

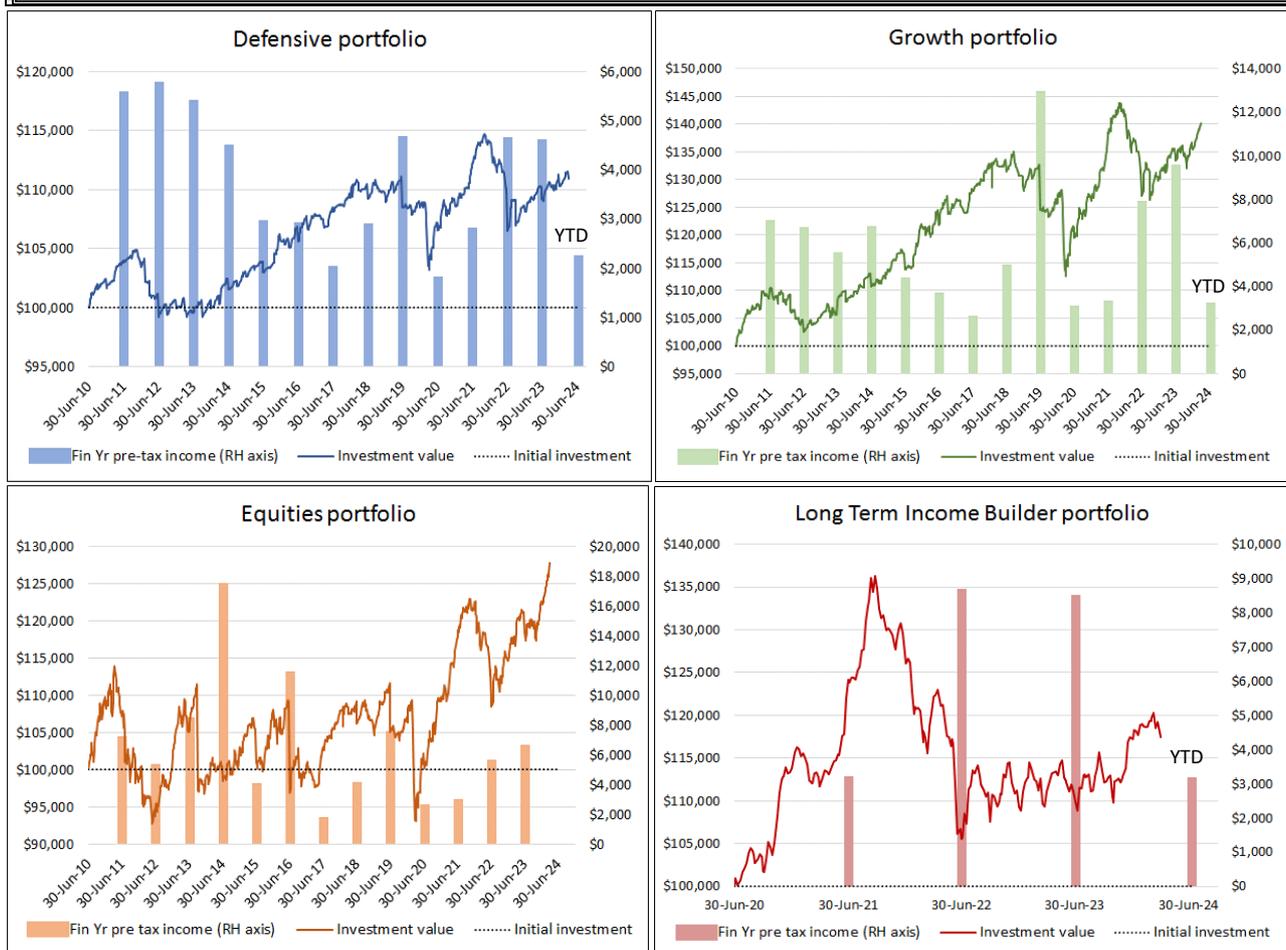
Investment Update

March Quarter 2024

ARA INVESTMENT FUND RETURNS to 31 March 2024

	3 Months %	1 Year %	3 Years % p.a.	5 Years % p.a.	10 Years % p.a.	Since Inception % p.a.
Defensive	1.2	5.2	4.3	3.8	4.1	4.8 (April 2003)
Growth	3.6	12.0	8.4	7.5	7.3	6.8 (April 2003)
Equities	4.2	13.7	8.8	7.8	7.0	7.7 (August 2003)
Long Term Income Builder	1.3	13.6	8.1	n/a	n/a	10.3 (March 2020)

Illustration of income and capital returns received by an investor from an initial investment of \$100,000 since 1/7/2010 (or 1/7/2020 for the Long Term Income Builder)



A solid and relatively uneventful quarter means the story is not unlike last time. Maybe a couple of points worth making:

- Rising stock markets are welcome – better than the alternative anyway – but it can't go on forever.

A common measure used to tell whether stock markets are good value or not is the Price/Earnings (P/E) ratio – a measure of how much the market expects to be paid per unit of companies' earnings. A high P/E suggests the Prices are relatively expensive and more likely to fall, or at least be subdued while Earnings catch up to Price.

Currently the US market's P/E sits at a tad over 27 and the Aussie market is nudging 20 – compared with long term averages in the mid-high teens. Getting uncomfortable.

Recent market darling Nvidia, seen as the gateway to Artificial Intelligence riches, has a P/E up around 80, while other big tech stocks like Amazon and Netflix are still north of 60 and 50 respectively. Those prices assume not much other than blue skies and tailwinds.

Which doesn't mean things can't keep going up, but the odds aren't weighted in that direction. Nor does it imply that everything on the market is expensive. Diligent managers might still find some less conspicuous gems that are priced realistically.

But it's a good time to be particularly conscious of not paying too much to buy or hold listed shares.

As mentioned last time, our holdings in private companies are not so susceptible, being subject to formal periodic valuation protocols rather than daily market whims.

- The benefit of locking away funds in term deposits appears to have evaporated for the moment, with longer term rates easing and shorter term rates rising. Someone's trying to tell us something.

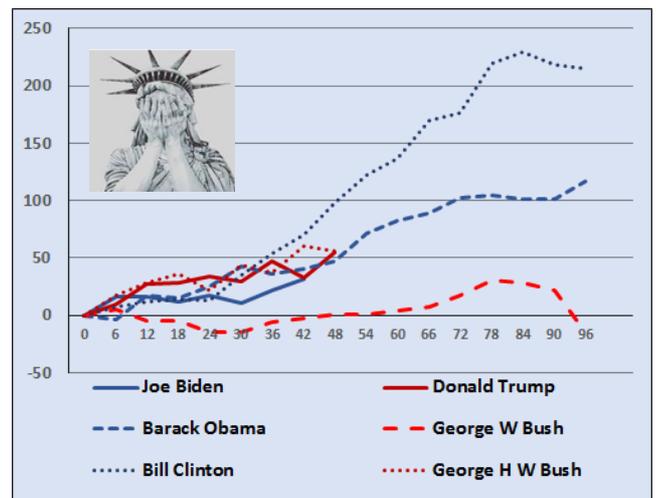
So for the moment we're no longer rolling over maturing TDs, and are instead using the First Sentier Cash Fund which you'll see making its debut in the table on page 3. It's

paying a similar rate to 5-year TDs but with the money readily available at call to deploy when the going's good.

The West Wing

What else is happening? Well, there's a US Presidential election later this year, so I guess just about **anything** could happen! It's often the case though that, apart from some kerfuffle either side of the actual poll, markets tend to function in spite of elections rather than because of them. Once the uncertainty has gone and the market knows what it has to deal with, it's business as usual.

But it might be fun, (if not instructive) to look at how the US market has performed during the tenure of the last six POTUSs (POTI?). This chart shows the cumulative rise, or otherwise, in the US stock market on the vertical axis, throughout the tenure of each president (measured in months) on the horizontal.



Source: www.macrotrends.net

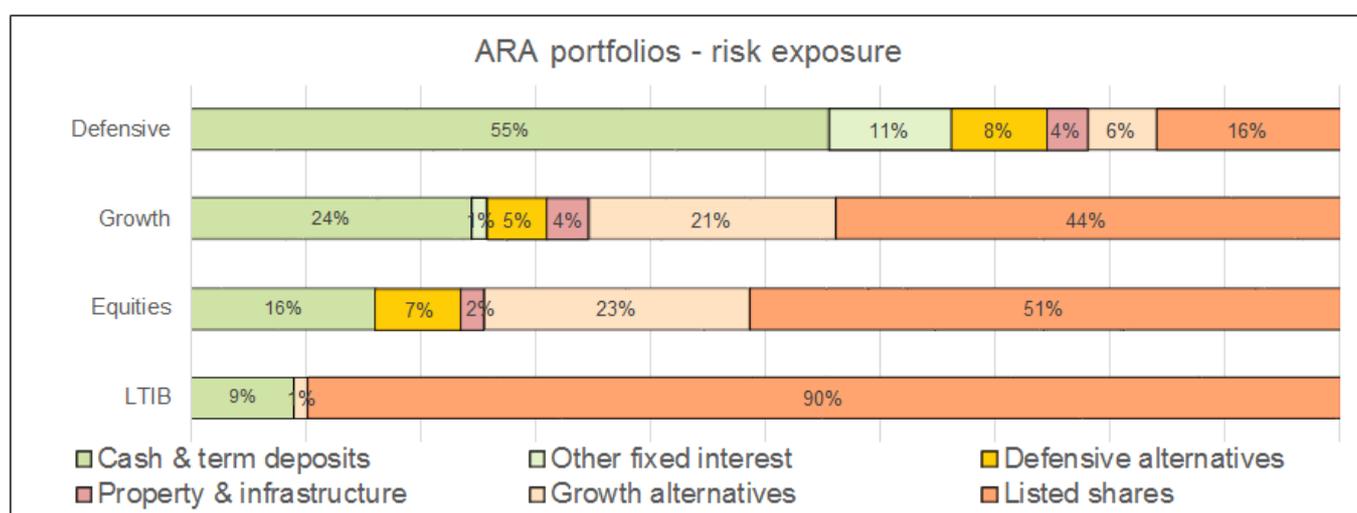
Of note:

- Biden and Trump's impact has been almost identical at the same point in their respective presidencies
- Interestingly, the Democrats (in blue) look to have been better accepted by markets than the Republicans, with also a greater likelihood of getting a second term
- The standout performer, at least from the market's viewpoint (if not the White House staff's) is clearly Bill Clinton.

So, who's got what?

The table below shows the ARAIF's investments at the time of writing. Please note, the percentages refer to the proportion of each portfolio allocated to that investment, not its rate of return.

	Asset Type	Defensive Portfolio	Growth Portfolio	Equities Portfolio	L/T Income Builder
National Australia Bank Cash account		4.7%	3.4%	2.7%	9.0%
Bank Term Deposits	Cash & Tier 1	5.6%	4.6%	0.0%	
Challenger Life Guaranteed Annuities	Fixed Interest	29.9%	11.3%	0.0%	
First Sentier Cash Fund		15.2%	5.4%	13.4%	
Coolabah Active Credit Fund	Other Fixed Interest	10.7%	1.4%	0.0%	
Sterling Equity		7.7%	9.3%	10.3%	
Anacacia Wattle Fund		6.7%	11.8%	9.4%	
Dimensional Sustainability Aust		0.0%	3.3%	10.7%	
Vanguard World Ex-US ETF		1.0%	8.3%	7.3%	
Anacacia Global Fund	Listed Securities	0.7%	1.7%	2.8%	
Dimensional Sustainability Gbl Unhedged		0.0%	4.8%	5.5%	
Dimensional Sustainability Gbl Hedged		0.0%	4.6%	5.3%	
Listed Investment Companies		0.0%	0.0%	0.0%	79.6%
MVB Aust Banks ETF		0.0%	0.0%	0.0%	10.2%
Anacacia Capital		1.3%	13.3%	13.1%	
Polaris Marine		1.6%	2.2%	1.1%	
Morrison Utilities Trust	Alternative assets	3.6%	3.5%	2.0%	
Proserpine Resources Trust	(Growth)	0.3%	0.6%	0.2%	
Performance Equity Mgrs Fund 4		2.1%	3.7%	5.0%	
Luxury Escapes		0.7%	1.6%	1.9%	
Cheesecake Shop		0.0%	0.0%	1.9%	1.2%
Infradebt	Alternative assets	0.0%	1.7%	4.8%	
Fortlake Higher Income Fund	(Defensive)	3.2%	1.3%	0.0%	
Quota Trust		3.4%	0.9%	0.7%	
BBUS US Bear ETF		1.6%	1.3%	1.9%	
		100.0%	100.0%	100.0%	100.0%



Major Holdings – diversified portfolios

Apart from bank deposits and other interest-bearing accounts, Defensive, Growth and Equities portfolios invest in a range of assets through the fund managers listed in the table above. If we drill through to the assets selected and overseen by those managers, there are in fact over a hundred individual securities providing diversification of risk and exposure to a wide range of opportunities.

The table below shows the 20 largest individual holdings and what proportion of each portfolio they represent. These are the investments that will have the biggest impact on the portfolios' returns.

Investment	Type	Principal Activity	Defensive Portfolio Exposure	Growth Portfolio Exposure	Equities Portfolio Exposure
Direct Couriers	Private company	Transport & logistics	0.0%	5.3%	5.5%
RP Infrastructure	Private company	Project Management	0.0%	2.7%	2.8%
Polaris Marine	Private company	Marine services	1.6%	2.2%	1.1%
Infradebt	Private trust	Infrastructure lending	0.0%	1.7%	4.8%
Gentrack	ASX listed company	Software services	0.9%	1.7%	1.3%
Luxury Escapes	Private company	Travel agency	0.7%	1.6%	1.8%
Opteon	Private company	Property services	0.0%	1.5%	1.6%
Schaffer	ASX listed company	Diversified industrial	1.2%	1.5%	1.6%
Westpac	ASX listed company	Financial services	1.2%	1.5%	1.8%
Smartpay	ASX listed company	Financial services	0.7%	1.2%	0.9%
Perth Airport	Infrastructure	Transport hub	1.2%	1.1%	0.7%
Big River Industries	ASX listed company	Building supplies	0.7%	1.1%	0.8%
Force Fire	Private company	Fire safety services	0.6%	1.0%	0.7%
3P Learning	ASX listed company	Online education	0.8%	0.9%	1.0%
IRESS	ASX listed company	Financial software	0.8%	0.9%	1.0%
Quota Trust	Private trust	Statutory fishing rights	3.4%	0.9%	0.7%
Sureway	Private company	Employment services	0.0%	0.8%	0.8%
Duncan Technologies	Private company	Parking technologies	0.0%	0.8%	0.8%
Servcorp	ASX listed company	Commercial property leasing	0.6%	0.7%	0.8%
Transgrid	Infrastructure	Electricity transmission	0.7%	0.7%	0.4%

Returns quoted in this report are after all costs, and before the application of management fee rebates. Return figures are pre-tax, and include the value of franking credits from franked dividends. Total return figures assume the re-investment of gross distributions including franking credits. 3-month return figures are for the period to 31 March 2024 and are not annualized.

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