

## Performance Summary

Net of fees and expenses	3M	FYTD	1Y	3Y*	5Y*	10Y*	Inception*	FY2024	FY2023	FY2022	FY2021	FY2020
CI Australian Equities Fund %	2.51	-5.97	-5.97	4.74	7.28	7.04	9.88	8.49	12.65	-2.72	27.08	-2.13
S&P/ASX 200 Accumulation Index %	9.50	13.81	13.81	13.56	11.85	8.86	8.83	12.10	14.78	-6.47	27.80	-7.68
Relative %	-6.99	-19.78	-19.78	-8.82	-4.57	-1.82	1.05	-3.61	-2.13	3.75	-0.72	5.55

Past performance is not a reliable indicator of future performance  
Source: Internal CI data reports, June 30, 2025

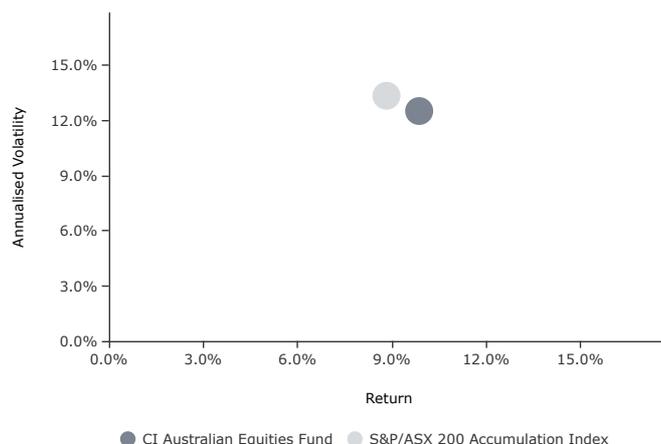
Inception Date: 4 July 2002  
\*Annualised

### \$100K INVESTED SINCE INCEPTION (NET)



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Source: Internal CI data reports, June 30, 2025

### RISK/RETURN SINCE INCEPTION (PER ANNUM)



*“By three methods we may learn wisdom: First, by re-ction, which is noblest; second, by imitation, which is easiest; and third, by experience, which is the bitterest” – Confucius*

First, thank you to our loyal investors for their partnership and commitment during a time when our results fell short of your expectations and ours. In response, we have made decisive changes that have since stabilised performance.

## Performance Overview

This quarter, our fund returned 2.5%, underperforming the S&P/ASX 200's 9.5% gain by 7.0%. Over the past 12 months, the fund declined 6.0%, while the index rose 13.8%, resulting in a 19.8% shortfall.<sup>1</sup>

These results are disappointing and warrant careful analysis, both of what happened and why:

- **We were too early on several cyclical stocks:** In investing, being early is often indistinguishable from being wrong. Our investment in Iluka Resources (ILU) is an example. The lesson: it's better to observe than predict.
- **We had too much exposure to complex turnarounds:** Turnarounds are rarely easy, and they become even harder when the business faces persistent challenges. Ryman Healthcare (RYM), Lendlease (LLC) and Ramsay Health Care (RHC) all fell into this category. The lesson: only pursue turnarounds when the odds are overwhelmingly in your favour.
- **We were too underweight large, high-quality companies:** Capital would have been better placed in established leaders like Commonwealth Bank of Australia (CBA) and Wesfarmers (WES), which continued to deliver compounding growth by leveraging their strategic advantages. The lesson: being significantly underweight in *truly* great companies can be a recipe for regret.

## Team & Portfolio Reset

In April, we restructured our portfolio management team. Andrew Swan is Co-Portfolio Manager, Frank Podrug has been promoted to Co-Portfolio Manager and Girish Nair has joined as Portfolio Strategist. The new team has reviewed every position and restructured the portfolio.

Our aim is to return the fund to the kind of outperformance that defined our long-term record prior to FY23, when we delivered 11.9% gross annualised performance for a 3.4% p.a. alpha (since inception).

The new team in place is focussed on executing the CI money-making system and philosophies, including:

- 1. Structured to be lucky:** we seek value latency, quality-adjusted with asymmetry in VOF trends (value latency, operating & industry trends, and focussed management behaviour). Simply put, we want more upside than downside.
- 2. Observation not prediction:** Anchor decisions in facts not opinion. It's better to be a bit late than too early – it's a small price to pay for validation of a signal.
- 3. Integration:** Integrate bottom-up, top-down, qualitative and quantitative. Relativities matter as much as absolutes, particularly for the largest stocks and sectors.

We acted decisively to align the portfolio more closely to these principles again. We cut exposure to challenging turnarounds where we could not get comfort on the risk profile, addressed certain factor concentration risks and exited several non-core positions. This resulted in us selling Lendlease (LLC), Iluka Resources (ILU), HMC Capital (HMC) and DigiCo Infrastructure REIT (DGT). We have added some new high-quality ideas and increased our weight in existing positions where conviction was higher.

From 1 July, we are confident that the portfolio is in good shape with high quality, liquid names and 2.7% cash.

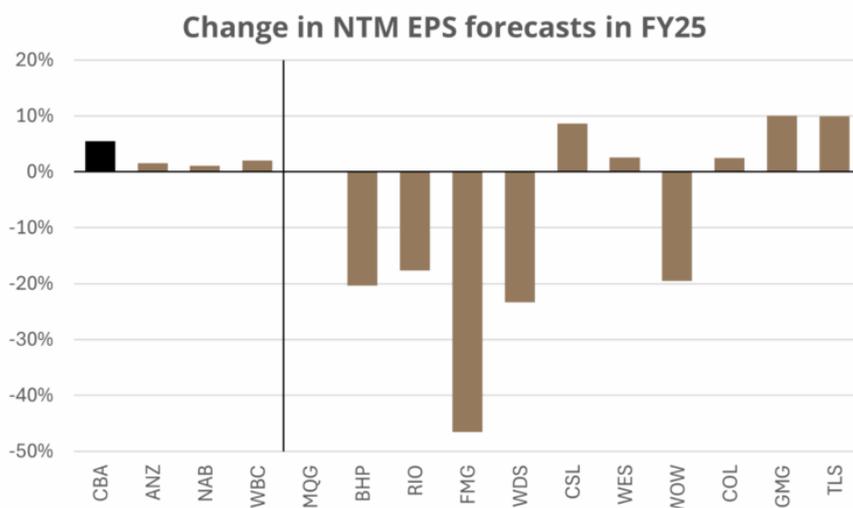
## Market Observations

### Banks

Bank valuations are clearly very elevated by historical standards: CBA's forward P/E ratio is more than four standard deviations above its 20-year median, while Westpac's (WBC) is at three.

This outperformance has been driven by a combination of factors:

- Index adjustments & flow dynamics:** A growing weight in regional indices, flows into superannuation funds (which tend to have higher allocations to banks) and passive inflows.
- Tight share registers:** With close to half the register comprising retail investors, ~30% being passive, and industry/sovereign wealth funds/quants adding another ~15%, active managers are less than 10% of CBA's register. This creates a register squeeze when buying demand increases.
- Earnings stability:** while earnings growth has been low, the major banks have delivered both consistent earnings and a superior revision trajectory to large alternatives like resource stocks.



Source: Factset

While such extremes are rarely sustained over the long-term, for now operating trends remain robust with various margin swing factors likely to fall in their favour (e.g. short-term wholesale funding costs, deposit repricing) and asset quality proving incredibly resilient. This could lead to further upgrades as we head into FY26.

### Miners

In contrast to the banks, miners have endured a very challenging period characterised by earnings downgrades and underperformance. While such a set up can precede a rally, a contrarian setup alone is rarely sufficient – operating trends must show tangible improvement.

While Australia's large miners have exposure to commodities with attractive fundamentals like copper, the core earnings driver is still iron ore. The demand outlook here is largely dependent on Chinese economic policy, with the miners historically benefitting from China's willingness to deploy large scale steel-intensive property and infrastructure stimulus.

However, the current regime has steadfastly pursued a different approach, seeking to escape the infamous “middle-income trap” by transitioning to more advanced value-add manufacturing and consumption-led growth. In practice, this means less steel-intensive growth, which when combined with ongoing weakness in the property sector creates a less favourable backdrop for iron ore demand.

On the supply-side, looming production from the large Simandou iron ore project in Guinea could create a potential 120Mtpa overhang coming years. The ultimate impact will depend on how much high-cost marginal production it displaces.

We will observe closely, looking for underappreciated value and asymmetries that might emerge.

## The Australian Equity Fund

This period has been challenging, but it has sharpened our focus and clarified our strategy:

- A **core specialist manager of large cap Australian equities**, and
- We seek **underappreciated value** with **strong quality attributes** and **asymmetric VOF trends**.

We are committed to winning back the trust of our clients by delivering what you have historically come to expect from us: alpha generation through the execution of a quality process.

We look forward to sharing more information on our progress in upcoming reports.

## Portfolio Snapshot

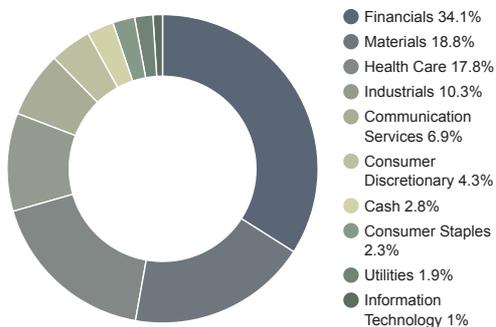
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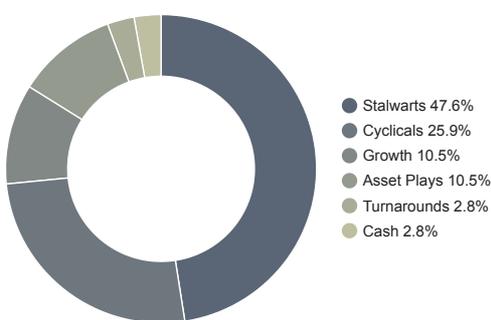
### TOP 5 FUND HOLDINGS

NAME	SECTOR	SUBSET
BHP Group Ltd	Materials	Cyclicals
CSL Limited	Health Care	Growth
National Australia Bank Limited	Financials	Stalwarts
Macquarie Group Ltd	Financials	Stalwarts
ANZ Group Holdings Limited	Financials	Stalwarts

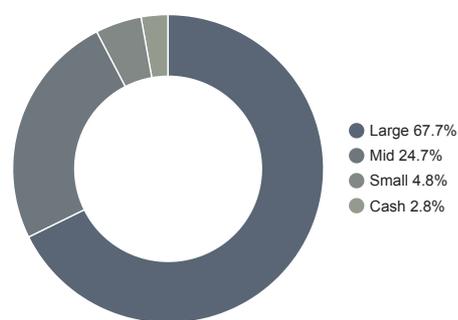
### SECTOR EXPOSURE



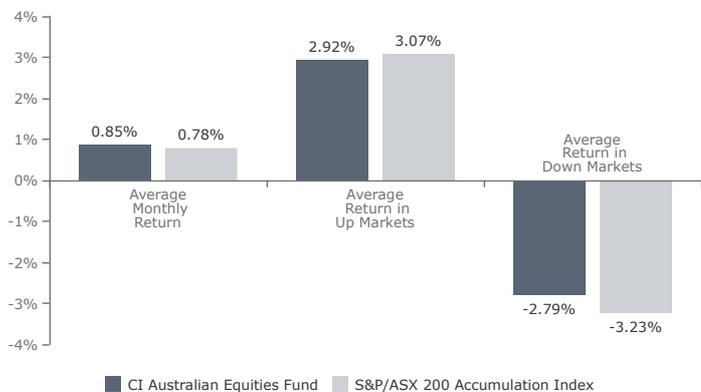
### SUBSETS OF VALUE



### MARKET CAPITALISATION



### SINCE INCEPTION NET RETURNS IN UP/DOWN MARKETS



## Further Information

Looking for further information regarding the Fund, please don't hesitate to get in touch:

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