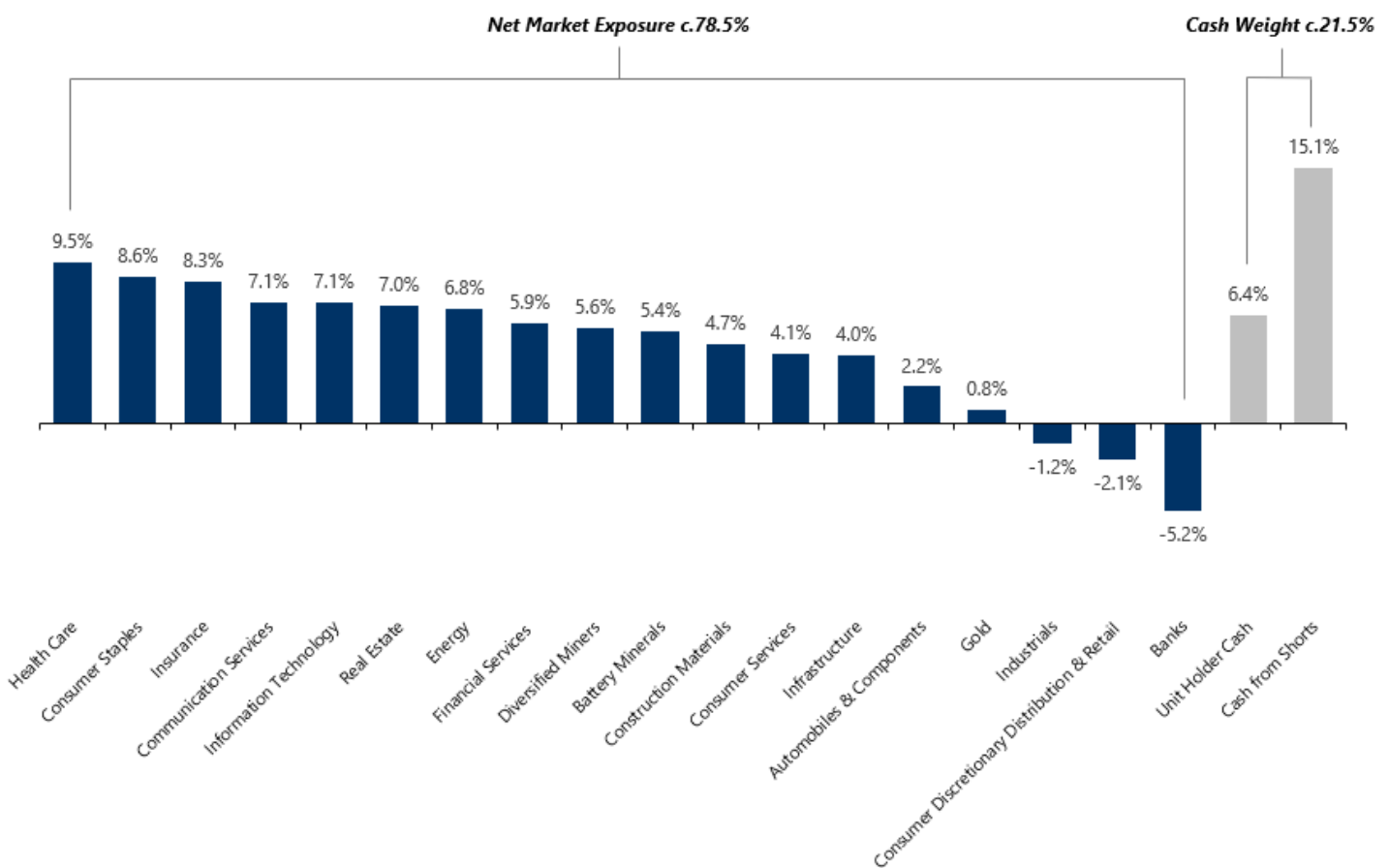


Net Returns	
1 Month	0.2%
3 Months	-1.6%
6 Months	1.9%
1 Year	9.4%
5 Year (pa)	10.0%
<b>Inception (Feb 2018)</b>	<b>77.9%</b>

Top 5 Holdings	Weight
ResMed Inc.	7.0%
Cosol Ltd	5.5%
Insurance Australia Group	5.4%
Aristocrat Leisure Ltd	5.1%
Ridley Corp Ltd	4.1%
<b>Top 5 Holdings as % of AUM</b>	<b>27.1%</b>

Net Exposure	
Long Exposure	93.6%
Short Exposure	-15.1%
Gross Exposure	108.7%
<b>Net Exposure</b>	<b>78.5%</b>

**Portfolio Positioning**



**Month in Review**

The fund returned **+0.2% (net)** in June, taking our financial year 2024 performance to **+9.4% (net)**, and our trailing 5-year performance to **+10.0% pa (net)**. This compares to the All-Ords Accumulation 5-year performance +7.6% pa gross. Importantly, given the nature of our fund, we have achieved this whilst taking considerably less risk (and with less volatility) than you would receive if you just invested in “the market” via an ETF or similar product over that period (the funds 5 year annualised standard deviation of returns is 8.3% versus the market 11.3%, and the “downside capture” for the fund since inception has been 57.8%).

In FY24 our long portfolio contributed **+10.2% (net)** to our performance while our short portfolio detracted **-0.8% (net)**. In contrast to FY23, our positive performance was primarily driven by large caps on the long side while our small cap holdings generally had a tougher year (excluding **Cosol Ltd** and **Bellevue Gold**). Our short portfolio gains were offset by strength in banks where we continue to be positioned short.

**Our current thoughts regarding each of the top performers in the fund in 2024 (in order of contribution) are as follows:**

**Cosol** (COS.AU, +64% in FY24) was the fund's top performer for the year. The year was underpinned by consistent managed services contract wins by the Cosol team and solid financial results. We see ongoing +10-15% organic growth for Cosol, which in addition to their bolt-on acquisition strategy (AssetOn and Core Asset Co were announced in FY24), drive a very attractive growth outlook. While the stock has had a good run recently, we still see upside to our valuation and believe there is a strong chance that the company will be taken over in the medium term (3-5 years).

**Seven Group** (SVW.AU, +53%) had another solid year on the back of consistent performances from their industrial segments. WesTrac sales benefited from strong mining activity, while Coates saw margin expansion on the back of productivity gains and supportive infrastructure activity. SVW.AU completed their takeover of Boral, which has demonstrated impressive margin expansion and cash generation under Vik Bansal. After exiting our position after its very strong run, we continue to evaluate possible points of re-entry in line with our valuation and return hurdles (noting the stock is currently ~12% below recent highs).

**Aristocrat Leisure** (ALL.AU, +29%) has been a core holding for the fund for many years as we see them as the best player in a long-term growth industry, with multiple growth and cost levers to pull in the years ahead. The company delivered a very strong financial result in the year, with margins in their Gaming and Pixel United businesses returning to pre-COVID levels. The company recently announced a cost optimisation program (annualised run rate savings >A\$60m) and a strategic review of casual and RPG segments. Guidance was recently reaffirmed and all up we saw the result as one where they loudly asserted their number one market position from both a performance, investment, and pipeline perspective. Furthermore they have outlined some very bullish long term revenue growth and margin guidance which displays management's confidence in the years ahead.

**Insurance Australia Group** (IAG.AU, +25%) it's been a tough few years for the general insurers who have worn COVID-19 claims, elevated weather events, rising reinsurance costs, and inflationary impacts in both motor and home repairs (claims). Despite "insurer bashing" being a favourite past time for the layman, I often get lambasted when I remind people that they're not charities and won't exist if they can't occasionally make reasonable returns on their capital! And so it was that 2024 was a year where they did make reasonable insurance margins and IAG returned to within their long term 13.5% to 15.5% underlying insurance margin range, while Gross Written Premium (GWP) grew at a low-double digit clip. As reinsurance costs normalise, IAG's management team have also moved to protect their future by spending more to reduce their risk to catastrophes and we believe this will lead to an ongoing rerating in their share price despite the recent bounce.

**ResMed** (RMD.AU, -11%) was the leading contributor for the fund in FY24 with a week to go in the year but declined 13% on the 24<sup>th</sup> of June on more GLP-1 wonder drug news which had the market (again) questioning the implications for sleep apnoea providers. After dropping c.35% earlier in the financial year, we took the opportunity to initiate a meaningful position for the fund which we continue to hold in the belief that this is a high-quality company who will continue to grow alongside GLP-1 drugs for decades to come, and that the valuation is currently appealing. Refer prior reports for more detailed thoughts.

**James Hardie** (JHX.AU, +19%) had a stellar FY24 as the US building market (c.70% of JHX volumes) rebounded, market share grew, and input cost inflation abated, oh yes and price rises kicked in! Talk about build a rod for your own back! This saw their EBIT margins in North America rise to 32.7% in Q3. Great performances like this are hard to maintain and with JHX.AU's stock price trading through our valuation at c.\$60.00 in March we exited our position. With it having retreated to \$47.00 at the time of writing, we are re-initiating a position.

**Charter Hall Group** (CHC.AU, +4%), rebounded +29% off October lows following improved rate sentiment and outlook for the real estate sector, as macro data stabilised and investors gained confidence in reaching the 'peak' of the RBA's hiking cycle. We were able to capitalise on CHC's re-rate and have since dialled down the position given renewed rate uncertainty and 'higher for longer' sentiment impacting the REIT space.

**Bellevue Gold** (BGL.AU, +41%) having sat on our "wish list" for years through their discovery and construction phase, we were able to initiate a position in BGL.AU once they were within "line of site" (100 days) of achieving positive FCF generation from their high-grade Bellevue Gold Mine in WA. This proved to be a good entry point and despite a recent bounce after the company successfully navigated ramp-up and avoided a widely expected raise, we still see ongoing valuation upside once we consider expansion opportunities where we believe the company can organically increase throughput by 20-50%, for nominal capex.

### **Current positioning**

As we begin a new financial year we think it is important for you to understand where we are positioned, and why we have confidence that these companies will be good custodians of our collective capital moving forward. The table below displays the fund's current top 10 holdings, and their respective 'active' weights relative to the S&P ASX 300 index. As you will see most of these stocks have almost zero weighting in the index and if they are in the index our position size is many times larger than their index weighting. All of these stocks have strong balance sheets, with experienced management teams, and on the valuation front we believe they are all priced attractively relative to their growth profiles or asset quality. Combined, we believe these stocks form a solid "backbone" for the portfolio as we head into FY25 and beyond.

**Indian Pacific Fund Top 10 Positions**

Company	Active Weight			Size MC A\$m	Balance Sheet		Multiples				Growth EPS 2Y CAGR	Valuation			Dividends Div Yield FY+1
	IPFM	ASX300	'Active'		ND/ EBITDA	Int Cover	EV/EBIT		P/E			PEG	P/B	ROE	
	%	%	%		FY+1	FY+1	FY+1	FY+2	FY+1	FY+2		FY+1	FY+1	FY+1	
RESMED INC	7.0%	0.7%	6.3%	41,715	0.7x	23.9x	17.7x	16.3x	21.5x	19.5x	12%	1.8x	5.7x	24%	1.0%
COSOL LTD	5.5%	-	5.5%	223	1.0x	12.0x	12.9x	10.9x	18.5x	15.7x	23%	0.8x	3.2x	16%	2.0%
INSURANCE AUSTRALIA GROUP	5.4%	0.7%	4.8%	16,852	n.a.	n.a.	11.9x	11.3x	17.6x	16.7x	5%	3.3x	2.5x	14%	3.8%
ARISTOCRAT LEISURE LTD	5.1%	1.3%	3.7%	31,674	(0.0x)	10.0x	14.5x	13.6x	19.4x	17.7x	9%	2.2x	4.9x	24%	1.6%
RIDLEY CORP LTD	4.1%	0.0%	4.1%	657	0.6x	11.6x	9.0x	8.4x	13.7x	12.7x	12%	1.2x	2.1x	14%	3.9%
TELSTRA GROUP LTD	4.0%	1.8%	2.3%	41,711	1.9x	5.1x	15.2x	14.0x	19.4x	17.7x	8%	2.4x	2.7x	13%	5.0%
AURIZON HOLDINGS LTD	4.0%	0.3%	3.7%	6,663	3.2x	3.1x	11.2x	10.8x	12.9x	12.1x	10%	1.3x	1.5x	12%	5.2%
AUSSIE BROADBAND LTD	3.9%	0.0%	3.8%	1,005	(0.3x)	3.5x	11.2x	9.1x	17.5x	13.8x	28%	0.6x	1.9x	10%	0.1%
JAMES HARDIE INDUSTRIES	3.7%	0.9%	2.8%	20,462	0.9x	13.7x	13.6x	11.9x	17.1x	14.7x	17%	1.0x	6.1x	31%	-
WHITEHAVEN COAL LTD	3.7%	0.3%	3.4%	6,764	(0.8x)	321.6x	2.4x	3.0x	5.0x	6.1x	16%	0.3x	1.2x	22%	2.2%
<b>Total</b>	<b>46.3%</b>	<b>6.0%</b>	<b>40.4%</b>	<b>Median</b>	<b>0.7x</b>	<b>11.6x</b>	<b>12.4x</b>	<b>11.1x</b>	<b>17.5x</b>	<b>15.2x</b>	<b>12%</b>	<b>1.2x</b>	<b>2.6x</b>	<b>15%</b>	<b>2.1%</b>

Source: Bloomberg, IPFM research

**Outlook for the year ahead**

FY24 was a year when inflation and interest rates once again dominated market sentiment, while the AI steam-train gathered pace offshore. Most central banks held their cash rates flat in 2HFY24, but expectations for rate cuts in CY2024 have generally been removed, with markets now in a "wait and watch" mode with further economic data needed to determine the path forward.

While the Aussie media (and some investors) seem panicked by the circa 50% chance of another 25bp rate rise (priced by the forward curve), short term rates in the USA (in contrast) are retreating. US long term rates are also well off their highs. The US 10-year Govt bond yield (the primary reference point for the "risk free" rate globally) is almost always a good starting point for considering "where to next" for asset values. At 4.35% today, the 10-year yield sits a substantially lower the ~5.0% cycle peak seen in October 2023, and provides an underlying level of support for asset values, should they offer an attractive risk adjusted return premium to the risk free rate.

While we don't have a crystal ball, and consider ourselves bottom-up stock pickers, we note that many rate sensitive sectors in Australia (ex tech) have sold recently in anticipation of rising rates. Time will tell if that's the correct move but we sense a potential opportunity on that front as we note deep value starting to enter parts of those sectors. Hard asset backed companies, and "steady growers with attractive yields" in particular are the areas where we are focussed (rather than sectors such as consumer discretionary where we are positioned short).

We are reminded in every cycle that even in tough economic environments there are good companies, led by great management teams, that continue to "find a way to win". If we invest in these companies at sensible prices (with expected annual rates of return above 10%), whilst maintaining a portfolio of shorts to protect us on the downside, we think we will be well positioned at Indian Pacific for whatever the market throws at us in the year ahead.

Thanks to our investors and business partners for your ongoing support and we look forward to working hard for you again in financial year 2025.

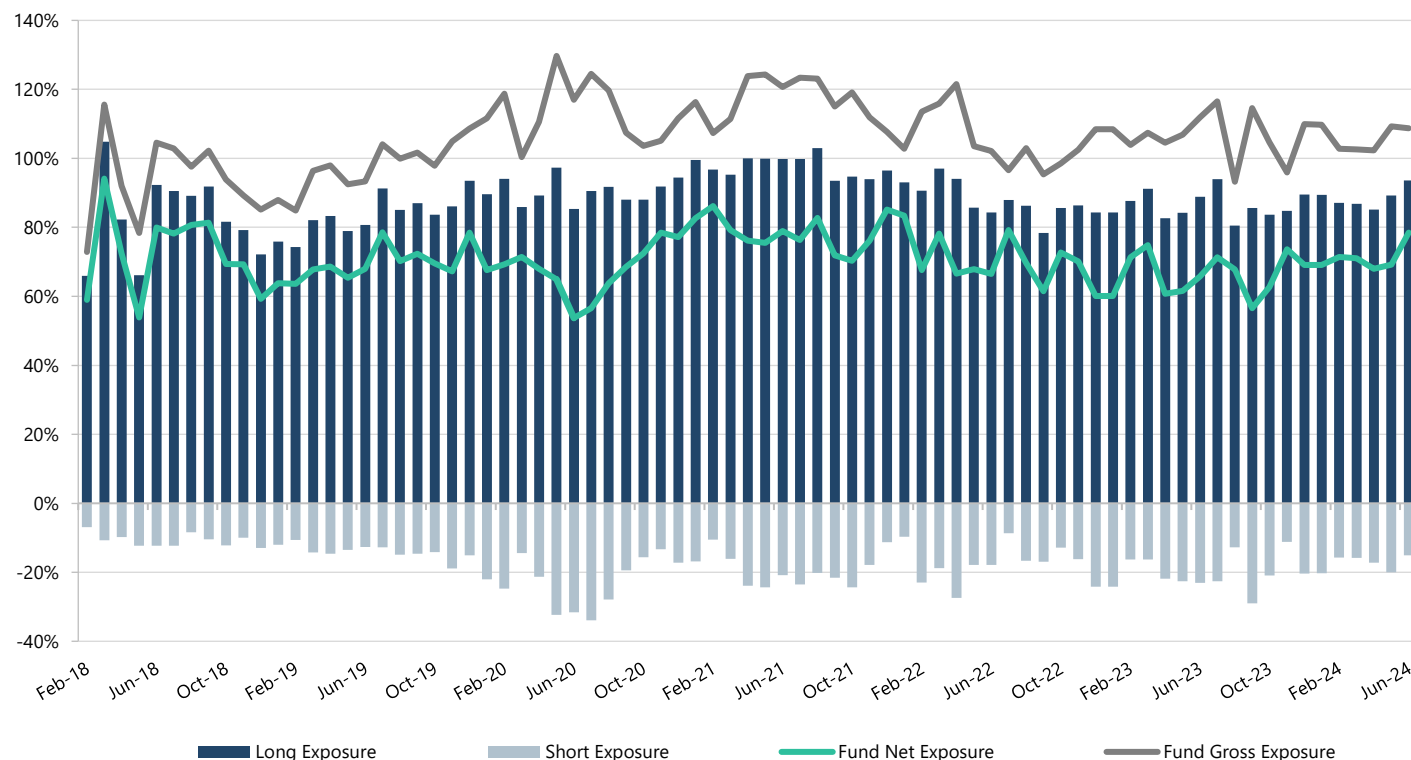
Regards,



Preston Hamersley

Portfolio Manager

IPFM Historical Market Exposure



About the Fund

The Indian Pacific Fund is an Australian Equity long/short fund founded in February 2018. The fund has an absolute return focus (with long bias), has no cash limit, and can invest in both large and small cap companies. The investment process is a fundamental bottom-up investment process with a focus on balance sheet risks and identifying companies with strong cash flows, in good industries, with strong management teams. The fund was founded with the view that whilst markets rise in the long term it is always prudent to maintain the flexibility to hold more cash when markets are overly optimistic, and selectively short stocks if opportunities arise.

<b>Holdings</b>	Typically, 15-25 long, selective short positions	<b>Investor Eligibility</b>	Wholesale Clients
<b>Management Fee</b>	1.0% of the NAV of the Fund, plus GST	<b>Prime Broker</b>	Morgan Stanley
<b>Performance Fee</b>	20% of Outperformance over RBA Cash, high water mark	<b>Fund Administrator</b>	Apex Fund Services Ltd
<b>Contact Us</b>	E: <a href="mailto:admin@indianpacificfm.com.au">admin@indianpacificfm.com.au</a>	<b>W:</b>	<a href="http://indianpacificfm.com.au">indianpacificfm.com.au</a>

Now available to wholesale investors on the HUB24 and Netwealth platforms (TIM9908AU):



If you would like to apply for additional units in the Indian Pacific Fund, please click [here](#)

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Fundamental Process.  
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