Airlie Australian Share Fund
(Managed Fund)

A concentrated, active portfolio of Australian equities.
Accessing the Airlie investment team and Magellan's operational and client services capabilities.

Airlie Funds Management

Ticker: AASF

Fund Update: 31 December 2022 ARSN: 623 378 487

FUND FACTS

Investment Objective: To provide long-term capital growth and regular income through investment in Australian equities.

Investment Strategy
- Long only, bottom up specialised and focused Australian equities fund
- Concentrated portfolio of 15-35 stocks (target 25)
- Active, high conviction approach - Airlie's 'best ideas'

Inception Date	1 June 2018	
Benchmark	S&P/ASX 200 Accum. Index	
Portfolio Size	AUD $329.4 million	
Distribution Frequency	Semi-annually	
Management Fee	0.78% p.a. (inclusive of net effect of GST)	
Ticker	AASF	
Tickers	**Solactive**	**ICE**
Bloomberg (AASF AU Equity)	AASFAUIV	AASFIV Index
Thompson Reuters (AASF.AX)	AASFAUDINAV=SOLA	AASFAUiv.P
IRESS (AASF.AXW)	AASFAUDINAV	AASF-AUINAV.NGIF
APIR	MGE9705AU	
Minimum Initial Investment#	AUD$10,000	
Buy/Sell Spread	0.14%/0.14%	

WHY CHOOSE THE AIRLIE AUSTRALIAN SHARE FUND?

- Access to an experienced, proven investment team specialising in Australian Equities, with a long track record of prudent common-sense investing
- A conservative and robust investment process that focuses the team's energies on their best ideas
- The strategy is now available to retail investors for the first time through the partnership with Magellan

PORTFOLIO MANAGERS

Emma Fisher
Over 13 years investment experience. Formerly an investment analyst within the Australian equities team at Fidelity International and prior to that Nomura Securities.

Matt Williams
Over 30 years investment experience. Formerly Head of Equities and portfolio manager at Perpetual Investments.

Visit www.airlieaustraliansharefund.com.au for more information, including: fund performance, unit prices and iNAV, investment insights, PDS & forms

 # only applicable to investors who apply for units directly with the fund.

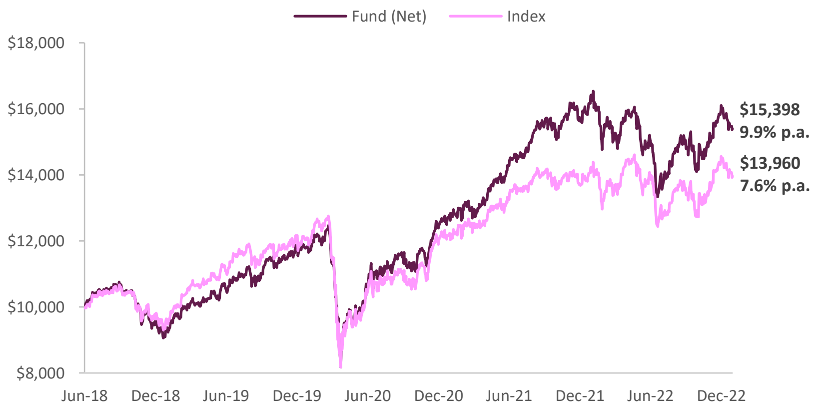
PERFORMANCE*

	Fund (%)	Benchmark (%)	Excess (%)
1 Month	-3.5	-3.2	-0.3
3 Months	8.7	9.4	-0.7
6 Months	13.2	9.8	3.4
1 Year	-5.2	-1.1	-4.1
3 Years (p.a.)	9.7	5.5	4.2
4 Years (p.a.)	13.2	9.8	3.4
Since Inception (p.a.)	9.9	7.6	2.3

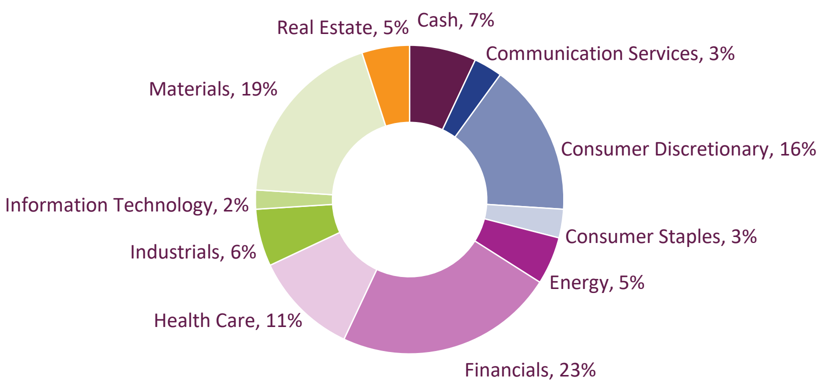
TOP 10 POSITIONS (BY WEIGHT)

Company	Sector**
BHP Group Ltd	Materials
CSL Ltd	Health Care
Commonwealth Bank of Australia	Financials
National Australia Bank Ltd	Financials
Macquarie Group Ltd	Financials
Mineral Resources Ltd	Materials
Wesfarmers Ltd	Consumer Discretionary
Medibank Pvt Ltd	Financials
News Corp	Communication Services
Santos Ltd	Energy

PERFORMANCE CHART GROWTH OF AUD $10,000*



PORTFOLIO POSITIONING**



* Calculations are based on exit price with distributions reinvested, after ongoing fees and expenses but excluding individual tax, member fees and entry fees (if applicable). Returns denoted in AUD.
** Based on GICS Sector classification, may not sum to 100% due to rounding.

MARKET COMMENTARY

The ASX200 index rose 9.4% this quarter, an incredible rebound that bought the total return of the Aussie share market to only a 1% decline over 2022. This is despite all the prognostications of doom and gloom throughout the year, and in the face of the most aggressively paced interest rate-tightening cycle in history.

Breaking this return down further, investors suffered a 5.5% capital loss over the year via declining share prices, partly compensated by a dividend yield of 4.4%. While the total return was slightly negative, the Aussie market fared much better than most global indices. For example, comparing our -1% with the -32% fall experienced by investors in the NASDAQ highlights the benefit of owning businesses that generate cash and profit, and pay it out as dividends. In hindsight, 2021 was the peak of the "free money" era, one side effect of which was excessively optimistic valuations for tech companies, many of which didn't make profits. In fact, over 50% of the NASDAQ index comprises of such loss-making companies. Central banks globally reversed course in 2022, embarking on rapid rate rises. This burst the free money bubble, and indices with a lot of valuation hot-air like the NASDAQ suffered disproportionately.

In terms of market outlook, our crystal ball is as cloudy as anyone else's, but our rear-view mirror is sparkling clean. Macro issues dominated in 2022 – inflation, an aggressive rate-tightening cycle, and energy costs were the major influences. Looking forward to 2023, it seems two out of the three will improve, whilst energy costs (exacerbated by the big transition) may remain an economic pressure point for quite a while yet. So, is there cause for optimism as inflation peaks (as per lead indicators) and central banks rate increases slow? Perhaps, but as "the great experiment" of the last decade comes to an end (and reverses) there are plenty of unknowns out there. The biggest being the sheer level of indebtedness in the world and how borrowers (both non-government and government) handle the increased servicing costs. In addition, coming off a false Covid demand environment - company margins and returns are at record levels – we believe a period of normalisation will occur. While in June 2022 we were feeling slightly bullish by dint of everyone being very bearish (hence our national roadshow titled "Beware the Dominant Narrative"), in December 2022 we find ourselves feeling ever so slightly bearish by dint of valuations implying a glass-half full attitude. Put simply, the Aussie market looks on the fuller side of fair value. That said, fears around "the cycle" are throwing off good opportunities in some high quality businesses that have cyclical exposure.

FUND COMMENTARY

The Airlie Australian Share Fund rose 8.7% for the quarter, underperforming the ASX200 index by 0.7% net of fees. Contributors to performance included PWR Holdings and EBOS Group. EBOS Group is Australia's largest pharmacy wholesaler, and also owns a pet food business and distributes medical devices. We recently attended EBOS' investor day in Melbourne in November, which coincided with the company's 100th year of corporate history. We'd always put EBOS in the "under the radar" camp, a quietly-achieving company with a really solid track record of returns and earnings growth. However the very well-attended investor day, and subsequent strong performance of the share price over the quarter (+18%) has made it clear to us that this stock is very much on the radar, possibly over the radar. We have trimmed our position on valuation grounds, however it remains a core holding.

Our two largest detractors for the quarter were James Hardie and Medibank Private. While we were aware that we were effectively "taking the cycle on" in investing in James Hardie as the US housing market turned, we felt the valuation compensated for this. We also believed a sizeable backlog of activity would delay the coming earnings decline. We got this last part wrong, and were surprised by the speed with which a decline in new housing activity is being felt within the Hardie's business, as evidenced by the November earnings downgrade. That said, after a 10% share price drop in the quarter, we feel the narrative of a sharp decline in US housing activity is factored into the current share price (if not consensus estimates which still look stubbornly high to us).

The cyber incident at Medibank Private totally sideswiped us, as is the nature of these incidents. However, the strength of the balance sheet (net cash and with surplus capital), and favourable underlying trends in private health insurance gave us conviction to add to our positions while the headlines were very ugly. While it remains to be seen how many people switch as a result of the cyber incident, in our minds inertia is a powerful force.