



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 | \$7,212,536 |
| Unit Price | \$1.4534 |

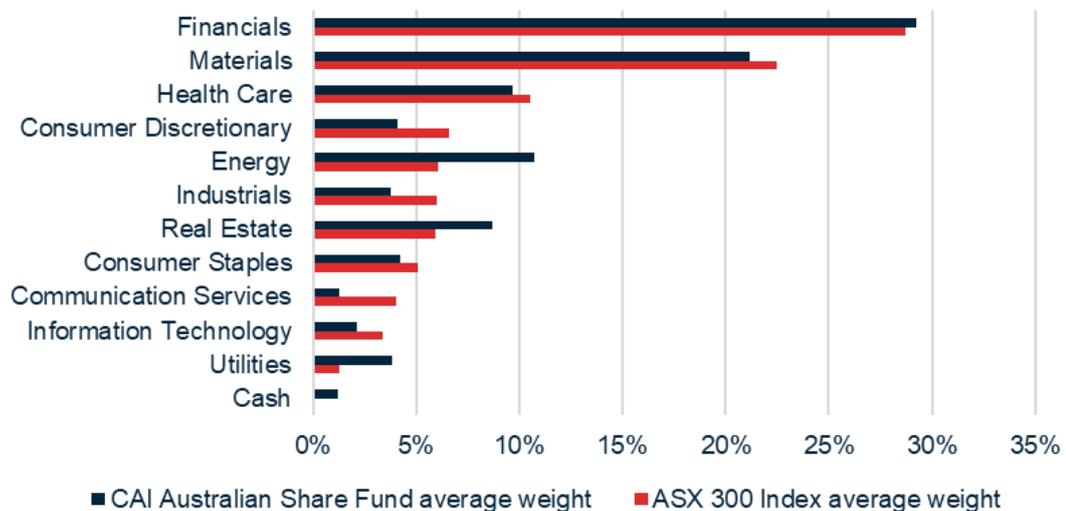
Net Performance (%)

| | 1 Month | 3 Months | 6 Months | 1 Year | 3 Years p.a. | 10 Years p.a. | Since Inception p.a. ² |
|----------------------------|---------|----------|----------|--------|--------------|---------------|-----------------------------------|
| Fund (%) ¹ | -5.31 | 2.58 | -11.38 | -10.33 | 0.10 | 6.57 | 5.65 |
| Benchmark (%) ² | -6.29 | 0.45 | -11.82 | -8.00 | 2.73 | 8.38 | 6.94 |
| Active (%) | 0.98 | 2.13 | 0.44 | -2.33 | -2.63 | -1.81 | -1.29 |

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.



CAI Australian Share Fund

Market Review

The ASX300 rose 0.45% over the September Quarter, outperforming the Developed Market World index return of -4.4% in local currency terms. Sector performance varied widely amongst the global tumult. Energy (+5.9%), Health Care (+3.3%) and IT (+2.9%) were the top performing sectors. The sectors that underperformed most were Utilities (-12.5%), Real Estate (-6.2%) and Industrials (-5.5%). The weakness of global equities was driven by inflationary fears combined with the threat of an expanding war in Europe, both contributing to an increased likelihood of global economic recession. Locally, the speed and size of the RBA's interest rate rises helped soften the blow on the Australian share market in comparison to overseas markets.

Over the last month, the Australian 10-year bond yield sold-off by 29bps to 3.89% following the RBA's 50bps hike to 2.35%. Meanwhile US yields rose 67bps to 3.80%, driven by the US August PMI beating consensus estimates and strengthening the expected policy response from the Fed. Commodity prices fell in August. Brent Oil prices declined US\$9 to US\$88/bbl amid a deteriorating demand outlook. Iron Ore prices also dropped US\$1 to US\$98/Mt as China demand ahead of a national holiday saw supply lift. Gold prices continue to trend lower, moving down US\$44 to US\$1,672, amid US dollar strengthening and higher real rates.

Best and Worst ASX Performers

Over the quarter, the best performing Top 100 stocks were Pilbara Minerals (+99.1%), Whitehaven Coal (+95.6%) and Oz Minerals (+45.6%). The worst performers were Domino's Pizza (-23.4%), Ramsay Healthcare (-21.2%) and Newcrest Mining (-17.1%). The best small-cap (Ex-100) performers were Tyro Payments (+116.7%), Nearmap (+95.1%) and New Hope (+81.8%). The worst small-cap performers were Electro Optic Systems (-51.9%), Appen (-44.4%) and Emil Payments (-35.0%).

The Fund had either no exposure or was underweight the above-mentioned "worst performing" names, but had overweight exposure to Whitehaven Coal, Nearmap and New Hope which were among the "best performing" names.

Style Commentary

Style performance was mixed over the September Quarter. Low P/E names outperformed the most, but Value overall had tepid performance (+0.9%). High Quality (+1.7%) and Trailing 12-month Growth (+1.3%) were the next strongest performers. On the downside, Momentum underperformed most (-4.2%) as did Low Beta (-2.7%) and Low Book-To-Price (-2.6%).

The Fund did not exhibit any meaningful style tilts over the period.

Economic Commentary

The RBA's September meeting saw the cash rate increase by 50bps to 2.35% as widely expected. This saw 10-year rates sell off 29bps. Oil price remained below \$US100/bbl amid a deteriorating demand outlook, whilst gold price is currently bearish in the face of a strong \$US.

In Australia, the monthly CPI rose less than expected in July, by 0.5% m/m and +7.0% y/y (vs +7.6% expected). The market eagerly awaits the next few CPI updates to assess whether inflation has peaked. The likely subsequent impact on interest rates and on equity markets cannot be understated.



CAI Australian Share Fund

Fund Performance

The Fund started the new financial year on a good note, outperforming the benchmark index by +213bps over the quarter in a challenging market environment across most asset classes.

Performance was driven by the CAI process, specifically stock-selection, as the numbers above and in the tables below demonstrate. The decision to remain overweight Energy (particularly mid-caps) was a boon to performance, as was being relatively style neutral given the mixed bag of performance seen there over recent times.

Top and Bottom Five Contributors

The tables below show the Fund's five best/worst performers at the stock level over the period. Of note are the mid/ small cap Energy names Whitehaven Coal, New Hope & Yancoal Australia which contributed (+283bps combined) predominantly due to strong stock performance. Whitehaven Coal was the 2nd strongest ASX100 performer over the measurement period. Utilities stock APA Group was the worst contributor (-71bps) with the Fund o/w this sector and this particular name. As discussed, this was primarily due to the interest rate sensitivity of Utility stocks.

| TOP 5 CONTRIBUTORS | Average Weight (%) | | | Total Return (%) | | | Return Contribution (%) | | |
|-------------------------|--------------------|-------|------|------------------|-------|-------|-------------------------|-------|------|
| | Port | Bench | +/- | Port | Bench | +/- | Port | Bench | +/- |
| Whitehaven Coal | 3.22 | 0.34 | 2.88 | 95.59 | 95.59 | 0.00 | 2.15 | 0.22 | 1.93 |
| New Hope Corporation | 1.14 | 0.12 | 1.02 | 81.79 | 81.79 | 0.00 | 0.69 | 0.07 | 0.62 |
| James Hardie Industries | 3.39 | 0.62 | 2.77 | -2.93 | -2.93 | 0.00 | 0.41 | -0.02 | 0.43 |
| Yancoal Australia | 1.27 | 0.00 | 1.27 | 10.57 | 0.00 | 10.57 | 0.28 | 0.00 | 0.28 |
| Medibank Private | 3.47 | 0.47 | 3.00 | 8.96 | 8.96 | 0.00 | 0.29 | 0.04 | 0.25 |

| BOTTOM 5 CONTRIBUTORS | Average Weight (%) | | | Total Return (%) | | | Return Contribution (%) | | |
|-----------------------|--------------------|-------|-------|------------------|--------|--------|-------------------------|-------|-------|
| | Port | Bench | +/- | Port | Bench | +/- | Port | Bench | +/- |
| APA Group | 2.88 | 0.57 | 2.32 | -14.91 | -14.91 | 0.00 | -0.79 | -0.08 | -0.71 |
| AGL Energy | 0.95 | 0.25 | 0.70 | -18.71 | -15.96 | -2.76 | -0.32 | -0.04 | -0.28 |
| Woodside Energy Group | 1.01 | 3.01 | -2.00 | -7.54 | 4.39 | -11.93 | -0.16 | 0.12 | -0.28 |
| Pilbara Minerals | 0.00 | 0.39 | -0.39 | 0.00 | 99.13 | -99.13 | 0.00 | 0.27 | -0.27 |
| Telix Pharmaceuticals | 0.25 | 0.08 | 0.17 | -36.60 | 4.42 | -41.01 | -0.25 | 0.00 | -0.25 |

Analysing the entire universe of stock contributions, the Fund enjoyed a healthy 57% hit rate of winners vs losers. Additionally, the average winner/loser ratio was 137%, meaning that both the success rate & the magnitude of winners vs losers was strong. Generally, we see this sort of pattern over much longer-term measures, and to observe this over the shorter term is positive.

Fund Attribution (%)

| | AA Alpha | SS Alpha | Interaction Alpha | Total Alpha ³ |
|--------------------|----------|----------|-------------------|--------------------------|
| 1 month | -0.31 | 0.50 | 0.87 | 1.06 |
| 3 months | -0.48 | 1.48 | 1.38 | 2.38 |
| Since 1 April 2021 | -0.88 | -3.83 | 2.70 | -2.01 |

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

Turning to Asset Allocation (AA), the negative result was primarily due to a loss of 55bps from the o/w position in Utilities. Being o/w this defensive sector during a time of market volatility would generally be regarded as a positive, but the interest-rate sensitivity of the Utility sectors hurt the Fund over the period. We remain comfortable with this position as the lower beta nature of Utilities is expected to be a positive if markets continue to be volatile. The u/w to Materials also hurt performance (-21bps) as the sector outperformed. We do note that more recently the Fund has moved to a small o/w position in Materials.



CAI Australian Share Fund

Fund Attribution (%) continued

The following tables show the largest AA and SS contributors and detractors over the September Quarter.

| TOP AA | Weight vs Index | Sector return | +/- | BOTTOM AA | Weight vs Index | Sector return | +/- |
|------------------------|-----------------|---------------|------|------------------------|-----------------|---------------|-------|
| Consumer Discretionary | -2.52 | 0.19 | 0.08 | Utilities | 2.57% | -12.53 | -0.55 |
| Industrials | -2.26 | -3.55 | 0.07 | Materials | -1.33% | 1.92 | -0.21 |
| Health Care | -0.86 | 3.25 | 0.07 | Information Technology | -1.21% | 3.71 | -0.08 |

| TOP SS | Weight vs Index | Sector return | +/- | BOTTOM SS | Weight vs Index | Sector return | +/- |
|------------------------|-----------------|---------------|------|------------------|-----------------|---------------|-------|
| Energy | 4.80 | 6.32 | 1.56 | Materials | -1.33 | 1.92 | -0.77 |
| Financials | 0.52 | 1.53 | 0.56 | Consumer Staples | -0.91 | -2.95 | -0.35 |
| Consumer Discretionary | -2.52 | 0.19 | 0.35 | Industrials | -2.26 | -3.55 | -0.23 |

Stock Selection (SS) dominated the outperformance over the period. Energy names contributed strongly (+156bps) primarily being o/w mid-cap names. This more than offset the losses from Materials names which detracted -77bps. SS within Financials names also contributed well (+56bps).

Outlook and Risk

On the risk front, predicted tracking error (or active risk) for the Fund was 3.3% at month-end, with 66% of that being purely stock specific and the remainder being systematic, or factor based. The largest systematic source of risk is Style, and of that Momentum dominates systematic risk currently (22% of risk). The quoted risk figures are all within expected long-term norms.

CAI continues to maintain a positive, albeit cautious, outlook given the challenging set of market-based headwinds facing investors. Whilst it has been a challenging year, the new financial year has started well for the process.

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