Airlie FUNDS MANAGEMENT

Distributed by Magellan Investment Partners

Airlie Small Companies Fund

ARSN: 665 882 673

A concentrated, active portfolio of Australian listed small companies

Fund Update: 30 June 2026

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: **airliefundsmanagement.com.au**.

Inception Date	4 April 2023
Benchmark	S&P/ASX Small Ordinaries Accum. Index
Portfolio Size	AUD $30.7 million
Distribution Frequency	Semi-annually
Management Fee^	0.98% p.a.
Ticker	MGE1188AU
APIR	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%

^ Transaction costs may also apply – refer to the Product Disclosure Statement. All fees are inclusive of the net effect of GST.
# only applicable to investors who apply for units directly with the fund.

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 **airliefundsmanagement.com.au** for more information, including: fund performance, unit prices, investment insights, PDS & forms

Performance*

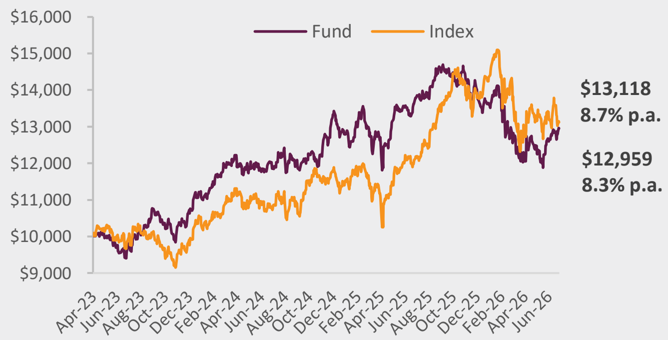
	Fund (%)	Benchmark (%)	Excess (%)
1 Month	2.8	-2.0	4.8
3 Months	6.7	3.3	3.4
6 Months	-5.0	-7.9	2.9
1 Year	-6.0	8.1	-14.1
3 Years (p.a.)	10.1	9.9	0.2
Since Inception (p.a.)	8.3	8.7	-0.4

Past performance is not a reliable indicator of future performance.

Top 5 Positions (Alphabetical Order)

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

Performance Chart Growth of AUD $10,000*



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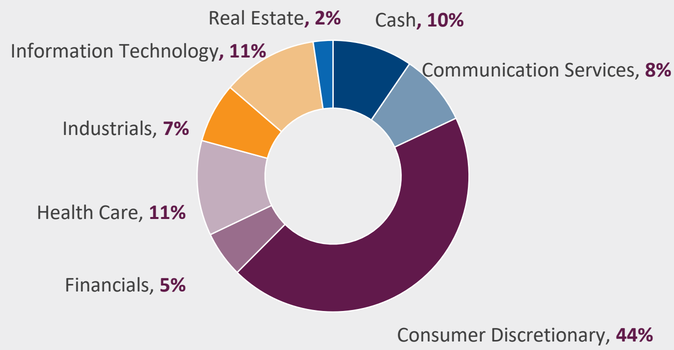
Portfolio Positioning**



* 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 2026 quarter, the Fund returned 6.7% compared to the Small Ordinaries Accumulation Index return of 3.3%, reflecting outperformance over the period of 3.4%.

The top three contributors to gross performance during the quarter were Guzman y Gomez (+2.5%), Dicker Data (+2.1%) and Data#3 (+1.7%). The top three detractors from gross performance were Gentrack (-0.8%), HUB24 (-0.5%) and PWR Holdings (-0.3%).

The Fund benefited from a 6.7% decline in the Small Resources Index compared to an 8.4% increase in the Small Industrials Index over the quarter.

Guzman y Gomez (GYG) increased 32%, with two material company updates released during the quarter. First, the company released its 3Q26 trading update where like-for-like sales in the Australian segment increased to 6.6% year-on-year. Furthermore, the company announced its closure of the US business, citing underperformance relative to internal financial hurdles. The total cash cost to exit the venture is not expected to exceed US$15m. Our thesis for GYG has always been that while the US expansion had a low probability of success, it was irrelevant as the cost of failure was too insignificant to have a material impact on our valuation for the core business. We believe this update validates that thesis and gives us further confidence that management are rational operators focused on the core market of Australia where substantial growth opportunity remains. For more detail on the GYG thesis, see our September 2025 quarterly commentary.

IT distributor Dicker Data (DDR) was another strong contributor, increasing 47% over the quarter following the release of its AGM trading update where year-to-date net profit before tax has increased 46%. While the majority of this earnings growth relates to margin expansion on the sale of existing supply-constrained inventory, in particular memory, we believe the current multiple of 21x forward profit somewhat compensates for any potential cyclicality in the earnings base. We like owning distribution businesses, given they tend to form natural oligopolies where scale advantages create barriers to entry. DDR is no different, with a fantastic long-term track record of earnings growth and attractive incremental returns on capital employed.

Gentrack (-44%) was a weak performer during the quarter. As we flagged in our September 2025 quarterly update, we had substantially reduced our Gentrack position following concerns regarding development issues for their core product upgrade, G2, which was affecting their ability to win and retain customers. Unfortunately, these concerns proved to be valid, with Gentrack reporting a soft 1H26 result due to a delay of customer wins. In hindsight, we should have fully exited our position given the lack of downside protection in the valuation. That being said, following the substantial decline in share price during the quarter, the valuation now looks somewhat asymmetric here, so we continue to hold a small position in Gentrack.

FY26 In Review

Below we provide a review of the Fund's FY26 performance.

The Fund returned -6.0% over FY26 compared to the Small Ordinaries Accumulation Index return of 8.1%, reflecting underperformance over the period of 14.1%.

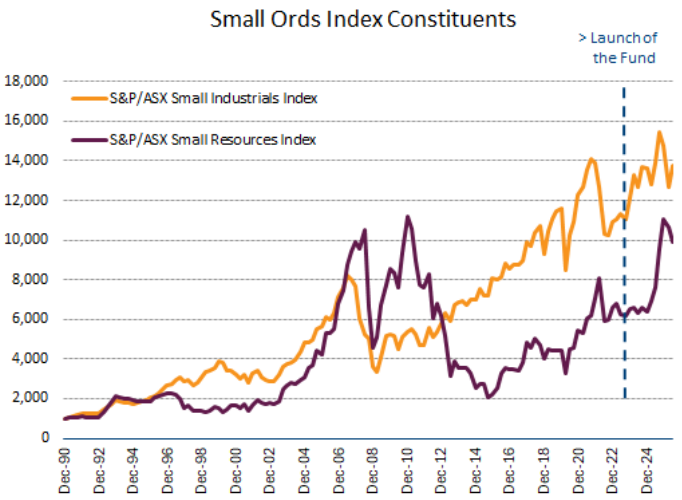
Since inception, the Fund has returned 8.3% p.a. compared to the Small Ordinaries Accumulation Index return of 8.7% p.a., reflecting underperformance of 0.4% p.a.

While the Fund's performance in FY26 has been disappointing, in the context of the Fund's investment philosophy – which largely avoids small cap resources exposure – this is an understandable outcome. The Small Resources Index returned 30.8% over FY26, driving the entire return of the Small Ords Index. By comparison, the Small Industrials Index, which includes everything outside of resources, returned -0.9% over the year.

We discussed in depth why we are typically underweight resources exposure in small caps in our March 2026 quarterly commentary. In short, it reflects the Fund's investment philosophy; we seek to identify quality companies with advantaged competitive positions that can grow at attractive rates on incremental capital deployed, and then only purchase those businesses at a steep discount to our assessment of intrinsic value. These structurally advantaged businesses do exist in the resources sector – BHP has a stellar long-term track record of generating attractive returns on invested capital through the cycle. However, they are far less common in small caps. Commodities are a game of cost advantage, and cost advantage is most commonly a function of scale, which means that by their very nature small resource companies are unlikely to possess structurally advantaged positions.

This notion is supported by index-level fundamentals: over the past 25 years, the Small Resources Index constituents have generated an average return on equity of just 6%, materially lower than their large cap equivalent, the ASX 100 Resources Index, whose constituents have averaged a return on equity of 18%. On a per-share basis, the Small Resources Index has struggled to show any growth in free cash flow over the last 25 years and generated negative free cash flow per share on a cumulative basis.

Unsurprisingly, these fundamentals have delivered poor returns for investors over the long term, with the Small Resources Index delivering just 6.6% p.a. to investors over 35 years, underperforming the Small Industrials Index return of 7.5% p.a. This is despite the Small Resources just posting its strongest year of relative performance in history, outperforming the Small Industrials by 64% in CY25. In fact, 36% of the Small Resources return generated over the past 35 years has come within just the last 18 months. The boom-and-bust nature of small cap resources should be clear from the chart below, with the Small Resources Index only within the last few months recovering to its prior peak set more than 15 years ago.



Source: Airlie Funds Management.

While index constituents can change over time, the economic forces that govern returns for high-cost miners do not, and as such we would expect the Small Resources Index to continue generating poor through-the-cycle performance. Given these fundamentals, we lose little sleep being underweight small cap resources. Fortunately, it appears the headwind from resources has begun to abate, with the Small Resources Index declining 10% year-to-date in CY26, and the Fund enjoying some solid outperformance over that period.

We provide a table of Fund performance compared to the Small Ords Index and its constituents below. Pleasingly, performance relative to the Small Industrials index has been solid over the life of the Fund.

	CY23*	CY24	CY25	CY26**	Since Inception p.a.*
Airlie Small Companies Fund^	**12.1%**	**14.2%**	**6.6%**	**-5.0%**	**8.3%**
Small Industrials Acc. Index	*8.8%*	*12.1%*	*8.8%*	*-7.1%*	*6.6%*
Small Resources Acc. Index	*-3.6%*	*-2.0%*	*73.0%*	*-10.0%*	*12.6%*
S&P/ASX Small Ordinaries Acc. Index	**5.2%**	**8.4%**	**25.0%**	**-7.9%**	**8.7%**

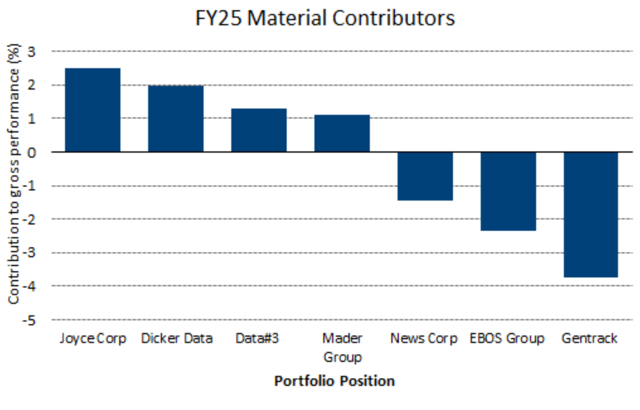
^Calculations are based on exit price with distributions reinvested, after ongoing fees and expenses but excluding individual tax, member fees and entry fees (if applicable). Returns denoted in AUD

**since inception 04/04/2023*

***YTD performance to 30 June 2026*

Source: Airlie Funds Management, IRESS.

Our lack of resources exposure doesn't entirely explain our underperformance during the year. There have been some stock-specific errors too, which we explore below. The chart below provides the material contributors (>1%) to gross performance for the Fund in FY26.



Source: Airlie Funds Management.

Gentrack (-73%) was the weakest performer in the portfolio during the year, costing the Fund 3.8% in gross performance. As mentioned in our quarterly commentary, we had substantially reduced our Gentrack position following concerns regarding development issues for their core product upgrade, G2. These concerns proved to be valid, with Gentrack reporting soft results over the year due to delayed customer wins. While we did cut our position materially, in hindsight, we should have exited the position earlier given the strong performance of the stock in prior years had left little downside protection in the valuation. Despite the poor performance of Gentrack in FY26, the position has still been the Fund's second-strongest contributor to performance since inception, generating 6.2% to gross returns. While ideally we look for positions we can hold for the long term, if the facts change, we will change our mind, and reduce our holding.

EBOS (-52%) was another weak performer during the year, costing the Fund 2.4% in gross performance. EBOS operates two core divisions: a healthcare division, which primarily involves pharmaceutical distribution, and an animal care division, which owns and manufactures varies petfood brands. We are primarily attracted to the pharmaceutical distribution business, where EBOS is a leading player across Australia and New Zealand. We own several distribution businesses in the Fund, as typically these industries form natural oligopolies where high returns accrue to the scaled players. Pharmaceutical distribution is no different, with EBOS enjoying an envious long-term track record of consistent profit growth and attractive returns on tangible capital employed. Unfortunately, recent performance of the company has not reflected these attractive characteristics. It's been a torrid few years for EBOS, first losing the Chemist Warehouse contract to Sigma prior to their merger, and then more recently downgrading earnings on the back of increased costs related to their new distribution facilities and heightened industry competitive intensity. There are further issues on the horizon, with Chemist Warehouse and Sigma looking to internalise distribution in New Zealand and replace their current contract with EBOS. Fortunately, we believe these issues are now more than reflected in the current share price, with the company trading on just 15x our estimate of FY27 net profit, a 34% discount to EBOS's 10-year average multiple.

Despite a soft consumer backdrop, Joyce Corporation (+27%) was the Fund's strongest contributor in FY26, adding 2.5% to gross performance. As a reminder, we are primarily attracted to Joyce Corporation for its 51% stake in kitchen renovation business, KWB. KWB delivered some fantastic results over the year, growing earnings before interest and tax (EBIT) at 15% in 1H26, and guidance suggesting greater than 25% growth in 2H26. The KWB business ticks a lot of Airlie boxes. The company holds a dominant position in its respective niche with a stellar track record: KWB has grown EBIT at a 24% compound annual growth rate over the past decade while averaging a return on invested capital greater than 100%. That track record has been overseen by its founder, John Bourke, who retains a 25% ownership stake as a non-executive director. The company also boasts a long-term rollout opportunity, with approximately 70% upside on the current store footprint from entering key homemaker centres across Australia. Despite these enviable qualities, the company trades on just 10x our estimate of FY27 EBIT. We continue to be happy holders in Joyce given this unique exposure to KWB. For more detail on the Joyce Corporation thesis, see our [December 2025 quarterly commentary](#).

IT distributor Dicker Data (DDR) was the second-strongest contributor to performance, increasing 56% in FY26 and adding 2.0% to gross performance. As mentioned in our quarterly commentary, DDR rallied following the release of its recent AGM trading update where year-to-date net profit before tax has increased 46%. To reiterate, we are attracted to distribution business given they tend to form natural oligopolies where scale advantages create barriers to entry. Typically, the lion's share of profit in these industries will accrue to the dominant player, and our analysis suggests that DDR continues to take share from rival distributors. While there is likely some cyclicality in the current earnings base for DDR, we believe we are being compensated for this in the reasonable multiple of 21x forward profit.

Our goal each year is to enhance the portfolio by selectively adding high-quality compounders at attractive valuations. As we discussed last annual letter, this is an inherently difficult task: the market is usually very efficient at identifying these businesses and pricing them accordingly. Nevertheless, in FY26 we did make some progress in a few names. Most notably, we added a new position in Guzman y Gomez (GYG). GYG embodies all of the characteristics we look for in a business – best-in-class unit economics, a beloved brand, founder-led management team with a long-term mindset, a fortress balance sheet, and decades of runway to deploy capital within the business's core market of Australia. We took advantage of the negative sentiment surrounding the company's US expansion to purchase a position in the business at a price we deemed very attractive. GYG is now a top 5 position in the Fund and we hope FY27 throws up further opportunities to add great companies like GYG to the Fund. For those interested, we explored our GYG thesis in depth in our September 2025 quarterly commentary.

Outlook

Looking to the future, we remain optimistic about the Fund's prospects. We own a concentrated portfolio of competitively advantaged businesses with long runways to deploy capital – many of which we believe are materially undervalued. The small cap universe is rich with mispriced securities, and we have an established process of identifying those 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.

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