

Features of the strategy

- The strategy aims to outperform the S&P/ASX 300 Accumulation Index over rolling four-year periods by investing in undervalued companies and shorting overvalued ones. The portfolio typically maintains a long exposure of 130% and a short exposure of -30%.
- Acadian Australia's investment approach employs structured stock and peer group valuation models designed to capture a broad range of relevant characteristics, including quality, value, earnings growth and price-related factors. This systematic process seeks to identify securities with unrecognised value and improving earnings prospects, helping to unlock that value over time.
- Acadian Australia's portfolios leverage global investment capabilities, supported by a team of over 120 investment professionals across all strategies, sophisticated quantitative models that process 518 million data points daily, and a 39-year track record of delivering results through a disciplined systematic investment process.

Growth of \$10,000 over 10 years



Fund return is net of fees and taxes and assumes reinvestment of distributions in the 10 year period.

Investment returns as at December 31, 2025 (%)

(Returns beyond 1 year are annualised)

	1 Mth	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Fund (Gross)	1.3	-0.5	2.8	11.5	15.4	14.3	11.8	9.1
Fund (Net)	1.2	-0.8	2.2	10.3	14.1	13.0	10.6	7.8
Benchmark Index	1.4	-0.9	4.1	10.7	11.4	9.8	9.3	7.2
Excess (Net - Index)	-0.1	0.1	-1.8	-0.4	2.7	3.2	1.3	0.6

Past performance is not a reliable indicator of future performance. Inception date is 27 February 2006.

Key Facts

Strategy Snapshot

A portfolio designed to maximise risk-adjusted, long-term returns by investing in undervalued stocks and short- selling overvalued stocks on the ASX.

Investment Objective

To outperform the S&P/ASX 300 Accumulation Index over rolling four-year periods before fees and taxes.

Benchmark Index¹

S&P/ASX 300 Accumulation Index

Inception Date

27 February 2006

Number of Stocks

200 - 300

Fund Size

\$366 million

Management Fee

Acadian Australian Equity Long Short Fund – Class A : 0.76%

Acadian Australian Equity Long Short Fund : 1.12%

Buy/Sell Spread

0.15%

Distribution Frequency

Semi annually

Minimum Investment

\$25,000 or platform minimum

APIR

FSF3982AU FSF0789AU

Research Ratings

Lonsec "Recommended"²

Performance Commentary

The portfolio outperformed its benchmark* by 0.13% for the quarter ending December 31, 2025. Key sources of positive active return included positions in financials, real estate, and information technology. Leading advances within these sectors in turn included an overweight position in ANZ Group Holdings, and net short positions in Lifestyle Communities and Nextdc. Detractors included a combination of stock selection and an overweight position in health care, and stock selection in materials and communication services. Leading declines within these sectors included overweight positions in Pro Medicus and REA Group, and a net short position in PLS Group.*

Key Holdings³

Positive

Our overweight in South32 Ltd., was rewarded with 37 basis points of active return as share prices rose 31.4% over the quarter. The rally was underpinned by improved production across multiple operations, a strengthened balance sheet supported by equity-accounted asset distributions, and progress at Hermosa—now central to South32's long-term growth strategy. Operational performance showed notable consistency versus last year, with key assets such as Australia Manganese and Sierra Gorda posting significant volume gains.

Negative

Our overweight to Pro Medicus Ltd., cost the portfolio 36 basis points of active return as its share price declined 28.4% during the quarter. The pullback reflected a normal valuation reset after an exceptional multi year rally, with investors taking profits and reassessing premium multiples amid broader healthcare tech volatility. A minor contained cybersecurity incident added brief pressure, but fundamentals and contract momentum remained strong. Overall, the decline signaled market digestion of prior gains rather than any structural weakness.

Top 10 Stocks	Industry	%
COMMONWEALTH BANK OF AUSTRALIA	Banks	9.6
BHP GROUP LTD	Materials	8.6
AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED	Banks	5.5
WESTPAC BANKING CORP	Banks	5.3
WESFARMERS LTD	Consumer Disc, Distr, Retail	4.0
NATIONAL AUSTRALIA BANK LTD	Banks	3.1
CSL LTD	Pharma, Biotech & Life Sci	3.0
ARISTOCRAT LEISURE LTD	Consumer Services	2.8
COLES GROUP LTD	Consumer Staples Distr, Retail	2.3
QANTAS AIRWAYS LTD	Transportation	2.1
Total		46.3

Industry Sectors	%
Financials	26.2
Materials	19.2
Consumer Discretionary	11.6
Industrials	11.4
Health Care	7.4
Real Estate	5.8
Consumer Staples	5.1
Information Technology	5.0
Energy	3.9
Communication Services	3.6
Utilities	1.0

Market Review

Australian equities (S&P/ASX 300 Accumulation Index) fell 0.9% in the fourth quarter of 2025, despite easing global trade tensions and resilient domestic demand. PE expansion continued to offer support, though its influence was notably weaker than in prior years. For the full year, the market posted its smallest annual gain since 2022—when it recorded a decline—as expectations of future rate hikes and stretched valuations capped returns relative to major global peers, which delivered strong double-digit gains. Resource stocks benefited from stable commodity prices, excluding oil, while broader market sentiment remained volatile amid persistent uncertainty around inflation and interest rates. Consumer confidence oscillated sharply, reflecting household caution, even as labour market conditions stayed robust with unemployment near historic lows.

Elevated valuations and sticky inflation kept the Reserve Bank of Australia (RBA) on hold at 3.6%, reinforcing expectations for a prolonged restrictive stance. Inflation remained above the RBA's 2–3% target range, driven by higher energy and housing costs, while core measures signaled entrenched price pressures. Risks tied to inflation and global volatility leave the RBA firmly dependent on future data releases, with markets now pricing only limited easing in 2026.

From a sector-wise perspective, information technology (down 23.7%) was the biggest detractor, followed by consumer discretionary (down 11.5%). Materials (up 13%) was the largest standout contributor.

Outlook and Strategy

Global equities advanced in Q4 2025, supported by accommodative monetary policy, easing U.S.–China trade tensions, and resilient earnings. Gains were anchored by two Federal Reserve rate cuts and AI-driven growth, though mid-quarter volatility reflected concerns over stretched valuations. Developed markets outperformed their emerging peers. Inflation moderated, prompting policy recalibration: the Fed turned dovish, the ECB held rates, and the Bank of England cut to 3.75%. In Asia, the Bank of Japan raised its policy rate to 0.75%, while the Reserve Bank of India eased to 5.25%. Gold surged past \$4,000/oz amid geopolitical uncertainty, while crude prices slid.

The OECD's latest outlook highlights a global economy that displayed unexpected resilience in 2025, buoyed by improved financial conditions, AI-led investment, and supportive macroeconomic policies that partially offset U.S. tariff shocks. However, underlying vulnerabilities remain. Growth momentum is projected to moderate, with global GDP expected to ease from 3.2% in 2025 to 2.9% in 2026, before edging up to 3.1% in 2027. Near-term softness reflects the lagged impact of higher tariffs, persistent geopolitical uncertainty, and subdued confidence, with improvement expected as inflation falls and financial conditions ease.

Inflation is forecast to continue its downward trajectory, gradually converging toward central-bank targets by 2027. G20 consumer price inflation is projected to fall from 3.4% in 2025 to 2.5% by 2027, stabilizing real incomes and consumption. Nonetheless, sticky services inflation and wage pressures remain in select regions.

Energy markets are poised for easing in 2026 as supply growth outpaces demand. The U.S. Energy Information Administration projects global oil inventories to rise, exerting downward pressure on prices. Brent crude is forecast to average \$55 per barrel in 2026, reflecting robust production and modest demand growth. OPEC+ production strategies and China's ongoing inventory accumulation will likely act as stabilizing forces, limiting the extent of the decline. Electricity demand continues to grow, driven by electrification and energy-intensive sectors such as data centers, though growth is expected to slow slightly. Renewable energy generation continues to expand, contributing to a decline in coal consumption in 2026, though coal inventories and exports remain elevated in some regions.

The OECD notes Australia's growth is strengthening and increasingly driven by the private sector. GDP is projected to accelerate from 1.8% in 2025 to 2.3% in both 2026 and 2027, reflecting a gradual closure of the output gap, low unemployment, and inflation near the RBA's target. Recent momentum, particularly in private investment, has exceeded expectations, raising capacity pressures. Inflation is expected to remain steady at 2.7% in 2026.

Platform Availability

- AMP North
- Colonial First State Edge
- Dash
- Macquarie Wrap
- BT Panorama
- Colonial First State FirstChoice
- HUB24
- Mason Stevens

Fund Ratings

- Lonssec "Recommended"²

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Disclaimer and disclosures

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