Airlie Small Companies Fund

A concentrated, active portfolio of Australian listed small companies.

Fund Update: 30 June 2025 | **ARSN: 665 882 673**

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's primary investment objective is to provide long-term capital growth and income through investment in Australian listed 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.airliefundsmanagement.com.au

Inception Date	4 April 2023
Benchmark	S&P/ASX Small Ordinaries Accum. Index
Portfolio Size	AUD $27.6 million
Distribution Frequency	Semi-annually
Management Fee[1]	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.airliefundsmanagement.com.au for more information, including: fund performance, unit prices, investment insights, PDS & forms

PERFORMANCE*

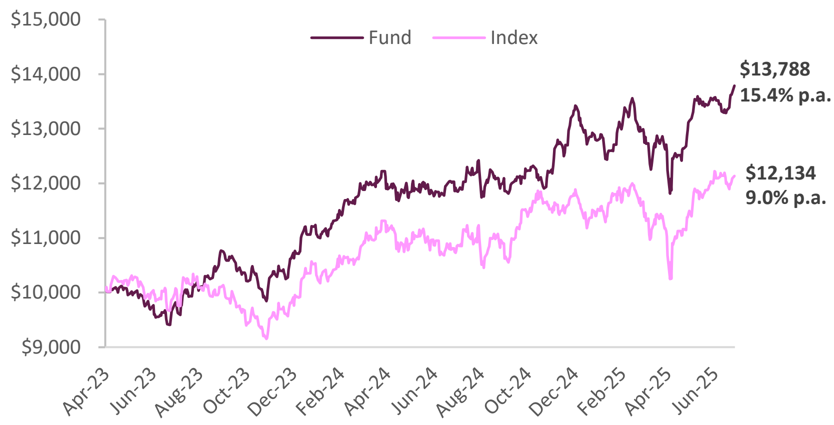
	Fund (%)	Benchmark (%)	Excess (%)
1 Month	1.6	0.8	0.8
3 Months	9.0	8.6	0.4
6 Months	7.8	6.4	1.4
1 Year	14.7	12.3	2.4
2 Years (p.a.)	19.2	10.8	8.4
Since Inception (p.a.)	15.4	9.0	6.4

Past performance is not a reliable indicator of future performance.

TOP 5 POSITIONS (BY WEIGHT)

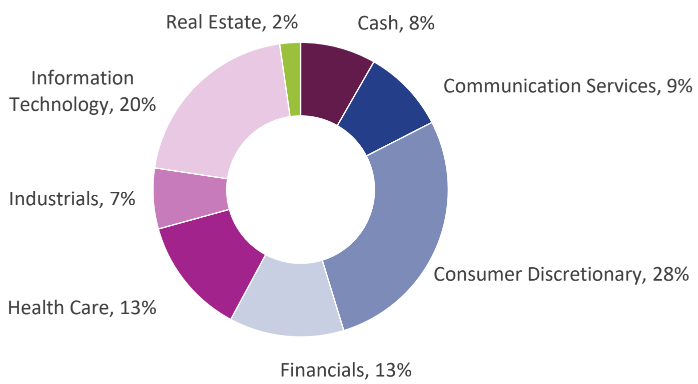
Company	Sector**
Gentrack Group Ltd	Information Technology
News Corp	Communication Services
Smartpay Holdings Ltd	Financials
Sigma Healthcare Ltd	Health Care
Nick Scali Ltd	Consumer Discretionary

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 June 2025 quarter, the Fund returned 9.0% (net of fees) compared to the Small Ordinaries Accumulation Index return of 8.6%, reflecting outperformance over the period of 0.3%.

The top three contributors to gross performance during the quarter were Smartpay (+2.2%), Gentrack (+1.3%) and Nick Scali (+1.1%). The biggest detractors from gross performance were ReadyTech (-0.2%) and Amotiv (-0.1%).

There were some notable events during the quarter for our portfolio holdings. Gentrack released its 1H25 result, and the result was relatively soft, with headline numbers and FY25 guidance below market expectations. However, we believe this is of little consequence to the long-term thesis. Gentrack is an inherently lumpy business given the large amount of project work related to client wins and implementations, so we do not place too much weight on any single earnings result. What matters most is the trajectory of new client wins and upgrades, and in this regard, there were some positive updates: in 1H25 Gentrack won a new logo in Utility Warehouse, a strong operator in the UK utility space, and the company also entered multiple scoping arrangements with new customers, suggesting strong likelihood of deal closures in 2H25. This sets the company up well for FY26, and we do not appear to be alone in our thinking, with Gentrack's share price increasing +14% over the quarter despite the soft FY25 guidance.

During the quarter, Smartpay received a third takeover bid from a new party, an unnamed strategic international player. The company also received an upgraded all-cash A$1.12 bid from the original strategic player, Shift4. In response, Smartpay's board decided to enter an exclusivity period with Shift4 for several weeks starting in early May, which has now resulted in a scheme implementation agreement. The company also released its FY25 result in late May, with the headline numbers soft as the business absorbs some upfront costs prior to the launch of the acquiring model in New Zealand.

News Corp released a strong 3Q25 result. Dow Jones has really been the centre of our thesis since we purchased the stock at Airlie back in 2021 and that division continues to perform strongly, growing profit by 12% year on year against a soft advertising market. We discuss our News Corp holding in greater detail below.

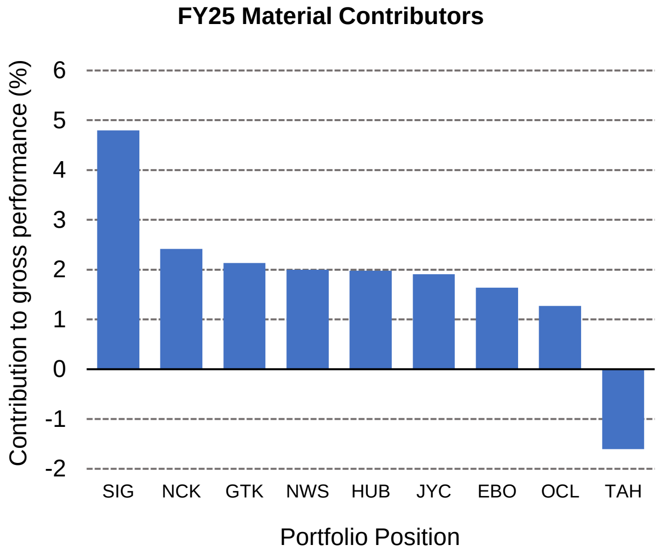
FY25 IN REVIEW

Below we provide a review of our FY25 performance.

The Fund had a strong FY25, returning 14.7% (net of fees) compared to the Small Ordinaries Accumulation Index return of 12.3%, reflecting outperformance over the period of 2.4%.

Since inception, the Fund has returned 15.4% p.a. (net of fees) compared to the Small Ordinaries Accumulation Index return of 9.0% p.a., reflecting outperformance of 6.4% p.a.

The chart below provides the material contributors (>1%) to gross performance for the Fund in FY25.



Source: Airlie Funds Managament

As can be seen in the chart, performance has pleasingly come from a number of 'winners' during the year, offset by only one material detractor. There were a few noteworthy contributors worth individual mention.

Sigma (+132%) was the Fund's strongest contributor during the year, contributing +4.8% to gross performance. We first purchased Sigma back in December of 2023 following its proposed merger with Chemist Warehouse. At the time, we were taking on the risk that the ACCC would block the merger. However, we felt that the deal was likely to go through and that the return was asymmetric. Given the inherent difficulties with making these types of predictions, we kept our initial position size relatively small. Chemist Warehouse is the perfect example of the kind of businesses we want to own in the fund. We believe the company possesses a durable competitive advantage, a fantastic founder-led management team, a strong balance sheet, and a long runway to reinvest capital both internationally and within its core market of Australia. For a more in-depth write-up of the Chemist Warehouse thesis, please see our September 2024 Quarterly Commentary, which can be found on the Airlie website.

Nick Scali (+31%) was another strong performer for the year, contributing +2.4% to gross Fund performance. This is despite a relatively soft result in the core ANZ business related primarily to freight cost increases and delivery delays that hurt margins. We view these issues as temporary and expect margins to recover over the coming periods. On a more positive note, there appear to be some early green shoots emerging in the UK expansion. As a reminder, Nick Scali expanded into the UK last year with the acquisition of Fabb Furniture. While we are typically very wary of overseas expansions via acquisition, we believe this is an asymmetric bet with limited downside and potentially massive upside. In terms of the green shoots, gross margins in the UK are already expanding strongly and the product appears to be resonating, with the top-selling couch the same across both the UK and ANZ. Furthermore, the rebranded Nick Scali stores were amongst the top-performing stores across the UK network. Senior member of the Airlie investment team, Vinay Ranjan, visited the UK expansion earlier this year, and we shared some of his valuable insights in our March 2025 Quarterly report.

Gentrack (+22%) was another strong performer for the year, contributing +2.1% to gross Fund performance. As a reminder, Gentrack provides customer billing software to the utility sector and customer management software to the airport sector. We like businesses that sell this type of 'mission-critical' enterprise software as typically they have very low customer churn, creating resilient, annuity-style revenues. This is Gentrack's second year running in the Fund's top contributors section. The company released some solid results over the year, including a strong FY24 result in November last year. Importantly, the company continues to win new customers in key markets, underwriting future growth. The long-term opportunity for Gentrack remains very attractive as the energy transition pushes utilities to modernise their tech stacks and shift away from legacy providers. For a more in-depth write-up of the Gentrack thesis, please see our December 2024 Quarterly Commentary, which can be found on the Airlie website.

News Corp (+20%) enjoyed a strong year, contributing +2.0% to gross performance over the year. News Corp has been a core holding in the Fund since its inception, and this is also News Corp's second year featuring as a top contributor to Fund performance. During the year, News Corp's core divisions of Dow Jones, Real Estate Services (predominantly the company's stake in ASX-listed REA group) and Harper Collins continued to produce strong results. Importantly, the management team also took some positive steps on the capital management front, divesting Foxtel for a stake in global streaming platform DAZN and the repayment of shareholder loans. We believe this core stable of assets reflects one of the highest-quality earnings streams on the ASX that remains materially undervalued by the market. We wrote a more in-depth analysis of News Corp in our September 2023 Quarterly Commentary.

On the other side of the ledger, Tabcorp was the only material detractor during the year, contributing -1.6% to gross performance. We have written extensively about our Tabcorp position. Our thesis was based on a levelling of the playing field with online bookmakers that would improve the company's margins. While there has been some success here, we underestimated the level to which the company was overearning due to covid stimulus as well as the stickiness of the company's cost base. As such, our estimate of the sustainable earnings power of the business proved incorrect. Bar a small residual holding, we have now mostly exited our Tabcorp position on concerns about the balance sheet given the lower rebase of earnings.

OUTLOOK

Looking ahead, we remain optimistic about the Fund's prospects. We own a concentrated portfolio of competitively advantaged businesses with long runways to deploy capital, and many of which we believe are materially undervalued. The small cap universe is rich with mispriced securities: with over 700 stocks within our remit, we are focused on identifying just 15-25 compelling opportunities. I have a substantial personal investment in the Fund, and my commitment to preserving and growing your wealth, alongside my own, remains steadfast.

Thank you for your continued support.