Acadian Geared Core Australian Equity Fund

Quarterly Factsheet | **June 2025**

Features of the strategy

- The strategy aims to maximise long-term returns by using gearing to magnify returns from the underlying core Australian equity strategy†. The target gearing level for this fund is 55%, with a usual tolerance of 5%.
- 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 approach aims 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 an investment team of over 120 professionals across all strategies, sophisticated quantitative models that analyse 518 million data points daily, and a 39-year track record of delivering results through a proven systematic process.

Investment returns as at June 30, 2025 (%)

(Returns beyond 1 year are annualised)

	1 Mth	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Fund (Gross)	2.8	22.2	10.6	-	-	-	-	7.8
Fund (Net)	2.6	21.6	9.5	-	-	-	-	6.4
Benchmark Index	1.4	9.5	6.4	-	-	-	-	5.0
Excess (Net - Index)	1.2	12.1	3.1	-	-	-	-	1.3

Past performance is not a reliable indicator of future performance. Inception date is 18 November 2024.

† A geared fund will not always magnify gains (particularly in a low return environment) but will always magnify losses. Investors will therefore experience increased volatility (potentially large fluctuations up and down) in the value of their investment.

Key Facts

Strategy Snapshot

A portfolio designed to maximise long-term returns by borrowing to invest in stocks on the ASX while carefully controlling portfolio risk and transaction costs.

Investment Objective

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

Benchmark Index[1]

S&P/ASX 300 (total)

Inception Date

18 November 2024

Number of Stocks

100 - 140

Fund Size

$332 million

Management Fee

0.98% (g) / 2.14% (n)

Buy/Sell Spread

0.05 - 0.20%

Distribution Frequency

Quarterly

Minimum Investment

$25,000 or platform minimum

APIR

FSF0453AU

Research Ratings

Lonsec "Recommended"[2]

Performance Commentary

The portfolio outperformed its benchmark, the S&P/ASX 300 Accumulation Index[2], by 12.10% for the quarter ending June 30, 2025. Contributing results from stock selection were offset partially by negative payoffs from sector allocation. Key sources of positive active return included a combination of stock selection and an underweight position in health care, stock selection in industrials, and a combination of stock selection and an overweight position in information technology. Leading advances within these sectors included positions in Pro Medicus, Qantas Airways, and Technology One. Stock selection in utilities detracted from active return led by a position in AGL Energy.*

Key Holdings[4]

Positive

Our overweight to Technology One Ltd., an Australian enterprise software company, was rewarded with 35 basis points of active return as share prices rose 46% over the quarter. The rally was driven by strong earnings, upgraded profit guidance (13–17% pre-tax growth), and confidence in its global SaaS+ ERP strategy. Investors were also encouraged by its scalable model, low churn, and long-term annual recurring revenue (ARR) growth, with a goal to double the ARR by FY30. In H1 FY25, revenue rose 19%, and ARR grew 21% to $511.1 million, with standout growth in the education and government sectors.

Negative

Our overweight to South32 Ltd., a diversified metals and mining company, cost the portfolio 15 basis points of active return as its share price declined 10% during the quarter. The drop was driven by ongoing operational challenges and a downward revision of production guidance for alumina, copper, and zinc, which raised concerns about future earnings potential. Additionally, the company announced significant impairments totaling approximately US$818 million related to its Worsley Alumina and Cerro Matoso operations.

Top 10 Stocks	Industry	%
COMMONWEALTH BANK OF AUSTRALIA	Banks	12.9
BHP GROUP LTD	Materials	8.0
AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED	Banks	4.3
NATIONAL AUSTRALIA BANK LTD	Banks	3.6
CSL LTD	Pharma, Biotech & Life Sci	3.3
WESTPAC BANKING CORP	Banks	3.2
WESFARMERS LTD	Consumer Disc, Distr, Retail	2.9
MACQUARIE GROUP LTD	Financial Services	2.7
ARISTOCRAT LEISURE LTD	Consumer Services	2.5
BRAMBLES LTD	Comm & Prof Services	2.2
Total		45.7

Industry Sectors	%
Financials	33.7
Materials	17.2
Industrials	8.8
Health Care	8.4
Consumer Discretionary	7.2
Real Estate	5.5
Communication Services	4.9
Consumer Staples	4.5
Information Technology	4.2
Energy	4.1
Utilities	0.6

Market Review

Australian equities (S&P/ASX 300 Accumulation Index) rallied 9.5% in the second quarter of 2025, despite ongoing market volatility driven by uncertainty around tariffs and conflict in the Middle East. Although markets initially declined due to trade tensions, they rebounded later in the quarter as those tensions eased. A major catalyst for the recovery was a U.S.–China agreement to fast-track rare earth exports, which led the U.S. to ease certain trade restrictions and encouraged China to revisit its export policies.

In the second quarter, the Reserve Bank of Australia (RBA) implemented a single rate cut, lowering the cash rate by 25 basis points to 3.85%—its lowest level in two years. This move was made possible by easing inflation and aimed to mitigate growing global trade risks. The RBA's policy tone became more cautious, noting that inflation risks were now more balanced, though global trade uncertainty remains. The central bank emphasized that the rate cut was intended to maintain stable monetary policy during a period of heightened uncertainty, aligning with market expectations and allowing flexibility for future adjustments.

By the end of the quarter, inflation in Australia had fallen to its lowest point in three and a half years. The Consumer Price Index (CPI) for May rose just 2.1%, below forecasts and the lowest since October 2024, largely due to a sharp drop in food prices. This brought inflation within the RBA's 2–3% target range and increased the likelihood of further rate cuts this year. Consumer confidence improved as cost-of-living pressures eased, with Westpac's Consumer Sentiment Index rising to 92.60 in June from 92.10 in May. Meanwhile, the unemployment rate remained steady at 4.1% in May, consistent with the previous two months and market expectations. The participation rate slightly declined to 67.0% from April's 67.1%.

From a sector-wise perspective, information technology (26.9%) was the largest contributor, followed by financials (15.7%). Materials (-0.4%) were the biggest detractor.

Outlook and Strategy

Global equity markets delivered mixed performance in Q2 2025, navigating a volatile landscape shaped by geopolitical tensions, trade policy shifts, and evolving monetary expectations. The quarter began with a sharp sell-off, particularly in U.S. markets, as renewed tariff threats and weaker economic data triggered a technical correction. However, sentiment improved in May and June, supported by easing trade tensions, a ceasefire in the Middle East, and strong earnings in sectors like technology and consumer discretionary. The Fed held rates steady but signaled two cuts by year-end, while gold prices dipped on easing geopolitical risks.

The Organisation for Economic Co-operation and Development (OECD) predicts that global GDP growth will decrease from 3.3% in 2024 to 2.9% in 2025 and 2026. This decline will be particularly noticeable in North America and China. Factors such as higher bilateral tariffs and increased policy uncertainty are expected to impede growth in business investment and trade. Moreover, consumer spending is likely to drop in most economies due to weak sentiment, ongoing cost of living pressures, and the impact of higher trade tariffs.

The OECD's latest economic outlook underscores the complexity of the current economic environment, where inflation remains a central challenge amid broader efforts to revive global growth. It forecasts global inflation to stay high in 2025, with OECD-wide inflation projected to be 4.2%. This is an upward revision from the December 2024 forecast of 3.7%, indicating persistent price pressures in both advanced and emerging economies. The Paris-based organization attributes this rise to several factors, including ongoing supply chain disruptions, high energy prices, and continued geopolitical tensions. Additionally, stubborn inflation expectations might lead central banks to maintain tighter monetary policies for longer than previously expected. The OECD stresses that policy uncertainty and fragmented global trade could further worsen inflationary pressures if not addressed.

The U.S. Energy Information Administration (EIA) anticipates that global oil demand will continue to grow in the third quarter of 2025, largely fueled by non-OECD nations such as India and China. Refinery activity is also projected to increase. Although global oil supply is expected to rise, oil prices are likely to stay relatively steady. U.S. crude oil production, which peaked at 13.5 million barrels per day in Q2 2025, is forecast to decline to around 13.3 million barrels per day by Q4 2026 due to fewer active drilling rigs and falling oil prices. Brent crude prices are expected to average $61 per barrel by the end of 2025 and drop further to $59 per barrel in 2026.

Meanwhile, the OECD expects Australia's economy to expand by 1.8% in 2025 and 2.2% in 2026. The OECD also projects that the Reserve Bank of Australia will continue lowering interest rates in the second half of 2025.

Platform Availability

- Colonial First State FirstChoice
- Colonial First State Edge

Fund Ratings

- Lonsec "Recommended"[2]

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1 S&P/ASX 300 (total). 3 Top contributing/detracting individual positions over the period as measured by basis point impact. For illustrative purposes only. *This should not be considered a recommendation to buy or sell any specific security. This material has been prepared by and is issued by Acadian Asset Management LLC and Acadian Asset Management (Australia) Limited, collective referred to in this material as Acadian. This material is directed at persons who are professional, sophisticated or wholesale clients and has not been prepared for and is not intended for persons who are retail clients and must not be reproduced or transmitted in any form without the prior written consent of Acadian. This material contains general information only. It is not intended to provide you with financial product advice and does not take into account your objectives, financial situation or needs.

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