INDIAN PACIFIC
FUNDS MANAGEMENT

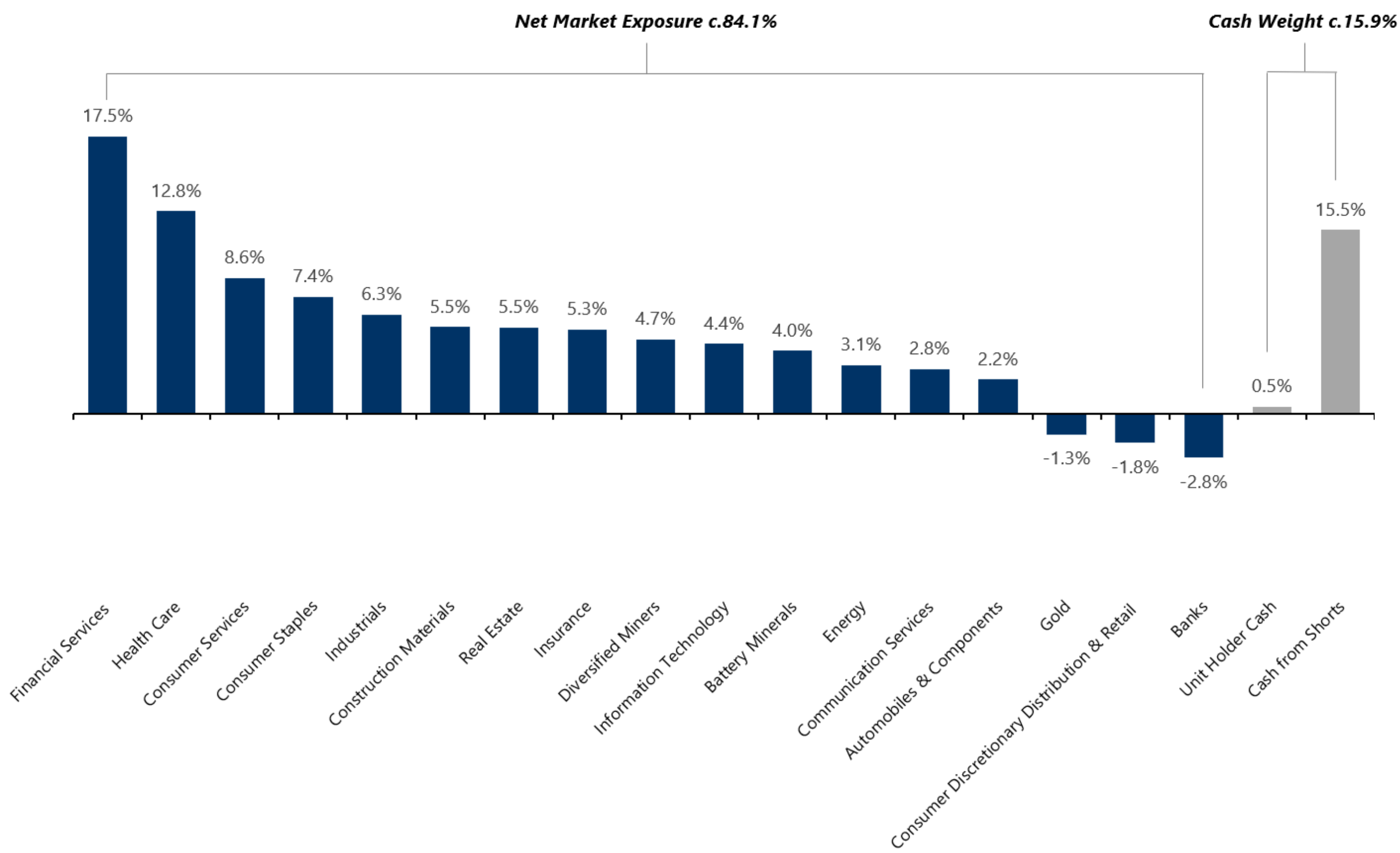
Monthly Performance Report
December 2024

Net Returns	
1 Month	-1.2%
3 Months	1.7%
6 Months	6.8%
1 Year	8.8%
5 Year (pa)	10.3%
Inception (Feb 2018)	**90.0%**

Top 5 Holdings	Weight
Resmed Inc	7.8%
Aristocrat Leisure	6.9%
Block Inc	6.0%
Insignia Financial	5.7%
CSL	5.0%
Top 5 Holdings as % of AUM	**31.5%**

Net Exposure	
Long Exposure	99.5%
Short Exposure	-15.5%
Gross Exposure	115.0%
Net Exposure	**84.1%**

Portfolio Positioning



Month in Review

The fund returned -1.2% (net) for December, taking our 2024 performance to +8.8% (net) and trailing 5-year performance to +10.3% pa (net). This compares to the ASX All Ords Accumulation Index +11.4% in 2024 and +8.3% pa over 5 years. **Our net exposure averaged 76% in 2024** which helps deliver lower volatility of returns for our fund, when compared to the "market". In 2024 our standard deviation of returns was 8.4% versus the market 11.5%, which has been quite typical for the fund since inception, and our "downside capture" since inception is under 60% as evidenced again in the last month of the year (when the market dropped 3.2%).

2024 will long be remembered as the year that interest rates peaked around the world (with the Fed cutting 0.5% in Sept, the first cut in 4 years); a year of ongoing fascination of all things AI and US Tech related; of the Israel-Hamas conflict increasing tensions across the Middle East; and of the markets late year euphoria at the re-election of Trump for his second term as US President. The traditional Santa rally was disrupted by a more hawkish US Fed who delivered on an expected 25bps rate cut in Dec, but also signalled a materially slower ("2 cuts") easing path through 2025. And in Australia a weak GDP result in December saw the RBA turn dovish in December with the market now looking for rate cuts in the 1H25 (as soon as Feb). All in all, as close to a "Goldilocks" year as markets could have hoped for in the year gone by.

Best and Worst of 2024:

Our large cap "growth at the right price" (or GARP) holdings were the standout performers for the fund in 2024, whilst two small cap cyclicals along with our short in CBA.ASX were our worst calls for the year. During the year the fund exited its positions in Lifestyle Communities, Tourism Holdings, and Charter Hall Group, while we increased our holdings in US exposed "global leaders" and lifted our exposure to Financials with structural tailwinds.

Figure 1: IPFM best and worst for 2024

Company Name		Company News
Aristocrat Leisure	✓	Strong FY24 result across all segments and continued momentum after winning court action against their competitor, Light & Wonder
Resmed Inc.	✓	Positive quarterly results which continue to beat expectations, driving the narrative that GLP1 is not as disruptive as first anticipated
Insurance Australia Group	✓	Strong growth in top line premiums, along with a long overdue benign CAT year saw margins rebound + rising rate beneficiary
Charter Hall Group	✓	Better than expected FY25 guidance and a stabilisation in asset valuations, triggering transaction volumes
Block Inc.	✓	Cheapest tech growth on the ASX, strong performance from their key segment Cash App, and positive outlook of +18%/+15% FY24/25 gross profit growth
Tourism Holdings	✗	Downturn in demand for RV's post COVID peak demand put pressure on balance sheet at a time of fleet expansion and rising debt
Lifestyle Communities Ltd	✗	Negative media coverage by ABC on DMF revenue structure, in addition to delayed settlement timings disrupting the 'self-funding' model
Commonwealth Bank (Short)	✗	While the stock is priced beyond perfection, the lack of cycle induced downgrades and the weight of passive money (buying) saw strong performance

Positioning in Financials:

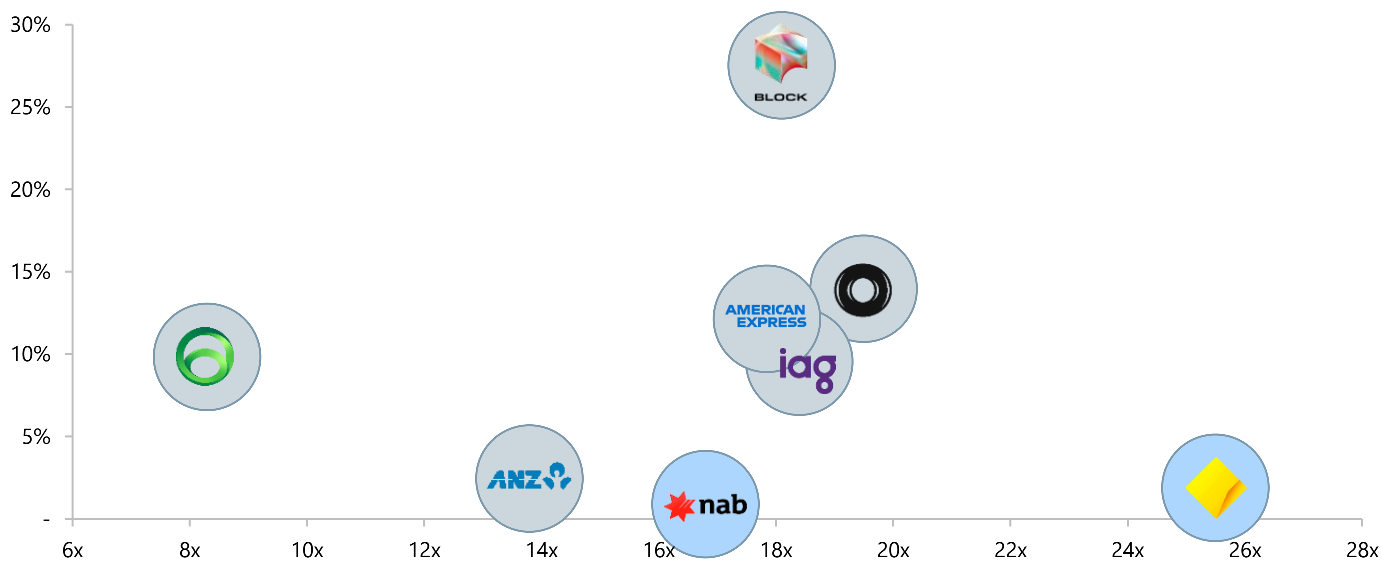
Turning to our positioning in Financials where we receive a lot of inbound questions. Having been bullish (and Long) the domestic Australian banks coming out of COVID, where all things cyclical were flying on the back of zero interest rates and government fiscal stimulus, yet the banks were priced for an extreme bad debt cycle which we didn't see playing out, we have been Short or Neutral the banks in the past year which has proved costly to the fund (more so in terms of missed upside rather than absolute loss which was minimal). While we are not bearish the banks in terms of credit risk short term, we see topline revenue and cost headwinds in the years ahead, and we do see historical low bad debts as probably unsustainable, hence we see the current extremely stretched valuations as unsustainable and risks to share prices as asymmetrically tilted the downside. The best of the bunch from an ROE perspective, CBA.ASX, is now the most expensive bank in the world trading at more than 26x FY25 earnings and 3.5x P/Book despite near zero earnings growth. Prices in the sector have been driven largely on the back of buying from large passive superfunds and Index Funds whose mandates require them to blindly buy more of a stock the bigger their weighting becomes in an index. The impact of passive flows has intensified in recent years and with an estimated 57% of equity funds globally invested via Index funds, experienced money managers like us are observing longer periods of time where non-fundamental flows are the predominant driver of share prices. Ultimately, fundamentals always win out, otherwise there are other sources of capital (such as private equity) who will take advantage of non-fundamental discrepancies or companies themselves play the arbitrage.

At IPFM we think there are much more attractive opportunities in the financial space than investing in the Australian banks currently and below we illustrate our current positioning within the sector (Figure 3 and 4).

Figure 2: IPFM current Financials positioning = Long 24.8% of the fund, Short -7.3% of the fund

	Long						Short	
Company		iag		BLOCK	AMERICAN EXPRESS	ANZ	nab	
5yr growth potential	~60%	~45%	~55%	~350%	~45%	~25%	~15%	~20%
Structural Tailwinds	✓	✓	✓	✓	✓	—	—	—
PEG 2yr	0.9x	2.2x	1.7x	0.4x	1.0x	6.7x	7.1x	7.4x

Figure 3: 2yr EPS CAGR vs 2yr forward PE for IPFM Financial positions (chart as of 15 Dec, 2024)



<u>US Exposure:</u>

As outlined in our recent webcast, we have been bullish US in recent times and we continue to believe that maintaining exposure to the US economy makes sense in at least the first quarter or two of Trump's second term in office (beginning January 20). While it's anyone's guess as to what moves markets week to week under his leadership, the key economic goal he has his sights on is +3% GDP growth versus most forecasts in the market of +2.0-2.5% for CY25. This will likely prove a challenge considering his immigration policies, which are a major driver of GDP growth, so we expect some early stimulatory announcements such as business investment incentives and tax cuts to help drive his top line GDP growth agenda. Beyond that, there are big questions around how he can deliver his muted reduction in budget deficits whilst cutting taxes and delivering on his spending promises, which pose a decent risk to the 2H25 or 2026 in our view.

For now, we maintain significant exposure to the 'Trump trade' with ~1/3 of our portfolio allocated to the below high quality, global leaders, all of whom are reasonably priced versus their ongoing growth outlook as demonstrated in the below table and we will reconsider our positioning to this group as the year evolves.

Figure 4: IPFM portfolio current US exposure

Company	ResMed	Aristocrat	Block	American Express	James Hardie	CSL	
% of Earnings from U.S.	~58%	~65%	~93%	~78%	~73%	~49%	~35%
Market Cap	~A$53.9b	~A$43.4b	~A$85.7b	~A$308.6b	~A$24.0b	~A$131.4b	~A$88.1b
3yr Earnings CAGR	17.6%	15.3%	46.1%	15.5%	20.5%	14.1%	11.6%
1yr Forward P/E	24.5x	23.0x	18.1x	17.85x	20.5x	22.8x	19.5x

<u>Outlook for the year ahead</u>

While there are always plenty of things to worry about in the world, our starting point as we peer into 2025 is that despite all the noise key economic indicators are generally in what we would call a "reasonably healthy state". Across the G10 economies (+Australia) unemployment rates remain low, inflation has eased back towards central bank targets, wage growth is moderating which is a relief, house prices globally (ex-China) remain generally strong which is supporting consumer sentiment, and central banks have largely started or signalled their intention to cut rates from recent restrictive settings. Financial markets have also sharply reduced their expectations for US monetary policy easing with Fed funds futures now implying 2025 rate cuts totalling less than 40bp, down from an excessive 125bp right after the 50bp cut in September, which to our mind is "safer" starting point for expectations as we start the year.

Nonetheless, the "delta" on many of these measures is finely balanced and with valuations across global markets trading above long term averages (albeit with interest rates below long-term averages, and trending down), a lot hinges on global growth being maintained at c.+3% type levels.

As bottom-up investors, we believe the current market is one that suits pragmatic investing and sensible stock picking rather than trying to hang your hat on one or two big macro calls that may or may not eventuate (and even if they do eventuate, markets might take it in its stride as it often does). In our case that means sticking with our process and being particularly disciplined on valuation. Even in poor economic environments there are great companies, with strong balance sheets, with strong management teams who possess the "will to win", that still manage to grow earnings and/or protect their businesses better than the rest.

It is with this in mind, that we set out to build and protect your (and our) wealth in the year ahead.

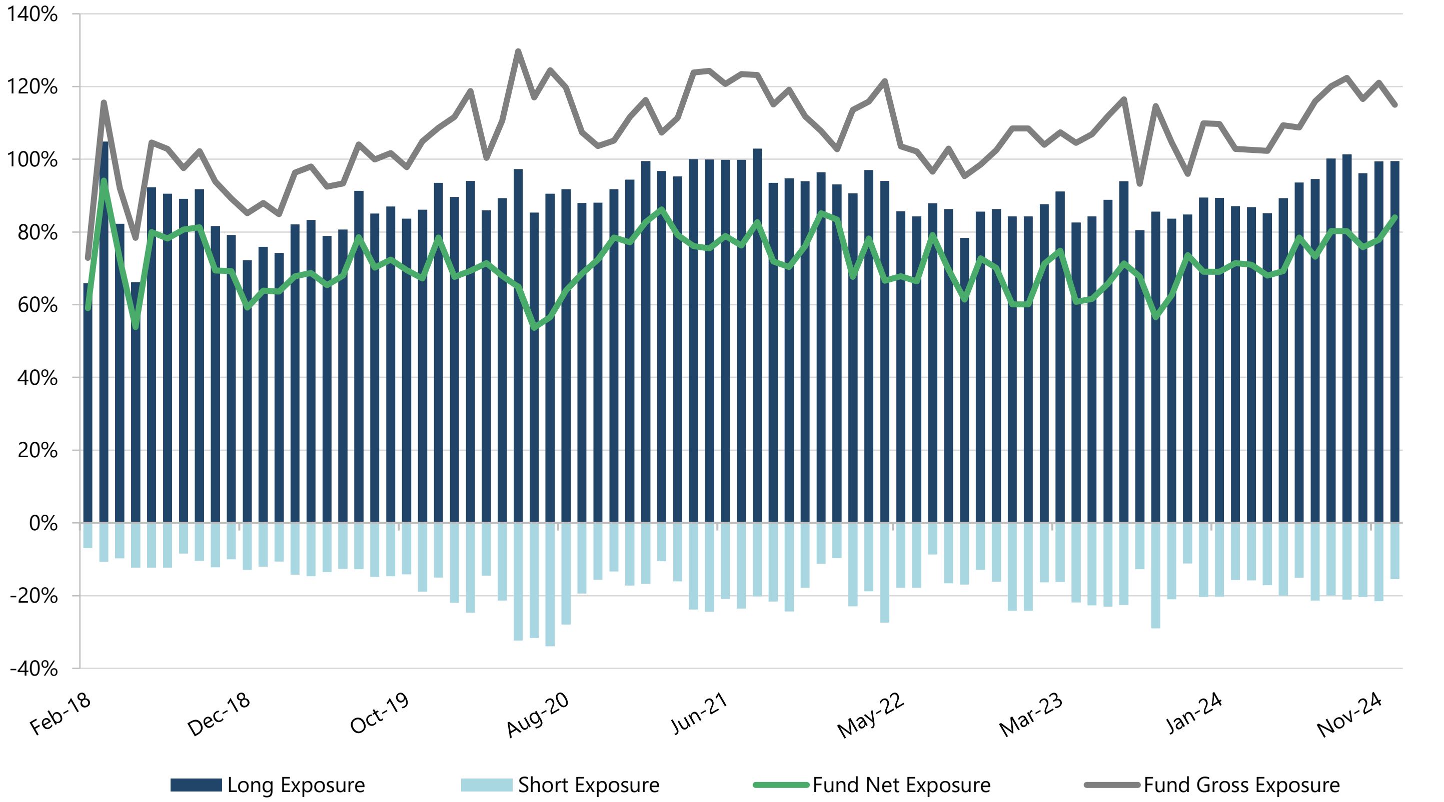
We look forward to working hard for you again in 2025 and appreciate your ongoing support.

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.

Holdings	Typically, 15-25 long, selective short positions	**Investor Eligibility**	Wholesale Clients
Management Fee	1.0% of the NAV of the Fund, plus GST	**Prime Broker**	Morgan Stanley
Performance Fee	20% of Outperformance over RBA Cash, high water mark	**Fund Administrator**	Apex Fund Services Ltd
Contact Us	E: peter@ipfm.au	W: ipfm.au	

If you would like to apply for additional units in the Indian Pacific Fund, please click here

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

HUB24 netwealth

Our Partners

BDO	Morgan Stanley	APEX	EY
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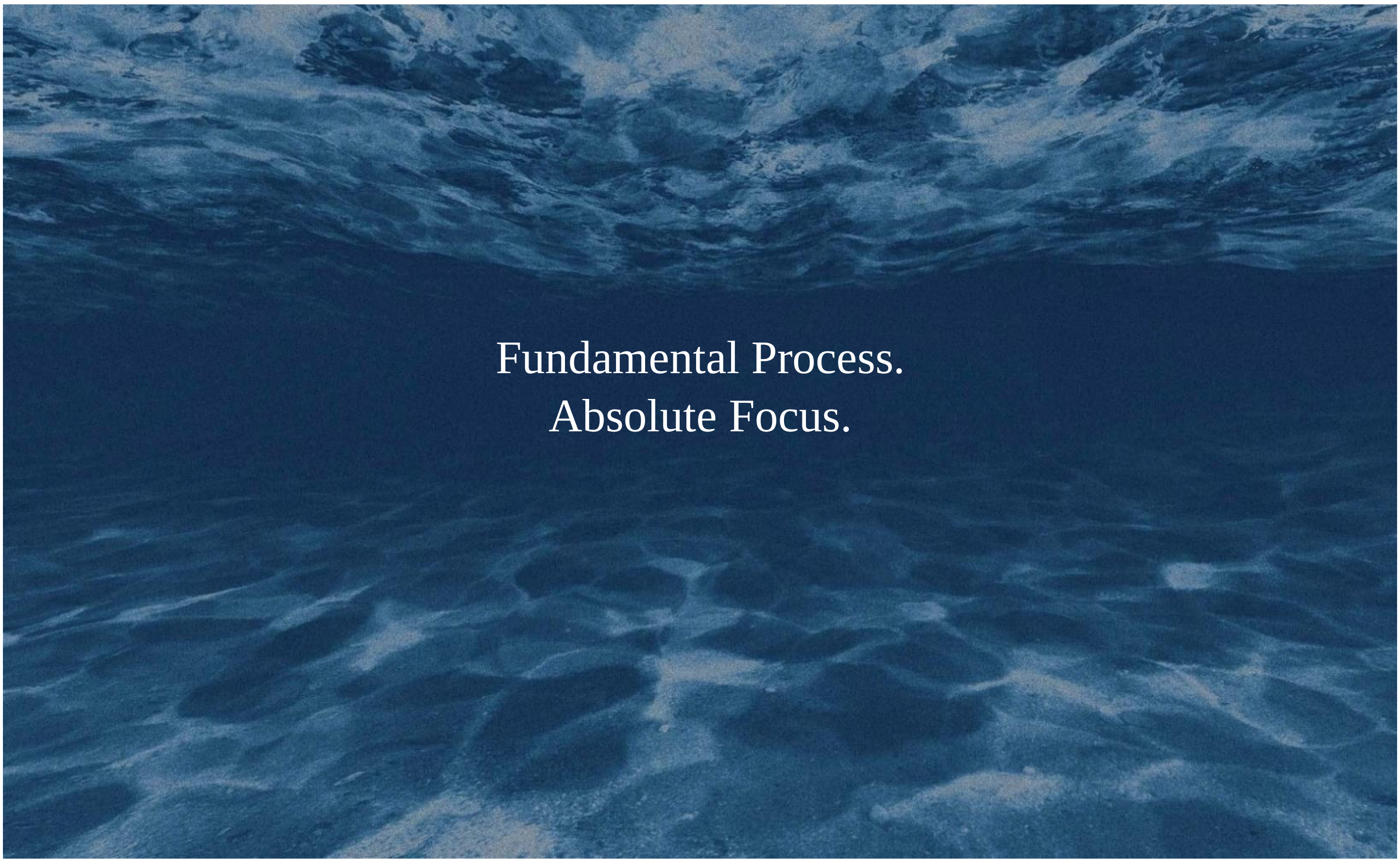

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