

# CI Australian Equities Fund



QUARTERLY REPORT March 31, 2026

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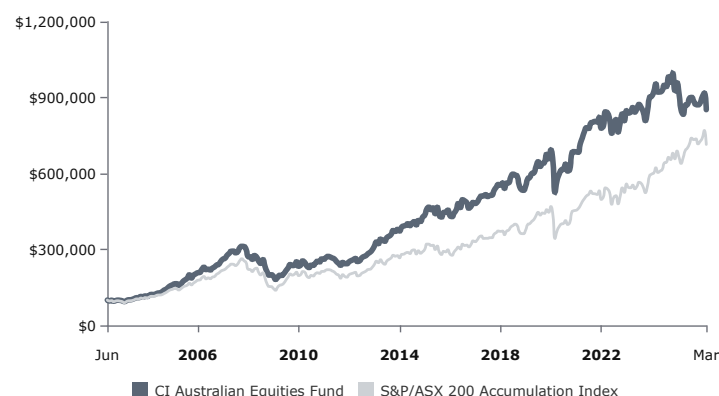
## Performance Summary

Net of fees and expenses	3M	FYTD	1Y	3Y*	5Y*	10Y*	Inception*	FY2025	FY2024	FY2023	FY2022	FY2021
CI Australian Equities Fund %	-2.96	-2.35	0.10	0.36	3.52	6.74	9.43	-5.96	8.49	12.65	-2.72	27.08
S&P/ASX 200 Accumulation Index %	-1.61	1.98	11.67	9.53	8.62	9.43	8.63	13.81	12.10	14.78	-6.47	27.80
Relative %	-1.35	-4.33	-11.57	-9.17	-5.10	-2.69	0.81	-19.77	-3.61	-2.13	3.75	-0.72

Past performance is not a reliable indicator of future performance  
Source: Internal CI data reports, March 31, 2026

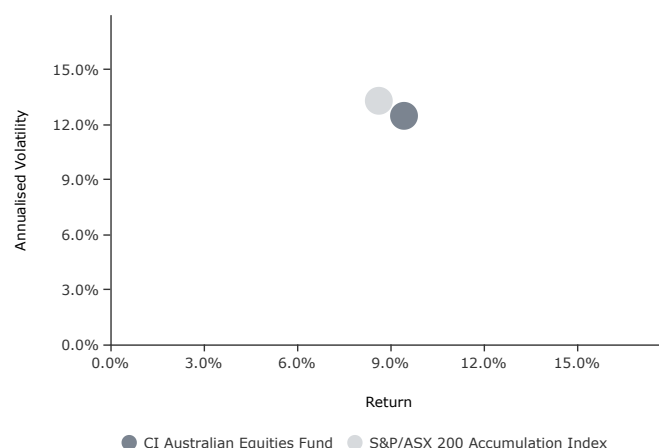
Inception Date: 4 July 2002  
\*Annualised

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



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



*"Accept – then act. Whatever the present moment contains, accept it as if you had chosen it." - Eckhart Tolle*

*"We succeed only as we identify in life, or in war, or in anything else, as a single overriding objective, and make all other considerations bend to that one objective."*

*- Dwight D Eisenhower*

## Quarterly Highlights

The ASX200 Accumulation Index returned -1.61% for the quarter, masking a large difference between monthly performances as the onset of the "Iran war" saw the market fall 7.15% in the month of March. The portfolio returned -2.96% over the quarter. <sup>1</sup>

For the portfolio, top performers included Santos (STO) (rise in oil price together with more positive news around the start-up of two new projects), Ramsay Healthcare (RHC) (a half-year result indicating that some change is taking place at the company) and BlueScope Steel (BSL) (protracted takeover bid from SGH Limited (SGH) and Steel Dynamics (STLD)).

The key detractors were Light and Wonder (LNW) (sold down on the back of fears that AI will disrupt its business), CSL Limited (CSL) (a result which, despite confirmation of full year guidance, left the market suspicious of its short term prospects) and SGH Limited (SGH) (bidder for BlueScope (BSL), and a market view that the company has run out of growth).

<sup>1</sup> Past performance is not a reliable indicator of future performance.

# Portfolio Insights & Market Observations

The March quarter saw three forces coalesce to create significant volatility in share prices.

Firstly, the release of new AI LLMs (large language models) from OpenAI, Gemini and Anthropic led to a further de-rating in software stocks and other sectors (e.g. Insurance Brokers), who are likely at risk from wide adoption of AI models and AI agents. The use of AI agents, or agentic applications, in various enterprise processes no doubt has potential for large scale disruption.

Secondly, various cracks emerged in the private credit sector as investors became concerned loan defaults were increasing and that a number of funds had lent heavily to many software companies at risk of disruption. Multiple funds were forced to stop or limit redemptions to manage liquidity risk.

Finally, the Iran war saw oil prices spike to \$120 from ~\$70 prior to the war, with concerns around significant supply disruption. This led to bond and equity markets falling as investors priced higher inflation, higher long-term interest rates (yields) and a likely slowing in economic growth.

The Fund has multiple exposures to energy via oil, LNG, and indirectly thermal coal (which as a commodity becomes more attractive as gas/LNG prices rise given its substitutability). Santos (STO) and Origin Energy (ORG) have oil and LNG exposure, while Soul Pattinson (SOL) has exposure to thermal coal via its holding in New Hope (NHC), and, less directly, Orica (ORI) sells explosives into the coal industry.

In contrast to these energy exposures, the Fund's longer duration stocks struggled with the change in market backdrop, as did smaller capitalisation stocks e.g. Ryman (RYM). Smaller capitalisation stocks tend to be more impacted in market selloffs as liquidity exits the market.

The Banks were key out-performers in the quarter. Strong profit results reflected accommodating monetary policy, which the RBA has now had to reverse, leading to some of the strongest growth in credit over the past decade. The big 5 Banks are now among the top 7 companies by market capitalisation on the ASX, with BHP and WES also in the mix. In part, this reflects increased flow of passive money, but more recently a rotation out of sectors exposed to AI risk not just in Australia, but globally. We remain of the view the banks are fully valued and so remain underweight the sector. Multiples of assets, earnings or dividends all point to a lack of latency vs history. A key risk for investors in index funds is concentration, particularly to the Banks. While rising interest rates has tended to work in bank's earnings favour historically, when now combined with the sharp rise in fuel prices, and the likely follow on more general price rises, the rate of growth in credit is likely to slow and we may well have seen the best of the very benign credit cycle seen over the last few years.

The Iran war has elicited many comments and observations. While we cannot predict the outcome, it is safe to say the damage already inflicted to infrastructure and facilities in the Middle East means the world is unlikely to revert to previous "normal" in the near term. Clearly oil/energy have been the topics of most interest, however there is one area we have not seen written about in great detail – that is that Iran is the 5th largest exporter and the 10th largest producer of steel globally. And some reporting that up to 70% of its steel production capacity has been destroyed (Euro News quoting Israel president Benjamin Netanyahu). At the very least, at the margin this will be positive for steel prices globally.

## Stock Stories

RYM held an investor day during the quarter. In short:

- Market trends remain relatively subdued and RYM continues to work through excess inventory however there are early signs of greenshoots.
- Private equity players (Stonepeak) are running materially higher debt vs listed players in the sector. RYM's debt levels are materially below both these private players and listed players, which points to value latency medium term.
- Head office costs are still high at RYM vs peers (particularly private peers) – we remain focused on engaging with Board and management on these issues.

Newscorp (NWS) also hosted an investor day in New York to showcase its Dow Jones ("DJ") business, with multiple presentations across business lines. DJ set a 5-year \$1bn EBITDA target (currently ~\$550m) with the bridge from current EBITDA being:

- Strong growth from Energy and Risk ~ both are currently growing EBITDA mid/high teens.
- Wall Street Journal consumer pricing ~ currently underpriced vs Financial Times (UK) given strong brand position.
- Enterprise growth, a much higher margin business.
- Cost control/efficiency (+4% cost growth vs +7% revenue growth last 8 years drove mid-teens EBITDA).

We continue to see significant value latency. At present, NWS ex REA has an Enterprise Value of \$4.5bn with ~\$1bn of EBITDA with a runway to grow this to \$1.5-\$1.7bn EBITDA over the next 5 years.

CSL has come under pressure on the market for some 12 months now. We did reduce our position at a much higher price, but we were too slow to recognise the issues the company has had internally and so have suffered underperformance as a result. CSL has largely escaped impact from the Trump tariffs, and its core business, the plasma industry, continues to grow in the mid-single digit range despite increasing competition from new products. So at face value the backdrop has not been too onerous. However, over the past years, some of CSL's strengths have gone missing:

- R&D success has been much lower than historically has been the case, and has recently included the failure of a large project at a cost of hundreds of millions of dollars.
- A lack of commercial focus became evident (e.g. lack of a salesforce for a key product, loss of a UK tender).
- Lack of true cost focus (has led to a \$500m cost savings project).
- The acquisition of Vifor has underperformed expectations.

The above having been said, CSL has moved to rectify the issues by, in our view, a very sensible appointment as CEO (highly experienced and worked previously for CSL in many parts of the business with success in each case) and a new CFO (an internal appointment). We believe these appointments will clear up the problem the company has had with its messaging of late, and over time, turn around its operational performance. The stock has derated to circa 15X PE – the cheapest it has been for many years. We believe that any degree of success in the turnaround/reset is not in the price today.

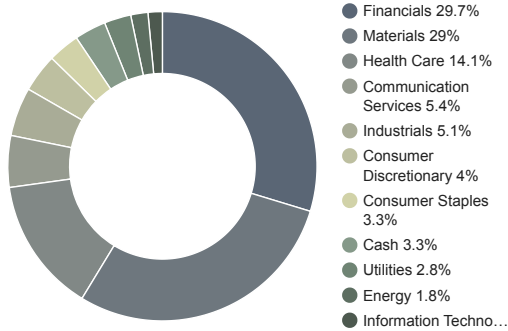
# Portfolio Snapshot

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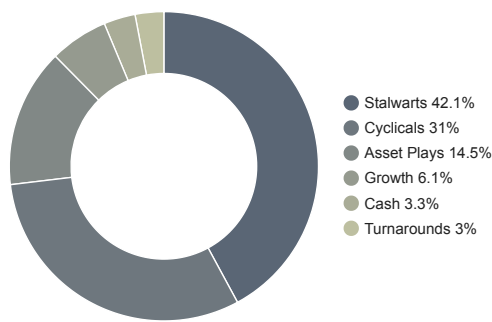
## TOP 5 FUND HOLDINGS

NAME	SECTOR	SUBSET
BHP Group Ltd	Materials	Cyclicals
Commonwealth Bank of Australia	Financials	Stalwarts
ANZ Group Holdings Limited	Financials	Stalwarts
CSL Limited	Health Care	Stalwarts
Washington H. Soul Pattinson and Company Limited	Financials	Asset Plays

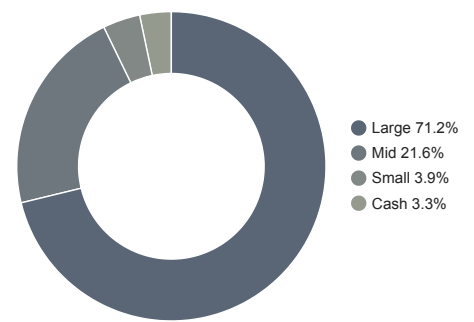
## SECTOR EXPOSURE



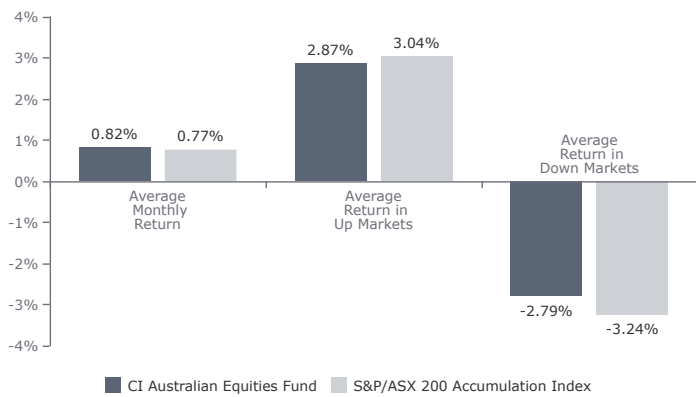
## SUBSETS OF VALUE



## 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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