Australian Eagle Asset Management

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

Portfolio Performance

As at 31 Dec 2025	3mth	6mth	1yr	3yr p.a.	5yr p.a.	7yr p.a.	Net Return S/I p.a.
Aust. Eagle Trust*	**-5.72%**	**-6.12%**	**3.99%**	**5.06%**	**9.64%**	**11.97%**	**12.90%**
S&P/ASX 100 Acc**	-1.24%	2.49%	9.00%	11.12%	10.19%	10.66%	9.86%
Out/(under) performance	-4.47%	-8.61%	-5.02%	-6.06%	-0.55%	1.31%	3.03%

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 -5.72% after fees for the December 2025 quarter, underperforming the S&P/ASX100 Accumulation Index benchmark which returned -1.24%. Performance was positive in October; however, November proved particularly challenging as several overweight positions including Aristocrat (ALL), Xero (XRO), TechnologyOne (TNE) and Life360 (360) delivered strong fundamental progress but were sold down aggressively after narrowly missing expectations on relatively minor operational metrics. This reflected a market environment increasingly dominated by short-term earnings precision rather than longer-term quality, competitive positioning and structural growth.

Global markets continued their volatile upward trajectory over the quarter as US AI-related stocks shrugged off macro headwinds to drive indices higher. In contrast, the Australian market fell over the same period, as financials, technology and healthcare stocks were sold off. The weakness was disproportionately concentrated in longer-dated earnings stocks, where valuation compression remains most acute as the market rotated into stocks with nearer earnings visibility. While frustrating near term, the investment team remains disciplined in prioritising structural improvements in earnings quality, rather than reacting to transient market noise.

The December quarter remained volatile as geopolitical tensions and divergent monetary policy settings continued to drive market uncertainty. US–China relations remained fragile, with China briefly tightening then partially reversing rare earth export controls, reinforcing the strategic importance and ongoing politicisation of critical supply chains. Most major central banks shifted toward a tightening bias as inflation remained sticky, while the US moved in the opposite direction, cutting rates twice and retaining scope for a further cut into 2026, increasing currency and asset volatility. Gold reached new all-time highs at US$4,320/oz on heightened uncertainty and continued central bank buying. Spodumene prices rebounded sharply, rising 80% to US$1,548/t on renewed battery energy storage demand. China's economy continues to struggle despite repeated stimulus efforts, highlighting the limits of policy transmission and persistent structural headwinds. By contrast, Japan's new Prime Minister has launched a ¥25 trillion stimulus package in an effort to reaccelerate growth, signalling a fresh policy experiment after decades of stagnation.

The Long portfolio detracted from performance as the outperformers from the previous quarter experienced profit taking despite reporting strong fundamental business momentum. Life360 Inc. sold off despite management upgrading FY25 guidance while acquiring the strategically significant full-stack advertising company Nativo to scale its advertising platform. TechnologyOne also detracted while reporting double-digit growth with improving traction in the UK. Xero fell despite announcing sustained subscriber and earnings growth, maintained Rule of 40 discipline and integrated Melio ahead of schedule with early performance meeting expectations.

The Short portfolio detracted as several stocks rallied on improving sentiment rather than clear fundamental change. Key detractors included South32, which rebounded on higher aluminium and copper prices despite maintaining high levels of debt and its inaugural CEO stepping down. Flight Centre rallied on the demise of a competitor as well as a small profit upgrade attributable to a recent acquisition. Reece rose after executing an aggressive off-market buyback at prices 26% above the pre-announcement level, alongside a trading update that continued to reflect soft housing conditions and elevated cost pressures.

The portfolio remains well balanced in an environment characterised by uncertainty around interest rates, geopolitics and commodity prices. The team will continue to apply the Australian Eagle investment process with discipline, focusing on identifying companies exhibiting a medium-term change thesis supported by high-quality strategic assets and improving earnings quality.

Portfolio Highlights

Positives

PLS Ltd (Long) – The share price followed lithium prices higher on renewed demand for battery energy storage systems. The September 2025 quarterly report demonstrated strong fundamental momentum, including growing production, lower unit costs, rising realised prices and growth projects progressing as planned. The stock has increasingly been recognised as the highest-quality lithium exposure on the ASX.

Silex Systems Ltd (Long) – SILEX Systems rose after passing independent testing on its demonstration plant in Paducah, becoming the first company to achieve TRL-6 for a third-generation uranium enrichment process. Uranium prices also strengthened during the period on expectations of rising long-term energy demand, driven by accelerating nuclear capacity buildouts and data centre-related power requirements.

Rio Tinto Ltd (Long) - RIO's share price rose as the market responded positively to the new CEO's approach where he signalled a more focused and disciplined capital allocation approach by selling non-core assets and concentrating on 3 growth projects - Simandou (iron ore), Oyu Tolgoi (copper), and Rincon (lithium). Share price was also assisted by rising copper and lithium prices with the share price now at all-time highs.

Negatives

Life360 Inc. (Long) – The share price eased on softer MAU growth despite the transformational Nativo acquisition, which materially enhances Life360's advertising monetisation platform. The company has demonstrated significant operating leverage, upgrading revenue and profit guidance as international subscriber monetisation and advertising revenue continue to grow.

Technology One Ltd (Long) – The share price declined following the FY25 result, falling short of market expectations despite delivering high double-digit growth and reaffirming progress toward the FY30 target of $1bn in Annualised Recurring Revenue. Management also reported strong early adoption of its proprietary AI module, Plus, alongside continued momentum in the UK business.

Xero Ltd (Long) – The share price declined despite a strong 1H26 result, with the business again delivering a Rule of 40 outcome above 40%. The transformational Melio acquisition completed ahead of schedule, with underlying revenue growth tracking ahead of expectations. The medium-term outlook remains supported by continued subscriber growth, an expanded addressable market and incremental cross-selling opportunities.

Portfolio Changes

Increased Exposure

Aristocrat Leisure Ltd (+2.75%; Long): A global gaming content and technology company. Earnings quality continues to improve as recurring digital revenue grows following the successful integration of NeoGames and rising online market share. The company maintains a strong balance sheet and disciplined capital allocation, supporting both shareholder returns and accretive reinvestment.

Brambles Ltd (+2.00%; Long): A global pallet pooling and logistics provider. The company reconfirmed its FY26 outlook and highlighted its ongoing focus on operational efficiency through the Serialisation program. This supports Brambles' transition toward a more capital-light, cash-generative model with rising capacity for shareholder returns.

PLS Ltd (+1.25%; Long): A global lithium miner. The company reported production above expectations in its 1Q26 update, with costs well controlled and solid lithium recoveries. The business remains well positioned with a strong balance sheet and continued leverage to improving lithium prices.

Decreased Exposure

Telix Pharmaceuticals Ltd (-2.75%; Exit Long; Entry Short): A global radiopharmaceuticals company. Ongoing SEC scrutiny and delays across key drug approvals have exposed weaknesses in management's ability to execute across FDA and regulatory pathways. Recent M&A activity is also expected to weigh on margins. In our view, the accumulation of execution and regulatory risk outweighs the near-term commercial positives, leading to a deterioration in the risk-reward profile.

WiseTech Ltd (-3.00%; Entry Short): A developer of logistics and supply chain software. Management instability and the transformational e2open acquisition have materially increased execution, integration and balance sheet risk, compounded by unresolved governance concerns linked to a powerful founder. With limited visibility on sustainable organic growth, the stock remains vulnerable to further downside.

REA Group Ltd (-3.00%; Entry Short): A multinational property advertising platform. FY26 listings are expected to remain broadly flat with early data confirming continued softness and increasing leakage into off-market transactions as agents bypass the major portals. Underperformance in India and higher competitive risk following CoStar's acquisition of Domain further skews the risk-reward to the downside.

Quarter-End Position & Portfolio Exposures

As at 31 December 2025, the Fund had net exposure of 95.65% and gross exposure of 190.0% to equities. Cash was 4.35%.

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

Stock Highlight: Brambles Ltd (BXB) – Long Position

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

Brambles – From Capital Sinkhole to Cash Machine

For more than a decade, Brambles' primary structural weakness was its heavy capital intensity. A large proportion of operating cash flow was continuously recycled into pallet purchases, repairs and replacement, constraining free cash flow generation and limiting shareholder returns despite the company's strong pooling network and embedded customer relationships. The market penalised the share price for this capital drag as it masked the underlying quality of the franchise.

Management has now executed a multi-year operational transformation, aimed at breaking this constraint by reducing capital intensity, improving asset control and lifting network productivity. The early evidence suggests this is not incremental optimisation but a structural shift in how the business operates. Automated pallet repair facilities are materially lowering labour intensity while increasing throughput and consistency. Pallet serialisation and digital tracking are delivering end-to-end asset visibility, materially improving recovery rates, reducing loss and shrinkage and lowering the level of uncompensated capital expenditure historically required to sustain the pool. These initiatives convert Brambles from a largely analogue logistics operator into a data-enabled infrastructure platform with materially higher operating leverage and capital efficiency.

Looking forward, the core investment thesis rests on the compounding impact of structurally lower pooling capex and rising free cash flow conversion. As asset recovery continues to improve and repair productivity scales, maintenance and growth capex requirements should continue to trend lower as a percentage of revenue. This creates a self-reinforcing flywheel as rising free cash flow enables faster balance sheet repair and higher shareholder returns. Selective reinvestment into high-return automation and digital initiatives then further strengthens capital efficiency and competitive advantage.

Management has already signalled this inflection in capital deployment behaviour, increasing payout ratios and executing meaningful buybacks, returning over US$400 million to shareholders in FY25 with a further US$400 million authorised for FY26. This represents a meaningful shift in corporate DNA — from reinvesting the cash flow back into asset replacement, now actively harvesting and returning surplus cash generated by a structurally more efficient asset base.

Brambles is no longer simply a scale logistics operator recycling capital to stand still. It is transitioning into a digitally enabled logistics infrastructure platform with structurally rising cash generation, improving returns on capital and a clear pathway to sustained shareholder compounding.

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%	2.23%	-5.76%	-2.14%							**-6.12%**

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 https://austeagle.com/australian-eagle-trust-long-short-fund/ for the PDS or https://austeagle.com/wp-content/uploads/2026/01/TMD_Australian-Eagle-Trust-20251219.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.