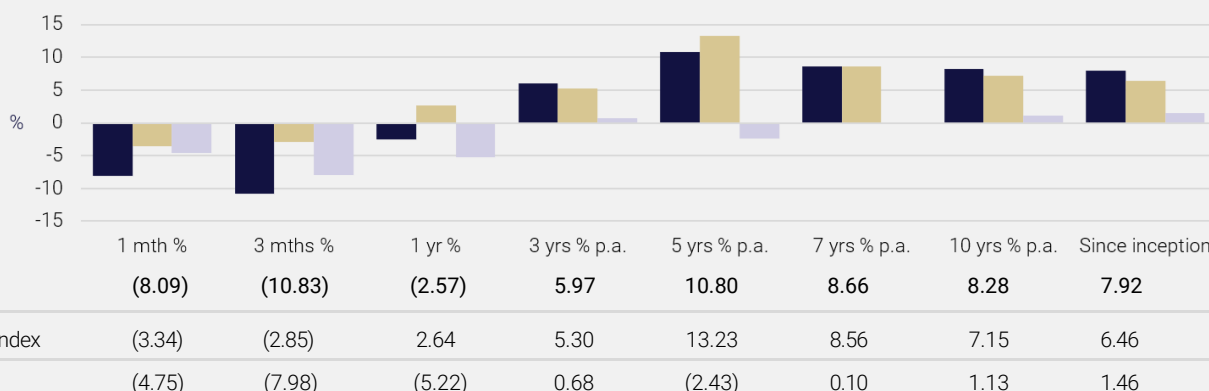


# Fund Update

## Platypus Australian Equities Fund

**31 March 2025**  
QUARTERLY

### Performance as at 31 March 2025



Performance returns are calculated after 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 30 April 2006.

## Quarter in review

The portfolio declined -10.83% in the March quarter, underperforming the benchmark by -7.98%.

At the stock level, contributions came from nil weight in CSL Ltd (CSL) (+0.43%), and our positions in SGH Ltd (SGH) (+0.39%) and Charter Hall Group (CHC) (+0.37%). Both SGH and CHC delivered strong results during the February 2025 reporting season. On the other hand the CSL result disappointed as the result showed some lacklustre improvement in Vifor and an inconsistent gross margin improvement in the Behring division. Thankfully, large government contracts for avian flu preparedness have been awarded to CSL without which there was a risk to the FY25 guidance. The biggest detractors in the quarter came from our holdings in Block, Inc. (XYZ) (-1.99%), Reece Ltd (REH) (-1.11%), and Fisher & Paykel Healthcare Corporation (FPH) (-0.53%). XYZ delivered a strong result, however, share price declined on a guidance that was second half weighted, in particular for seller GPV growth. The negative sentiment building across both consumer and businesses in the US has also affected the share price performance. REH delivered a result that was in line with the downgraded guidance but highlighted material team attrition in one of the US divisions; as a consequence the stock underperformed. We have topped up our position on this share price weakness but to a lower target weight in the portfolio. FPH was negatively impacted by tariff commentary from Trump administration in particular impacting company's Mexican manufacturing facility. In our calculation the worst case impact of 25% tariff on Mexico would be a 10% drag on net profits but it is likely that the company would be able to substantially mitigate this impact.

At the sector level our weight in cash contributed positively (+0.09%) as did our nil weight in Energy (+0.11%). Our underweight in Financials (-3.49%), and our overweights in Industrials (-1.01%) and Consumer Discretionary (-0.98%) all detracted. As previously discussed, whilst we comment on over and underweight benchmark in the 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 -2.85% in the March quarter.

Inflation continued to moderate during the quarter albeit not along a straight path and not at the speed some in the market would have liked. The underlying strength of the global economy and low unemployment have been the main culprits of this 'stickiness'. As a result, the US Federal reserve is yet to cut interest rates in 2025. This moderation of rate cut expectations has been mirrored across other developed western economies.

President Trump's first months in office were the focus of global equity investors during the period. The market euphoria of the early days of the Trump term was replaced by pessimism as talk of widespread tariffs became the market focus. This pessimism impacted global equity markets and those companies/sectors that had outperformed over the last few years namely Tech and the US were impacted disproportionately. Looking forward we expect to see this policy volatility under Trump being an ongoing trend.

The Chinese central government policy continued to be supportive of targeted domestic consumption. As yet, there has not been a 'Bazooka' or widespread stimulus across all sectors including Property. Potentially, the government is holding back this firepower until it has seen the impact and quantum of US tariffs. The Australian reporting season was generally weak with the high market expectations leading into the period not being met across the board. From a sector perspective there wasn't a standout with the underperformance being broad based.

The Reserve Banks of Australia finally joined other central banks and cut rates for the first time. The RBA was behind the curve and has been one of the last developed central banks to cut.

In terms of absolute returns by sector Industrials (2.46%), Utilities (2.21%) and Communication Services (+1.85%) ended the quarter in the green. On the other side of the ledger, dragging the index down were Information technology (-18.23%), Health Care (-8.99%) and Real Estate (-6.62%).

## Outlook

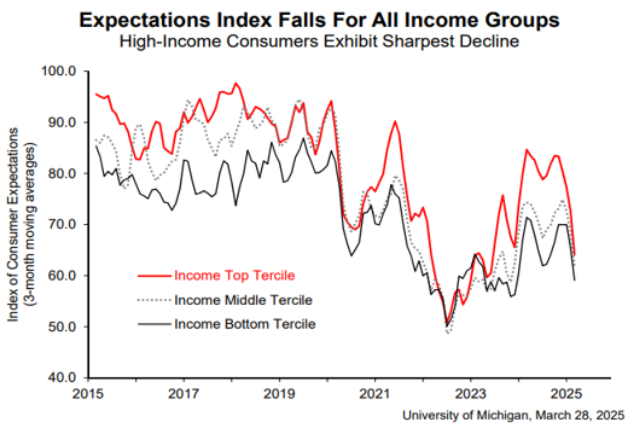
We started 2025 on an optimistic note. We had expected that President Trump's administration would be business friendly and pro-growth, interest

rates were peaking globally, energy prices were well contained and there was a potential rebound in global growth from sustained and targeted Chinese government stimulus. We felt at the time, that in amongst the number of caveats to the positive outlook, an unexpected rise in realised inflation could be the one that sours risk appetite and proves damaging to equities.

The outlook has soured materially in a quarter and the sources of the risk(s) that hit equities in the past eight weeks were not widely expected. The volatility in tariff related announcements from President Trump and the chainsaw approach to the running of the DOGE has hurt sentiment – both consumer and business and there is a higher probability now that the US economy slows in the coming quarters. Long established international relations have been upended brutally, denting confidence in many economies that trade with the US.

As an illustration of the impact on confidence, Chart 1 below shows that the forward-looking expectations index in the survey of US consumers conducted by the University of Michigan has fallen across all income groups.

Chart 1



The macroeconomic environment appears to have taken a turn for the worse in the world’s largest economy and its key trading partners are feeling the effects too.

From a bottom-up perspective, the reporting season just concluded here in Australia for H1FY25 has seen earnings expectations reset downwards (Chart 2) and it was widely reported to have been tough reporting period. A sign perhaps, that the tougher operating conditions have been felt by businesses quicker than what is reflected in the macroeconomic data.

Chart 2



"For context the -1.3% revisions to S&P/ASX300 Estimated EPS for FY25 was the heaviest downward revision for the market in the past five February reporting season:

Reporting Period	Revisaions to current FY Est EPSg
Feb-21	5.70%
Feb-22	-0.10%
Feb-23	-0.80%
Feb-24	0.40%
Feb-25	-1.30%

Source: FactSet, Platypus

The bottom line is that the outlook has become uncertain quickly and is being reflected in lower prices for risk assets with a corresponding lift in fear indicators such as the VIX. It is impossible to predict the short-term path for markets or the timing for a more improved outlook.

In this environment, tougher criteria need to be used in assessing the quality of individual businesses, their managers and their financial robustness for inclusion in the portfolio which will be our endeavour in the period ahead.

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Portfolio strategy

The outlook has become uncertain, and markets have been roiled in the first quarter of 2025.

As always, we remain extremely focused on the earnings outlook of companies that we hold on behalf of our clients. The ability to meet or exceed earnings expectations has always been of crucial importance to our investment process. The vigilance on this front is ever more important in uncertain macroeconomic environment.

Stocks held and those on the 'bench' contain both defensive businesses 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

**Sustainability collaborations are under pressure.** On the 13th January, the Net Zero Asset Managers Initiative (NZAM) announced it would suspend activities and review their structure in light of regulatory developments in the US. As at November 2024, NZAM had 325 signatories representing US\$57.5 trillion in AUM. The list of signatories was removed from the website. The IGCC is the joint chair of NZAM globally (which rotates), and is part of the discussions about the future of the NZAM. Comments from the IPCC point to this being a US centric phenomenon, and an opportunity for NZAM to move away from a linear approach for membership, designing options that more closely align with plurality of membership.

**On 20th January, the Australian Government announced a \$2bn green aluminium production credit, providing support to domestic aluminium smelters transitioning to renewable electricity before 2036.** Part of the Future Made in Australia Plan, the funding will be available from 2028 and will consist of an emissions linked credit contract with credit rates dependent on facilities reducing Scope 2 emissions. For aluminium smelters, Scope 2 accounts for ~85% of emissions. The credit contract will be payable per tonne of green aluminium, and will be available for a period of up to 10 years.

**President Trump's executive orders have impacted previous US leadership on sustainability.** Some key ones are as follows:

- Withdrawal from the Paris agreement,
- Ordered a pause in Federal spending via the Inflation Reduction Act,
- Declared national emergency, aimed at accelerating fossil fuel production,
- Revoked electric vehicle targets,
- Banned offshore wind,
- Removed Federal DEI initiatives,
- Mandated Federal workers to return to the office full time, and
- Revoked some AI directives that act as barriers on innovation.

In total, President Trump has signed 103 executive orders in 2025. See [here](#) for an updated list.

**Reporting season in February diverged from the sentiment we saw in the US.** Investments in decarbonisation that stand on their own merit will continue to attract flows. We think that this will continue.

**Climate:** In general, companies continue to meet short term decarbonisation targets and maintain long term decarbonisation goals. Targets continue to be aligned with SBTi, which generally means that they are achievable. There are some exceptions: Santos walked back from Scope 2 targets by 10 years based on grid decarbonisation, Fortescue talked to extended deadlines (for investments that are dependent on tax incentives), and Worley talked to reduced momentum in their sustainability forward order book. Qantas long term sustainable aviation fuel targets remain and they will continue to allocate the remainder of their Climate Fund towards strategic investments. However, language in recent press highlights the risk to these long term targets. The key takeaway is that robust investment cases for decarbonisation are not dependent on the political climate or specific tax credits.

**Diversity:** We have not seen the same push back here as is apparent in the US. Targets in Australia tend to be gender focused rather than specifically diversity, and companies are maintaining these targets. The tone is generally more measured than in the US.

**AI:** After increasing spend in light of Medibank and Optus hacks, companies seem to be more confident in their processes and AI governance.

**SBTi proposed changes to the Corporate Net-Zero Standard.** Changes would see a focus on material areas of emissions, separate target dates for Scope 1 and Scope 2 emissions, simplified requirements for companies from developing countries and for SMEs (namely increased flexibility around Scope 3), and more rigorous validation of low carbon energy claims. Additionally, there will be a shorter timeframe for near term targets, which will be limited to a maximum of 5 years.

### Platypus Asset Management Proxy Voting Overview

There were 3 shareholder meetings during the quarter and Platypus voted in favour of 22 proposals. A summary of the voting activity is attached.

### ESG Engagement Updates

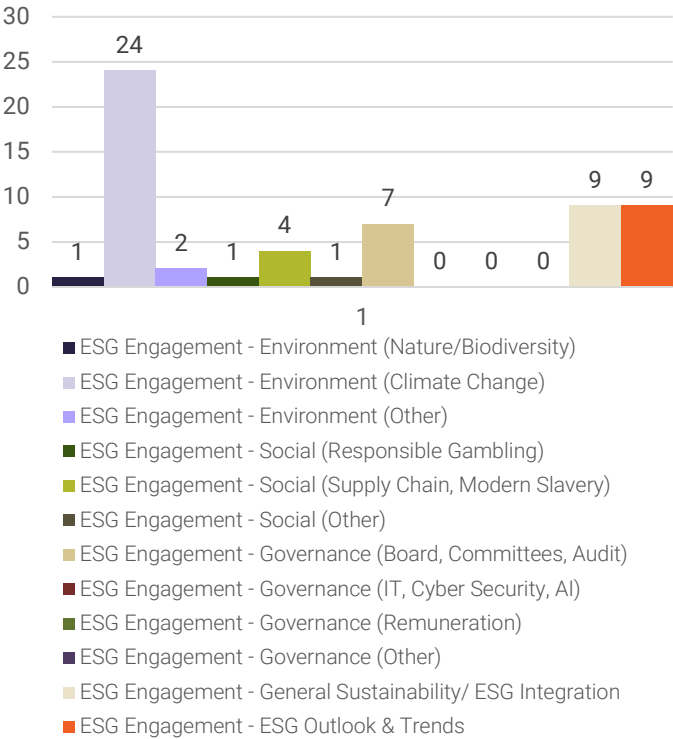
We classify our engagements as either thematic or company specific. Thematic engagements serve the purpose of allowing us to delve deeper into specific ESG focus areas, whilst company engagements are those held with the intent of furthering progress on identified ESG issues or objectives for specific companies within the Flagship portfolio. During the quarter we had 42 thematic engagements and 16 company engagements amounting to a total of 58 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 new administration in the United States, there was also an increase in General Sustainability/ESG Integration engagements, where we spent time unpicking the impact on listed companies. We investigated issues such as the energy transition, carbon credits and markets, modern slavery, and PFAS. 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

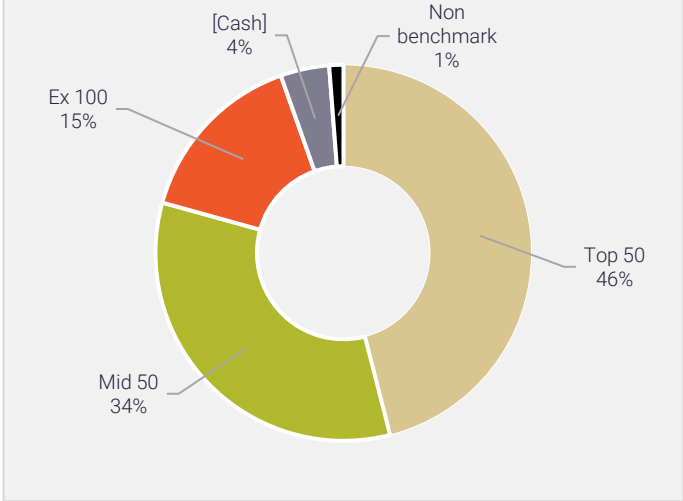
Asset Class	Portfolio%
Australian Shares	95.81
Cash	4.19*

\* Cash allocation impacted by a large end-of-month inflow

Top 5 Holdings

Company	Portfolio%	Benchmark%	Active%
Rio Tinto Limited	6.76	1.77	4.99
ResMed Inc.	5.04	0.86	4.19
Fisher & Paykel Healthcare	4.90	0.24	4.67
Goodman Group	4.56	2.38	2.18
Block, Inc.	4.25	0.18	4.08

Market Capitalisation



Market Cap Band	Portfolio%	Benchmark%	Active%
Top 50	46.01	77.34	(31.33)
Mid 50	33.29	11.78	21.51
Ex 100	15.29	10.87	4.42
Non benchmark	1.22	0.00	1.22
Cash	4.19*	0.00	4.19*

\* Cash allocation impacted by a large end-of-month inflow

Fund Snapshot

	Wholesale Units
APIR Code	AUS0030AU
Inception date	30 April 2006
Fund size (net asset value)	\$452 m
Minimum initial investment	\$5,000
Management Fees	0.76% p.a.
Estimated Recoverable Expenses	0.12% of net asset value of the Fund for each financial year ending 30 June.
Performance Fees	15.375% of the excess performance over the relevant Index*
Buy/Sell spread	0.20%/0.20%
Distributions	Half yearly
Advice fee	Available

\* Refer to the PDS for more information about the Performance Fee.

Important Information

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