

REPORTING SEASON: VOLATILITY, VALUE, AND THE ROAD AHEAD.

SEPTEMBER 2025



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The August reporting season was anything but smooth. From gold rallies to blue-chip stumbles, the ASX delivered a wild ride. In this note, Tim Johnston (Head of Australian Equities) details how the Tyndall Australian Share Wholesale portfolio navigated the bumps and details where he sees opportunity emerging.

The Good, the Bad and the Ugly of Reporting Season

Much like navigating Sydney's rain-damaged roads, the ASX delivered investors a rollercoaster ride through the August reporting season. With stretched valuations, lingering economic and geopolitical uncertainties, and February's volatility still fresh in the mind, expectations were already set for a turbulent period. And August didn't disappoint, with extreme share price moves the norm.

Pleasingly, despite the volatility, we finished August with our noses in front, delivering a total return of approximately **+3.3% and outperforming our benchmark by ~21 basis points**¹.

Results Steady, Outlooks Mixed — But the Devil's in the Detail

Reported results were largely in line with expectations: **25% of companies beat forecasts**, while **20% missed**. A pleasant surprise came in the form of **higher-than-expected dividends**, reflecting not only moderating aggregate gearing levels but also growing confidence in trading conditions.

However, it was **outlook commentary** that drove the most divergent share price reactions across the market. While aggregate earnings forecasts were trimmed by just **~1.3%**, the dispersion was wide: around **40% of ASX 200 companies received upgrades** (averaging +2.4%), while **56% saw downgrades** (averaging -8.4%). Our portfolio fared better on all of these measures.

The data confirms that the domestic economy is strong and improving, while the US economy is weaker than expected. And it is clear that investors are in no mood for uncertainty. The slowing activity in the US was also reflected in negative revisions to historic labour market data, which has renewed expectations for further Fed easing. This dynamic was to the benefit of smaller companies (XSO +8%) and gold stocks.

Portfolio Attribution: Sector Positioning and Stock Selection

We benefited from both **sector positioning** — being overweight **gold** and **interest rate-sensitive sectors**, and underweight **Financials** — as well as specific **stock**

¹ Performance quoted is before fees, is preliminary and subject to change.

selection in **Property, Resources**, and **Banks**. These positives were partially offset by underperformance in **Healthcare** and a significant drag from our **underweight to domestic Consumer names** (avoided on valuation grounds).

The Good

On balance, stock selection was positive.

A standout contributor was the divergence in performance between **Coles** and **Woolworths** (not held). Coles' early investment in **supply chain automation** is now paying off, most visibly in the in-store experience. This is driving market share gains – a central part of our thesis – and we see no near-term catalyst to reverse this trend.

Our preferred **domestic cyclical exposures** also performed well.

- **Stockland** – a key overweight – benefited from strong housing demand, leading to earnings upgrades.
- **Shopping centre REITs**, as a second-order beneficiary of resilient consumer spending, saw improving tenant performance and strong re-leasing spreads.

Elsewhere, **Iluka** was pleasingly re-rated positively on the back of renewed **government support for a non-China rare earths supply chain**, and our overweight to **gold** added further to performance.

The Bad

While the Australian economy continues to perform well and expectations for rate cuts have buoyed **consumer and housing names**, our **limited exposure to discretionary retail** — based on stretched valuations — detracted from performance. Despite already elevated share prices, positive trading updates at the start of FY26 drove further re-ratings in these names.

Amcor weighed on returns, with signs of **softening demand in the FMCG sector**. The US consumer appears to be pulling back on discretionary purchases, and despite Amcor trading on an undemanding multiple, the stock declined by approximately 12%.

Ramsay Health Care – a modest overweight – was a disappointment. While the company showed encouraging signs of rising utilisation and improving funding dynamics — consistent with our investment thesis — the renewal of a hospital contract with the WA Government on reduced pricing terms came as a surprise. This development delays the company's earnings recovery and weighed on performance.

The Ugly

CSL was a significant underperformer during the month, giving back its recent gains. The company's results day introduced a flurry of changes, but the key issue in our view was the lack of growth in the June half for its core immunoglobulin franchise. This was a material negative surprise and raised concerns about the competitive dynamics in that segment. Investors didn't wait for clarity, heading straight for the exits.

Our channel checks suggest some pockets of heightened competition, but overall, the market remains relatively in balance. As such, we believe the **sell-off in CSL was an overreaction**, and we continue to monitor developments closely.

US housing stocks were also notably weak, with **James Hardie** down 25% and **Reece** (not held) off 18%. This sector has been soft for several quarters, but recent data suggests further deterioration. We began the month with an active position in James Hardie but **trimmed ahead of the result on valuation grounds**, avoiding the bulk of the drawdown. With the stock down sharply post-result, we've paused further selling to re-assess its future prospects.

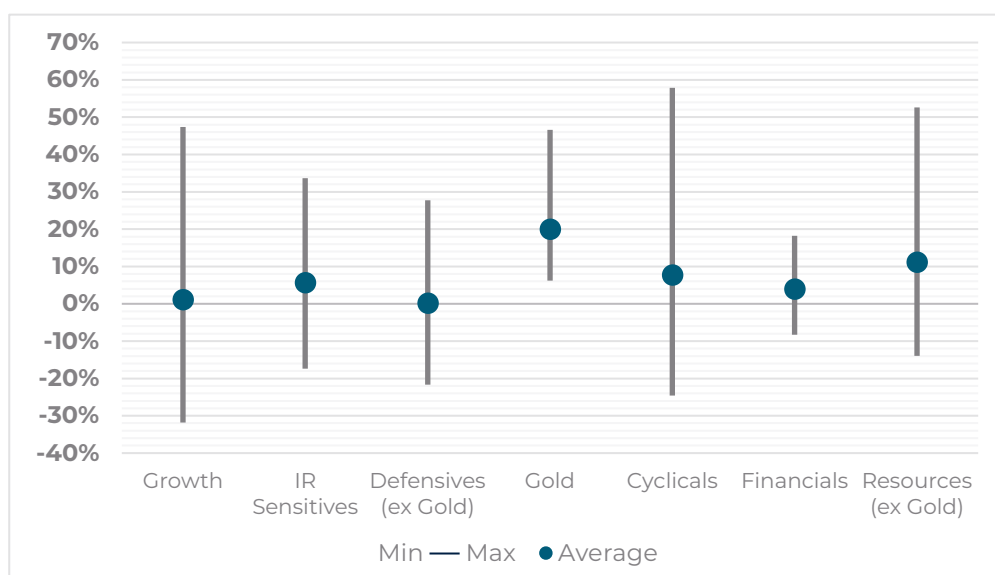
Investors Are Positive — But Nervous

Markets are once again trading near **all-time highs**, buoyed by expectations of **improving growth** and **liquidity** as interest rate cuts loom in the coming months. Yet, despite this optimism, the extraordinary volatility observed throughout August suggests a lingering sense of investor trepidation.

This nervousness is perhaps best illustrated by the **outsized returns in gold**, a traditionally safe haven asset, which surged as investors sought protection from uncertainty.

The **range of returns across the market was astonishing**. As shown in Chart 1, the dispersion raises questions about whether a commonality of quant-driven strategies across the investor landscape may be amplifying price moves.

Chart 1: Ranges of Returns by Super Sector



Source: Tyndall, FactSet.

Reputation Means Nothing in This Market

Investor intolerance for uncertainty was on full display in August, particularly in the treatment of **ASX blue chips** and **recent high-flyers** that hit turbulence.

Companies including **CSL**, **James Hardie**, and **Woolworths** — long considered stalwarts — were punished harshly. Similarly, high-growth names such as **WiseTech** (not held) and **Telix** (not held), which have enjoyed strong investor support and share price momentum in recent years, saw aggressive sell-offs.

In each case, poor results or increased uncertainty triggered swift and severe market reactions, as shown in Table 1. In today's environment, **reputation offers no protection** — investors are demanding clarity and punishing ambiguity.

Table 1: August returns for Former Market Darlings and Highflyers

Telix	-31%
James Hardie	-25%
CSL	-21%
WiseTech	-15%
Woolworths	-9%

Source: Tyndall, Iress.

Outlook

August was a period of **extreme volatility**, but the ASX overall benefited from signs of **positive momentum in the domestic economy**. Our portfolio finished ahead of the market, despite some rough seas along the way.

Importantly, **elevated volatility brings opportunity** for active investors. Stocks that disappointed were dramatically de-rated — in some cases excessively given their underlying fundamentals. We continue to actively review these names in search of new opportunities.

Our portfolio remains appropriately positioned and we believe is well placed following proactive de-risking in early 2025. We continue to look for indiscriminate selling for opportunities to increase exposure to high-quality names.



Contact us

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The August reporting season was anything but smooth.

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