31 DECEMBER 2024

AUSTRALIAN EQUITIES FUND

PARADICE
INVESTMENT MANAGEMENT

PERFORMANCE NET (%)	1 MONTH	3 MONTHS	1 YEAR	3 YEARS	5 YEARS	7 YEARS	SI* P.A.
Australian Equities Fund	-3.66	0.42	16.62	9.18	9.31	9.13	10.11
S&P/ASX 200 Total Return Index	-3.15	-0.80	11.44	7.41	8.06	8.47	9.02
Excess Return	-0.51	1.22	5.18	1.77	1.25	0.66	1.09

*Since Inception date (SI) – 2 August 2017

Past performance of the Fund is not a reliable indicator of future performance. The value of an investment in the Fund may rise or fall. Returns are not guaranteed by any person. Fund returns are calculated before tax, after ongoing management costs and any accrued performance fees, and assumes the reinvestment of distributions. Returns greater than 1 year are annualised.

INVESTMENT OBJECTIVE

The Fund aims to outperform the S&P/ASX 200 Total Return Index (after fees and before taxes) over a rolling three to five year period.

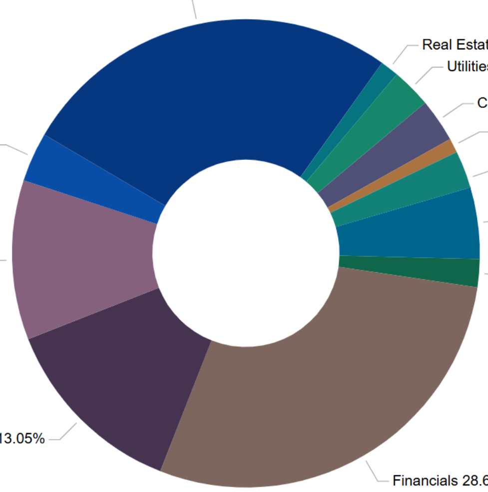
LEAD PORTFOLIO MANAGER

Troy Angus & Julia Weng

FUND OVERVIEW

The highly experienced team use a detailed fundamental research process to find stocks that are growing faster with better outlooks over the next 3–5 years. The Fund is agnostic of investment style and employs a long term 'bottom up' approach to investment.

SECTOR ALLOCATION



KEY DETAILS	
Number of Holdings	41
Portfolio Dividend Yield	2.82%
Fund Size (AUD)	$ 107M

TOP 10 POSITIONS	WEIGHT %
BHP Group Ltd	7.97
Macquarie Group, Ltd.	6.09
QBE Insurance Group Ltd.	5.68
Resmed Inc	5.18
CSL Ltd.	5.07
Alcoa Corporation	4.77
Brambles Ltd.	4.68
Block, Inc.	4.16
Commonwealth Bank of Australia	3.83
Treasury Wine Estates Ltd.	3.42

FUND DETAILS	
APIR Code	ETL8084AU
Distribution Frequency	Semi-Annually
Management Fee[1]	0.75% p.a.
Performance Fee[2]	15% p.a.
Buy / Sell Spread	+/- 0.20%
Minimum Investment	$20,000
Stock Range	Typically 30–50
Cash Range	0–10%

02 8227 7400 | distribution@paradice.com | www.paradice.com

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Performance in AUD unless otherwise noted.

MARKET REVIEW

The S&P/ASX 200 Total Return Index weakened 0.8% in the December quarter. Banks performed the best, rising 6.2%. Three major banks (ANZ, NAB and WBC) reported results that were fractionally better, with low loan losses again. This drove net 1.3% EPS upgrades for FY25 (from a 2.7% EPS decline yoy, to a smaller 1.4% fall). Pre-Provision Operating Profits were revised up a negligible 0.3%, meaning that expectations for lower loan losses next year drove most of the upgrades. Despite that, Bank valuation multiples expanded another 0.8x multiple points[1].

Trading updates from consumer-land were mixed. Woolworths, Endeavour, Dominos and Flight Centre cited a soft consumer, margin pressures, and competition challenges. Coles showcased its Ocado facility and appears to be outperforming peers. Aristocrat released earnings and flagged growth opportunities for its new Phoenix Link game. Consumer Staples fell 5.4% in the quarter, while Consumer Discretionary advanced 2.1%.

Materials fell 11.9%, with quarterlies highlighting some weaker than expected production and cost headwinds. The Bloomberg Commodities index was stable at just 0.4% down (in USD). However, Iron Ore fell 9.1% (in USD), and other industrial commodities were generally weak also, on Chinese demand concerns. JKM LNG rose 8.5% on a colder start to the European winter, and Brent oil was slightly stronger rising 4.0% (both in USD).

PERFORMANCE

The Fund outperformed by 1.22% over the quarter.

Contributors/Detractors

Positives

Block (SQ2) Overweight
Block rose on a result beat and confidence around the topline reaccelerating in 2025.

QBE (QBE) Overweight
QBE rose on guidance confirmation and higher investment yield outlook.

Insurance Australia Group (IAG) Overweight
IAG rose on guidance confirmation and acquisition of RACQ which is expected to be earnings accretive.

Qantas (QAN) Overweight
Qantas rose on improved outlook for the domestic business supported by strong demand.

Resmed (RMD) Overweight
Resmed rose on a result beat as demand for CPAP and masks continued to grow strongly.

Negatives

Commonwealth Bank of Australia (CBA) Underweight and Westpac (WBC) Not held
Both rose on marginally better quarterly profits due to lower one-off loan losses, and seemingly also due to a rotation from resources and following the US Banks despite different fundamentals.

Newmont (NEM) Overweight
Newmont underperformed on a disappointing 2025 production outlook and escalating costs.

WEB Travel Group (WEB) Overweight
Web Travel fell on a lower revenue margin outlook as competition and softer travel trends weighed.

Pro Medicus (PME) Not held
Pro Medicus rose as contract wins underpinned positive earnings revisions into FY26.

Portfolio Changes

Purchases

Alcoa (AAI)
Alcoa was purchased on an improving demand outlook for aluminium, tight feedstock supply, and strong valuation support.

Insurance Australia Group (IAG)
IAG was increased on evidence of higher volume growth, moderating inflation, and reduced volatility around catastrophe claims following recent reinsurance arrangements.

Ansell (ANN)
Ansell was purchased on an improving demand outlook for Industrial and Healthcare gloves and rising margins following a prolonged covid-induced destocking cycle.

Treasury Wine Estates (TWE)
Treasury Wine Estates was purchased on increased confidence around FY25 earnings outlook and attractive valuation.

Xero (XRO)
Xero was increased on evidence of strong topline growth and profitability metrics at the recent results.

Sales

National Australia Bank (NAB)
NAB was reduced as valuation remained challenging, particularly as guidance for investment spend is likely to weigh on already flattish earnings outlook.

ANZ Group (ANZ)
ANZ was reduced as integration risk around Suncorp Bank is likely to weigh on earnings growth.

Newmont (NEM)
Newmont was reduced as production guidance for 2025 disappointed.

BHP (BHP)
BHP was reduced as alternatives RIO and FMG were purchased for a more direct exposure to a seasonally strong outlook for iron ore.

Vicinity Centres (VCX)
Vicinity Centres was reduced as higher for longer interest rate outlook dampens pace of earnings growth.

1. All references to Bank performance relative to the month of November, when they reported.

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ENGAGEMENT

During the quarter we undertook a total of 35 engagements in which we discussed ESG matters, with 24 companies relevant to the strategy. While most were held with either the Chair or CEO, this quarter we also engaged directly with companies' sustainability teams for a topic deep dive on many occasions. The engagements covered a range of issues and most covered multiple ESG matters. Climate change continued to be a strong focus, as was ethical business conduct and managing stakeholder relations. With many companies holding their annual general meetings (AGMs) in the period, we also held a number of engagements on executive remuneration.

We held multiple engagements with ANZ Banking Group (ANZ) in relation to conduct issues and other matters such as climate change in advance of the AGM, commencing with a post-results meeting with the

CEO. In two pre-AGM meetings with management, we discussed the bank s approach to assessing its customers climate transition plans and how it was determined the FY24 remuneration outcomes were appropriate in light of APRA s capital overlay and ongoing investigations relating to risk culture. We also subsequently wrote to the Chair to reiterate our concerns regarding the capital overlay and ongoing investigations.

We also met with Aristocrat Leisure (ALL), continuing our ongoing engagement on responsible gaming with the company given the release of its latest sustainability report. While we were pleased to see Aristocrat establish a responsible gaming strategy and offer accountability through several targets, we sought to understand how these were set to better determine how ambitious these are. We will continue to engage the company to implement identified harm reduction initiatives as soon as practicable.

OUTLOOK AND POSITIONING

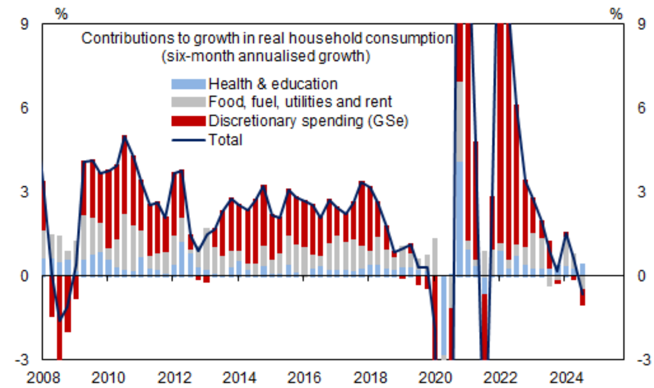
The US market s bullish exuberance in late 2024 is likely to be tested during 2025 in our view as the market confronts the reality of Trump s higher tariffs regime, immigration policies, and debt-fuelled fiscal spending. Following recent solid employment and inflation figures, the Fed has also scaled back their forecast for rate cuts, now pricing just 2 rate cuts for 2025. Jay Powell recently observed the economy is not sending any signals that we need to be in a hurry to lower rates. The economic backdrop for the time being is resilient, albeit there is an increased risk of stagflation.

On the other hand, China is sharpening its resolve to adopt a more proactive fiscal policy and a moderately loose monetary policy, a departure from providing stability historically. It will need to step up stimulus considerably, given it faces increasing pressure from tariffs and a slowing Rest of World economy. Specifically, the Politburo promised to forcefully lift consumption and stimulate domestic demand in a bid to drive GDP growth, likely c5% again in 2025.

In Australia, GDP growth was weak at 0.4% in the September 2024 quarter, with public demand the only contributor to growth. Real household consumption growth is now declining despite 1 July tax cuts (which have largely been saved), however with unemployment at 3.9%[2] at November 2024, this will likely inhibit the RBA s capacity to bring forward rate cuts.

Following chart dated 4 Dec 2024

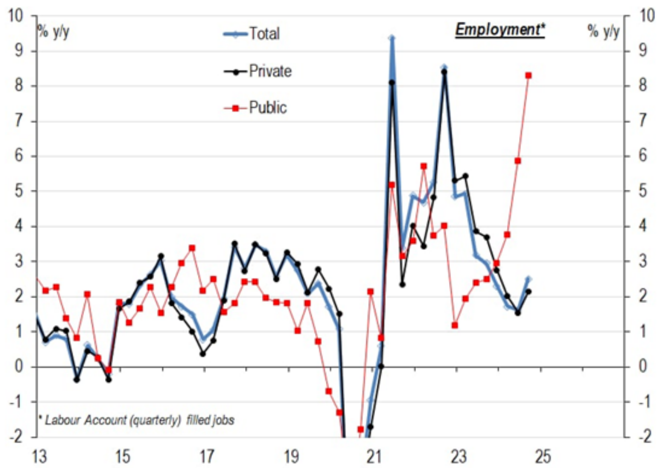
Consumption growth remains subdued in Australia



Source: ABS, Goldman Sachs Global Investment Research

Following chart dated 14 December 2024

AU Employment data   Pu lic sector employment   oomed   y a new record high pace of   y y



Source: ABS, Macrobond, UBS

The portfolio is overweight Materials. The portfolio is also overweight Aluminium via Alcoa, Rio Tinto and South32 as we see favourable supply / demand dynamics. The portfolio is overweight Gold through Newmont and Northern Star. Gold is favoured as a store of value against both inflation and crisis, and typically outperforms when the interest rate cycle is peaking.

Financials are underweight, via Banks. Banks have re-rated to 35-year valuation highs yet have minimal growth outside one-off lower loan losses. The portfolio is overweight insurers QBE and IAG, which are benefiting from an ongoing insurance hardening (pricing) cycle. The portfolio continues to hold Block on expectations topline growth will accelerate, and Macquarie on expectations of an earnings trajectory improvement.

2. Seasonally adjusted rate.

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The portfolio is positioned in selective Industrial stocks with growing earnings and attractive valuation. These include Brambles as it continues to grow earnings and generate free cashflow, and SGH where earnings and margin outlook are supported by a sustained infrastructure and mining equipment replacement cycle.

Within the Consumer sectors, the Fund is overweight A2M and Treasury Wines as well as Qantas. A2M is capitalising on the disruptions from SAMR registrations and exodus of multinationals to gain market share. Treasury Wines is attractively valued for the expected growth of its Penfolds brand, as it gears up for return of the China market.

The portfolio is overweight Healthcare as valuation increasingly appears attractive as earnings revisions have stabilised. Within Healthcare, the portfolio favours Resmed, which has been oversold on the back of GLP-1 drug fears, yet continues to deliver strong earnings growth particularly in a benign competitive environment, in our view. The portfolio is also overweight Ansell, which is showing earnings growth post a severe Covid-induced destocking cycle.

The Fund is underweight Real Estate where earnings growth remains challenged amidst a higher for longer interest rate backdrop.