Warakirri Ethical Global Equities Quarterly Report
31 December 2024

Warakirri ASSET MANAGEMENT

INVESTMENT OVERVIEW

The Warakirri Ethical Global Equities Fund ("WEGE" or the "Fund") provides investors access to a professionally managed global equities portfolio, offering diversification by geography, industry sector, and market capitalisation, while incorporating the Warakirri Ethical Overlay. Warakirri has appointed the global equities team at Northcape Capital as the underlying manager of WEGE, taking over investment management responsibilities as at 30 April 2020. The Warakirri Ethical Overlay is outlined below:

- Positive Overlay: Investment in companies that operate sustainable businesses that exhibit sound practices across: Environmental, Social and Governance.
- Negative Overlay: Excludes investment in companies that Warakirri considers have significant businesses, that is, revenue of greater than 5% from the audited financial statements of a company, involved in: Gaming Products/Services, Tobacco Products, Alcoholic Beverages, Military Applications, Obesity and Thermal Coal & Coal Seam Gas Extraction.

PERFORMANCE SUMMARY – NET OF FEES

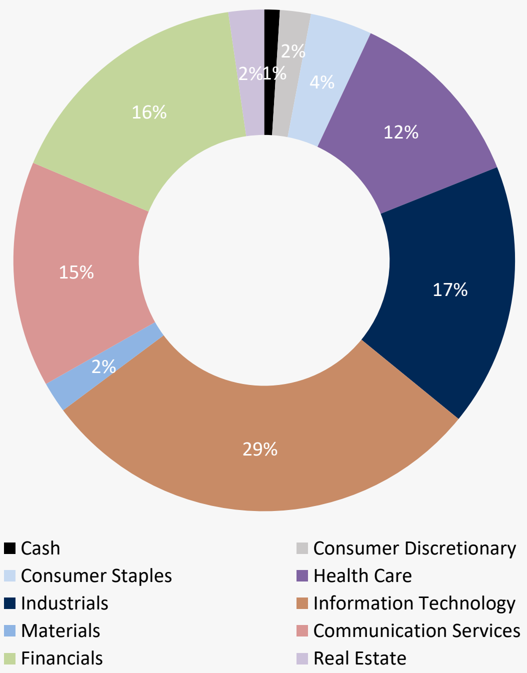
Performance Period	1 month	3 months	FYTD	1 Year	3 Years (p.a)	5 Years (p.a)	Since Inception (p.a)*
Net of Fees							
Fund	-0.66%	+5.59%	+6.95%	+19.12%	+3.97%	+7.41%	+10.78%
Benchmark^	+2.47%	+11.87%	+14.55%	+30.78%	+12.19%	+13.94%	+14.63%
Relative Return	-3.13%	-6.28%	-7.60%	-11.66%	-8.22%	-6.53%	-3.85%

Northcape Capital was appointed the underlying investment manager effective 1 May 2020.
^ MSCI World Total Return Index with Net Dividends in AUD
* Fund inception date was 1 November 2016.

FUND FACTS

Fund Facts	
Investment Objective	Outperform benchmark over the long-term
Investment Time Horizon	5 Years +
Portfolio Managers	Fleur Wright, Theo Maas & Wendy Herringer
Risk Level	High
Distribution Frequency	Semi-Annually
Minimum Investment	$25,000
APIR Code	WRA5182AU
ARSN Code	642 393 799
Fund Size	$27,684,502
Platform Availability	Netwealth IDPS, HUB24, Mason Stevens
Further Information	www.warakirri.com.au

INDUSTRY EXPOSURE



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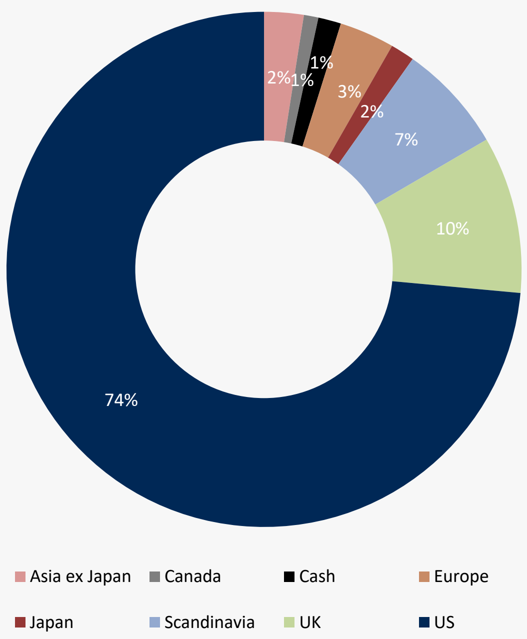
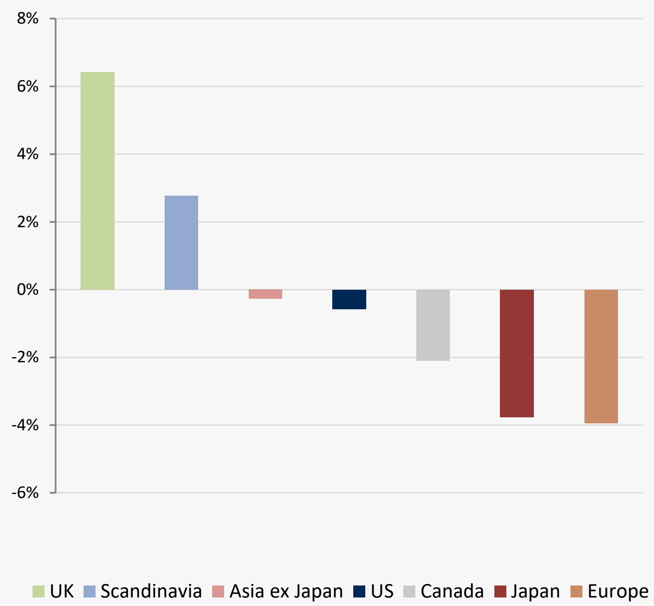
TOP 10 HOLDINGS

Security	Fund	Country	Sector
Nvidia	9.4%	United States	Information Technology
Alphabet	7.8%	United States	Communication Services
Salesforce	5.6%	United States	Information Technology
Microsoft Corp	5.4%	United States	Information Technology
Visa	4.8%	United States	Financials
Novo Nordisk	4.7%	Denmark	Health Care
New Informa	4.7%	United Kingdom	Communication Services
CME Group	4.5%	United States	Financials
Zoetis	4.0%	United States	Health Care
Clean Harbors Inc	3.7%	United States	Industrials
Total	54.6%		

GEOGRAPHIC EXPOSURE



GEOGRAPHIC EXPOSURE RELATIVE TO INDEX



HOLDINGS BY MARKET CAPITALISATION

Size	Market Capitalisation	Exposure
Mega	Greater than US$100bn	49.80%
Larger	US$50bn - US$100bn	20.40%
Large	US$10bn - US$50bn	23.30%
Mid	US$2bn - US$10bn	6.50%
Small	Less than US$2bn	0.00%

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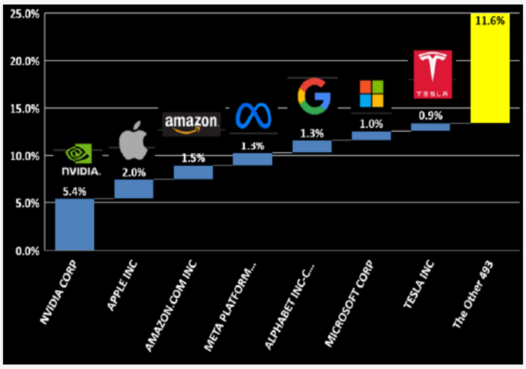
INSIGHTS FROM THE MANAGER

MARKET REVIEW

December did not continue 2024's strength into a Santa rally as the MSCI World Index fell 2.7% in USD during the month, as there appeared to be a bout of profit taking of the strongest performing stocks. The strong USD however meant that in AUD its return was +2.5% for the month. For the quarter, the performance was a more exaggerated version of December's trend with the MSCI World Index falling -0.4% in USD but delivering a total return of +11.9% in AUD, highlighting the diversification benefit of holding some non-Australian dollar-based assets.

For 2024 in total, it really was all about "US Exceptionalism". The S&P 500 delivered a +25.5% total return (the Mega 7 drove half the gains for the year) and the Nasdaq was +30.8%. Whilst the small cap Russell 2000 delivered a lower +11.4% return for the year, it was still greater than the Euro Stoxx (+4.6%), UK FTSE 100 (+7.0%), the S&P/ASX 200 (+3.6%) and Japan's TOPIX (+7.9%)! Despite initial weakness and volatility, Hong Kong's Hang Seng was the only major developed market index to deliver a total return close to the US at +23.5%. Looking at the S&P 500 alone we can see 2024 was all about Growth and Momentum, with the S&P delivering a good mix of EPS growth and P/E re-rating. Despite this, a near record 70% of stocks in the S&P 500 underperformed the index!

Magnificent 7 - Contribution to 2024 Performance (TR)



Source: Baird

Donald Trump's November US election victory and red sweep was a key booster to US market strength in the final quarter of the year with the S&P 500 delivering a 2.8% total return in Q4. Most other major developed market indices were negative (in USD). By (MSCI World) sector in the quarter, Consumer Discretionary (+8.8%), Communications Services (+6.8%), IT (+4.7%) and Finance (+4.1%) outperformed. All other sectors were lower for the quarter with Materials (-14.3%) and Health Care (-11.3%) the worst performers. December also saw a halt to the broadening out of returns we saw in November. The end result for the quarter was the S&P 500 outperforming the Russell 2000.

The December quarter saw a steepening of the US yield curve as short-term rates fell while longer-term rates rose. The 10-year yield ended the year at 4.6%, compared to 3.8% at the end of September 2024 and 3.9% on 31 December 2023. This provided a headwind for rate sensitive sectors such as Real Estate (-9% total return in the December quarter) and Utilities (-7.9%). Whilst the US FOMC lowered the Fed funds rate by 25bps as expected in December, Chair Powell's press conference was much more hawkish as he flagged proceeding more deliberately with normalization and greater concern over inflation than a few months prior. The updated summary of economic projections had the median committee member now project only two cuts in 2025, two cuts in 2026, and one cut in 2027.

PORTFOLIO PERFORMANCE

The Warakirri Ethical Global Equities Fund ended the final quarter of the year up 5.6% (in AUD) but was unable to keep pace with the incredibly strong overall market, underperforming the MSCI World Net Total Return Index by -6.3%. Whilst disappointing, as we have previously discussed, it isn't too surprising to see our Fund underperform during such risk on market environments.

CONTRIBUTORS & DETRACTORS DECEMBER QUARTER

Top 5 Contributors to Relative Performance	Sector	Return	Average Weight	Contribution
Salesforce, Inc.	*Information Technology*	+37.0%	5.6%	+1.1%
Alphabet Inc.	*Communication Services*	+27.9%	7.2%	+0.7%
Visa Inc.	*Financials*	+29.0%	4.9%	+0.7%
NVIDIA Corporation	*Information Technology*	+23.9%	9.5%	+0.6%
CME Group Inc.	*Financials*	+20.4%	4.4%	+0.4%

Top 5 Detractors from Relative Performance	Sector	Return	Average Weight	Detraction
Novo Nordisk A/S	*Health Care*	-17.6%	5.2%	-1.5%
Advanced Drainage Systems, Inc.	*Industrials*	-17.3%	2.7%	-0.9%
Zoetis, Inc.	*Health Care*	-6.4%	4.2%	-0.8%
Unicharm Corporation	*Consumer Staples*	-22.7%	1.7%	-0.7%
American Tower Corporation	*Real Estate*	-10.6%	2.7%	-0.7%

INSIGHTS FROM THE MANAGER (continued)

Enterprise software leader Salesforce (CRM US) was our largest contributor over the quarter (+37%). The company's launch of their Agentic AI, based on a consumption-based pricing model of US$2 per Agent interaction, has been very well received by the market as it is expected to drive incremental revenue for the company. AI Agents will drive productivity in places like call centres, banks, and marketing related workforces. Apart from this additional revenue driver the manager continues to like this business for its leading market position in customer relationship management software; their push to boost profits by cutting costs which is expected to bring margins more in line with industry peers; and their increasingly disciplined approach to capital allocation.

Alphabet (GOOGL US) was our second largest contributor in the quarter (+28%). The company reported another very strong quarter in late October showing an accelerating growth environment for online advertising after a difficult 2023, continued to see above average growth in the new areas, especially their hyperscale business GCP, and they have a large amount of operational leverage as the cost base is finally attacked. In December, the company announced a major milestone in quantum computing. Its Willow quantum chip demonstrated that increasing the number of qubits (the basic unit of information in quantum computing and plays a similar role as a bit, in terms of storing information) can reduce errors. In addition, standard benchmark computations were completed at rates much faster than existing technology. While commercial implementations may be years away, the development was a positive for sentiment reminding the market that Alphabet remains at the leading edge of innovation.

Novo Nordisk (NOVOB DC) was our largest detractor for the month (-18%). The share price tumbled after its next-generation obesity drug, CagriSema missed its goal for an average 25% weight loss in its late stage (REDIFINE 1) trial. Whilst CagriSema helped patients lose an average of 22.7% of their body weight (based on trial product estimand for those who adhered to treatment or 20.4% based on treatment policy estimand regardless of adherence to therapy), this was only slightly ahead of the record of rival Eli Lilly's Zepbound (-22.5% or -20.9% based on treatment regimen estimand at 72 weeks). Whilst it remains well ahead of Novo's current Wegovy product (15% weight loss), the trial announcement was somewhat of a binary event and so the decline is not a surprise, but the magnitude of the decline is. The team at Northcape believe negative sentiment was compounded by the announcement on the Friday before Christmas (20th December) which was unaccompanied by a conference call. Based on the disappointing results, Novo said it plans to initiate another phase III trial with a different protocol to optimise weight loss.

Positively, the company announced the completion of Novo Holdings' acquisition of Catalent in December, where Novo Nordisk will acquire 3 fill-finish manufacturing sites. This allows them to ramp capacity from 2026 more quickly than building the sites themselves which can take 3-5 years. The investment manager continue to see the obesity pharmaceutical market as one of the greatest opportunities in healthcare and we are still in the earliest innings, with <0.25% of the 800m global obese population receiving treatment. Whilst the manager anticipates other players will focus on this $150bn market opportunity, FDA approval timelines and subsequent production capacity are many years behind the industry leaders, Novo and Eli Lilly.

The second largest detractor this quarter was storm water drain manufacturer Advanced Drainage Systems (-17%). Its Q225 result, reported in November, fell short of expectations due to weaker demand in non-residential end markets, mostly due to hurricanes and weather. Against this backdrop, the company was unable to raise prices sufficiently to offset material cost headwinds. Elsewhere residential and infrastructure end market demand trends remain healthy. The manager believes pricing will recover as demand does. While this may delay their path to recovery, it has no bearing on the fundamental long-term drivers of this business. Therefore, it should be well placed to benefit from both a cyclical recovery and structural tailwinds.

PORTFOLIO POSITIONING

The team at Northcape continue to maintain a balanced portfolio of high-quality businesses across a variety of sectors and exposures to manage risk. Material trades during the December quarter were:

- Reintroduced Electronic Design Automation software leader, Synopsys, to the portfolio during the share price malaise early in the quarter and also took a new position in Ashtead, a global leader in equipment rentals. The manager saw the increasing valuation gap between Ashtead and key peer United Rentals (which we own and have profited from) as providing an attractive entry point.
- Exited a number of our smaller holdings: Transurban, Coloplast, Thermo Fisher, Enphase and Nike deciding to concentrate exposure in other higher conviction companies. For Nike and Enphase, the latest consumer data and the US election result made the near-term thesis less attractive.
- Took some profits in a few of our strong performers, including Nvidia (as it reached our maximum 10% holding level), Alphabet, Intuitive Surgical, Visa, United Rentals, AIA, Deere and PayPal.
- Added to Novonesis, Adobe, American Tower, ASML and Clean Harbors generally taking advantage of weak share price performance despite continued positive longer-term fundamentals.

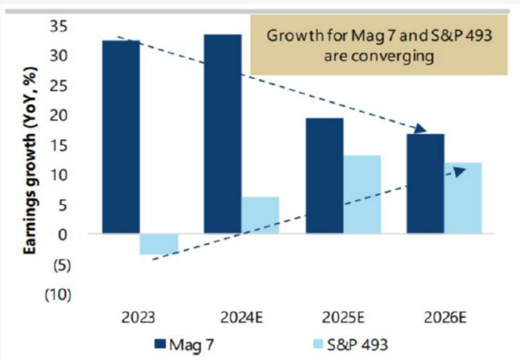
INSIGHTS FROM THE MANAGER (continued)

MARKET OUTLOOK

The team at Northcape believe there is a much higher likelihood that the Trump agenda will be implemented this time round vs 2016 due to the Republican's control over the Senate and the House as well as a very friendly Supreme Court. Whilst Trump's inauguration isn't scheduled until Monday 20th January, the US market has already reacted very favourably to the greater level of power to enact change, however, the team continue to believe there are some medium to long term risks associated with this.

Given the current market sentiment, continued rate cuts (albeit slightly diminished from a month ago) and the highly likely prospect of a 'soft landing' economy in 2025, we should see ongoing market strength. It's the manager's view that there will be room for the market to broaden out further, as the expected growth rates in the Mega 7 and the rest of the market are slowly converging (see chart). When that broadening happens, the team expect to see more focus returning to the fundamentals of the 'rest,' which should be a positive for bottom-up stock pickers like Northcape.

Converging growth levels

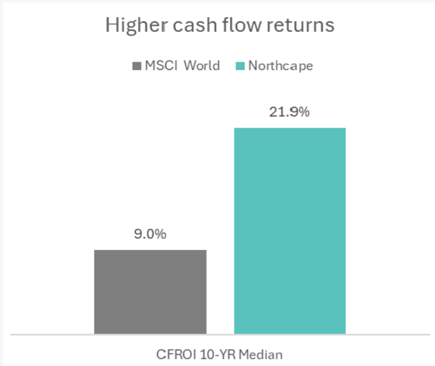


Source: Jefferies

As food for thought, the team at Northcape have also examined the historical and forecast contributions to EPS growth for the US S&P 500 from revenues, margin and share count. It is interesting to observe the generally consistent contribution of revenue growth (with 2024 being an outlier on the low side) and the historic volatility of the margin contribution (with 2024 being relatively strong after two weak years).

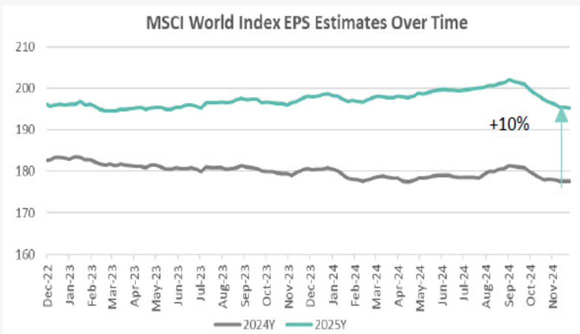
The manager's solid collection of businesses based on these Quality characteristics translates into a portfolio with superior earnings growth (including via both structural revenue growth and resilient profitability) and returns versus that of the index.

Source: Bloomberg, Northcape



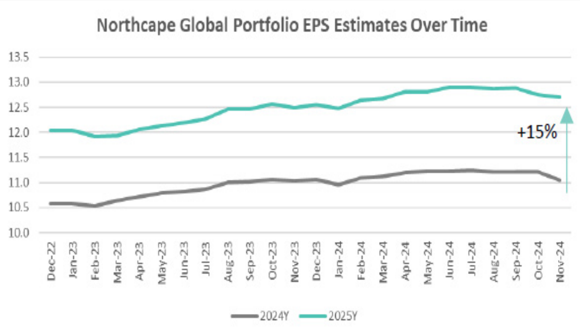
Source: Bloomberg, Northcape

As shown below, unlike the market, the Northcape portfolio of companies has seen earnings upgrades (not downgrades) and have consensus estimated earnings growth that is significantly higher than the index average.



Source: Bloomberg, Northcape

INSIGHTS FROM THE MANAGER (continued)



Source: Bloomberg, Northcape

Note also that of the Mega 7 tech companies, we see our holdings of Alphabet, Microsoft and Nvidia as having superior earnings growth prospects at more reasonable valuations than the overall group.

The team's process remains focused on finding companies that meet their five quality principles and they believe that owning a portfolio of companies that are able to demonstrate these key quality criteria will deliver outperformance over the long term.

Warakirri ASSET MANAGEMENT

NORTHCAPE GLOBAL EQUITIES TEAM

Theo Maas

Portfolio Manager | Analyst

31 years investment experience

Fleur Wright

Portfolio Manager | Analyst

26 years investment experience

Wendy Herringer, CFA

Portfolio Manager | Analyst

19 years investment experience

Jumana Nahhas

Analyst

20 years investment experience

For more information, please contact us on 1300 927 254 or visit www.warakirri.com.au

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PRI Principles for Responsible Investment