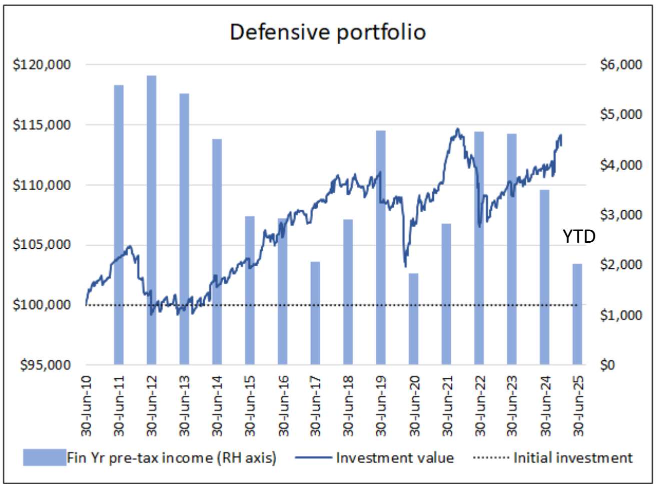
ara Financial Guidance

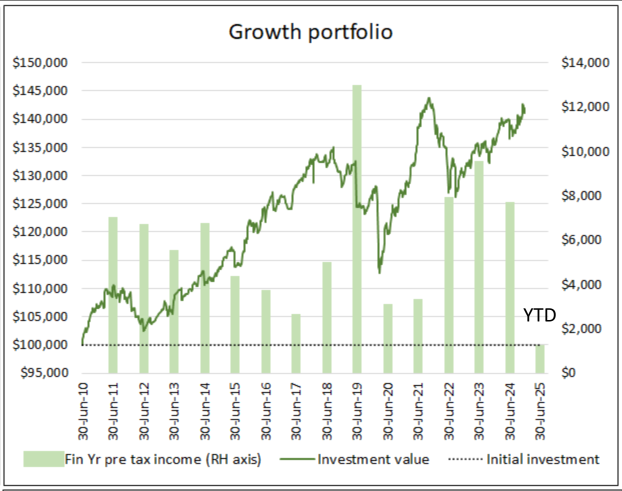
Investment Update

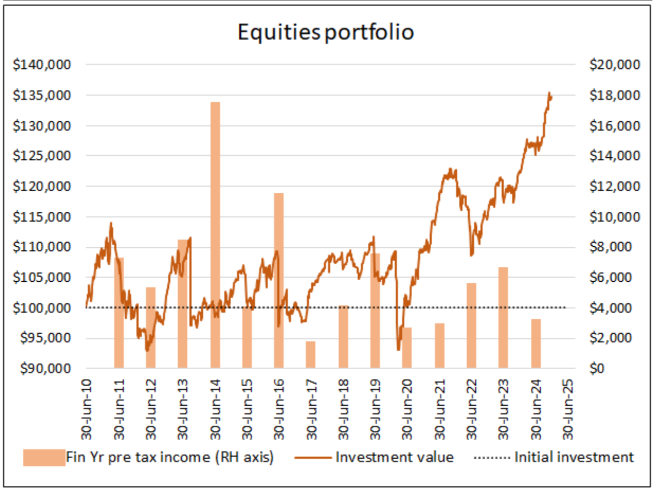
December Quarter 2024

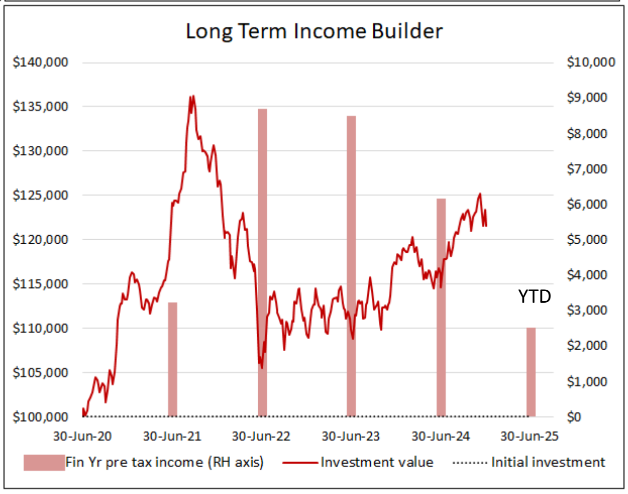
ARA INVESTMENT FUND RETURNS to 31 December 2024						
	3 Months %	1 Year %	3 Years % p.a.	5 Years % p.a.	10 Years % p.a.	Since Inception % p.a.
Defensive	2.9	6.3	4.0	4.2	4.1	4.8 (April 2003)
Growth	2.4	9.0	6.3	7.5	7.1	6.8 (April 2003)
Equities	5.0	12.4	7.6	8.5	7.3	7.8 (August 2003)
Long Term Income Builder	0.4	9.7	5.1	n/a	n/a	10.5 (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)









ARA Consultants Limited
Level One 17 Cotham Road
Kew Victoria 3101

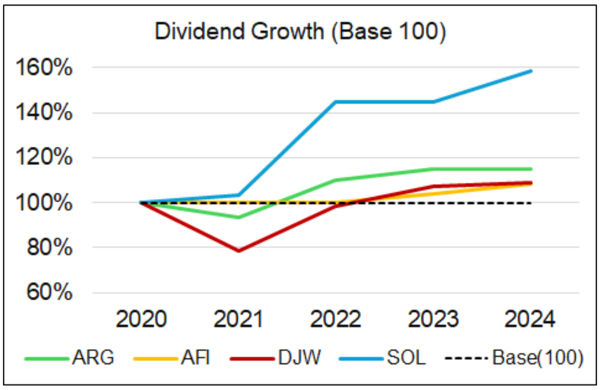
PO Box 3239
Cotham VIC 3101
Telephone 03 9853 1688

www.araconsultants.com.au
ABN 78 102 304 692
AFS Licence No. 224150

An interesting quarter, pretty much all good news for our investors.

Let's start with the **Long Term Income Builder**. While 0.4% might not get the old heart racing, it's solid enough given the stock market at large was down by 1%. But as we'll say (yet) again, this portfolio is about stable, rising income over time – and if income grows the underlying value will look after itself, short term price shifts notwithstanding.

The chart below shows the growth (or otherwise) in dividends paid by the four core holdings in the LTIB portfolio over the past five calendar years. We have previously described how dividends were subdued in the aftermath of the pandemic lockdowns, but were expected to recover and resume their long term growth pattern. This seems to bear that out, and we see no reason why it should not continue, and be reflected in the distributions from LTIB in due course.

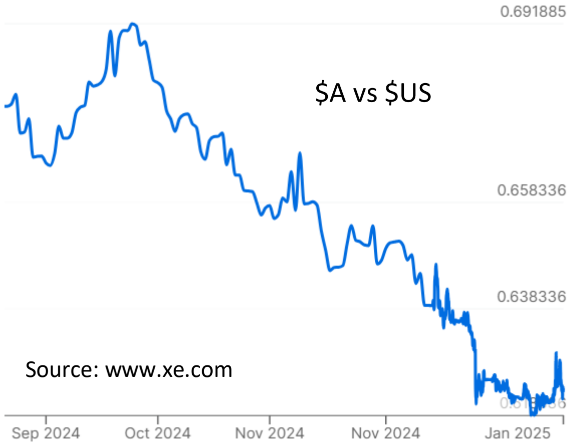


Source: Company websites

Which brings us to the three diversified portfolios, and an interesting conundrum. Nice numbers, and we'll happily take that. But if there is a concern, it's actually that they are outsize returns – more than you'd normally expect, particularly for **Defensive.** So you have to ask – how did this happen? Too good to be true? And does it really mean there is more risk involved than there should be?

Well, firstly, the Risk-o-Meter at the bottom of page 3 is not flashing any warnings. Listed and unlisted shares in Defensive total less than 25% of the portfolio – pretty much where it's been for some years now. Consequently, holdings of nice safe things like cash and fixed interest levels are also well up where they should be.

There were some strong performers for sure, and importantly, no major disasters. As it happens, the unusual outlier over the last three months was the Aussie Dollar, which fell against major currencies, notably about 10% against the $US. While we don't invest directly in currencies per se, this big swing turbocharged anything that has unhedged exposure to offshore assets – including Anacacia's Global Fund, Dimensional's International portfolio, PEM's private equity fund, and a few other bits and pieces throughout the portfolios.



10% is a big move in a short space of time. It could have further to go, or it could all unwind and claw back some of the kicker we've enjoyed. The answer will be somewhere in the middle. But for now – Happy New Year!

Speaking of which – what might 2025 hold? Well, the big talking point from the quarter is confirmation of a second Trump presidency. The conventional wisdom says a Republican president, particularly one so brashly pro-business, is good for share markets. Maybe, but:

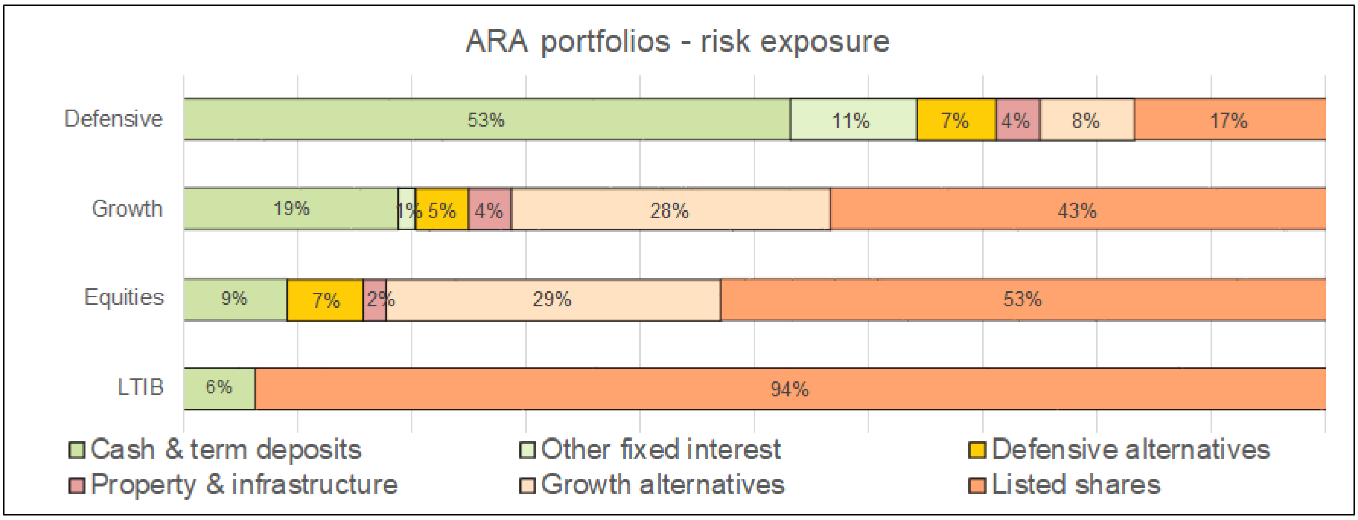
- Which, if any, of the bold promises will really be acted upon?
- US shares already looked expensive, then surged on the prospect of the Trump win before sobering up a bit. It could be that more than enough optimism is priced in already;
- The US's annual interest bill – not the debt, the interest payable yearly – now exceeds $1 trillion! With a "T"! That's three times what it was just five years ago. Haven't heard much on the debt front lately, but that's gotta hurt.

It might not be such a Grand Old Party. Time will tell.

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	Cash & Tier 1 Fixed Interest	6.7%	2.5%	9.1%	6.5%
Bank Term Deposits		5.8%	4.8%	0.0%	
Challenger Life Guaranteed Annuities		30.6%	11.7%	0.0%	
First Sentier Cash Fund		9.9%	0.0%	0.1%	
Coolabah Active Credit Fund	Other Fixed Interest	11.2%	1.5%	0.0%	
Sterling Equity	Listed Securities	8.7%	10.4%	10.6%	
Anacacia Wattle Fund		6.2%	11.0%	8.0%	
Dimensional Sustainability Aust		0.0%	3.6%	10.7%	
Vanguard World Ex-US ETF		1.1%	5.5%	7.2%	
Anacacia Global Fund		0.8%	1.9%	3.0%	
Dimensional Sustainability Gbl Unhedged		0.0%	5.6%	6.0%	
Dimensional Sustainability Gbl Hedged		0.0%	5.2%	5.5%	
Ironbark Apis Global Small Companies		0.0%	0.0%	2.0%	
Listed Investment Companies		0.0%	0.0%	0.0%	73.0%
Vanguard Aust Shares High Yield ETF		0.0%	0.0%	0.0%	20.5%
Anacacia Capital	Alternative assets (Growth)	3.1%	19.2%	18.5%	
Polaris Marine		1.6%	2.3%	1.0%	
Morrison Utilities Trust		3.9%	3.7%	2.0%	
Proserpine Resources Trust		0.3%	0.6%	0.2%	
Performance Equity Mgrs Fund 4		2.4%	4.3%	5.2%	
Luxury Escapes		0.8%	1.7%	1.8%	
Cheesecake Shop		0.0%	0.0%	2.5%	
Infradebt	Alternative assets (Defensive)	0.0%	2.0%	5.2%	
Fortlake Higher Income Fund		3.2%	1.3%	0.0%	
Quota Trust		3.7%	0.9%	0.7%	
BBUS US Bear ETF		0.0%	0.3%	0.7%	
		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%	5.0%
MGI Golf	Private company	Golf equipment manufacture	1.4%	3.6%	4.0%
RPI Infrastructure	Private company	Project Management	0.0%	2.7%	2.6%
Polaris Marine	Private company	Marine services	1.6%	2.3%	1.0%
Opteon	Private company	Property services	0.0%	2.2%	2.1%
Gentrack	ASX listed company	Software services	1.2%	2.2%	1.6%
Infradebt	Private trust	Infrastructure lending	0.0%	2.2%	5.2%
Google	US listed company	Technology	1.5%	1.8%	1.8%
Luxury Escapes	Private company	Travel agency	0.8%	1.7%	1.8%
Uber	US listed company	Rideshare/tech	1.3%	1.6%	1.6%
Westpac	ASX listed company	Financial services	1.1%	1.4%	1.4%
Florabelle	Private company	Homewares	0.5%	1.3%	1.5%
Schaffer	ASX listed company	Diversified industrial	1.0%	1.2%	1.3%
Perth Airport	Infrastructure	Transport hub	1.3%	1.2%	0.6%
Force Fire	Private company	Fire safety services	0.7%	1.1%	0.7%
Duncan Technologies	Private company	Parking technology	0.0%	1.0%	1.0%
Quota Trust	Private trust	Statutory fishing rights	3.7%	0.9%	0.8%
Sureway	Private company	Employment services	0.0%	0.9%	0.8%
Big River Industries	ASX listed company	Building supplies	0.5%	0.9%	0.6%
Transgrid	Infrastructure	Electricity transmission	0.9%	0.8%	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 December 2024 and are not annualized.

ARA Consultants Limited provides this update for the information of its clients and associates. If you do not wish to receive this or other information about ARA in future, please contact us on (03) 9853 1688, or enter your name below and return this to PO Box 3239 Cotham Vic 3101.

Name (Please print) ____