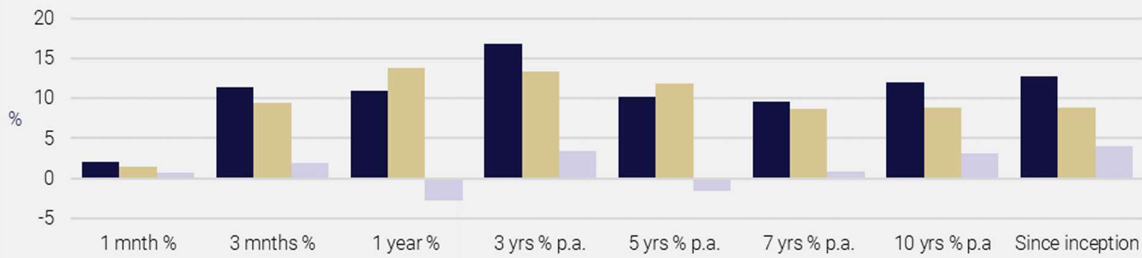
Fund Update

PLATYPUS ASSET MANAGEMENT

Platypus Australian Equities Strategy

30 June 2025
QUARTERLY

Performance as at 30 June 2025



	1 mnth %	3 mnths %	1 year %	3 yrs % p.a.	5 yrs % p.a.	7 yrs % p.a.	10 yrs % p.a	Since inception
Platypus pre fees	**2.07**	**11.42**	**10.92**	**16.77**	**10.16**	**9.52**	**11.91**	**12.79**
S&P/ASX 300 Acc. Index	1.42	9.48	13.74	13.35	11.77	8.72	8.85	8.76
Outperformance	0.65	1.94	(2.82)	3.42	(1.61)	0.80	3.06	4.03

Performance returns are calculated before fees and expenses and assume the reinvestment of distributions. Past performance is not a reliable indicator of future performance. Inception date for performance calculations is 01 January 1999.

Quarter in Review

The portfolio delivered a 11.42% return in the June quarter, outperforming the benchmark by 1.94%.

At the stock level, contributions came from nil weight in BHP Group Ltd (BHP) (+1.07%), and our positions in Technology One Ltd (TNE) (+1.04%), and Lovisa Holdings Ltd (LOV) (+0.74%). TNE's performance was supported by the announcement of a strong half yearly result during the quarter. LOV's share price rebounded strongly from the post Liberation Day lows early in the quarter and was further supported by the announcement of the appointment of Mark McInnes as Executive Deputy Chairman later in the quarter. Mr McInnes has a long track record of consistent delivery in the retail industry in Australia and the investors took comfort from his appointment following departure of previous, well-regarded CEO, Victor Herrero. BHP's underperformance was consistent with the underperformance of the Materials sector in the June quarter. The biggest detractors in the quarter came from our nil holding in Commonwealth Bank of Australia (CBA) (-1.37%). CBA continued to outperform other retail banks and the broader index driven by consistent execution from the company as evident in the March quarterly result announced in the quarter. Other material detractors in the quarter were our holdings in Block, Inc. (-0.95%) and Reece Limited (-0.70%). Block, Inc. delivered a disappointing quarterly result which the team deemed to be a material profit warning and therefore divested out of the stock consistent with our capital management rules. REH announced a FY25 downgrade to previous NPAT guidance late in the quarter. While this is a disappointing announcement, it is consistent with commentary from other companies in the building material sector at this particular point in the cycle. Our investment thesis regarding REH's US opportunity remains intact, and the company continues to invest, to execute on this opportunity. We have topped our position up on recent share price weakness but to a lower target weight until we see evidence of cyclical recovery for the sector.

At the sector level our overweights in Healthcare (+1.36%), Information Technology (+1.05%), and Real Estate (+0.86%) contributed positively to the relative performance for the quarter. Our underweight in Financials (-1.46%), and our overweight in Industrials (-0.77%), as well as our cash holding (-0.43%) all detracted. As previously discussed, whilst we comment on over and underweight benchmark in this section of the report for readers' information, it is worth noting that as a high conviction (concentrated) index unaware portfolio, variations versus the benchmark are an outcome of our investment approach and not a target.

Sector in Review

The S&P/ASX300 index returned 9.48% in the June quarter, consistent with strong performance of equities globally.

The quarter started with the surprising "Liberation Day" announcements from the President of the United States (POTUS) who imposed 'reciprocal tariffs' on all trading partners. The initial announcements quickly developed into a full-blown trade war with China. The first month of the quarter was rich in unpredictable news flow. Shortly after introducing the 'reciprocal tariffs,' the POTUS unexpectedly announced a 90-day 'pause' on their imposition. Later in the month, an unprecedented social media attack by the POTUS on the Chair of the Federal Open Market Committee (FOMC) further rattled markets.

As April progressed, China refused to engage with the US. Subsequent signs that the POTUS might be backing down on tariffs and interfering less with the workings of the US Federal Reserve calmed the markets somewhat as the quarter continued. Tariff-related news still impacted markets, although the amplitude of the moves tightened significantly. Gold prices spiked early in the quarter due to tariff-induced inflation fears and remained at these elevated levels for the rest of the quarter.

Domestically, Federal elections In May saw a Labor landslide victory and a few tumultuous days in the aftermath for the Liberal/Nationals Coalition. The Reserve Bank delivered the well signalled rate cut of 25bps to the cash rate, also in May, and revealed that the board had discussed a 50bps cut given the turmoil offshore. Subsequent inflation prints showed continued correction towards the 2-3% target band.

Bond yields were front and centre in the minds of the investment community with the psychologically significant 4.50% yield on the US 10-year bonds tested during May on the back of President Trump's fiscal package clearing Congress.

On the geopolitical front, tensions in the Middle East escalated during the quarter with a conflict between Israel and Iran. While this did not result in negative performance of equities markets, the oil price did spike to high $70s in the early part of June, to correct below $70 a barrel as the quarter ended. The iron ore price continued to moderate in the back end of the quarter finishing below the $100/t level.

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In terms of absolute returns by sector the strongest performance came from Information Technology (+26.87%), Financials (+15.67%), and Communication Services (+14.08%). On the other side of the ledger, only one sector delivered negative performance in the quarter – Materials (-0.36%).

Outlook

We began 2025 with optimism, buoyed by expectations of a business-friendly and pro-growth environment under President Trump's administration. Global interest rates had peaked or were peaking, energy prices were stable, and there was potential for a global growth rebound driven by sustained and targeted Chinese government stimulus. The backdrop was constructive for continued economic growth and relative market stability.

However, the first quarter brought unexpected challenges. Widespread tariffs announced by President Trump dampened both our outlook and market sentiment. The uncertainty surrounding these tariffs created a ripple effect, materially impacting equity valuations and causing concern among investors and businesses alike.

Despite these initial hurdles, the second quarter has seen a significant turnaround. President Trump's decision to delay tariff implementations led the market to adopt a "TACO" (Trump always Chickens Out) perspective on subsequent Presidential announcements. This shift in expectations helped to alleviate some of the markets concerns, and equity markets have recovered materially from their early April lows.

While the recovery in equity markets has been encouraging, underlying consumer confidence and economic data points have remained weak. This has been particularly evident in the United States, and to a lesser extent in Australia, which has benefited from multiple interest rate cuts in calendar year 2025.

From a bottom-up earnings perspective, the trend of negative EPS revisions seen in the February reporting season continue in the second quarter with ASX300 EPSg of -1.5% now expected for FY25 (Chart 1).

Chart 1

Source: Factset, Platypus

Looking into the second half of the year, we anticipate a tale of two economies. Australia is likely to benefit from controlled inflation and subsequent further interest rate cuts. In contrast, the United States faces a different scenario, with the Federal Reserve so far unwilling to cut rates due to the potential inflationary impact of proposed tariffs, the timing of which has yet to be confirmed.

In this environment, a more stringent assessment criteria are essential when evaluating the quality of individual businesses, their management teams, their ability to navigate tariff impacts and their financial robustness (balance sheet strength) for inclusion in our portfolio. This will be our focus in the period ahead. We have reduced and exited positions where our ability to accurately forecast earnings has decreased to unacceptable levels.

Portfolio Strategy

During the quarter, the market outlook has recovered from the sharp tariff-induced correction of early April, with investors adopting a "TACO" (Trump always chickens out) approach to new presidential announcements. Despite this recovery, underlying economic data points remain challenged as consumer and investor confidence is gradually rebuilt.

Given the ongoing uncertainty, we remain extremely focused on the earnings outlook of the companies we hold on behalf of our clients. The ability to meet or exceed earnings expectations has always been crucial to our investment process, and continued vigilance on this front is even more important in the current macroeconomic environment, our commitment to this view can be seen in stocks that have exited the portfolio.

Stocks held and those on the ‘bench’ contain both growth businesses with defensive earnings streams and high-quality cyclical ones. The focus for us continues to be on (a) businesses with strong balance sheets (b) sustainable pricing power and (c) sensible valuations.

ESG update

Developments during the quarter

The Safeguard Mechanism data for 2023-2024 was released. The Clean Energy Regulator provided clarity for each asset around carbon dioxide, methane, nitrous oxide, and other GHG emissions, useful for stakeholders trying to understand emission sources. Total emissions reduced to 136 Mt CO_2-e from 138.7 Mt CO_2-e in 2022-2023. After surrendering ACCUs, net safeguard emissions fell to 127.8 Mt CO_2-e, which was a ~7x increase in surrendered carbon credits. A number of companies surrendered ACCUs equivalent to 30% or more of their baselines, meaning that it is cheaper to surrender ACCUs than it was to decarbonise operationally. As the ACCU price increases and technology develops, we expect operational decarbonisation to play a larger role.

The Trump administration introduced a budget reconciliation bill called the ‘Big Beautiful Bill’. While the draft is not final, there will be implications for decarbonisation in the US and supply chains more broadly. Carbon capture (45Q) and the clean fuel tax credit (45Z) are two parts that will remain, while wind energy (45X), clean hydrogen, and EV tax credits will be removed. Contained within the bill is transferability, which gives ~2 years of runway for most credits. Interestingly, the nuclear production credit is proposed to finish 3 years earlier. At the time of writing, the bill is still being finalised.

US lawmakers propose a US Carbon Border Adjustment Mechanism (CBAM), similar to the EU. On April 8th, two Republican senators introduced the 2025 foreign Pollution Fee Act (FPFA) that would establish a CBAM tariff on US imports of steel, aluminium, cement, hydrogen, fertiliser, solar products and battery inputs. The rates would be based on GHG intensity compared to US production, and non-market economies face a 2x multiplier.

The US EPA announced measures to address contamination of the forever chemical, PFAS in drinking water. The Trump administration decided to delay the timeline for water utilities to comply with reducing PFAS in drinking water, and reconsider the limits for less common PFAS chemicals. However, the EPA has appointed a lead for PFAS within the EPA to work with states to assess risks, help with enforcement, and support clean up efforts. According to EPA analysis, for water companies to comply with regulation as it stands, it would cost US$1.5 billion per year, given PFAS levels that are considered high affect some 100 million people in the US. Note that the 3M settlement was US$12.5 billion.

In May, VicGrid released the first draft of the 2025 Victorian Transmission Plan. It proposed seven new Renewable Energy Zones (REZs) and four new transmission lines to support Victoria’s transition to 65% renewable by 2030. The REZs will add 6.5 GW of new capacity, including 5.2 GW of wind. The plan is in draft stage.

The Future Made in Australia invests in local solar panel manufacturing. An Adelaide facility secured the first round of funding from the $1 billion Solar Sunshot program. Funding of $46m was awarded to the company 5B to scale up production, enabling production of 200 MW over the next 3 years. While it will be hard to compete with solar manufacturing in China from a cost perspective, this is positive from an energy security and supply chain perspective, especially with respect to modern slavery.

The Macquarie Conference in May reflected a more subdued sentiment to reporting season. Geopolitical insecurity is impacting climate momentum with delayed investment decisions. Company examples include Aurizon ceasing investment in future decarbonisation development work, Bapcor talking to caution on domestic EV market growth, Whitehaven coal called out delays in the energy transition due to slower technology developments than expected, and Worley has seen energy majors shift capital back to original projects. Our view is that if the economics are compelling, we expect to see investment continue.

The EU continues to take a pragmatic approach to competitiveness. The EU Omnibus package proposed changes to the Corporate Sustainability Due Diligence Directive (CS3D), the Corporate Sustainability Reporting Directive (CSRD) and the EU Taxonomy Regulation. These are currently being negotiated, but the ultimate aim is to reduce the regulatory burden on companies doing business in the EU. See here for details.

Platypus Asset Management Proxy Voting Overview

There were 3 shareholder meetings during the quarter and Platypus voted in favour of 41 proposals. A summary of the voting activity is attached.

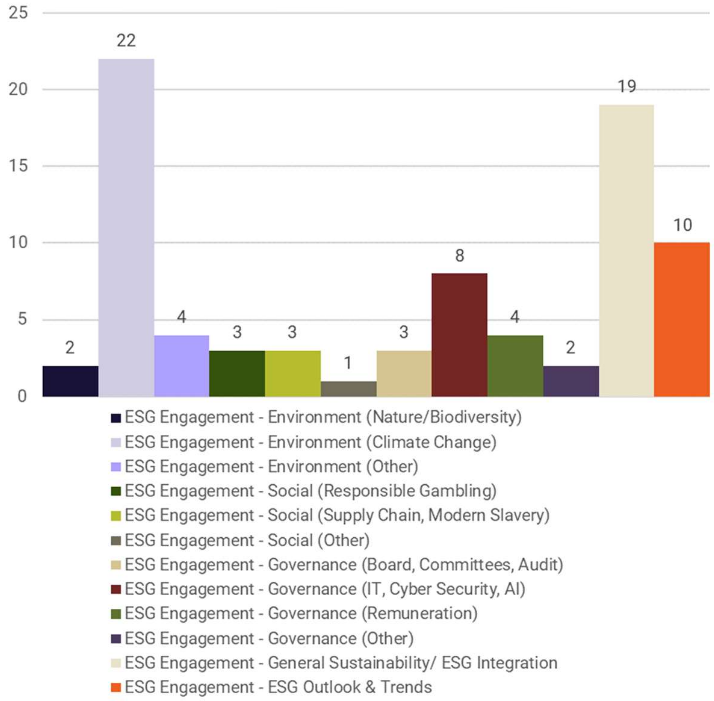
ESG Engagement Updates

We classify our engagements as either thematic or company specific. Thematic engagements serve the purpose of allowing us to delve deeper into specific ESG focus areas, whilst company engagements are those held with the intent of furthering progress on identified ESG issues or objectives for specific companies within the Flagship portfolio. During the quarter we had 47 thematic engagements and 34 company engagements amounting to a total of 81 engagements.

The below chart provides a summary of engagements by category held during the quarter. In line with our broader engagement direction (detailed in our ESG policy), the majority of our engagements were focused on climate change. In light of the evolving policy environment globally, there was also an increase in General Sustainability/ESG Integration and ESG Outlooks and Trend engagements, where we spent time understanding the broader environment. We investigated issues such as the energy transition, carbon credits and markets, modern slavery, and methane. We also went on a research trip to Tasmania, focusing on sustainability in supply chains. Focus for social issues remained on traditional owner rights, especially with respect to mining.

Commentary courtesy of Platypus Asset Management Pty Limited ABN 33 118 016 087, AFS Licence No. 301294

ESG engagements by category



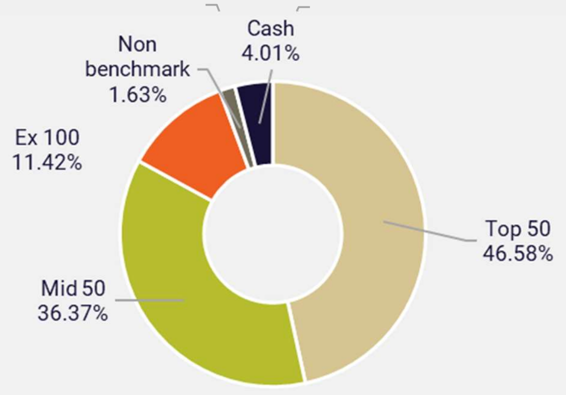
Asset Allocation

Asset Class	Portfolio%
Australian Shares	95.99%
Cash	4.01%

Top 5 Holdings

Company	Portfolio%	Benchmark%	Active%
Macquarie Group Limited	6.36	3.07	3.29
Goodman Group	5.71	2.63	3.07
Fisher & Paykel Healthcare	5.49	0.24	5.25
ResMed Inc.	5.49	0.88	4.60
CAR Group Limited	5.11	0.54	4.58

Market Capitalisation



Market Cap Band	Portfolio	Benchmark%	Active%
Top 50	46.58	77.83	-31.26
Mid 50	36.37	11.62	24.75
Ex 100	11.42	10.55	0.87
Non benchmark	1.63	0.00	1.63
Cash	4.01	0.00	4.01

Characteristics

Market Cap Band	Portfolio	Benchmark
Number of stocks	29	299
Franking level	45.8	64.2%
Price to book	5.7	2.4
Return on Equity	19.0	12.7%
Forward P/E	30.1	19.2
Forward tracking error	8.3	
FUM - Strategy	$4280.4m	
FUM - Other	$0m	
Funds under advice	$1015.5m	
FUM - Total	$5295.8m	
Inception date	Jan 99	

Important Information