to extract strong organic growth.

Iluka Resources Ltd (+3.75%; Long): A mineral sands and rare earths miner. With the Balranald project to commence commissioning in 2H25 and the Eneabba rare earths refinery also advancing on schedule, management has laid a platform for future organic growth despite current weaker core market conditions. The company's diversified nature and strong balance sheet is also providing strong downside protection.

Decreased Exposure

Infratil Ltd (-3.75%; Exit Long): An infrastructure and renewable energy investor. Despite CDC showing strong operational progress, the performance of the company's renewable energy and infrastructure assets have diluted the data centre operator's success. President Trump's unwinding of funding commitments for renewable projects under the Inflation Reduction Act have increased downside risk.

South32 Ltd (-2.75%; Entry Short): A diversified multinational mining company. Despite efforts to streamline operations, the company's lower quality mines in risky geographies have resulted in sovereign risk, mining complexity and low-grade production, which have weighed on profitability and cashflow.

Treasury Wine Estates Ltd (-2.75%; Short): A premium wine producer and distributor. The company continues to endure a period of uncertainty with new incoming leadership in the midst of a challenging turnaround. The failed divestment of the low margin commercial wine will continue to dilute margins while declining wine consumption is likely to weigh on volume growth across the entire portfolio.

Quarter-End Position & Portfolio Exposures

As at 30 September 2025, the Fund had net exposure of 97.6% and gross exposure of 195.5% to equities. Cash was 2.4%.

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: Iluka Resources (ILU) – Long Position

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

Hidden in the Sands: Iluka's Rare Earth Revival

At face value, Iluka Resources is best known as a mineral sands producer. However, the market continues to undervalue the hidden strategic and financial assets embedded across its diversified portfolio. With a current market capitalisation of just over $3 billion, Iluka trades below the implied value of its tangible holdings alone — ~$1 billion in mineral sands inventory, ~$1.3 billion in rare earths concentrate feedstock (potentially a +$2 Billion NPV) and a $450 million equity stake in Deterra Royalties (ASX:DRR) – therefore ascribing very little value to the core mineral sands business.

The real catalyst for re-rating lies in Iluka's development of its vertically integrated rare earths business. The flagship Eneabba refinery — currently under construction — will be Australia's first fully integrated rare earths processing facility, capable of producing separated light and heavy rare earth oxides. Backed by a $1.65 billion non-recourse loan from the Australian Government, Iluka's only financial contribution is $414 million in cash – accompanied by $1.3bn rare earths feedstock. This structure means that Iluka bares very little risk in the construction of this asset. Slated to be operational by 2027, Eneabba will serve as a critical Western-aligned processing hub at a time when many countries are actively seeking to reduce reliance on Chinese-controlled supply chains.

Strategic tailwinds are also building. The US Department of Defense recently struck a deal with MP Materials that effectively sets a premium floor price (US$110/kg) for Western-produced NdPr — a crucial input in permanent magnets. Iluka is well-positioned to command a similar premium, especially as government interest in rare earth sovereignty increases. Australia is now considering the creation of a domestic strategic reserve in rare earths, further enhancing the potential for favourable offtake pricing and volume security.

Meanwhile, Iluka's mineral sands business remains robust despite external headwinds. Commissioning of the high-grade, long-life Balranald mine in 2H25 will deliver a new wave of zircon, rutile and synthetic rutile supply. Mineral sands inventory already on balance sheet (~$1bn) provides an additional buffer and monetisation lever, especially as commodity prices bottom. The company's position in Deterra Royalties also continues to generate cashflow and exposure to high-margin iron ore royalties without operational risk.

The investment team views Iluka Resources as a rare mix of mispriced assets and optionality. As commissioning of Balranald and Eneabba draws closer and pricing dynamics shift in favour of Western-aligned supply, we expect Iluka to re-rate — both on a sum-of-the-parts basis and through rising earnings visibility. Our process that involves recognising change and inflection in company operations was effectively utilised and resulted in Iluka quickly moving from a short position to a long position.

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%**
2025/26	2.93%	-3.38%	0.12%										**-0.43%**

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.