Airlie Australian Share Fund - Active ETF

A concentrated, active portfolio of Australian equities.

Airlie Funds Management

Ticker: AASF

Fund Update: 30 June 2025 ARSN: 623 378 487

FUND FEATURES

- 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'.

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'

Investment Risks

All investments carry risk, returns are not guaranteed and there is a risk that investors may lose money on any investment they make. The Fund's Product Disclosure Statement (**PDS**) sets out the significant risks relevant to the Fund. You can view the PDS at: www.airliefundsmanagement.com.au

Inception Date	1 June 2018
Benchmark	S&P/ASX 200 Accum. Index
Portfolio Size	AUD $981.2 million
Distribution Frequency	Semi-annually
Management Fee^	0.78% p.a. (inclusive of net effect of GST)
Ticker	AASF
APIR	MGE9705AU
Minimum Initial Investment#	AUD$25,000
Buy/Sell Spread#	0.18%/0.18%

^ Transaction costs may also apply – refer to the Product Disclosure Statement. All fees are inclusive of the net effect of GST.
# only applicable to investors who apply for units directly with the fund.

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
Matt has over 25 years industry experience. Matt joined Airlie in July 2016 managing Australian share strategies for institutional clients and is co-portfolio manager for the Airlie Australian Share Fund for retail clients.

DEPUTY PORTFOLIO MANAGER

Joe Wright
Joe has over 10 years experience in the investment industry. Joe joined Airlie in 2021 as an equities analyst and became Deputy Portfolio Manager for the Airlie Australian Share Fund in 2024.

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

PERFORMANCE*

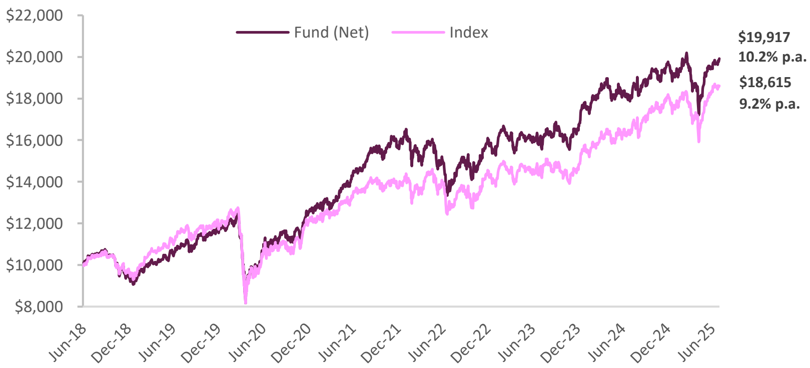
	Fund (%)	Benchmark (%)	Excess (%)
1 Month	2.4	1.4	1.0
3 Months	8.6	9.5	-0.9
6 Months	4.7	6.4	-1.7
1 Year	10.3	13.8	-3.5
3 Years (p.a.)	13.6	13.6	0.0
5 Years (p.a.)	12.7	11.8	0.9
7 Years (p.a.)	9.7	8.8	0.9
Since Inception (p.a.)	10.2	9.2	1.0

Past performance is not a reliable indicator of future performance.

TOP 10 POSITIONS (BY WEIGHT)

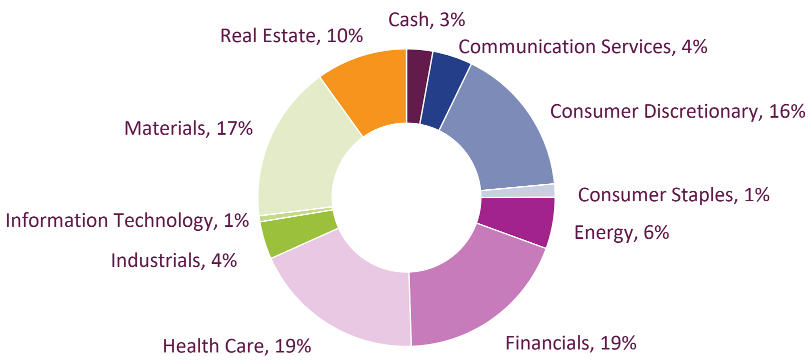
Company	Sector**
BHP Group Ltd	Materials
CSL Ltd	Health Care
Commonwealth Bank of Australia	Financials
Aristocrat Leisure Ltd	Consumer Discretionary
Macquarie Group Ltd	Financials
ResMed Inc	Health Care
News Corp	Communication Services
SGH Limited	Industrials
BlueScope Steel Ltd	Materials
EBOS Group Ltd	Health Care

PERFORMANCE CHART GROWTH OF AUD $10,000*



Past performance is not a reliable indicator of future performance.

PORTFOLIO POSITIONING**

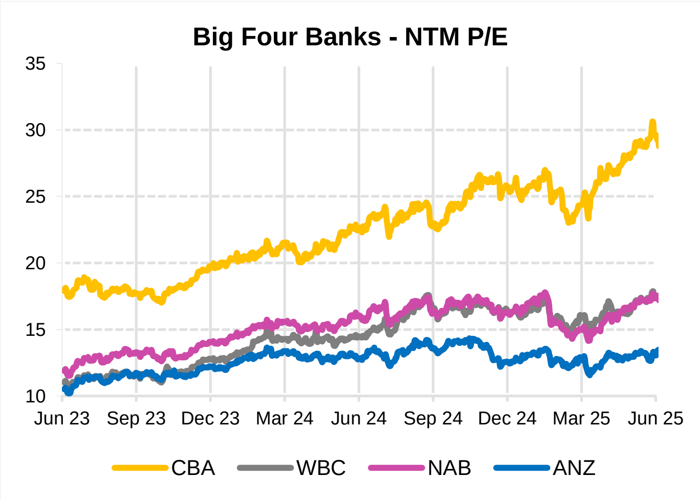


* Calculations are based on exit price with distributions reinvested, after ongoing fees and expenses but excluding individual tax, member fees and entry fees (if applicable). Returns denoted in AUD.
** Based on GICS Sector classification, may not sum to 100% due to rounding.

FUND COMMENTARY – YEAR IN REVIEW

The ASX 200 returned 13.8% over the past 12 months, a very strong return during a period that felt particularly noisy, from a macroeconomic and geopolitical standpoint. The Airlie Australian Share Fund ("AASF") returned 10.3% for the year (net of fees), underperforming the index by 3.5%.

French philosopher Joseph de Maistre once quipped that every nation gets "the government it deserves". We would submit a further aphorism after the year that was: every nation gets the stock market bubble it deserves. Just as the 2000 tech bubble had its roots in the entrepreneurial heart of the US, Silicon Valley, and the South Sea bubble was a function of Britain's total maritime dominance of the new world, it is only fitting that the most rampant stock market bubble of the last decade in Australia should be the inflated valuations of a bunch of residential mortgage banks, so dominant is property ownership to the national psyche. We now enter the second year of spilling ink on the excessive valuations of the banks, most notably the Commonwealth Bank (CBA). And sadly, we enter the second year of being totally wrong from a short-term performance perspective. Collectively, our underweight to the big 4 banks cost us 400 basis points of relative performance this financial? year. Despite this, we remain comfortable being underweight, as we note the total return of the banks continues to be driven by an enormous price-to-earnings multiple re-rate rather than fundamental earnings growth or an improvement in the return on invested capital.



Source: Factset

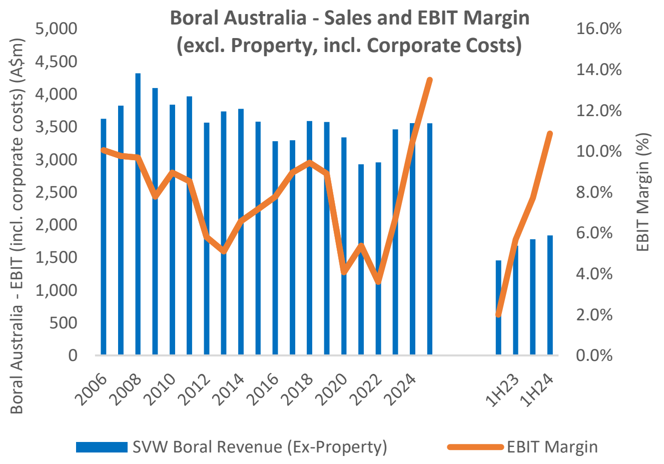
CBA, now 12% of the ASX 200 benchmark, rose 50% over the financial year and contributed 33% of the total index return. It currently trades on a forward P/E of almost 30x, and its valuation relative to the other three banks and the ASX 200 has never been wider. The big four banks together delivered 50% of the total index return for FY25, the same level of contribution as FY24. While last year we were able to offset this relative headwind and generate outperformance through other active positions in the portfolio, this year it has been a mountain too big to climb. Sticking resolutely to our process sees us allocate capital towards businesses with superior returns, balance sheets, management teams, and cheaper valuations than the banks. We believe over the long term this will deliver outperformance for our investors; this is the explicit North Star that we set ourselves as a business.

Lessons from FY25: Don't underestimate the importance of a quality board

Since inception of this fund, we have made no secret of our love for quality founder-led businesses and continue to own several in the portfolio (including News Corp (ASX: NWS), Resmed (ASX: RMD), Nick Scali (ASX: NCK), Sigma Healthcare (ASX: SIG) and recent addition Aspen Group (ASX: APZ)). 'Management quality' is one of the four pillars of our investment process, and time and time again we find that superior outcomes for minority shareholders are driven by founders and management teams who own a lot of stock themselves.

However, this year extreme missteps in governance at Mineral Resources (ASX: MIN) and WiseTech Global (ASX: WTC) highlighted that blindly backing a founder with a large shareholding is not a foolproof strategy. Even though a founder owns a lot of shares, how can you be certain they are acting in the best interests of minority holders?

The foundation of true alignment always comes back to the quality, integrity and independence of the board of directors. Seven Group Holdings (ASX: SGH), of which the Stokes family own 51%, has been a significant contributor to fund performance over the last three years. This year the share price rose by 45%, much of which can be attributed to the strong operational performance of Boral. The SGH operating model empowers high-performing management to drive operational excellence in each of the individual business units. Vik Bansal's tenure at Boral, under the ownership of SGH, is a perfect example of this. Under his leadership since October 2022, EBIT margins have lifted to their highest level in over two decades. In FY23 EBIT was $233m, and for FY25 it's expected to be almost $500m. Bansal has recently announced his intention to step down from running Boral in 2026, but to the Stokes family's credit, they have elevated him to a non-executive board position, which ensures his influence can continue to permeate throughout the broader organisation. Over the long run, value creation in any business will almost entirely be driven by improved operational performance, something Ryan Stokes and SGH understand innately. The ability to attract and retain talent in a founder-led organisation is an excellent insight into the health of the business. One of the pitfalls in both the MinRes and WiseTech disasters was a lack of credible, experienced independent directors, so we are relieved to see evidence of the breadth of talent at SGH – something that is annually on display at the company's Investor Day. Beyond just Boral, the heads of each business unit deliver detailed strategy presentations and could easily stand in their own right as ASX-listed company CEOs.



Source: Boral, SGH Ltd

The board of directors are just as important in establishing a culture of operational excellence as they are in presiding over capital allocation decisions. We are disappointed time and time again by the value that is frequently destroyed in the pursuit of large-scale M&A. Unfortunately, this year it was portfolio holding James Hardie (ASX: JHX) that took the bait and pursued a "transformational" transaction by acquiring NYSE-listed composite decking business the AZEK Company. While it is management's job to investigate all possible avenues for attractive incremental returns on capital, perhaps naively we look to the board to establish sensible guardrails within which management can allocate capital. Clearly that assumption was misplaced in this instance. Not only is the AZEK deal significantly dilutive to earnings for JHX given the price paid, but the board's decision to secure a waiver from the ASX so that shareholders were not given a vote on the transaction represents a staggering misunderstanding of their duty to protect the interests of minority shareholders. Underestimate the importance of a thoughtful board at your peril.

Outlook and positioning: thinking long term and taking advantage of the noise

Investors will be familiar with Airlie's investment process. We start by assessing a company's financial strength and then examine the quality of the business and the management team before considering valuation last. Share prices and earnings multiples in isolation tell you very little about whether or not a stock is good value. Instead, it's an understanding of the first three factors that gives you the tools to estimate a company's value. This difference between one's estimate of a company's value and the prevailing share price of a company is ultimately what determines conviction that a stock might present a good investment.

The point of this process is toforce a consideration of the long-term prospects of a business or industry and minimise focus on short-term share price gyrations and market noise. Share price volatility becomes a factor to exploit rather than a source of anxiety or distraction. Point to point over the past six months, the ASX 200 is up 5%. If you had been living under a rock during this time, you may have emerged pretty satisfied with this level of return. However, within the period, Donald Trump's shotgun approach to trade policy saw markets fall 14% from their peak in February to their lows in April and then rebound 16% by June. The fund took advantage of this period to add to some of our highest-conviction holdings – News Corp, SGH, Charter Hall (ASX: CHC) and Aristocrat Leisure (ASX: ALL) for example. We also took the opportunity to add two high-quality businesses to the portfolio at prices below our view of value – Goodman Group (ASX: GMG) and JB Hi-Fi (ASX: JBH). We see a runway for earnings to compound materially over the long term for both businesses.

The value of long-term thinking is highlighted by the 135% rise in Sigma Healthcare (ASX: SIG), which was the best-performing company in the Airlie Australian Share Fund over the last 12 months. Most of the value in SIG is the Chemist Warehouse business, which was merged into the listed entity officially in November 2024. We believe Chemist Warehouse is one of the highest-quality retail operations in the country, with a dominant competitive position, best-in-class store economics in Australia and a store roll-out opportunity both domestically and internationally that could potentially span multiple decades. We first purchased a position in Sigma back in December 2023, at a share price below $1. Today, our position has increased with the material rise in share price. On a forward P/E, SIG screens optically expensive at ~45x P/E. However, on a discounted cash flow basis, the value of a long, capital-light and global store rollout remains underpriced in our view.

Another core holding in the fund that we believe the market is mispricing due to a myopic view on the short term is BlueScope Steel (ASX: BSL). As an upstream steel producer, a significant part of BlueScope's earnings base in any 12-month period will be driven by steel spreads. Steel spreads are incredibly cyclical, a function of the difference between input costs such as iron ore, metallurgical coal and scrap steel, and the prevailing steel prices in different regions. BlueScope is currently undertaking several capital investments that will grow the organic earnings base of the business through the cycle and lower earnings cyclicality to a degree over time. BlueScope's competitive position in Australia as a vertically integrated steel and steel building products producer will be further entrenched by the addition of coating capacity in Western Sydney and the modernisation of the plate mill in Port Kembla. The company's electric arc furnace in North America will maintain its position at the bottom of the US cost curve through de-bottlenecking initiatives that increase volume and protect unit costs. As it stands today, BlueScope has a robust balance sheet, with a net cash position and a portfolio of surplus property assets that we believe the market ascribes zero value to. On our mid-cycle earnings, BlueScope is trading on a forward P/E of less than 10x, which we believe materially undervalues the business.

Thinking long term does not mean 'set and forget', however. Companies and industries are dynamic, not static, and hence we are constantly iteratively assessing holdings and prospective holdings through our investment process. Sometimes this leads us to exit a position if it no longer looks attractive through our process. The two worst-performing stocks in the portfolio this year, IDP Education (ASX: IEL) and Mineral Resources (ASX: MIN), were both exited as a result of significant downgrades in our conviction through our process.

In the case of IDP, the main downgrade under our process was in financial strength. While we certainly misjudged the severity of the regulatory impact of anti-immigration policies in IDP's core education markets of Australia, Canada and the UK, it was the deterioration in earnings quality, particularly poor cash flow conversion and growing contract assets, that underpinned our decision to exit in March. While it was painful to sell at $10, having bought our first parcel of shares at $19, our decision to exit has been subsequently validated by a substantial recent earnings downgrade that has called the balance sheet into question. The share price closed out the fiscal year at $3.82. This serves as a reminder that things can always get worse: the discipline of iteratively assessing a stock through our investment process seeks to help us avoid the temptation to 'double-down' on poor performers and compound the original error.

Our decision to exit Mineral Resources at the end of last year came as a result of a significant downgrade in our assessment of management quality compounded by a lack of comfort with the financial strength of the business. Given the operational complexity of ramping up the Onslow iron ore mine, we felt the risk profile of the investment had changed considerably.

Through some winners and some painful losers over FY25, we remain resolute in seeking to allocate capital to high-returning businesses run by good managers, with strong balance sheets. No doubt FY26 will provide similar opportunities to access such businesses at discounts to their true value, as the headlines and market gyrations roll on.

We remain deeply grateful for the support.

STOCK STORY – Aspen Group

Innovative solutions for affordable living

Overview

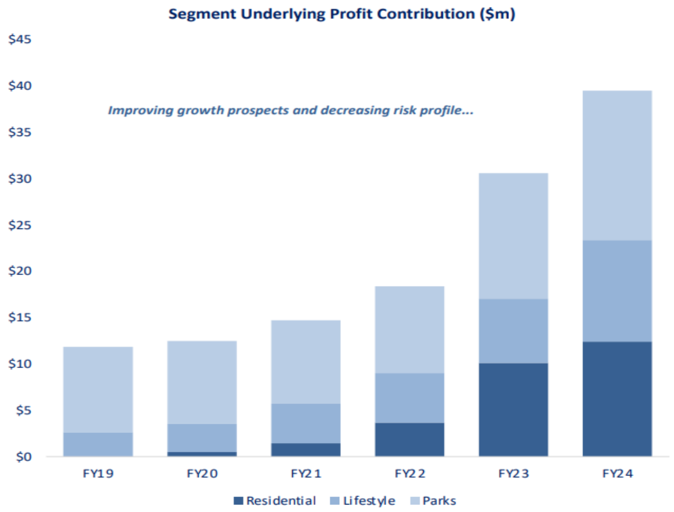
Aspen Group **(APZ.ASX)** is a small-cap real estate platform focused on two of the country's biggest long-term trends – the housing affordability crisis and our ageing population.

The business operates across two segments:

- **Development** where it earns ~30% margins by building and selling affordable homes.
- **Operating,** which generates recurring rental income from residential, lifestyle (land lease) and park assets.

In response to growing demand and favourable economics, Aspen has deliberately shifted its focus towards lifestyle communities that now contribute a rising share of group profits. The model is simple: Aspen sells dwellings to older Australians and retains land ownership, earning stable rental income on the land funded in most cases by government support.

We see Aspen as a scalable, capital-efficient platform still in the early stages of a long growth runway, led by highly experienced, shareholder-aligned management in David Dixon and John Carter, who together hold almost 10% of the company. We initiated a position at ~$2.50 earlier this year, viewing Aspen as a rare multi-year opportunity to back a business compounding at ~20% CAGR in NAV and underlying EPS – performance we believe remains underappreciated by the market.



Source: Aspen Group

How the Land Lease Model works

The land lease model is a distinctive form of home ownership that separates ownership of the dwelling from the land beneath it. A typical structure looks as follows:

- **Land & civils:** Aspen acquires land at approximately $40k per site, with civil works (roads, utilities, amenities) costing a further $60k, bringing the total land development cost to ~$100k per dwelling.
- **House construction & sale**: Aspen then builds each home for around $280k and sells it to the end resident for ~$400k, generating a $120k profit or a ~30% margin.

From Aspen's perspective, it:

- Earns a $120k profit from the home sale.
- Retains ownership of the land, which it leases to the home buyer for ~$180 per week. After costs, this delivers ~$120 per week in net rental income, or ~$6,200 annually, equating to a ~6% yield on the $100k land value.

This model is particularly attractive for older Australians, offering affordable home ownership without the upfront burden of land or stamp duty. Residents typically use Commonwealth Rent Assistance to cover the weekly lease payments, making it a low-friction, government-supported housing solution.

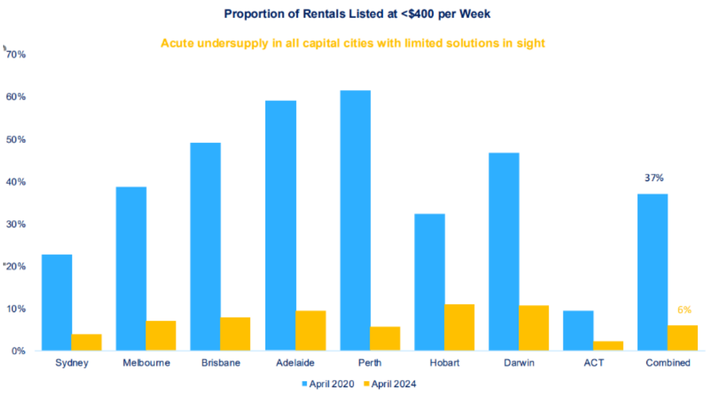
From Aspen's standpoint, the economics are compelling; it recycles capital efficiently, uses development profits to fund its land bank and creates long-duration, annuity-style income streams on assets it continues to own.

Providing solutions for Australia's housing crisis

Australia is experiencing significant housing pressure. Rental vacancy rates remain extremely low and advertised rents have increased sharply in recent years. At the same time, the gap between the lower end of private rentals and government-supported housing has widened, making it even harder for low-income Australians to find affordable places to live.

In 2024, just 6% of rental listings across the country were priced under $400 per week – down from 37% in 2020. By contrast, Aspen's typical land lease product rents for under $200 per week and sells at a ~30% discount to comparable local homes.

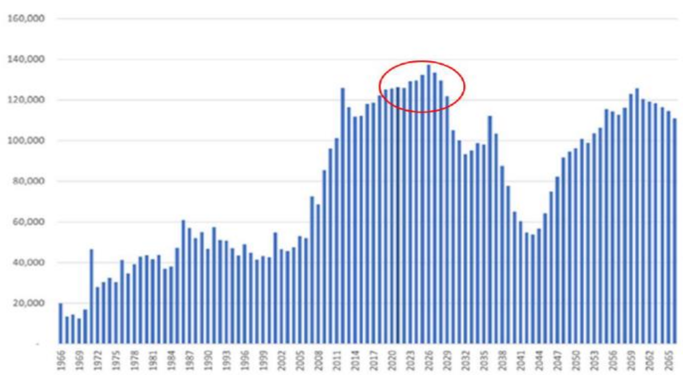
Aspen specifically targets the bottom 40% of income earners – those most affected by the affordability crisis. Its model is not only economically sound, but also well-aligned with government policy efforts to address the chronic undersupply of low-cost housing – a challenge that's expected to persist well into the future.



Source: PropTrack

The population aged over 65 is projected to grow at 2.7% per annum for the remainder of the decade, with the proportion of Australians aged 65 and over expected to rise from 16.8% today to 19% by 2030. With more Australians entering retirement each year, the demand for affordable, low-maintenance housing will continue to grow.

Net annual change in >65 population



Source: AFSA

Conclusion

We believe Aspen is led by a standout management team in Joint CEOs David Dixon and John Carter, who bring decades of experience in real estate and investment banking. With their combined ownership stake of almost 10%, they are strongly aligned with shareholders and have a long history of disciplined execution.

Over the past five years, Aspen has delivered ~20% compound annual growth in earnings per share. FY24 underlying EPS rose by 15%, and guidance for FY25 points to another 21% lift. The company now has a current approved pipeline of 1,100 sites, which it aims to double, and is targeting 140 settlements in FY26 and 170 in FY27.

We believe Aspen is still in the early stages of its growth journey. It trades on 20x FY26 earnings and we forecast mid-teens earnings growth over the medium term. With a scalable model, strong tailwinds, and aligned leadership, Aspen represents a compelling long-term opportunity for investors.

In May, we joined Aspen's management team on a tour of their key Western Australian communities:

Sierra Lifestyle Community

Sierra is a rural lifestyle community 60 km northeast of Perth, acquired by Aspen in 2023 for $4 million ($20k per approved dwelling). Formerly the El Caballo Blanco resort, the site was in disrepair with stalled development. Aspen has since revitalised it, selling 12 homes to date (avg. price $344k) and repositioning it as an affordable over-50s community.

Source: Aspen Group

Source: Airlie Funds Management

Meadowbrooke

Meadowbrooke is a rural lifestyle community near Bunbury, acquired by Aspen in 2021 for $3.26m (~$18k per approved dwelling) out of receivership. The site came with completed civils, and Aspen has since sold 16 homes (avg. price $380k). With 158 undeveloped sites remaining, it offers a strong medium-term growth pipeline on low-cost land.

Source: Aspen Group

Australind

Australind is a flagship 18ha site acquired by Aspen in 2025 for $32.25m (~$80k per dwelling), a steep discount to the ~$100m spent on the site by the previous owner. Located near Bunbury, the site has approvals in place for ~450 lots and includes 97 transportable homes, a 5,000 sqm clubhouse, and extensive landscaping. An additional 10 hectares of adjoining land have completed earthworks and partial civils, providing a significant runway for future development.

Source: Airlie Funds Management