

## AIRLIE SMALL COMPANIES FUND UPDATE - Q2 2025

**Portfolio Manager Will Granger takes us through the key drivers behind recent portfolio decisions, offering insight into how company performance and valuation discipline shape conviction levels. He reflects on recent earnings results and highlights the fund's commitment to thoughtful, research-driven decision-making and a clear rationale behind both holdings and omissions.**

**Following News Corp's Q3 results, how did the company perform, and does it remain a high conviction holding in the fund?**

News Corp delivered a strong Q3 result, reinforcing the original investment thesis based on the transformation of Dow Jones. Since its acquisition in early 2021, the company has shifted from an ad-reliant model to one focused on digital subscriptions, with Dow Jones profits up 12% despite a weak advertising market. This performance validates the belief in the quality and resilience of the business.

The fund continues to hold strong conviction in News Corp, viewing it as undervalued even after its strong performance. Adjusted for loss-making assets and amortisation, the stock trades at around 23 times earnings – a conservative estimate given the high-quality earnings stream. This stream includes REA Group (30%), Dow Jones (45%) and HarperCollins (25%), each representing dominant positions in their respective markets. Notably, Dow Jones has tripled its profits over five years, outpacing even REA Group.

Beyond its core earnings, News Corp holds valuable but underappreciated assets like Realtor.com and a stake in ZONE, which are not reflected in its valuation. The company also boasts a fortress balance sheet with a net cash position and a history of disciplined capital allocation. While past concerns about management's shareholder alignment existed, recent actions such as buybacks, divestments and strategic acquisitions

suggest a more shareholder-friendly approach. Overall, News Corp remains a high-conviction holding due to its strong fundamentals, attractive valuation and improved governance.

**Gentrack, a holding in the portfolio, recently released its first-half 2025 results; did the outcome align with your expectations?**

Gentrack, a long-standing portfolio holding, provides enterprise software primarily to utility companies – a business model known for its durability and long-term customer relationships. While the headline numbers from its first-half 2025 results appeared soft and guidance fell below market expectations, the fund takes a long-term view rather than focusing on short-term earnings fluctuations. The nature of Gentrack's business means revenue can be lumpy due to the timing of large project wins and implementations.

Importantly, the company continues to secure high-quality new clients, such as Utility Warehouse in the UK, and is engaged in promising scoping discussions with other potential customers. These developments support the long-term growth thesis.

**Smartpay has received multiple takeover bids over the past six months; can you walk us through your investment thesis for the company, and whether you believe these bids reflect its fair value?**

Smartpay provides EFTPOS terminals in Australia and New Zealand, with a strategic and valuable New Zealand asset. The company is transitioning its NZ model from fixed-fee leasing to acquiring, which should significantly boost profitability. Despite recent regulatory concerns in Australia, the NZ business remains strong.

The company has received multiple takeover bids recently, including offers of up to \$1.12 per share. However, these bids are seen as undervaluing the business, especially given management's long-term targets to triple EBITDA by FY27. The fund remains confident in Smartpay's long-term potential and continues to hold the position.

## Gold stocks have performed strongly over the past six months; can you explain the fund's rationale for not holding any exposure to gold?

The fund's decision not to hold gold stocks is rooted in its disciplined investment process, which prioritises financial strength and business quality. Many smaller materials companies, including gold miners, often fall short of these criteria due to their position on the cost curve or weaker balance sheets. Even when some do meet quality thresholds, their valuations typically lack sufficient downside protection to justify investment.

As a result, the fund tends to be underweight the materials sector, which is a significant part of the index (25%, with gold at 16%). While this has affected short-term relative performance during recent commodity price surges, over the life of the fund, the effect has been neutral. The fund remains sector-agnostic and highly concentrated, aiming to attract investors who understand its long-term, index-agnostic philosophy and are less focused on short-term fluctuations.

Watch the video [here](#).

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