



CAI Australian Share Fund

GENERAL INFORMATION

Investment Manager

Longreach CAI Pty Ltd ("LCAI")
ABN 33 620 086 946

Sub-Advisor

Creighton Capital Management LLC
AFSR 001286340

Key Features Summary

Benchmark	S&P / ASX 300 Accumulation Index
APIR	PAT0001AU
ARSN	114 291 299
Fund Inception Date	30 June 2005
Manager Appointed	1 April 2021
Management Costs	0.78% p.a.
Fund Size	\$10,149,721
Unit Price	\$1.7755

Net Performance (%)

	1 Month	3 Months	6 Months	1 Year	3 Years p.a.	10 Years p.a.	Since Inception p.a. ²
Fund (%)¹	7.68	-0.93	1.18	9.60	7.02	8.05	6.59
Benchmark (%)²	6.90	2.08	4.34	15.21	10.85	10.10	7.96
Active (%)	0.78	-3.01	-3.16	-5.61	-3.83	-2.05	-1.37

¹ CAI took over the management of the Fund on 1 April 2021. Returns prior to this are shaded.

² The S&P/ASX 300 Accumulation Index was adopted as the Fund's performance benchmark on 1 July 2010. Benchmark calculations prior to this date are based on the S&P/ASX All Ordinaries Index.

Sector Gross Exposures (%)



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Past performance is not indicative of future performance. Net performance figures are calculated using exit prices, net of fees and reflect the reinvestment of distributions. Returns are rounded to two decimal places. Slight variations to actual calculations may occur.



Market Review

Global equity markets fell over the March quarter, with the MSCI Developed Market Index falling -4.4% in local currency terms. Australian equities rose due to a strong March and surging Resource performance, with the ASX200 up +2.1% over the same period. At a sector level, Energy (+29.0%), Materials (+15.4%) and Utilities (+14.1%) outperformed the most, whilst IT (-16.8%), Consumer Discretionary (-10.4%) and Healthcare (-10.3%) fell the most.

From a broad market perspective, inflation and the Ukraine war impacted prices. The Oil price was up over \$30 to \$107.91/bbl (+39%), Iron ore prices rose to \$US153/Mt (+32%), and the AUD FX rate was up to US75.1cents (previously 72.8). The AU 10-Year bonds also surged +116bps to 2.83% (prev 1.67%) as inflationary fears take hold.

Best and Worst ASX Performers

The best performing ASX 100 stocks during the quarter were Woodside Petroleum (+54.0%), BHP Group (+30.5%) and AGL Energy (+28.4%). The worst performers were Reliance Worldwide Corp (-31.0%), Reece Ltd (-29.2%), and Xero Ltd (-27.4%). Among the Small Ordinaries, the best performers were Core Lithium (+133.1%), Lake Resources (+97.5%) and Sayona Mining (+84.6%). The worst performers were Zip Co (-65.7%), Dubber Corp (-52.0%) and Redbubble Ltd (-52.6%).

Style Commentary

Value stocks had one of their strongest performance periods in January and February, before strongly mean-reverting in March. The size of factor return-reversals observed over the last two years has been rather extraordinary to witness and we suspect many traditional factor-based investors have faced a very rough volatility ride over recent years. This is one reason the CAI investment process favours machine-based learning over the more traditional factor-beta investing, which we view as risk factors, not alpha factors. Over this volatile quarter, the strongest style performance came from Composite Value (+6.5%), Fundamental Growth (+5.6%) and Earnings Yield (+2.8%). The weakest style returns were Price Momentum (-3.0%), Low Volatility (-2.4%) and High Quality (-1.5%).

Economic Commentary

The Australian Federal Budget saw a significant \$104bn windfall over five years; even after \$39bn more stimulus. Real GDP rebounded by +3.4% q/q, the largest since 1976. Y/Y the number improved to +4.2%, below the RBA's bullish +5% forecasts, but amazingly 3.4% above pre-Covid levels.

February dwelling prices rose 0.6% m/m and 20.6% y/y as growth moderates. Residential approvals surged to +43.5% m/m to 224k vs 5.0% consensus, no doubt due to prevailing high prices.

February employment numbers surged again by +77k vs +37k consensus, with the unemployment rate falling to 4.0% which is a cyclical low. February business conditions also rebounded to +8.5, reversing January's collapse, with confidence again surging to +12.7. Selling costs and labour costs are at near-record highs, suggesting much higher CPI ahead. Consumer confidence however fell 4.2% m/m and is at below-average levels.

Overseas, US, China and Europe all showed mixed economic numbers, with a skew to the negative.



Fund Performance

The Fund underperformed over the March Quarter, falling -0.69% (before fees), or -2.77% vs the S&P/ASX300 index. The Brinson-based attribution shows this was predominantly driven by weak stock selection (SS) which contributed -3.31% over the quarter and the remaining +0.53% was due to asset allocation and interaction.

The Fund's negative result came about due to sharp, violent volatility driven by historically large market factor reversals in Value vs Growth over January. Geopolitical tensions and the threat of war over February also had a negative impact. Whilst the Fund did generate stronger performance in March (+7.77% before fees), the larger losses in January and February drove the overall performance result for the quarter.

The CAI stock prediction rates were weaker than normal over this period, with the investment process driven by assessing historically similar conditions (macro as well as micro). The investor expectation being that on average, investors will react similarly today when faced with similar conditions as they have faced in the past. This is not a perfect relationship; forecasting markets is a complex exercise, particularly over the short term.

Outlook

Despite the Fund's recent losses, CAI maintains a positive, yet cautious, outlook given the current set of market-based circumstances facing investors. As the many uncertainties begin to unwind, and stronger consensus views form, the CAI process should see improved prediction rates return towards their longer-term positive levels, as we have already started to see most recently in March.

Top and Bottom Five Contributors

TOP 5 CONTRIBUTORS	Average Weight (%)			Total Return (%)			Return Contribution (%)		
	Port	Bench	+/-	Port	Bench	+/-	Port	Bench	+/-
Macquarie Group	4.58	3.51	1.06	8.18	-1.04	9.21	0.94	-0.04	0.98
Whitehaven Coal	1.34	0.15	1.19	63.02	63.02	0.00	0.71	0.08	0.63
Incitec Pivot	1.06	0.30	0.76	24.26	16.98	7.29	0.57	0.05	0.52
Santos	2.63	0.89	1.73	24.77	24.77	0.00	0.59	0.18	0.41
CSL	2.54	6.01	-3.47	-7.24	-7.24	0.00	-0.08	-0.47	0.40

BOTTOM 5 CONTRIBUTORS	Average Weight (%)			Total Return (%)			Return Contribution (%)		
	Port	Bench	+/-	Port	Bench	+/-	Port	Bench	+/-
Xero	2.30	0.72	1.58	-33.82	-27.35	-6.47	-1.32	-0.26	-1.06
Idp Education Pty	1.92	0.33	1.59	-18.23	-8.42	-9.80	-0.72	-0.04	-0.69
James Hardie Industries	2.41	0.78	1.63	-21.16	-26.58	5.42	-0.93	-0.25	-0.68
Woodside Petroleum	0.00	1.28	-1.28	0.00	53.99	-53.99	0.00	0.54	-0.54
Reliance Worldwide Corporation	1.01	0.13	0.88	-35.57	-31.03	-4.54	-0.55	-0.05	-0.50

Fund Attribution (%)

	AA Alpha	SS Alpha	Interaction Alpha	Total Alpha ³
1 month	0.41	-0.05	0.51	0.87
3 months	0.04	-3.31	0.49	-2.78
Since 1 April 2021	0.22	-3.75	-0.99	-4.53

³ Total Alpha is presented on a gross basis (before management costs).



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