

Airlie Small Companies Fund

ARSN: 665 882 673

A concentrated, active portfolio of Australian listed small companies.

Fund Update: 31 December 2025

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FUND FEATURES

- Leverages the experienced, proven Airlie investment team to provide a focused exposure to Australian small companies.
- A conservative and robust investment process that focuses the team's energies on their 'best ideas'.
- Strong team alignment through co-investment in the fund.

FUND FACTS

Investment Objective

The Fund aims to provide long-term capital growth, after fees, and income through investment in Australian small companies.

Investment Strategy

- Active, long-only Australian small companies fund with a focus on bottom-up, fundamental research.
- High-conviction, concentrated portfolio of 20-40 quality Australian listed small companies which when first acquired do not rank in the S&P/ASX 100.
- Typical cash and cash equivalents exposure between 0% - 10%.

Investment 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.airlifundsmangement.com.au

Inception Date	4 April 2023
Benchmark	S&P/ASX Small Ordinaries Accum. Index
Portfolio Size	AUD \$31.6 million
Distribution Frequency	Semi-annually
Management Fee¹	0.98% p.a.
APIR	MGE1188AU
Performance Fee	Performance fees are 20% of the excess return of the units of the Fund above the S&P/ASX Small Ordinaries Accumulation Index over each Calculation Period ² .
Minimum Initial Investment	AUD\$25,000
Buy/Sell Spread	0.25%/0.25%

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

² As defined in the Fund's PDS.

PORTFOLIO MANAGER

Will Granger

Will Granger joined Airlie in 2020 as an Equities Analyst. Will is now the Portfolio Manager for the Airlie Small Companies Fund which launched in March 2023. Prior to Airlie, Will worked as an analyst at KIS Capital Partners (February 2016 to June 2019). KIS Capital Partners was a market neutral hedge fund with about \$270 million of funds under management.



Visit www.airlifundsmangement.com.au for more information, including: fund performance, unit prices, investment insights, PDS & forms

PERFORMANCE*

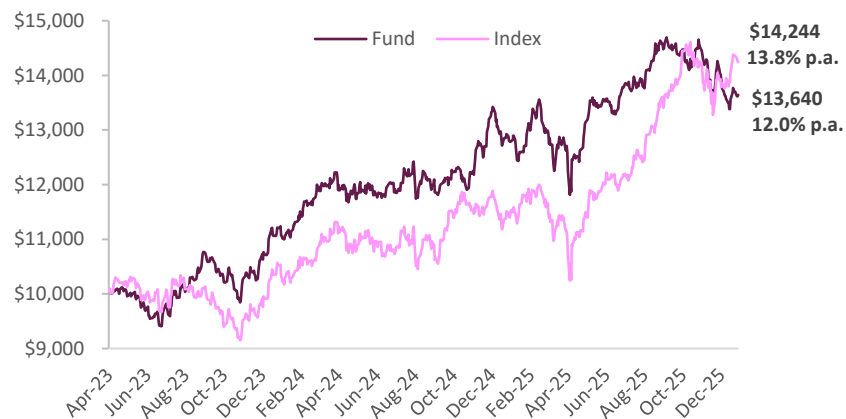
	Fund (%)	Benchmark (%)	Excess (%)
1 Month	-4.4	1.4	-5.8
3 Months	-5.3	1.8	-7.1
6 Months	-1.1	17.4	-18.5
1 Year	6.6	25.0	-18.4
2 Years (p.a.)	10.3	16.4	-6.1
Since Inception (p.a.)	12.0	13.8	-1.8

Past performance is not a reliable indicator of future performance.

TOP 5 POSITIONS (BY WEIGHT)

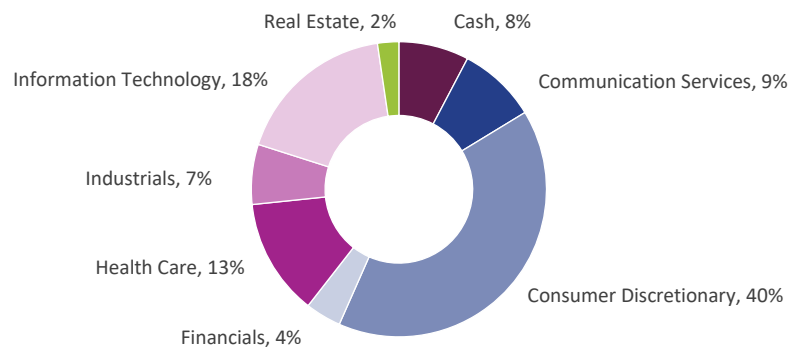
Company	Sector**
Joyce	Consumer Discretionary
Sigma Healthcare	Health Care
News Corp	Communication Services
Nick Scali	Consumer Discretionary
Guzman Y Gomez	Consumer Discretionary

PERFORMANCE CHART



Past performance is not a reliable indicator of future performance.

PORTFOLIO POSITIONING**



* 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 denoted in AUD.

** Based on GICS Sector classification, may not sum to 100% due to rounding.

FUND COMMENTARY

For the December 2025 quarter, the Fund declined -5.3% compared to the Small Ordinaries Accumulation Index return of 1.8%, reflecting underperformance over the period of -7.1%.

The top three contributors to gross performance during the quarter were **Joyce Corporation** (+0.5%), **Dicker Data** (+0.3%) and **Smartpay** (+0.2%). The top three detractors from gross performance were **Premier Investments** (-1.4%), **News Corp** (-1.1%) and **Guzman y Gomez** (-1.0%).

The strong rally in resources, particularly gold, continues to hurt our relative performance. The S&P/ASX Small Resources Accumulation Index increased +15.6% over the December quarter, compared to a -4.0% decline for the S&P/ASX Small Industrials Accumulation Index. This takes the calendar year 2025 return for the resources index to +73% compared to just a +9% return for industrials. As discussed in our last quarterly, the Fund does not typically hold any direct resources exposure as these companies rarely pass the stringent hurdles of our investment process.

There were some notable updates from our key holdings during the quarter. **Nick Scali** (+2%) upgraded 1H26 revenue and profit guidance for its core ANZ business. Net profit after tax is now expected to be in the range of \$37m to \$39m, a 12% upgrade at the midpoint of guidance. **Sigma** (-1%) provided a strong trading update at its AGM, with like-for-like sales increasing 15% across the network. Joyce Corporation (+6%) also posted a strong AGM update, with written sales orders in the KWB business up 19% for the first four months of the year. We explore our thesis for Joyce Corporation in the stock story below.

News Corp (-13%) sold off during the quarter despite reporting a solid 1Q26 result that featured continued profit growth across both the Dow Jones (+10%) and Digital Real Estate (+13%) divisions. Likewise, Guzman y Gomez (-17%) also sold off during the quarter despite a solid 1Q26 update. While there wasn't too much to get excited about in the quarter – like-for-like sales improved only marginally – there was also nothing to change to our thesis, and as such we took the opportunity to add to our position. Guzman y Gomez is now a top 5 holding in the Fund; for a more detailed exploration of the thesis, please see our September 2025 quarterly report.

On the negative side, Premier Investments (-26%) released a soft AGM update where 1H26 guidance was downgraded. Premier has consistently disappointed since the demerger of the Apparel Brands business. Fortunately, most of the issues at Premier appear to be isolated to the Smiggle business, which now reflects only a small portion of earnings based on our estimates. The stock in our opinion also looks very cheap here – we estimate Premier is trading on just 10x look-through earnings, a steep discount to the small industrials index despite offering exposure to the stellar track records of both Peter Alexander and Breville. We remain patient holders.

While periods of underperformance are never welcome, we view them as an inevitable feature of running a concentrated, index-agnostic portfolio, and thus a prerequisite for long-term outperformance. We remain confident in the outlook for our portfolio holdings, which includes a collection of competitively advantaged businesses with long runways to deploy capital.

STOCK STORY – JOYCE CORPORATION

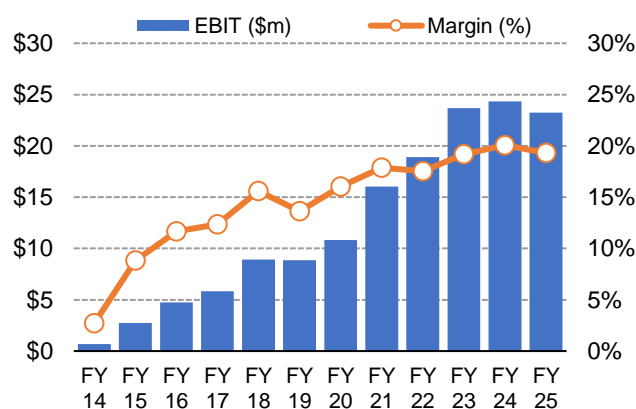
JoyceGroup

Good opportunities come in all shapes and sizes. One of the advantages of running a nascent fund (‘Airlie Small Companies Fund ‘Fund’) is that our relatively small capital base affords us a wide opportunity set, allowing us to invest in the micro-cap end of the market where larger peers cannot deploy meaningful capital. Due to their small size, these companies often fly under the radar of market participants, which can create the opportunity for severely mispriced assets.

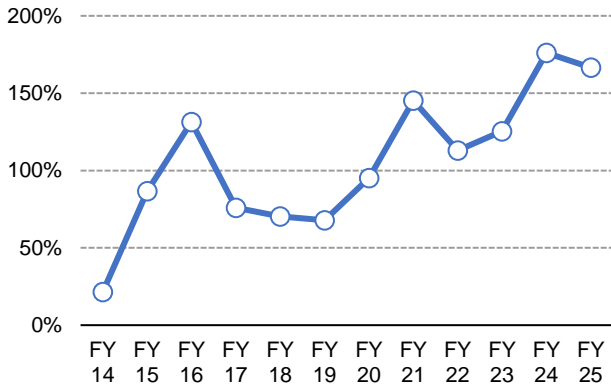
One of the Fund's strongest performers so far has been one of these micro-caps: Joyce Corporation, a \$155m retailer that we have held since inception. Joyce own two retail assets: the bedding franchise Bedshed and a 51% stake in KWB, which operates the Kitchen Connection kitchen renovation business. KWB is the jewel in the crown and accounts for the majority of the company's intrinsic value.

KWB is a leading player in the ‘Do-It-For-Me’ segment of the kitchen renovation market, with 30 showrooms across Australia, primarily located in high foot-traffic homemaker centres. The business is run by Managing Director John Bourke, who acquired KWB back in 2012 with his business partner and retains a 25% ownership stake. John has overseen a stellar track record at KWB, growing earnings before interest and tax (EBIT) at a 24% compound annual growth rate over the past decade while averaging a return on invested capital greater than 100%.

KWB - EBIT



KWB - ROIC



Source: Company financials, Airlie Funds Management

KWB has benefited enormously from John’s meticulous management. While on face value kitchen renovation may not seem like a complex business, projects involve numerous execution risks that can undermine both the customer experience and profitability. One useful indicator is the company’s rework rate – the cost of remedial work (such as replacing damaged cabinetry) expressed as a percentage of sales. When John acquired KWB back in 2012, the rework rate was approximately 5% of sales, a material drag on profitability. As the saying goes, retail is in the detail, and John has implemented a series of changes to improve the scalability and robustness of the model. From decentralising the distribution network through to introducing secondary inspections by qualified cabinet makers, these initiatives have materially reduced that rework rate, which now sits at just 1.2% of sales. This reflects a vast improvement in both profitability and consistency of delivery. Few competitors have been able to replicate this model – there is only one direct, pure-play competitor of decent scale, and historically they have struggled to generate consistent profitability despite KWB’s strong performance.

The fly in the ointment, however, is that John is retiring as MD later this year, passing on the reins to his hand-picked successor, Cameron Crowell. While this transition undoubtedly adds risk, John retains his stake in the business and is thus heavily incentivised to ensure the business continues executing.

KWB is poised for a strong FY26, with written sales orders increasing 19% in the first four months of the year, supported by strong showroom growth. We estimate KWB can generate \$30m of EBIT in FY26. If we apply just a 12x EBIT multiple to this earnings stream, Joyce’s 51% stake would be worth around \$180m, or a 30% premium to the current enterprise value. We would argue 12x EBIT is a conservative multiple for KWB given the strong rollout opportunity ahead of the business: management estimates KWB can grow to 50 showrooms just by entering prime homemaker centres across Australia, roughly 70% upside from the current footprint. Combining this large rollout opportunity with the capital-light nature of the business is a recipe for long-term compounding, and the reason Joyce Corporation is a top 5 holding in the Fund.

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