

# Airlie Small Companies Fund

ARSN: 665 882 673

A concentrated, active portfolio of Australian listed small companies.

Fund Update: 30 September 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'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.airlifundsmgmt.com.au](http://www.airlifundsmgmt.com.au)

<b>Inception Date</b>	4 April 2023
<b>Benchmark</b>	S&P/ASX Small Ordinaries Accum. Index
<b>Portfolio Size</b>	AUD \$30.9 million
<b>Distribution Frequency</b>	Semi-annually
<b>Management Fee<sup>1</sup></b>	0.98% p.a.
<b>APIR</b>	MGE1188AU
<b>Performance Fee</b>	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 <sup>2</sup> .
<b>Minimum Initial Investment</b>	AUD\$25,000
<b>Buy/Sell Spread</b>	0.25%/0.25%

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

<sup>2</sup> 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.airlifundsmgmt.com.au](http://www.airlifundsmgmt.com.au) for more information, including: fund performance, unit prices, investment insights, PDS & forms

## PERFORMANCE\*

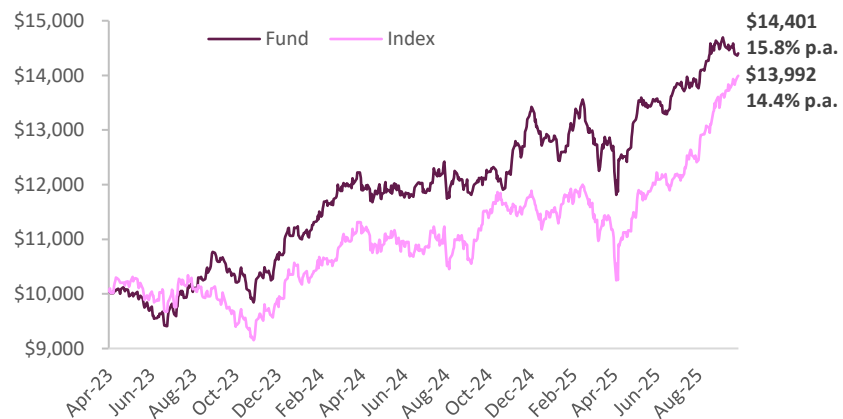
	Fund (%)	Benchmark (%)	Excess (%)
<b>1 Month</b>	-1.6	3.4	-5.0
<b>3 Months</b>	4.4	15.3	-10.9
<b>6 Months</b>	13.8	25.3	-11.5
<b>1 Year</b>	19.1	21.5	-2.4
<b>2 Years (p.a.)</b>	17.9	20.1	-2.2
<b>Since Inception (p.a.)</b>	15.8	14.4	1.4

Past performance is not a reliable indicator of future performance.

## TOP 5 POSITIONS (BY WEIGHT)

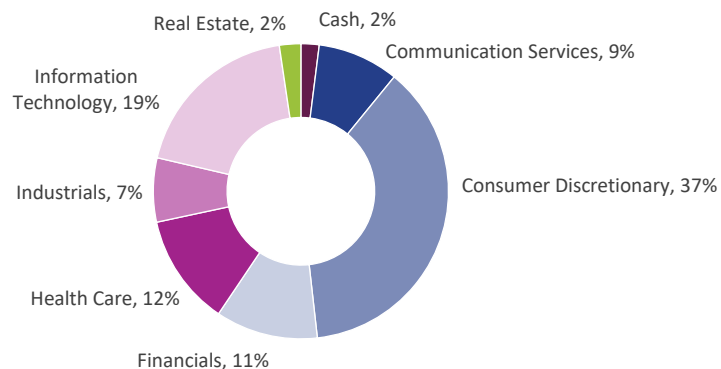
Company	Sector**
News Corp	Communication Services
Joyce	Consumer Discretionary
Sigma Healthcare	Health Care
Nick Scali	Consumer Discretionary
Smartpay	Financials

## 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 September 2025 quarter, the Fund returned 4.4% (net of fees) compared to the Small Ordinaries Accumulation Index return of 15.3%, reflecting underperformance over the period of -10.9%.

The top three contributors to gross performance during the quarter were Nick Scali (+1.9%), Mader Group (+1.2%) and Joyce Corporation (+0.8%). The top three detractors from gross performance were Gentrack (-2.1%), EBOS Group (-1.2%) and Premier Investments (-0.2%).

This has been a period of poor relative performance for the Fund. This underperformance is explained partly by the Fund's underweight to the resources sector, which accounts for 30% of the index; however, there have also been some stock-specific issues we will discuss below.

In terms of resources exposure, the S&P/ASX Small Resources Accumulation Index has increased 26% over the September quarter, compared to just an 11% return for the S&P/ASX Small Industrials Accumulation Index. The Fund does not typically hold any resources exposure as these businesses rarely meet the stringent requirements of our investment process. As such, the Fund will struggle to keep pace during periods of strong commodity markets. This differentiated exposure will help us in some months and hurt us in others, but if history is any guide, we'd expect the impact on performance to be broadly neutral over the life of the fund. While there have been periods of large divergence in performance between resources and industrials in small caps, over the last 20 years returns have been largely equivalent.

	2005-2010 (CAGR)	2010-2015 (CAGR)	2015-2020 (CAGR)	2020-current (CAGR)	CAGR Return (~20YRs)
S&P/ASX Small Resources Acc. Index	22.5%	-21.4%	11.6%	17.5%	5.9%
S&P/ASX Small Industrials Acc. Index	1.6%	6.0%	10.5%	6.2%	6.0%

Source: IRESS, Airlie Funds Management

The underperformance of the Fund this quarter cannot be solely attributed to the resources rally. The FY25 reporting season fell within the quarter, and while overall it was a relatively positive results season across our key holdings, there were a couple of material detractors that made it difficult to keep pace in a buoyant market.

On the positive side, our retail holdings posted some strong FY25 results, with particularly strong second-half results and trading updates that suggest momentum has continued into FY26. Nick Scali's written sales orders – a lead indicator for 1H26 revenue – increased 6.5% on a like-for-like basis in its core ANZ business. Likewise, Joyce Corporation's kitchen renovation business KWB saw its order book increase 18% year-on-year. Premier Investments also posted a strong 2H25 sales result and trading update for Peter Alexander, however, this was more than offset by ongoing issues in the Smiggle brand.

Mader Group (+23%) also posted a solid result during reporting season, with 2H25 revenue growth of 17% in its core Australian business. Revenue in the more nascent North American division also posted growth in 2H25 after declining in 1H25. Like our retail holdings, the highlight of the result was the strong growth in the workforce in the 2H25, increasing 22% year-on-year, suggesting strong momentum heading into FY26.

While the company did not report during the period, Gentrack was a material negative contributor to performance, declining 23% over the quarter. This decline largely stemmed from the loss of an undisclosed customer in Australia, thought to be Red Energy. While the impact on profit is likely to be relatively immaterial, this was an important reference customer for Gentrack, and perhaps signals that the slow development of their new product, G2, is hindering the company's ability to compete on tenders. While Gentrack remains a top 15 holding in the Fund, we have trimmed our position in response to this heightened risk profile.

Another material negative contributor to performance was EBOS Group, which declined 28% over the quarter following the release of its FY25 results. An underlying 2H25 EBITDA miss of 5% and lower-than-expected FY26 EBITDA guidance reflected lower margins in Community Pharmacy (heightened competition) and cyclical pressure on Animal Care sales (post-covid pet boom). The Institutional Healthcare division was a bright spot, particularly the high-margin Medical Technology distribution business with 14% organic sales growth. Overall EBOS remains a high-quality operation trading at a market multiple, and we remain comfortable with our holding.

During the quarter, there was also a material update on the succession plan for the Murdoch family's ownership stake, with a consortium led by Lachlan Murdoch buying out the majority of the other half of the family's stake. As part of the terms of the agreement, Lachlan will control the voting power for the consortium. In our view, it's a positive outcome for News Corp shareholders to see the succession issue resolved. Both Lachlan (as Chair) and Robert Thomson (as CEO) have shown themselves to be astute capital allocators who have executed on their strategy well. We also love to see our managers increasing their skin in the game.

Despite the soft quarter of relative performance, we believe the outlook for our portfolio holdings remains bright. We own a concentrated portfolio of competitively advantaged businesses with long runways to deploy capital – many of which we believe are materially undervalued.



We continually seek to enhance the portfolio by selectively adding high-quality compounders at attractive valuations. This is an inherently difficult task – the market is usually very efficient at identifying these types of businesses and pricing them accordingly. However, with the FY25 reporting season being one of the most volatile on record, we found a few opportunities that met our stringent requirements. Most notably, we materially upweighted our position in Mexican fast-food chain Guzman y Gomez, or GYG.

GYG had been on our radar for some time. The company exemplifies many of the attractive traits we look for: market-leading position with a durable consumer brand, capital-light franchise model, long-term store rollout opportunity, predictable long-term economics, and founder-led management. On the back of these enviable qualities we owned a small position leading into the FY25, with our primary reservation being valuation. While the FY25 result itself was impressive – total network sales in Australia increased 22% to \$1.1bn – the market was disappointed with a soft trading update where like-for-like sales slowed to +3.7%. The market reaction on the day was severe, with the stock trading down 24% at its lows. We viewed this almost one-quarter collapse in valuation as a substantial overreaction to just seven weeks of trading data and took the opportunity to materially upweight our position.

The crux of our thesis for GYG centres on the company's stellar unit economics, in particular its strong sales per restaurant relative to quick service restaurants (QSR) peers. While there are some important nuances regarding margins, it's largely this sales productivity figure that underpins the long-term profitability of the model: the higher the sales throughput in a store, the greater the leverage on fixed costs like rent, labour (partially) and shared corporate costs.

To put some numbers around this, the average GYG restaurant generates around \$5.2m in sales in Australia, well above most scaled QSR peers. For comparison, we estimate the average KFC generates around \$4.1m, Hungry Jack's around \$5m, and McDonald's – the gold standard for QSR in Australia – around \$7.5m in sales per restaurant. While GYG's \$5.2m in sales per restaurant is impressive in absolute terms, what excites us most is the improvement in this sales productivity over time: GYG's average sales per restaurant have grown at a 17% CAGR over the past five years, well outpacing peers despite relying less on pulling the price lever. While the company's restaurant

margins are already healthy – the average corporate restaurant margin sits at 17.9%, franchise margin at 20% – if this sales productivity continues to increase it will underwrite some impressive margins in the future.

Importantly, there are a couple of predictable drivers that should increase this sales productivity figure over time. For one, sales per restaurant should increase as the store mix for GYG continues to shift towards higher volume drive-thrus. Drive-thru locations currently account for just 52% of GYG's store mix compared to around 73% for KFC in Australia, 91% for Hungry Jack's, and 85% for McDonald's. Drive-thru restaurants for GYG generate around 50% more in sales per restaurant than non-drive-thrus, so as they continue to roll out more drive-thrus they will benefit from a mix shift that improves both sales productivity and margins. It's also important to contextualise GYG's current sales productivity within this weaker store mix relative to peers. If you were to adjust GYG's store mix to reflect McDonald's 85% drive-thru composition, GYG's average sales per restaurant would theoretically increase to around \$6.4m versus the current figure of \$5.2m. In other words, adjusted for the store mix, GYG's sales productivity is rapidly approaching McDonald's levels in Australia. To be clear, we are not suggesting GYG will reach that level of drive-thru mix any time soon. Rather, this offers a better apple-for-apples comparison of the relative strength of GYG's sales productivity compared to those peers mentioned above.

The other factor driving sales productivity is GYG's strong growth in breakfast and late-night dayparts, bolstered by their rollout of 24/7 restaurants. Breakfast and late-night offerings have averaged like-for-like comp growth of 27% and 26% respectively over the past three years and now account for around 16% of total network sales. At the FY25 result, only 18 restaurants in the network were 24/7 (has now increased to 23 stores), and two-thirds of those restaurants were in the top decile of top-performing restaurants with profit margins well above group average. Initially, any expansion of dayparts is going to be lower margin given the requisite increase in labour costs; however, with enough scale these can be meaningful contributors to profitability. McDonald's generate a material portion of their sales in Australia from their breakfast offering – they sell a reported one in four coffees in Australia – so the opportunity is large if GYG can continue to execute.

These strong unit economics have important implications for GYG's long-term rollout opportunity. Despite its already impressive brand strength, GYG have just 227 restaurants in Australia. For comparison, Hungry Jack's have around 460 restaurants in Australia, KFC around 750, and McDonald's over 1,000 restaurants. The strength of a QSR's unit economics ultimately determines the viability of a long-term roll-out. With GYG's already strong and improving metrics, it's reasonable to think the company could, over time, triple its restaurant footprint in Australia.

In terms of valuation, while the headline multiples today appear eye-watering, on a five-year view we estimate that GYG is trading on just 20x net profit after tax, an attractive multiple for a quality compounder that's only halfway through its Australian store rollout. This multiple excludes the losses related to the US operations, which are currently relatively small at \$13m and are not expected to increase dramatically in FY26. Overall, these losses will only have a small impact on GYG's intrinsic value and while we view the chance of success in the US as slim, the potential upside more than justifies the investment in our view. Importantly, the balance sheet is in terrific shape, with a strong net cash position that could help fund an aggressive US expansion if indeed the unit economics in the US improve to acceptable levels. Accordingly, GYG is now a top ten holding in the Fund, reflecting our conviction in the company's durable brand and long runway for growth.

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