

Vinva Australian Equity Fund

Exposure to a diversified portfolio of equities using an active systematic investment approach.

APIR: MGE2445AU | ARSN: 681 452 013



28 FEBRUARY 2025

INVESTMENT STRATEGY	OBJECTIVE	INVESTMENT APPROACH	INVESTMENT RISKS
The Fund invests substantially all of its assets in the Vinva Australian Equities Fund, (the “Underlying Fund”), a registered managed investment scheme managed by Vinva Investment Management Limited. The Underlying Fund invests substantially all of its assets in Australian listed securities (or derivatives that provide exposure to Australian listed securities or indices).	The primary objective of the Fund is to outperform the return of the S&P / ASX 300 Accumulation Index over periods of three years or longer.	Vinva uses an active systematic investment approach which harvests returns from Australian listed companies using a disciplined and repeatable process. The Underlying Fund’s portfolio will typically comprise over 90 investments. The Underlying Fund is managed to be style neutral and therefore not expected to be materially correlated to a single company, or to industry specific or macroeconomic risks.	All investments carry risk, returns are not guaranteed and there is a risk that investors may lose money on any investment they make. The Fund’s Product Disclosure Statement (PDS) sets out the significant risks relevant to the Fund. You can view the PDS at www.magellangroup.com.au .

FUND FACTS

FUND SIZE	BUY/SELL SPREAD	DISTRIBUTION FREQUENCY	MANAGEMENT FEES ¹	INCEPTION DATE
AUD \$0.6 million	0.25% / 0.25%	Annually	0.70%	22 October 2024

PERFORMANCE²

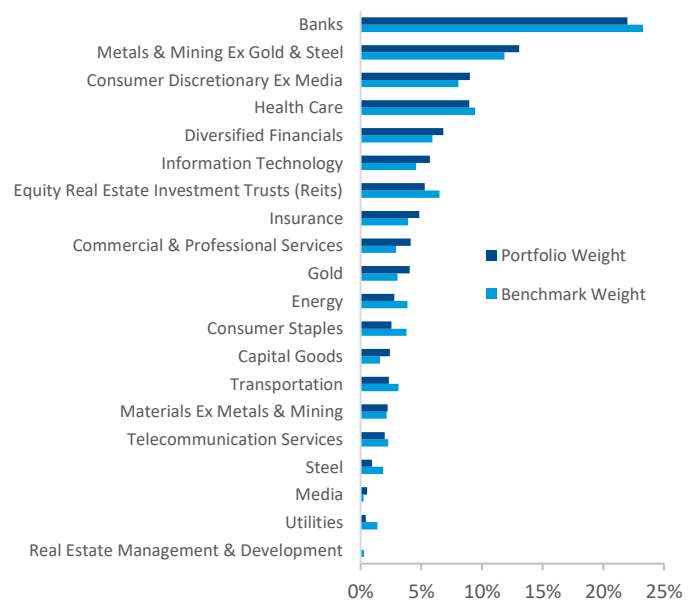
	1 MONTH (%)	3 MONTHS (%)	SINCE INCEPTION (%)
Vinva Australian Equity Fund	-4.1	-2.3	1.3
S&P/ASX300 Accumulation Index	-3.8	-2.6	0.4
Excess	-0.3	0.3	0.9

Past performance is not a reliable indicator of future performance.

UNDERLYING FUND - TOP 10 HOLDINGS³

STOCK	%
Commonwealth Bank of Australia	9.9
BHP Group Limited	9.0
ANZ Group Holdings Limited	4.5
CSL Limited	4.3
National Australia Bank Limited	3.6
Westpac Banking Corporation	3.3
Rio Tinto Limited	2.6
Goodman Group	2.6
QBE Insurance Group Limited	2.4
Brambles Limited	2.3
Ex-top 10	55.6
Total	100.0

UNDERLYING FUND - SECTOR WEIGHTS COMPARED TO BENCHMARK⁴



¹ Transaction costs may also apply – refer to the Product Disclosure Statement. All fees are inclusive of the net effect of GST.

² Calculations are based on exit price with distributions reinvested, after ongoing fees and expenses but excluding individual tax, member fees and entry fees (if applicable). Returns are calculated by Magellan and denoted in AUD.

³ Source: Vinva Investment Management. Portfolio holdings are based on the Underlying Fund.

⁴ Source: Vinva Investment Management. Based on Vinva defined sectors. Portfolio exposures are based on the Underlying Fund.

MARKET REVIEW

The S&P/ASX 300 Accumulation Index returned -3.8% in February. Global equities fell in February (MSCI World Index -1.0%), as a range of headwinds weighed on equity markets. Concerns over global growth, US protectionist trade policies, geopolitical tensions, soft economic data and a subdued earnings season, all dampened sentiment. Volatility increased, as the Trump administration initially delayed, then reaffirmed, the introduction of tariffs on its largest trading partners. The risk-off environment drove a renewed inversion of the yield curve, with the US 10-year bond yield falling 21 bps to 4.21%, below the 3-month yield of 4.3%. Adding to concerns, US economic data showed some signs of weakness, with personal consumption and consumer confidence falling and inflation expectations rising. Year-over-year inflation continued to fall - Core PCE for January slowed to +2.6% YoY – however the recent month-on-month trend remains above the Fed's target. The uncertain outlook impacted earnings expectations as the S&P 500 saw consensus EPS downgrades on 18 out of 20 trading days and calendar year 2025 EPS estimates are now -1% below their end-2024 levels. Equity markets outside North America generally fared better. European equities outperformed, lifted by optimism over a potential ceasefire in Ukraine and supportive ECB monetary policy. In China, momentum surrounding DeepSeek and related AI-related technology stocks remained strong. Commodity prices were mixed, with iron ore and crude oil prices falling but gold and copper rising, buoyed by a weaker USD.

Australian equities reversed course in February, unwinding nearly all of January's gains, driven predominantly by heightened global macro uncertainty and a weaker-than-expected domestic earnings outlook. A volatile reporting season saw, on aggregate, marginally positive earnings surprises, however, consensus FY25 earnings estimates were downgraded and are now lower than FY24 levels. The decline in equity markets came despite the RBA delivering its first rate cut of the cycle, lowering the cash rate from 4.35% to 4.1%. Governor Bullock's comments were more hawkish than expected. In fact, the RBA revised its medium-term inflation forecasts higher and acknowledged the continued strength of the labour market. The January jobs report showed solid growth and a record high participation rate, although the unemployment rate ticked up slightly to 4.1%. Wages growth slowed to 3.2% YoY, its slowest pace since Q2 2022, with the slowdown evident across both private and public sectors. Consumer spending showed signs of improvement, with retail trade growth rising to 4.6% YoY. National house prices resumed growth in February, rising 0.3%, and auction clearance rates increased as expectations of lower interest rates lifted buyer sentiment. The latest NAB Business Survey showed confidence strengthening, though conditions softened across most measures.

Utilities (+3.1%) was the best-performing sector over the month, led by APA Group (+8.2%) and Origin Energy (+4.6%) while Information Technology (-12.2%), dragged down by WiseTech Global (-27.7%) and NEXTDC (-10.1%), underperformed the broader market. At a stock level, the best performers included The A2 Milk Company (+35.2%), Light & Wonder (+22.5%) and Computershare (+18.0%) while Mineral Resources (-35.0%), Viva Energy Group (-33.6%) and Block (-31.5%) were amongst the biggest laggards.

FUND HIGHLIGHTS

The Vinva Australian Equity Fund had a negative alpha month, underperforming the benchmark by 0.3%. As the Fund invests substantially all of its assets in the Vinva Australian Equities Fund (Underlying Fund), the commentary below is provided in relation to the investments held by the Underlying Fund.

Fund performance was driven by quality and valuation signals, while behavioural and short-horizon signals detracted. Stock specific performance was positive during the month.

The biggest stock contributors to performance included an overweight position in Light & Wonder (+23bps) and an overweight position in Brambles (+11bps). Light & Wonder (LNW) outperformed, driven by a solid set of quarterly results, a positive court ruling and a suggestion it could explore a sole or dual primary ASX listing. LNW delivered 4Q24 AEBITDA of US\$315m, above consensus expectations of US\$311m. Net installs of +850 units in North America were the company's second-highest quarterly net installs, despite the simultaneous removal of ~2,200 Dragon Train units. Early in the month, an Australian court ruled in favour of LNW, removing the risk that it may have had to remove Dragon Train units in Australia. The overweight position in LNW is driven most significantly by behavioural signals. Brambles (BXB) outperformed after reporting quarterly results largely in line with consensus expectations, but reaffirming FY25 earnings guidance and raising free cash flow guidance. Constant currency EBIT growth of 10% was towards the top end of the 8-11% guidance and ahead of consensus expectations. The overweight position in BXB is driven by a combination of behavioural, quality and tactical signals.

An overweight position in Block (-21bps) detracted from performance during the month. Block (XYZ) underperformed after reporting 4Q24 earnings and guidance that fell short of elevated expectations. Revenue of \$6.03bn was below consensus of \$6.3bn, and gross profit (GP) of \$2.31bn was marginally below consensus of \$2.33bn. Management reiterated 2025 GP growth guidance of 15% YoY, but lower 1Q25 guidance to +11% YoY, impacted by an FX headwind and leap-year effect. The overweight position in XYZ is driven by a combination of behavioural and global linkage signals.



To find out more about our Vinva systematic equity funds, please contact Magellan on:

E: vinvaenquiries@magellangroup.com.au

P: +61 2 9235 4888

W: www.magellangroup.com.au

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