aberdeen Investments

abrdn Australia Equity Fund

Quarterly Commentary

Quarter ended July 31, 2025

Fund performance

The Fund returned 9.24% over the review period, outperforming the benchmark ASX 200 Index's return of 8.85%. The Fund outperformed its benchmark over the review period. Strong stock selection in healthcare and financials more than offset weakness in materials, information technology and industrials.[1]

Among key contributors, healthcare was the standout. Pro Medicus, a leading medical imaging software provider, rebounded after earlier weakness as the company continued to expand its addressable market. We added to the position during the initial sell off in April, which supported returns. In July, the company announced a A$170 million, 10 year contract with UCHealth, marking its expansion into cardiology, an adjacent market with attractive potential. ResMed also performed well, as concerns around GLP 1 drugs eased into its fourth quarter results, which were released at the end of July. Solid top line growth, higher margins, and a very strong balance sheet all reinforced confidence in the business.

Across other sectors, financial services platform provider Hub24 delivered strong results on better than expected net inflows. Funds under administration grew, supported by market share gains, high adviser satisfaction and the launch of new high net worth solutions. Goodman Group benefited from its pivot towards data centres and a steady earnings outlook. Its latest quarterly update flagged earnings-per-share growth of around 9% and a robust development pipeline, now more than half in data centres, underpinned by a 5GW secured power bank in key metro locations. Strong occupancy and positive rental growth further support prospects as demand for AI related infrastructure accelerates.

Cumulative and annualized total return as of July 31, 2025 (%)

	NAV	Market Price	ASX 200 Net Index
10 Years (p.a.)	8.13	8.17	6.95
5 Years (p.a.)	10.33	10.83	9.62
3 Years (p.a.)	10.41	6.96	9.12
1 Year	11.99	12.02	10.02
Year to date	12.96	12.31	13.17
3 months	9.24	9.60	8.78
1 month	-0.40	-0.45	0.56

PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS. Investment returns and principal value will fluctuate and shares, when sold, may be worth more or less than original cost. Current performance may be lower or higher than the performance quoted. NAV return data includes investment management fees, custodial charges and administrative fees (such as Director and legal fees) and assumes the reinvestment of all distributions.

The Fund is subject to investment risk, including the possible loss of principal. Returns for periods less than one year are not annualized.

Expense ratios

Fiscal year ended October 31 (%)

Annual Expenses	Percent of Net Assets	Percent of Managed Assets
Management Fees	0.99	0.92
Other Expenses	0.54	0.50
Fee Waiver	0.00	0.00
Operating Expenses	1.53	1.42
Leverage Costs	0.42	0.39
Total Expenses	1.94	1.80
Total Expenses before Fee Waiver	1.94	1.80

Leverage Costs include interest, fees, and other other up front/offering costs associated with the leverage structure for the Fund. Gross Operating Expenses include the Fee Waiver and Leverage Costs.

[1] The S&P/ASX 200 Index tracks the performance of the 200 largest stocks (by market capitalization) listed on the Australian Securities Exchange. Indexes are unmanaged and have been provided for comparison purposes only. No fees or expenses are reflected. You cannot invest directly in an index.

For current holdings information, please visit **abrdn Australia Equity Fund, Inc. – Portfolio Holdings**

On the other hand, in materials, Northern Star Resources (NST) declined after its July update pointed to higher costs and spending, including additional capital for KCGM upgrades, following an earlier guidance cut. We believe that NST remains a strong operator with a decent track record. The company has differentiated capabilities in terms of its technical team and its internal contractor arm, which is highly specialised. The company focuses on developing and running high-quality assets, and its capital allocation framework is centred on generating sustainable cash, supporting a strong balance sheet and high returns.

Within property, Mirvac underperformed as rising bond yields and "higher for longer" rate expectations weighed on the sector. Its office portfolio remained a drag, with valuations still under pressure despite steady occupancy, and sentiment stayed weak even after the June half year distribution announcement. We remain positive given Mirvac's portfolio of high quality office assets and its sizable residential pipeline.

Market review

Australian equities advanced in the July quarter, with the benchmark ASX 200 Index returning 8.85% in US dollar terms, supported by a mix of domestic policy easing, resilient macro data and improved global risk sentiment.

A key catalyst was the Reserve Bank of Australia's (RBA) policy trajectory. The RBA delivered a 25 basis point cash rate cut at its 20 May meeting, taking the policy rate to 3.85%, characterising settings as "somewhat less restrictive." That easing – on top of a February rate cut – helped re rate rate sensitive areas and underpinned broader risk appetite. At the 8 July meeting, the RBA paused to assess incoming data but signalled a cautious, gradual easing bias, which markets interpreted as a delay rather than a reversal of the cutting cycle.

Incoming macroeconomic prints broadly supported the constructive tone. Headline inflation (CPI) slowed to 2.1% year on year in the June quarter, with trimmed mean inflation down to 2.7% – the lowest since 2021 – bolstering confidence that disinflation was taking hold. Labour market conditions cooled at the margin, with the unemployment rate ticking up to 4.3% in June, consistent with policy working through the economy without a sharp deterioration. Together, these data points reinforced expectations for further RBA easing and provided a benign backdrop for equities.

Global policy headlines also nudged sentiment into "risk on" territory. In May, a temporary tariff truce between the US and China reduced near term risks, while in July, several planned tariff adjustments were deferred until 1 August – collectively dialling down immediate uncertainty and supporting cyclicals. Markets responded positively to the combination of delay and negotiation, which eased fears of an imminent escalation in global trade frictions. Commodity dynamics rounded out the support after iron ore prices rebounded on hopes of Chinese fiscal stimulus – including infrastructure and hydropower projects. The stimulus linked optimism buoyed sentiment toward Australia's heavyweight miners.

Portfolio activity

There were no key portfolio trades over the quarter.

Outlook

The RBA's decision to hold interest rates steady in July disappointed investors expecting a rate cut, but August's unanimous rate cut alongside dovish commentary indicates that the Australian market will likely continue to benefit from rate cuts and easing. Market valuations have risen substantially, making it somewhat more challenging to find obvious value. In this context, the Fund is prudently taking profit where we find limited further upside catalysts and valuation support to manage risks. We will continue to take advantage of market dislocations to invest in high-quality companies, especially those poised to benefit as the tailwinds mentioned above begin to show tangible impact, while keeping a mindful eye on valuations. We remain partial to businesses with strong pricing power and defensive business moats, and we favour those with clear growth prospects that are aligned with long-term structural trends. Since the last quarter, we have increased our weight to stocks that are beneficiaries of interest rate cuts in the real estate, consumer, healthcare and IT sectors.

Important Information

International investing entails special risk considerations, including currency fluctuations, lower liquidity, economic and political risks, and differences in accounting methods; these risks are generally heightened for emerging market investments.

There are also risks associated with investing in Australia, including the risk of investing in a single-country Fund. Concentrating investments in the Australia region subjects the Fund to more volatility and greater risk of loss than geographically diverse funds.

Equity stocks of small and mid-cap companies carry greater risk, and more volatility than equity stocks of larger, more established companies.

Please see the Fund's most recent annual report for more information on risks applicable to the Fund.

Closed-end funds are traded on the secondary market through one of the stock exchanges. The Fund's investment return and principal value will fluctuate so that an investor's shares may be worth more or less than the original cost. Shares of closed-end funds may trade above (a premium) or below (a discount) the net asset value (NAV) of the Fund. The net asset value (NAV) is the value of an entity's assets less the value of its liabilities. The market price is the current price at which an asset can be bought or sold. There is no assurance that the Fund will achieve its investment objective. Past performance does not guarantee future results.

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