Selector High Conviction Equity Fund Quarterly Newsletter No.90
December 2025

In this quarterly, we provide a collection of portfolio company commentaries following the November reporting season.

In our articles 'Persistence and resilience - a long-term plan' and 'Growing the gap' we delve into investing in companies for a duration. We also discuss the mismatch between public v private and passive investing in our 'Par 3 or 72 holes' article. We follow this up with our visit to Cochlear's AGM, a hike that fewer investors are prepared to make and provide an external legal perspective on an investment that has been the media's plaything, James Hardie.

As the year draws to a close, we felt it was appropriate to restate some key elements of our investment philosophy in 'Persistence and resilience - a long-term plan'.

Photo: *Tail wagging the dog (source: Sketched Out)*

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selector

Selector is a Sydney based fund manager. Our team combines deep experience in financial markets with diversity of background and thought. We believe in long-term wealth creation and building lasting relationships with our investors.

We focus on stock selection, the funds are high conviction, concentrated and index unaware. As a result, the portfolios have low turnover. Our ongoing focus on culture and financial sustainability lends itself to strong ESG outcomes.

Selector has a 21-year track record of outperformance and we continue to seek businesses with leadership qualities, run by competent management teams, underpinned by strong balance sheets and with a focus on capital management.

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In Brief – December Quarter

Dear Investor,

A little reflection

The year has been described as chaotic, dominated by a new U.S. President, a macroeconomic backdrop dictated by tariffs, a technology ground shift to AI and a public marketplace increasingly influenced by passive investing and sector rotation.

In this context, it is of little consolation to investors that the leading visible indicator of a Fund's performance, reflecting the combined value of all businesses held, is via a point in time unit price.

As crude as this method is, it remains an important guidepost and, unlike private companies and other unlisted investments, it offers investors both liquidity and a method of estimating value. As is true with most things, however, it has its shortcomings that only become apparent with time.

Over the past six months, many listed business valuations have reacted violently to the release of company results or, in some cases, no news. This is not uncommon, as share price valuations and actual business performance do not align.

But more often, the central point of discussion among industry players, media, and even those that should be the best informed, the shareholder, considers share price performance rather than business fundamentals as the true indicator. It is a shallow approach, synonymous with the tail wagging the dog.

The tail wagging the dog | Source: Sketched Out

This is not surprising since the level and depth of understanding among any given investor base is uneven, as is the business acumen to fully appreciate the complexity of running successful organisations.

A case in point is tariffs. Its impact on a business and its people should not be underestimated, yet it is. While analysts work on spreadsheet models, management teams work in the real world, appeasing governments, consumers and investors. It is an unenviable position to be in, but they are the facts.

The market's impatience to all of this is best reflected when company progress is delayed, impacted or as is often the case, part of a well-considered long-term plan.

It is difficult to articulate beyond words that our world, the funds management industry, sits between client expectations and the business performance of listed companies. While the role of delivering acceptable returns and staying the investment course sounds good in theory, the reality is we operate within an industry that buckles under the pressure of share price performance.

It is a curse and ludicrous that consensus earnings numbers set by the analyst community, using what we consider are wonky DCF (discounted cash flow) models, now dictate short-term share price performance and management scrutiny.

The whiplash response to near profit 'misses' or 'beats', which feeds into fund unit prices and client discussions, is reflective of an industry that is more paranoid on looking down rather than looking out.

Where this shows itself most clearly is in the discussions between fund managers and company management. The emphasis invariably shifts to one main topic: that of broker consensus numbers and guidance.

This would matter nought, except that in our world, short-term underperformance places undue pressure on company management teams and boards to potentially alter their approach or, far worse, change tack.

We have sat in enough meetings and held umpteen calls to know the industry we operate in has a problem.

The tail is wagging, so it is important to differentiate short-term noise from structural implications.

If investors are truly aligned, the discussion needs to shift from share price action to measuring and tracking business performance.

When you focus on the path a business is taking, the compounding of earnings generated and the conservatism reflected in the balance sheets, you consider investments in a different light.

The likes of ARB, Aristocrat Leisure, Breville, Cochlear, Computershare, Fisher & Paykel Healthcare, Pro Medicus, Reece, Resmed, SEEK and TechnologyOne amongst others.

These are long-duration performers that complement the up-and-comers, including Nanosonics and FINEOS Corporation Holdings. There are no gold stocks, no resources and no banks. It is not a portfolio designed to mimic an index or appease industry consultants or research houses. Instead, the philosophy has always focused on businesses taking incremental forward steps grounded in common sense.

It is no secret that businesses are built over time, while share markets reflect current viewpoints and investor sentiment. This is not to suggest that markets are wrong, nor are they necessarily right, unless one is transacting.

Developing greater business appreciation is one important piece of the investment puzzle. People, business, balance sheet and finally earnings delivery are important attributes that make up the bigger picture.

At the centre is an emphasis on independent thinking, away from a world increasingly shaped by herd mentality, immediacy and the human fear of disappointing.

Layer that with common sense, patience and at times grit and resilience, share price movements become less relevant in the short run. Over the long run, it matters more, reflecting the success of the business.

These times are defining periods that ultimately separate investors from speculators and good fund managers from the less committed.

The following articles aim to inform our investors a little more on the businesses that are held and the confidence we have in our process.

Insights

In this quarterly, we provide commentary on portfolio companies that reported during the period, including Aristocrat Leisure, Fisher & Paykel Healthcare, OFX and TechnologyOne.

We discuss the mismatch between public v private and passive investing in our “Par three or 72 holes” article. We combine this with our ‘Growing the gap’ piece that considers businesses that deliver enduring leadership.

From here we turn our focus to “Taking the Metro” to attend Cochlear’s AGM in October, a hike that fewer investors are prepared to make, and share an external legal perspective on an investment that has been the media’s plaything, James Hardie.

As we close out 2025, we felt it important to restate some key elements of our investment philosophy in “Persistence and resilience – a long-term plan”. One that is reflected in a collection of businesses, with a portfolio weighted net cash balance position greater than 50%, and where prudence, duration and business latency sits at the heart.

For the December 2025 quarter, the Fund delivered a gross negative return of **12.17%** compared to the All-Ordinaries Accumulation Index, which posted a loss of **0.80%**.

For the calendar year, the Fund delivered a gross negative return of **16.21%** compared to the All-Ordinaries Accumulation Index, which posted a gain of **10.56%.**

We value your ongoing investment and trust you find the quarterly informative.

Regards,

Selector Investment Team

Investing from the perspective of a businessperson, portfolio managers, and the Chairman of Berkshire Hathaway

Keep your eyes on the horizon

"Our first shareholder letter, in 1997, was entitled, "It's all about the long-term". If everything you do needs to work on a three-year time horizon, then you're competing against a lot of people. But if you are willing to invest on a seven -year time horizon, you're now competing against a fraction of those people, because very few companies are willing to do that. Just by lengthening the time horizon, you can engage in endeavours that you could never otherwise pursue. At Amazon we like things to work in five to seven years. We're willing to plant seeds, let them grow - and we're very stubborn. We say we are stubborn on the vision and flexible on the details."

Jeff Bezos Amazon founder December 2011

Measuring investment performance

"There are two ways to present results: either in discrete annual increments or on a compounded basis. The former is industry standard, useful in demonstrating consistency of results (which your manager makes no pretence of being able to achieve), and for helping to assess outcomes for those that invested part way through.

Our preferred route however is to be assessed on a compounded, multi-year basis for the reason that the only event we control is whether we are right, not when we are right. It is quite possible that our annual results will be inferior to the market for a period, but this will only convey information about the timing of outcomes, while saying little about the end result itself."

Nicholas Sleep, Portfolio Manager Nomad Investment Partnership, annual letter December 2003.

Compounding

"Living things grow awkwardly, then find balance, and if the conditions are right, if they serve the system they're part of, they compound in ways no one could have predicted."

Henry Ellenbogen | Durable Capital Partners | Read article

Gold

The precious metal was a standout performer during CY25, advancing 70% and driving outperformance across gold stocks and indexes including the Small Ordinaries and the ASX200 Resources Index.

We do not invest in gold or resource related businesses, preferring to stick to our investment lanes, of businesses and people that control their own destiny through internal endeavours, rather than relying on external price factors that offers little in the way of long-term business differentiation.

Recently retired CEO of Berkshire Hathaway and its now current Chairman, Warren Buffet, summed it up well.

"Gold gets dug out of the ground in Africa, or someplace. Then we melt it down, dig another hole, bury it again and pay people to stand around guarding it. It has no utility. Anyone watching from Mars would be scratching their head."

SFM

Portfolio Overview

Table 1: Performance as at 31 December 2025[1]

	3 Month	6 Month	1 Year	3 Year[2]	5 Year[2]	10 Year[2]	15 Year[2]	20 Year[2]	Since Inception[2]
Fund (gross of fees)	(12.17)	(14.57)	(16.21)	7.89	3.93	9.73	11.70	9.61	11.06
Fund (net of fees)	(12.53)	(15.25)	(17.49)	6.27	2.35	7.88	9.76	7.70	9.07
All Ords. Acc. Index	(0.80)	4.41	10.56	11.66	9.72	9.49	8.50	7.58	8.49
Difference (gross of fees)	(11.37)	(18.98)	(26.77)	(3.77)	(5.79)	0.24	3.20	2.03	2.57

Inception Date: 30/10/2004

[1]Performance figures are historical percentages. [2]Returns greater than 1 year are annualised and assume the reinvestment of distributions. Past performance should not be taken as an indicator of future performance.

Graph 1: Gross value of $100,000 invested since inception

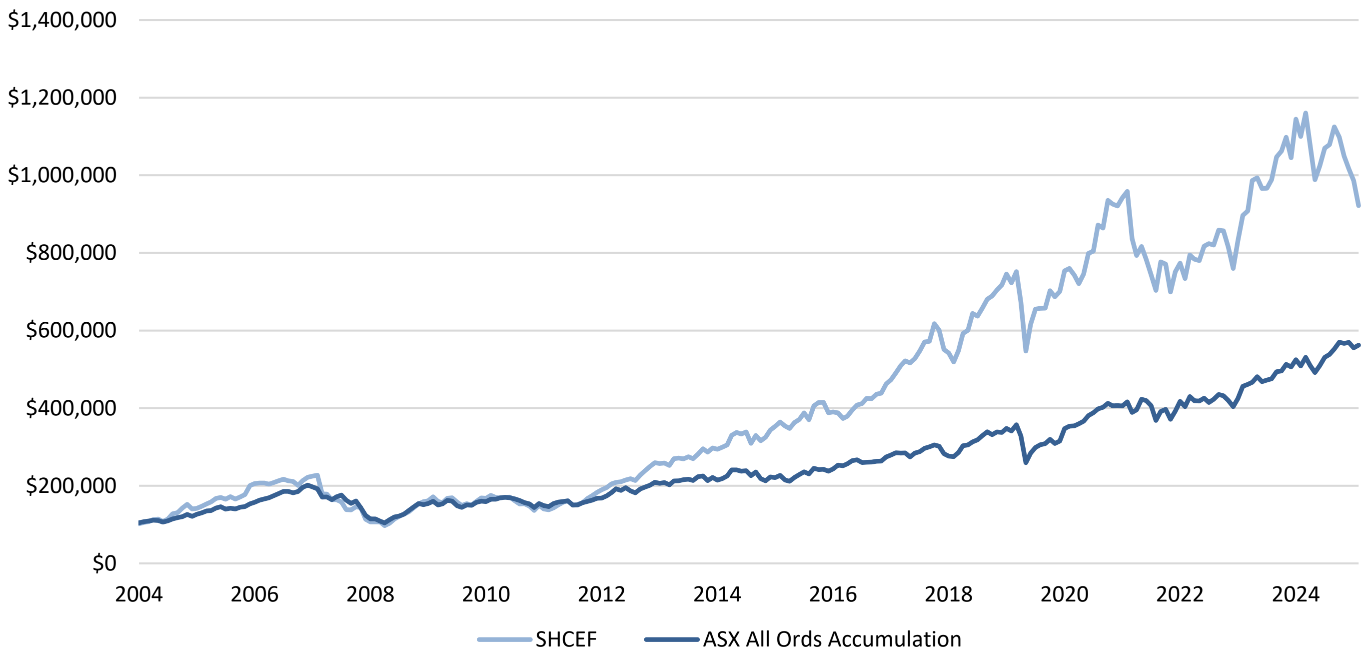


Table 2: Portfolio's Top 10 Holdings

Top 10 December 2025	%	Top 10 September 2025	%
Resmed	7.31	TechnologyOne	8.31
CAR Group	7.12	CAR Group	7.46
Nanosonics	7.09	Resmed	7.46
TechnologyOne	6.94	Aristocrat Leisure	7.27
Aristocrat Leisure	6.90	Pro Medicus	6.92
Cochlear	6.44	Nanosonics	6.56
FINEOS Corporation Holdings	6.08	Cochlear	6.00
Pro Medicus	5.70	FINEOS Corporation Holdings	4.95
James Hardie Industries	4.72	WiseTech Global	4.77
Fisher & Paykel Healthcare	4.44	ARB Corporation	4.36
Total	**62.72**	**Total**	**64.08**

Table 3: Unit prices as at 31 December 2025

Unit Prices	Entry Price	Mid Price	Exit Price
	$2.8403	$2.8332	$2.8261

Selector employs a high conviction, index unaware, stock selection investment strategy. The Fund's top 10 positions usually represent a high percentage of its equity exposure. Current and past portfolio composition has historically been very unlike that of your average "*run-of-the-mill index hugging*" fund manager. Our goal remains focused on truly differentiated broad-cap businesses rather than the closet index hugging portfolios offered by most large fund managers.

Table 4: ASX sector performance – December 2025 quarter

S&P ASX Industry Sectors	Quarter Performance (%)
Materials	12.88
Energy	1.15
Industrials	(0.52)
Consumer Staples	(1.21)
A-REITS	(2.38)
Financials	(2.86)
Utilities	(3.52)
Telecommunications	(6.45)
Healthcare	(9.92)
Consumer Discretionary	(11.90)
Information Technology	(26.07)

Table 5: Fund's industry weightings

Industry group	December 2025 (%)	September 2025 (%)
Health Care Equipment & Services	30.97	30.78
Software & Services	17.18	18.04
Media & Entertainment	14.78	15.77
Consumer Services	8.97	8.66
Pharmaceuticals, Biotech & Life Sciences	5.94	6.28
Materials	4.72	3.73
Capital Goods	4.65	3.87
Automobiles & Components	4.08	4.36
Consumer Durables & Apparel	3.75	3.32
Commercial & Professional Services	3.34	3.09
Cash & Other	0.83	0.89
Financial Services	0.78	1.20

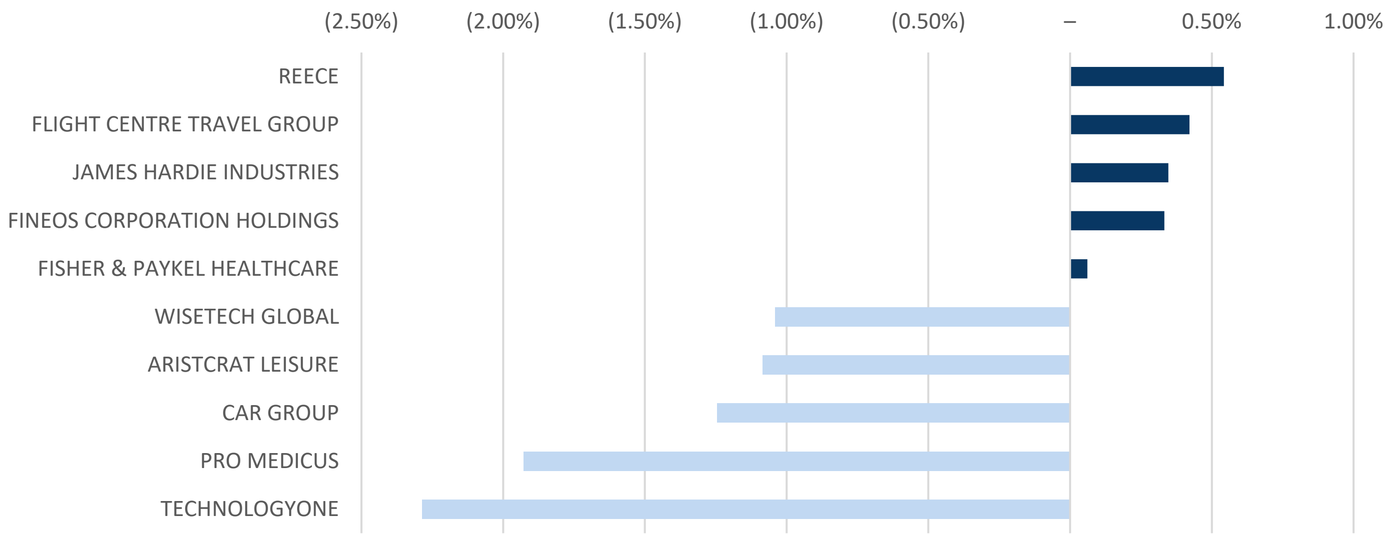
Table 6: Portfolio turnover as at 31 December 2025

Period	Turnover %
1 Year	5.44
2 Years	8.83
3 Years	6.17
5 Years	7.26
10 Years	7.18
15 Years	6.73
20 Years	6.30
Since inception	6.12

- Turnover shown as annualised percentages
- Turnover = Lesser of purchases or sales divided by average funds under management for the period
- Turnover calculation excludes cash flows greater than 1% of FUM over any given period

Portfolio Contributors

Graph 2: Contributors and Detractors – December 2025 quarter



Environmental, Social and Corporate Governance (ESG)

▪ ESG Roadmap

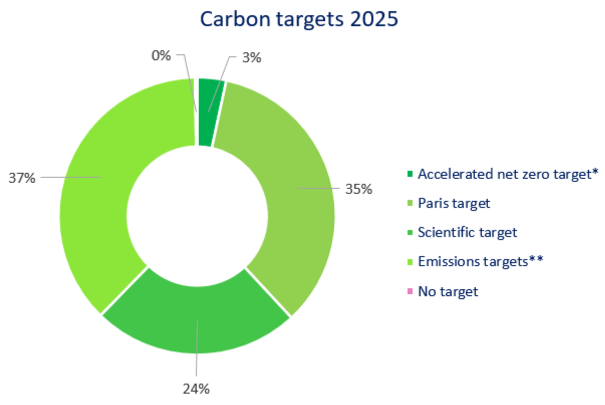
Consideration			
Social	Human Capital Management	Community (including MS*)	Best Interests
Governance	Board effectiveness	Shareholder interests	Risk, Litigation & Cyber
Environment	Climate Targets	Renewable targets	Progress against target

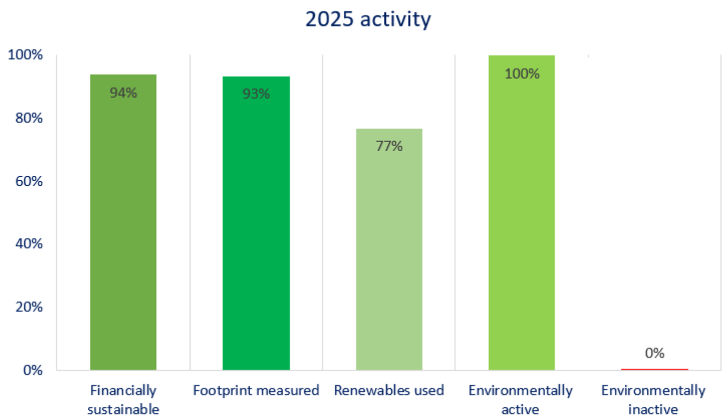
Roadmap scorecard
9 filters applied to each portfolio business
*Modern Slavery (MS)

The ESG Roadmap is reviewed quarterly with data updated annually by reporting companies. Further detail on our ESG Roadmap and how ESG is integrated into the investment process can be found in the SFML ESG & Voting Policy, available at https://selectorfund.com.au/esg.

▪ Carbon Risk Analysis

Portfolio Reporting 2025





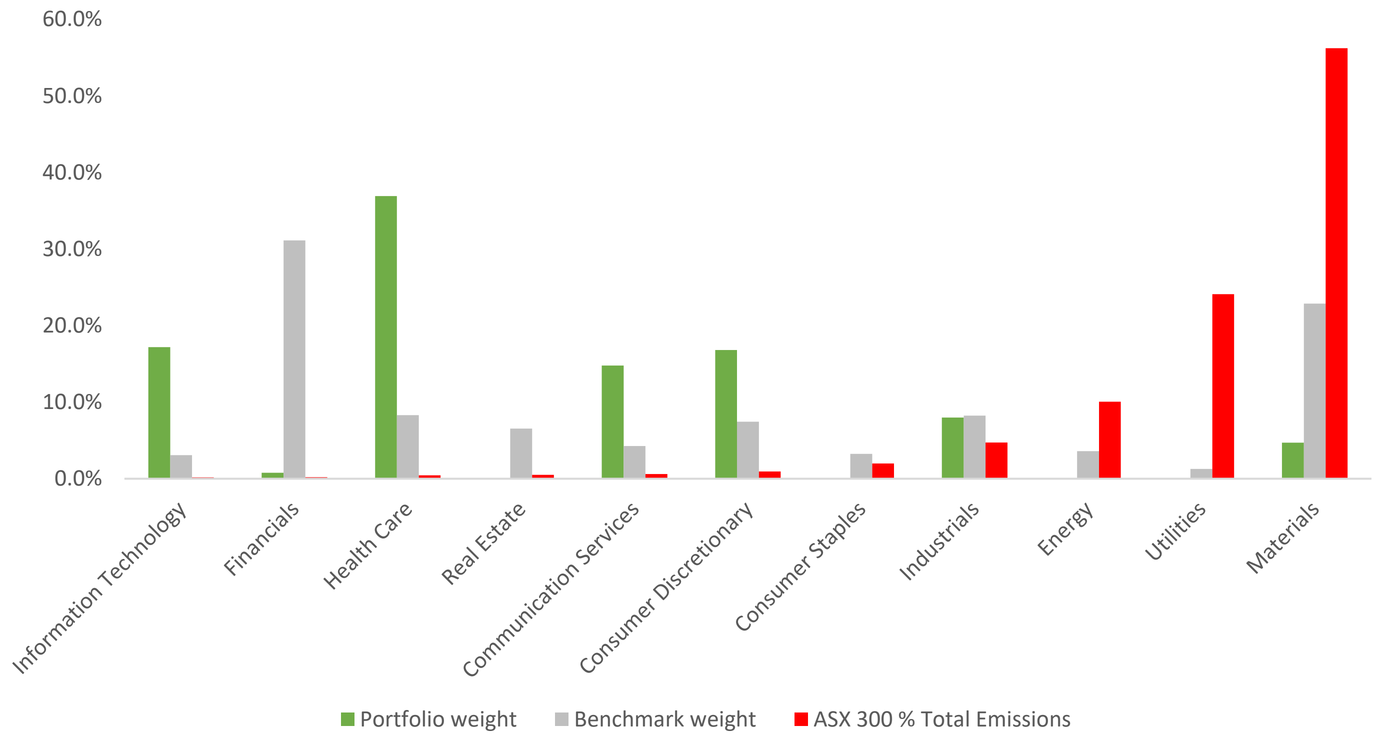
What we are seeking
- Paris targets
- Science based targets
- Emissions targets
- Renewable energy targets

What we are monitoring
- Financial sustainability
- No efforts
- No accountability

**Net zero across all scopes by 2030*
**Has at least measured emissions or energy use or set a target*

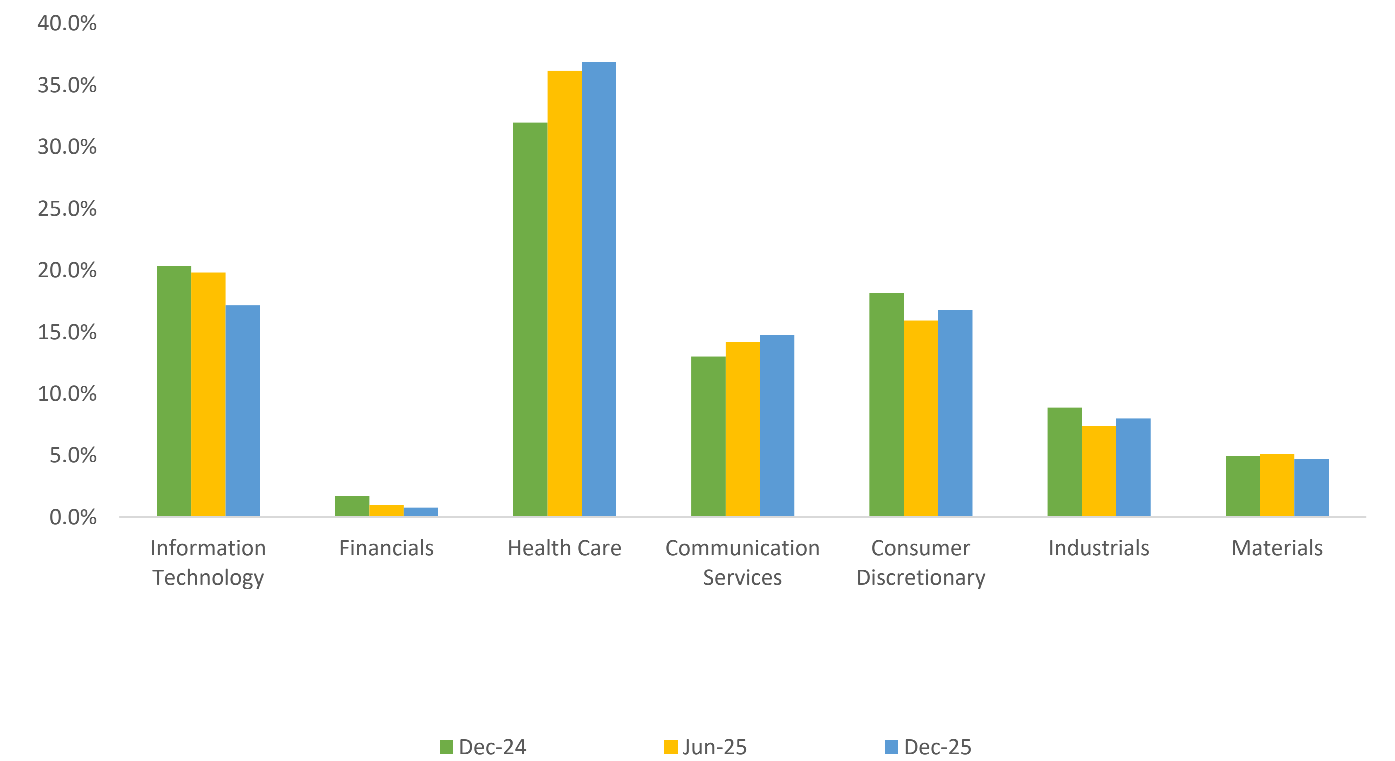
Source: SFML Research

Graph 3: SHCEF vs ASX 300 Carbon Exposure 31 December 2025



Source: SFML & LSEG

Graph 4: Portfolio Carbon Exposure Periodic Change



Source: SFML & LSEG

Table 7: SFML Portfolio carbon intensity

Carbon intensity method[1]	SFML[2]	ASX 300[2]
Carbon to value invested	3.58	29.20
Carbon to revenue	14.23	109.46
Weighted Average Carbon Intensity (WACI)	9.29	101.92

Source: SFML & LSEG

[1]Last reported financial year revenue as at 31 December 2025
[2]Scope 1 and 2 emissions (estimated if not reported).

- ***Carbon to value invested*** – this calculation is the aggregation of estimated owned constituent greenhouse gas emissions[2] per $1m market capitalisation as at 31 December 2025. It allocates the emissions investors are responsible for based on their level of ownership, enabling them to measure their contribution to climate change.
- ***Carbon to revenue*** – this calculation reflects the aggregation of estimated owned constituent greenhouse gas emissions[2] per $1m generated in apportioned revenues. It allocates the emissions investors are responsible for based on their ownership of company revenues.
- ***Weighted Average Carbon Intensity (WACI)*** is the weighted average of individual company's estimated carbon intensities (emissions over revenues), weighted by the investment proportion of the constituents.

Table 8: SFML Top 10 emitters and total Portfolio Revenue impact of AUD$90 Carbon tax

Portfolio	Revenue ($m)[1]	CO2 Emissions[2] (Tonnes)	$90 Carbon Tax ($m)	Impact on Revenue (%)
SFML Top 10 Emitters	65,493.11	1,087,309	97.86	(0.15%)
SFML Portfolio – Total	77,000.91	1,110,685	99.96	(0.13%)
ASX 300 Top 30 Emitters	641,078.84	204,081,009	18,367.29	(2.87%)
ASX 300 Index – Total	1,371,252.10	220,853,748	19,876.84	(1.45%)

Source: SFML & LSEG CO_2 Emission data

[1]Last reported financial year revenue as at 31 December 2025
[2]Scope 1 and 2 emissions (estimated if not reported).

*Note: ASX 300 index revenue impact from a carbon tax is **11x** larger than SFML portfolio*

Table 9: Fundamentals behind comparing SFML Top 10 Emitters and ASX 300 Top 30 Emitters

Portfolio	Percentage of Total Portfolio	Percentage of Total Portfolio's Emissions
SFML Top 10 Emitters	41.04%	97.90%
ASX 300 Top 30 Emitters	26.56%	92.41%

Source: SFML & LSEG CO2 Emission data

*Note: ASX 300 Top 30 Emitters revenue impact from a $90 carbon tax is **19x** larger than SFML Top 10 Emitters*

Reporting Season Snapshot

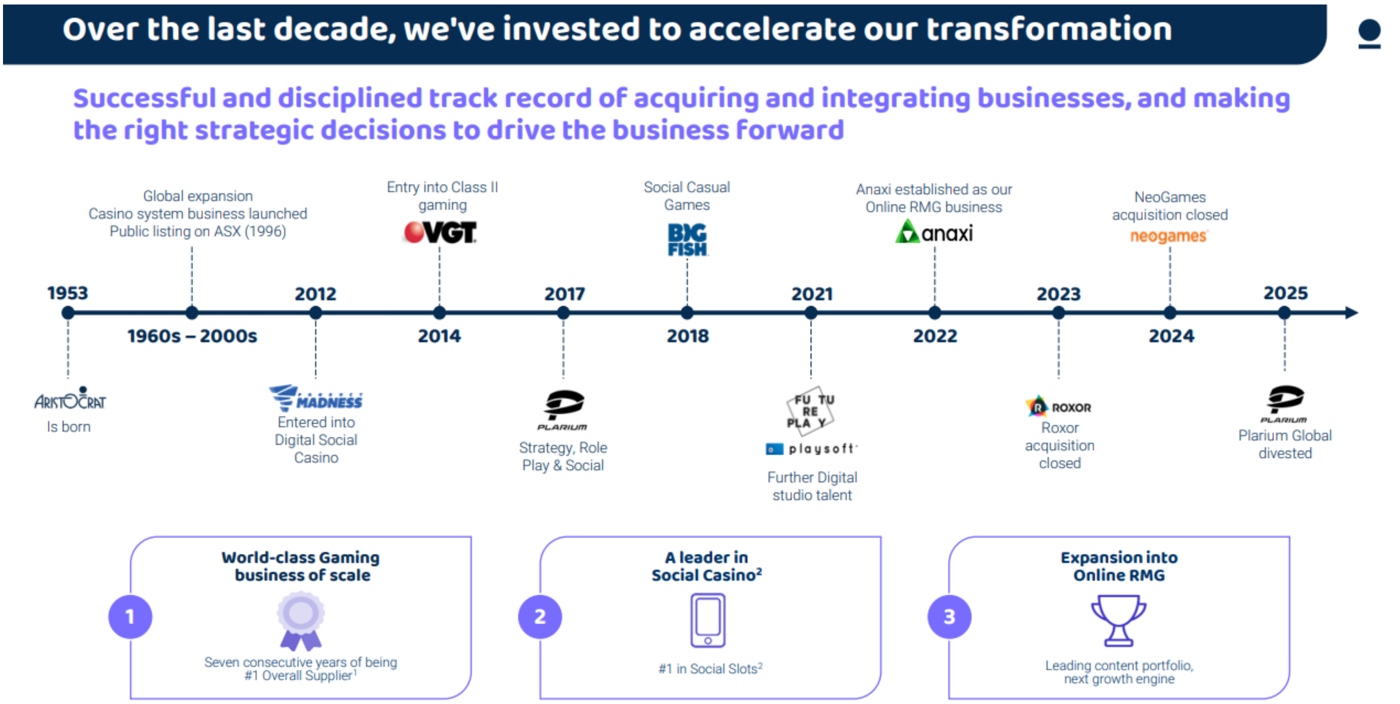
Aristocrat Leisure (ASX:ALL)

As investors, we often lose sight of the progress companies make, the challenges involved and patience required. When the focus is purely on the results delivered, the emphasis or message to management can be short sighted.

During the quarter, Aristocrat Leisure delivered its full year 2025 financial results. On the day, the company's share price tumbled 8% and continued to lose ground in the following week, trading 13% lower. We provide some perspective below on why the results deserved better recognition.

Aristocrat Leisure is a leading global gaming content and technology provider, with more than 7,400 employees operating across 25+ locations and licensed in more than 330 jurisdictions. Founded in 1953, the company houses 27 dedicated studios developing proprietary content for land-based, online and mobile gaming markets.

Figure 1: Aristocrat business history



Source: Aristocrat September 2025 presentation

The business listed on the ASX in 1996, expanded into the U.S. in the early 2000s and is now the leading global gaming operator. Over this period, the company has undertaken some transformational deals, including the purchase of Product Madness in 2012, and less successful deals, including Big Fish in 2018.

All in all, the business has evolved into a better, more disciplined and financially stronger organisation. Today, the group is led by CEO Trevor Croker, who has been at the company since 2009 and at the helm since 2017. The supporting executive team has seen change, a potential area of concern. While poaching by rivals has resulted in many potential future leaders leaving, others within the company, including CFO Sally Denby, have risen through the ranks.

Importantly, the company is clear in its future direction after its strategic reset in 2024. What followed were divestments and a doubling down on the group's core strengths, as CEO Croker explained, *"on growth across its regulated gaming strength in core land-based gaming, real money gaming and social casino opportunities."*

This is now reflected in the full year results highlighted below and announced to the market in November 2025.

	FY25 ($m)	FY24 ($m)	Change
Revenue (72% recurring)	**6,297**	**5,673**	**11.0%**
Aristocrat Gaming	*3,960*	*3,629*	*9.1%*
Product Madness	*1,800*	*1,709*	*5.3%*
Aristocrat Interactive	*537*	*336*	*59.9%*
Gross Profit Margin	**61%**	**63%**	
Design & Development (R&D) expense	**800**	**759**	**7.7%**
% Revenue	*13%*	*13%*	
EBITA	**2,234**	**1,940**	**15.2%**
margin	*35%*	*34%*	
Underlying Net Profit After Tax[1]	**1,551**	**1,382**	**12.2%**
margin	*25%*	*24%*	
Operating Cash Flow	**1,934**	**1,765**	**9.6%**
Capital Expenditure (CAPEX)	*458*	*493*	
Net Debt (Net Cash)	**423**	**1,140**	

[1]*Underlying net profit after tax and amortisation of acquired intangibles (NPATA)*

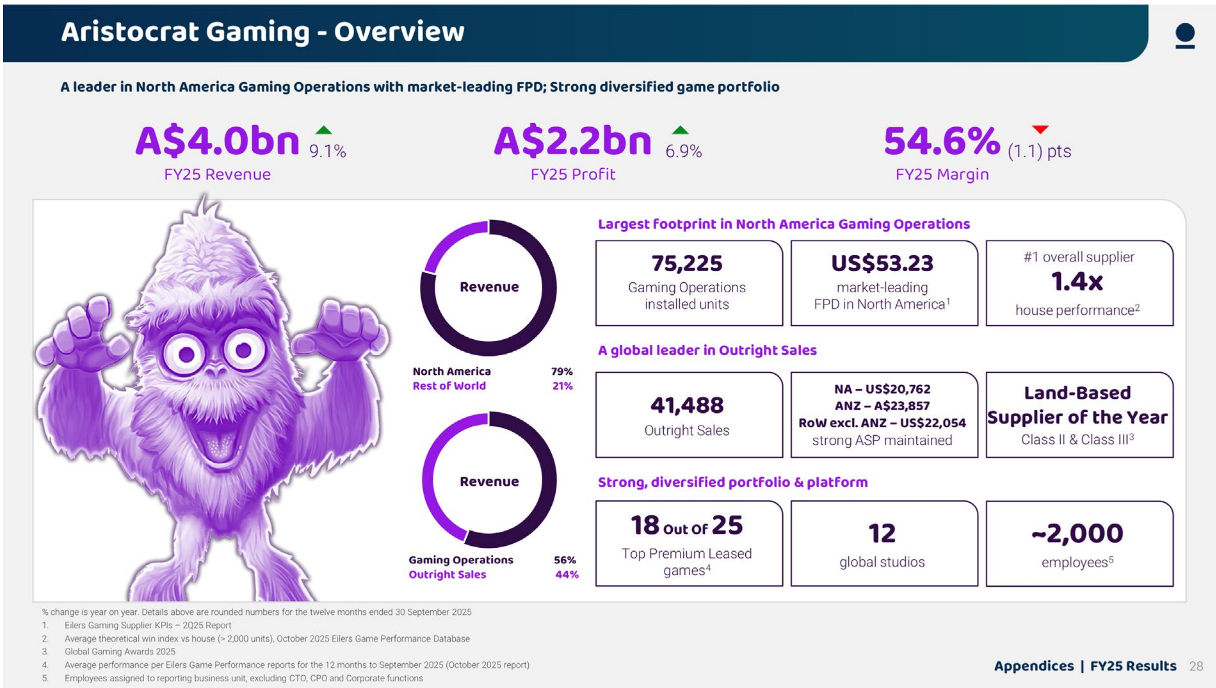
North America Gaming Operations

The North America Gaming Operations remains the bedrock of group performance. During 2025, Aristocrat cemented its leadership position, with 75,225 slot machines, up 4,100 units. The company earns revenue as a fixed fee or percentage of daily wins from each machine. In the year, revenue totalled US$2.0b and operating profits of US$1.1b, contributing circa half of total group revenue.

Importantly, CEO Croker also noted that outright sales of games, which amounted to 24,821 cabinets at $20,762 per unit, represented a market share of 31.2%, the highest in the group's history.

The combined performance of participating machines and outright machine sales illustrates the company's leading position in the U.S. market, driven by game content.

Figure 2: Gaming segment key metrics FY25



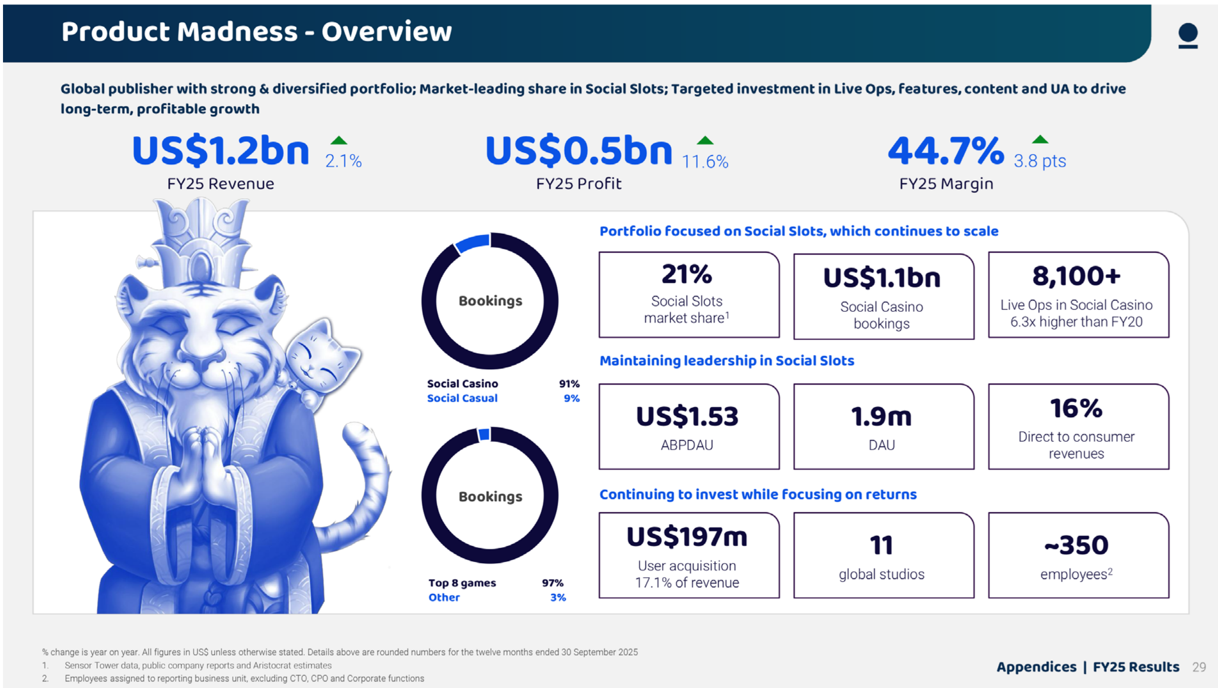
Source: Aristocrat FY25 results presentation

Product Madness

Aristocrat's online operations are housed within the restructured Product Madness business. Recently appointed executive Superna Kale took on leadership responsibility of the division in February 2025, based in London.

Product Madness delivered positive performance with revenues and profits up despite the overall online market declining. In 2025, the Product Madness portfolio held the leading market share of 21%. All the key metrics are pointing in the right direction.

Figure 3: Product Madness key metrics FY25

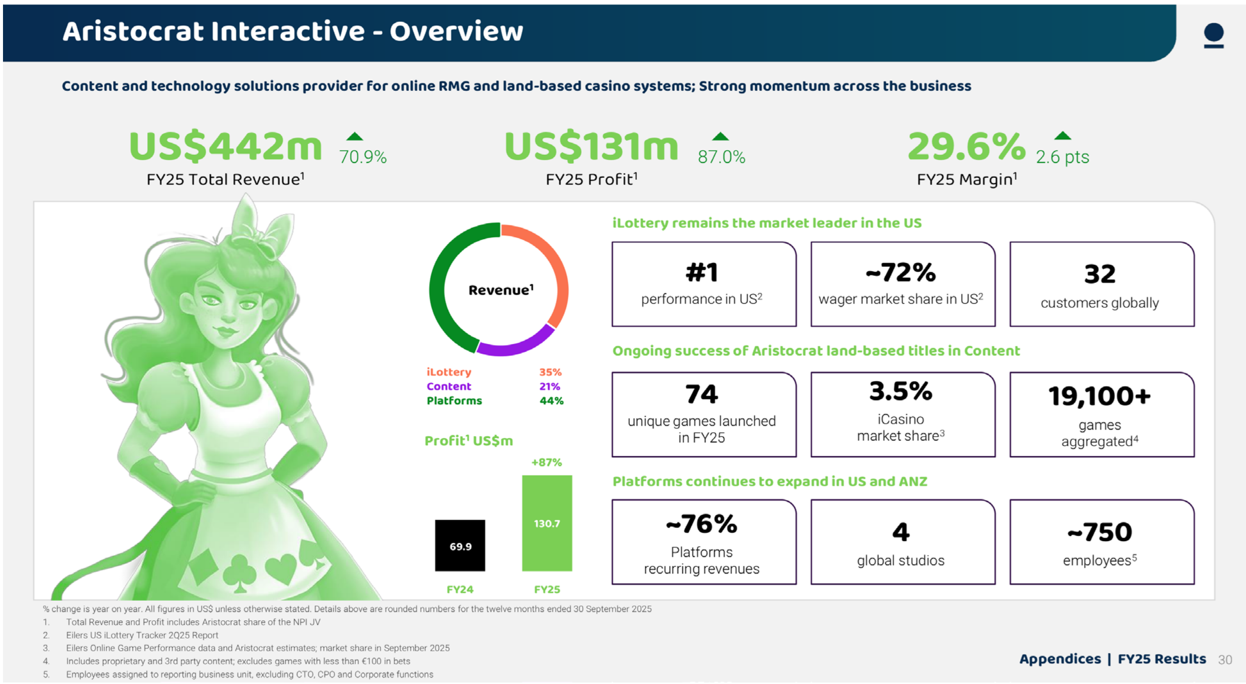


Source: Aristocrat FY25 results presentation

Aristocrat Interactive

The group's third segment sits within the iGaming operations of Aristocrat Interactive. This division aims to work with casino partners to deliver online gaming solutions that complement the existing land-based operations. Management has provided near-term revenue targets of US$1.0b by 2029.

Figure 4: Aristocrat Interactive key metrics FY25



Source: Aristocrat FY25 results presentation

Operational focus

Under the direction of CFO Sally Denby, the company has taken steps to streamline the group's Design and Development (D&D) investment from a siloed divisional approach to one that is company centric. The $800m fully expensed annual investment, representing 12.7% of group revenues, reflects spend across Product and Technology, with the aim of delivering operating leverage and product scale.

Scale and business leverage

The true power of the Aristocrat business model lies in its leading gaming content and its delivery across multiple platforms, including land-based, online and social.

One of the group's key game designers, Dan Marks, who joined the company in 2012 and oversees over 200 employees, shared his perspective on this power. Marks noted the Aristocrat game portfolio includes *"rare gems"*, titles that 'extend' into multi-year themes and product extensions. Lightning Link and Dragon Link are two that fit the bill.

The success of these games can also be tied back to the 'maths'. Marks underscored the importance of this, noting, *"Maths is the secret, maths is the heart and soul. My maths will never leave my studio, and I will not share my excel spreadsheets with anyone."*

Yaamava Resort and Casino

During the quarter, we travelled to the Yaamava Resort & Casino at San Manuel in the Southern Californian San Bernardino region. The Tribal casino, with 7,600 slots, is the second largest globally, but importantly the most profitable.

Here we would like to make two points. The first is the growing influence of Tribal Casino owners. As background, *"California has 76 Indian Gaming Casinos. California is the nation's largest Indian gaming state in the nation with total revenues of $9 billion annually. There are 76 Indian casinos and 5 mini-casinos. The 76 California Indian gaming casinos are owned by 73 of the state's 109 tribes."*

CEO Croker noted that Tribal casinos now represent more than 50% of the U.S. industry's gross gaming revenue (GGR), a figure that is expected to grow.

Aristocrat's involvement with Tribal partners is strong and our visit to Yaamava reinforced this key point.

Secondly, Tribal casino operators typically use a different business model from traditional operators, who keep a low percentage of leased games on the floor. Whereas the average casino may have 12%-15% of the floor on a participation rate with manufacturers like Aristocrat, Yaamava sits at 28%. This provides Aristocrat with a strong competitive advantage over many others, due to the company's leading game content.

In the fullness of time, both the increase of Tribal casino ownership and higher participation games, should see the company retain and grow its installed base across the U.S. land-based slots industry.

Outlook

It is easy to overlook impressive financials. When you consider Aristocrat's full year numbers, the percentage returns just smack you in the face.

In FY25, as the financial table at the top illustrates, gross margins were maintained at 61%. The company expensed all design work, totalling $800m, yet still delivered operating margins of 35%. After tax, the company kept 25% of every revenue dollar earned.

Few companies are as profitable as Aristocrat. Free cash flow came in at $1.5b, net debt at just $423m, with buy backs and rising dividends an ongoing strong feature of the group's capital management approach.

In early January the company provided two important updates. The first involved an extension to the company's share buyback program. The original $750m program is nearing completion, with $701m of stock bought back to date. The Board has since approved a further $750m buyback program expected to complete by March 2027. This reflects the company's strong cash flow generation capabilities that supports cash dividends, business reinvestment, strategic acquisitions and the buyback of existing shares.

Secondly, on 12 January the Aristocrat Board announced resolution of litigation between the company and competitor Light & Wonder had been reached. We highlighted this case in our December 2024 quarterly newsletter, noting that CEO Trevor Croker maintained that this case represented a matter of principle and the importance of protecting company intellectual property.

The agreed settlement between the two parties has resulted in Light & Wonder compensating Aristocrat US$127.5m (A$190m). In addition, Light & Wonder acknowledged the stealing of Aristocrat math models and will permanently cease commercialisation of the games (Dragon Train and Jewel of the Dragon) globally, also removing existing installations. All existing claims will be dismissed following this settlement.

As CEO Croker said, "*Aristocrat welcomes fair competition but will always robustly defend and enforce its intellectual property rights. As an ideas and innovation company our intellectual property is vital to our ongoing success. We are committed to protecting the great work of our dedicated creative and technical teams. We welcome this positive outcome, which includes significant financial compensation and follows the decisive action we took to ensure the preservation of Aristocrat's valuable intellectual property assets. This decisive action included securing a preliminary injunction in September 2024, at which time the court recognised that Light & Wonder was able to develop Dragon Train by using Aristocrat's valuable trade secrets and without investing the equivalent time and money."*

As we argued in our December 2024 newsletter, the question of trust is not something taken lightly and that "*Light & Wonder may yet learn what an expensive exercise this may turn out to be*."

Unlike the broker and analysts' fraternity that have ignored Light & Wonder's distrustful actions, The Australian newspaper highlighted the facts, "*Throughout the litigation, Light & Wonder denied copying and asserted "independent creation". The settlement completely reverses this position, containing a crucial admission: Light & Wonder acknowledged that Aristocrat's algorithm was used in developing both Dragon Train and Jewel of the Dragon.*" Further, "*The release of another second game from Charles's studio – Jewel of the Dragon – suggests the issues were more systematic than a one-off incident, making the "rogue employee" defence harder to sustain.*"

For FY26, the company is guiding to ongoing NPATA growth across all three operating segments.

Aristocrat Leisure has a market capitalisation of $36b.

Fisher & Paykel Healthcare (ASX:FPH)

Fisher & Paykel Healthcare, founded in 1969, is a leading global medical device manufacturer in humidified respiratory care and obstructive sleep apnoea (OSA). The company employs 7,000 staff across 55 countries, including New Zealand, North America and Europe. The majority of revenue (88%) comes from recurring items, consumables and accessories, which are sold in more than 120 countries.

	HY26 (NZ$m)	HY25 (NZ$m)	Change
Revenue	**1,088.5**	**951.2**	**14%**
Hospital	*692.2*	*591.4*	*17%*
Homecare	*395.9*	*359.4*	*10%*
Underlying Gross Profit Margin	**63.0%**	**61.9%**	
R&D Expense	**114.1**	**110.1**	
% revenue	*10%*	*12%*	
Underlying Operating Profit (EBIT)	**286.1**	**218.1**	**31%**
margin	*26.3%*	*22.9%*	
Underlying Net Profit After Tax	**213.0**	**153.2**	**39%**
margin	*19.6%*	*16.1%*	
Operating Cash Flow	**245.8**	**233.0**	**5%**
Capitalised Expenditure (CAPEX)	*61.8*	*55.1*	
Net Cash	**237.8**	**200.5**	**16%**

Fisher & Paykel Healthcare posted a strong result for HY26. Revenue grew 14%, or 12% in constant currency (cc), to NZ$1.09b, marking the first time the company surpassed NZ$1b of revenue in a half. Gross margins grew 110 basis-points (60 basis-points in cc) to 63%, driven by progress on continuous improvement initiatives and operational efficiency gains, while operating income (EBIT) increased 31% to NZ$286m (26.3% margin). The business continues to target a long-term gross profit and operating margin of 65% and 30% respectively.

Commenting on the result, CEO Lewis Gradon said, *"This is a strong result against the backdrop of robust growth in the first half of last year. We saw broad-based strength across the Hospital consumables portfolio during a period of lower seasonal respiratory hospitalisations, and in Homecare, our latest range of masks for treating obstructive sleep apnoea has performed well."*

Business segments

In the Hospital segment, Fisher & Paykel observed broad-based strength across the consumables portfolio, indicating ongoing change in clinical practice. Revenue for the segment was up 17% (15% cc) to NZ$692m with new applications consumables revenue, comprising non-invasive ventilation, nasal high flow and anaesthesia, making up 74% of hospital revenue, up from 73% in the prior corresponding period (pcp).

In Homecare, the business saw strong contributions from its latest range of OSA masks. Revenue for the segment increased by 10% (8% cc) to NZ$396m. The group has launched a series of new products in the last 12 to 18 months, including the Nova Nasal, currently available in New Zealand, Australia and select key European markets, and the Nova Micro and Nova Solo, available in most of the business' major markets.

Outlook

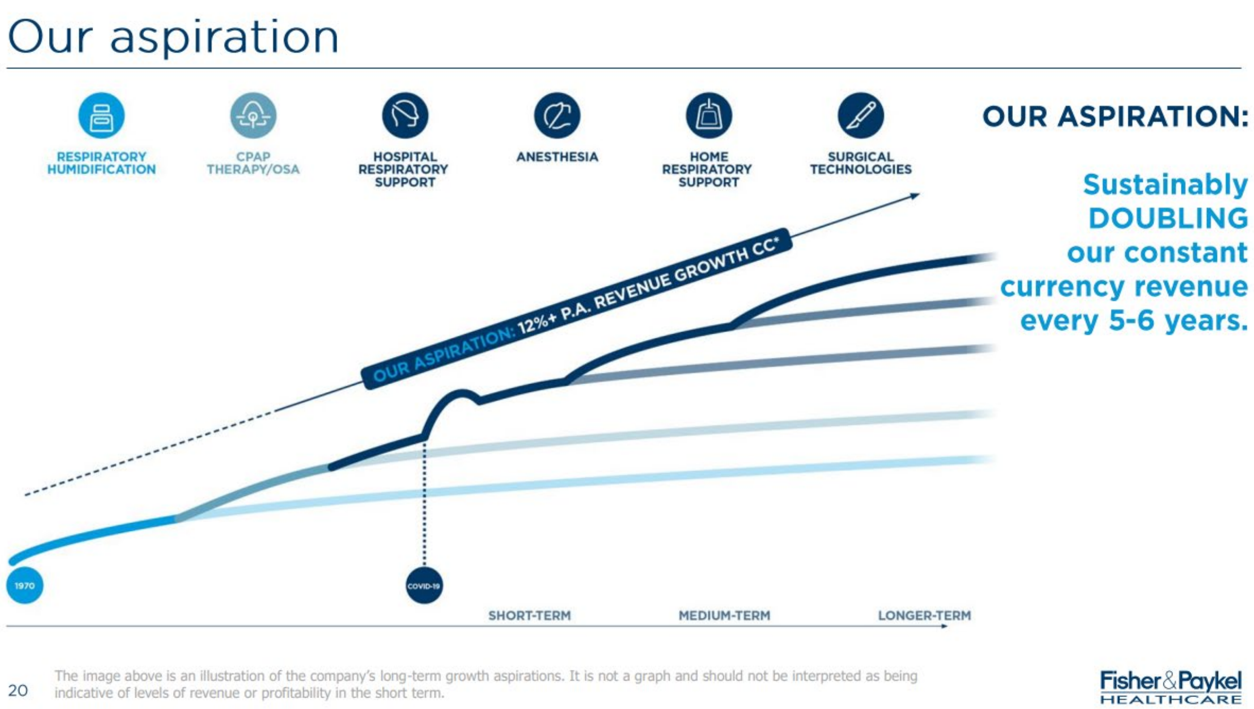
Following the result, the company increased its FY26 guidance to revenue of NZ$2.17b-NZ$2.27b, from NZ$2.15b-NZ$2.25b and NPAT of NZ$410m-NZ$460m, from NZ$390m-NZ$440m.

Fisher & Paykel has a market capitalisation of $19.0b, net cash of NZ$238m and declared a dividend of NZ$0.19 per share.

Figure 5: Fisher & Paykel market opportunity

Source: Fisher & Paykel HY26 results presentation

Figure 6: Business aspirations



Source: Fisher & Paykel HY26 results presentation

OFX Group (ASX:OFX)

OFX Group is an international payment services provider offering solutions for 50+ currencies across 180+ countries. The group was founded in 1998, listed on the ASX in 2013 and employs 700 staff with offices in nine locations across North America, Europe, Asia Pacific (APAC), and licensed in 50 jurisdictions.

In June 2025, we outlined the case for OFX as it undertook its product transition, dubbed OFX 2.0. As we noted at the time, this move was driven by opportunity but also the need to remain relevant in an increasingly crowded payments space.

Background | per our June 2025 note

Historically, OFX generated revenue from the net margin made on each foreign exchange (FX) transaction (net operating income) and associated income earned through the transaction process.

The company's New Client Platform (NCP) dubbed "OFX 2.0" is now being rolled out, with a timeline to completion discussed below.

The transition aims to create a single global platform with higher recurring revenues and operating profit margins.

For management, this requires expanding its offering outside of spot transactions to create a higher valued service for its clients. This end-to-end ecosystem is being integrated within OFX's existing ecosystem, comprising 24/7 human support and leading risk management.

The new platform, "OFX 2.0", is expected to drive incremental revenue through more frequent customer transactions and an opportunity to introduce new revenue streams, such as subscription services linked to cards and global wallets.

In 2025, FX remained the dominant revenue generator, while non-FX contributed just 1%. Management is pointing to its non-FX revenue contribution growing more than 10% of net operating income by 2028, and 15% growth thereafter, alongside operating margins of 30%.

This confidence comes from the commissioning of an external global study endorsing the strategy and OFX's early traction with NCP clients, with non-FX revenues making up 27% of the mix.

Fully rolled out to new clients in Australia, OFX has now committed to accelerating the platform across all regions.

HY26

At the group's half year results announcement in November the headline numbers were underwhelming. CEO Skander Malcolm was transparent in his opening comments, *"This was a disappointing outcome and certainly below our expectations."*

Not wanting to make excuses, the company is battling a difficult macro environment. Since President Trump took office and opened the world to tariffs, the small to medium enterprise (SME) community have faced challenging conditions. This is evident in the lower average transaction values despite increased transaction volumes.

	HY26 ($m)	HY25 ($m)	Change
Turnover ($b)	**19.1**	**18.9**	1.4%
Net Operating Income Margin	**0.55%**	**0.59%**	
Revenue (fee and trading income)	**109.1**	**114.5**	**(3.4%)**
Business to Business (B2B)	*65.4*	*69.3*	*(5.7%)*
Business to Consumer (B2C)	*30.6*	*34.5*	*(11.5%)*
Underlying EBITDA	**14.5**	**29.0**	**(50.1%)**
margin	*13.3%*	*25.3%*	
Underlying NPAT	**2.9**	**11.1**	**(73.9%)**
margin	*2.7%*	*9.7%*	
Operating Cash Flow	**16.5**	**27.1**	**(39.1%)**
Capitalised Expenditure (CAPEX)	*10.5*	*9.6*	*(9.4%)*
Net Cash	**78**	**77**	

The table above illustrates the key HY26 financial outcomes. It is important to note that below the NOI line, the fall off in earnings and profits are largely to do with management increasing the level of investment as the business transitions to OFX 2.0.

This is reflected in operating expenses growing from $82m to $91m, involving higher employment spend and promotional activity. For the full year, OFX is targeting a total lift in expenditure of $21m, better than the $24m indicated earlier. The company also incurred higher bad debts of $3.2m.

Importantly, the business continues to generate good free cash flow and remains in a net cash position of $78m pre-banking collateral conditions.

OFX 2.0 strategy

As disappointing as the numbers indicate, the business continues to make good progress on the new client platform (NCP). At the end of HY26, over 39% of existing corporate clients had migrated to NCP, while in Australia, the U.S., EMEA and Canada, this figure sat at 50%, with 80% now expected by the end of 3Q26.

Some early signs are positive, as CEO Malcolm highlighted, *"While the softer ATV's (average transaction values) impacted our revenue, our Corporate active clients continue to trade well with transaction volumes up 5.7% and our Enterprise segment delivered double digit growth for the third consecutive half.*

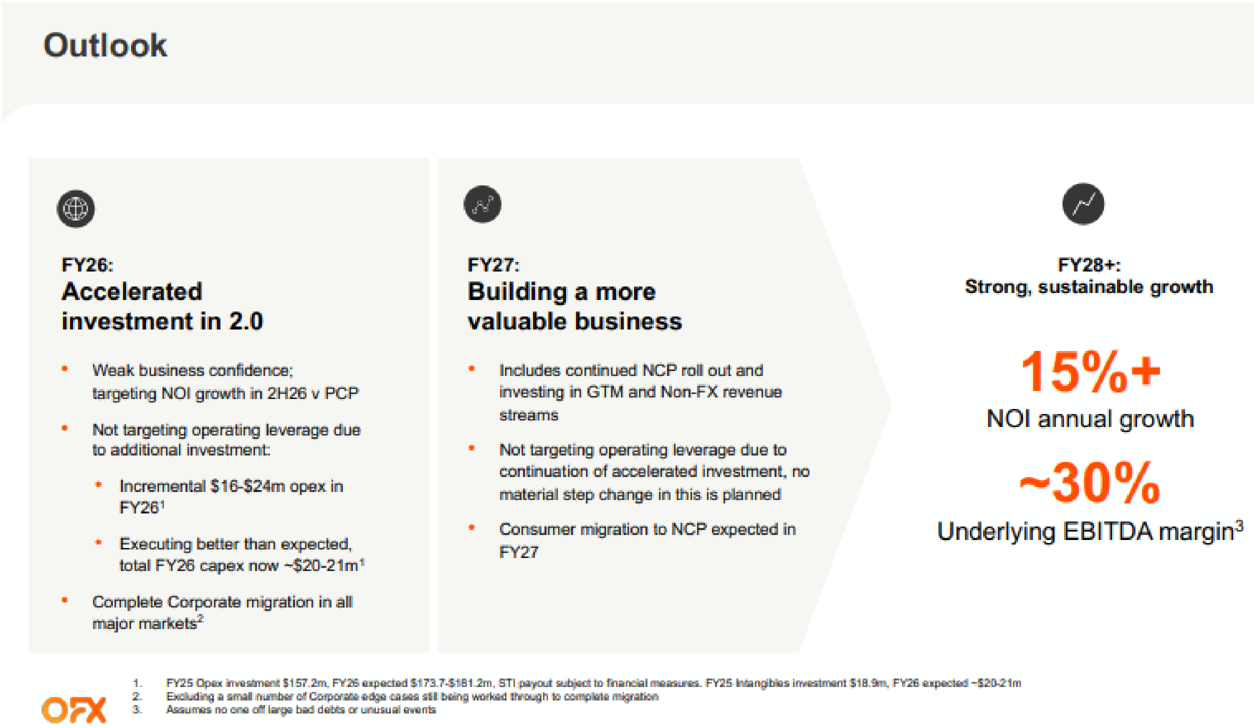
The transition to OFX 2.0 is progressing well and the early client response is reinforcing our firm conviction that this is the right strategy. The opportunity ahead is significant as we strive to simplify businesses' financial operations and support their global ambitions.

The global NCP roll-out is ahead of schedule and our new go-to-market proposition has seen early success with 11.8% growth in Corporate NTCs, while migrated cohorts are increasing FX revenue and adopting new products. Card take-up is healthy and interest income from client balances is ahead of expectations."

Outlook

The company has given a long-range 2028 guidance, provided as a means of allowing OFX 2.0 to complete its transition. At that point, the company expects annual NOI growth of 15% or more and underlying EBITDA margins of 30%.

Figure 7: OFX business outlook



Source: OFX HY26 results presentation

For the current year, with macro-economic conditions remaining soft, management is pointing to operating expenditure of $173m-$181m and NOI growth in the 2H26 to be up on 2H25 numbers. If achieved, this would see NOI of around $209m, with a commensurate EBITDA of $28m.

When compared to the group's current market capitalisation of $141m and its net cash position of $78m (pre-banking collateral), the valuation on paper looks compelling. However, until the company can show meaningful NOI uptake post OFX 2.0, investors are unlikely to step up.

TechnologyOne (ASX:TNE)

TechnologyOne is a global provider of Software-as-a-Service (SaaS) Enterprise Resource Planning (ERP). The company was founded in 1987 and serves six verticals, including Education, Government, Local Government, Health, Financial Services and Asset & Project Intensive industries. TechnologyOne employs over 1,500 staff with offices across six countries, including Australia and New Zealand, the U.K. and Malaysia.

	FY25 ($m)	FY24 ($m)	Change
Revenue	**610**	**515**	**18%**
SaaS & Recurring revenue	*553*	*466*	*19%*
% Recurring	*91%*	*90%*	
R&D Investment	**154**	**128**	
% Revenue	*25%*	*25%*	
Net Profit After Tax	**138**	**118**	**17%**
margin	*23%*	*23%*	
Operating Cash Flow	**295**	**213**	**38%**
Net Cash	**320**	**279**	
Rule of 40[1] (%)	**59%**	**52%**	

[1]*Rule of 40 is defined as the sum of Annual Recurring Revenue (ARR) growth and the 12-month rolling free cash flow margin post tax.*

In FY25, TechnologyOne delivered a strong result with revenue up 18% to $610m, while net profit after tax (NPAT) increased 17% to $138m. Annual Recurring Revenue (ARR), a key measure of the company's performance, grew 18% to $555m, with the milestone of $500m ARR achieved 18 months ahead of schedule. The strong result was underpinned by new customer wins and the ongoing success of cross-sell among the existing customer base.

The U.K. market demonstrated outstanding growth, with ARR increasing 49% to $52m, significantly outpacing the group's overall ARR growth. New sales ARR in the U.K. rose 52% to $13m, led by strong demand for the company's SaaS+ offering. Landmark customer wins included the prestigious London Boroughs of Islington and Greenwich, as well as major universities, including the University of Hertfordshire and Royal Holloway, University of London. These achievements mark TechnologyOne's position as the ERP benchmark in the U.K., driven by its ability to deliver localised and referenceable SaaS+ implementations.

Continuous innovation

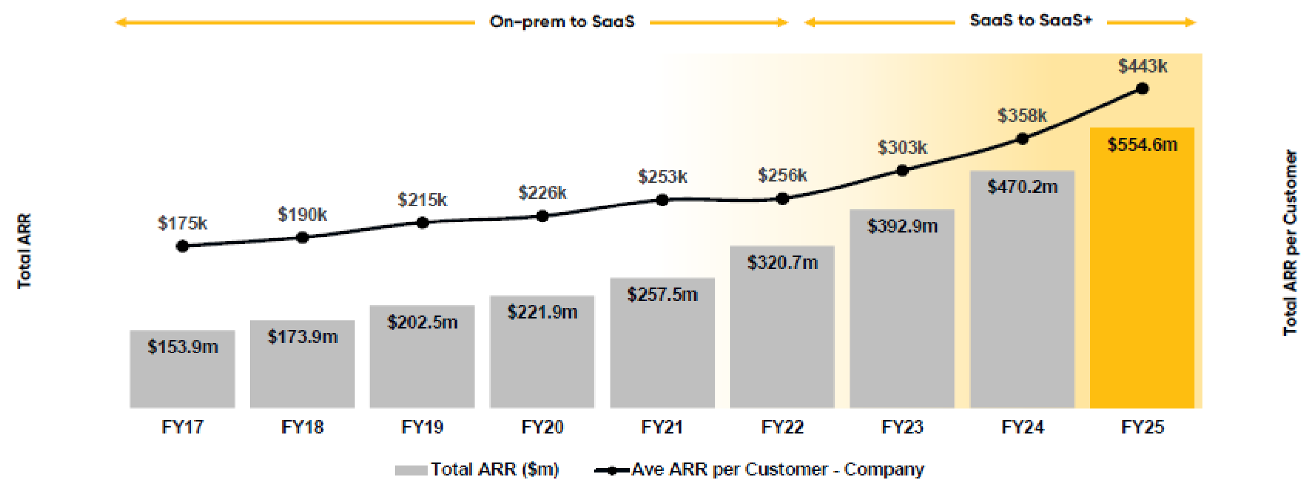
Since founding the business 38 years ago, TechnologyOne has rewritten its codebase four times, a feat unmatched by any other ERP provider. This means customers can benefit from biannual releases of new products and features while maintaining high levels of security. Additionally, customers have reported savings of 40% on the total cost of ownership by transitioning to TechnologyOne's SaaS offering.

SaaS+, the company's latest iteration, continues to transform the ERP landscape by bundling software and implementation into a single annual fee. This model eliminates the complexity, risk and cost of traditional consulting, enabling faster go-lives and unlocking value for customers. SaaS+ is now the standard go-to-market approach, with over 40 customers implementing SaaS+ in FY25 and all new sales contracted under this model.

Net Revenue Retention (NRR), a key metric reflecting the net amount of new ARR won and retained from existing customers, was 115%. By maintaining an NRR at 115%, TechnologyOne expects the strength of its existing relationships to double its business size every five years.

The business has adopted a strategic approach, initially landing customers with core products like Financials, Property and Rating, or Student Management, and expanding engagement through additional products and modules over time. Continued investment in functionality enhancements has accelerated product adoption, delivering significant growth in average ARR per customer, as illustrated in Figure 8.

Figure 8: Annual Recurring Revenue (ARR)

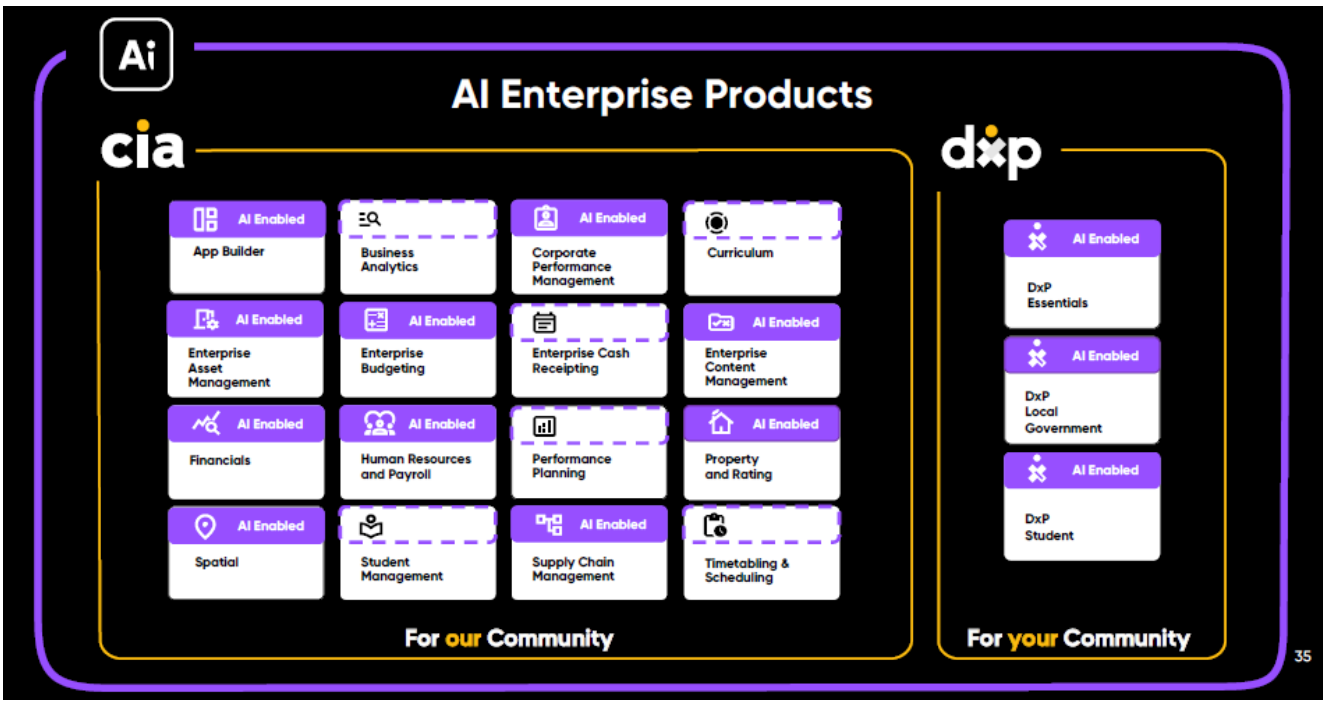


Source: TechnologyOne FY25 results presentation

FY25 also saw significant investment in AI with the introduction of new in-product AI features across its ERP platform, as shown in Figure 9. Designed to help customers work smarter and faster, these enhancements automate routine tasks, deliver predictive insights and support better decision making.

In addition, TechnologyOne launched Plus, its 20th product and a major step forward in user experience. Plus lets users interact with the ERP system simply by asking questions or requesting information, receiving instant answers or actions. Plus continuously learns from user interactions to deliver real-time visibility and actionable insights across departments. This conversational, intelligent platform makes everyday tasks quicker and more intuitive, helping organisations save time and improve outcomes.

Figure 9: Total ERP solution – now with the power of AI



Source: TechnologyOne FY25 results presentation

Acquisition of CourseLoop

In FY25, TechnologyOne completed the acquisition of CourseLoop, a leading curriculum management platform for higher education, for an investment of $60m. The integration of CourseLoop has enabled TechnologyOne's OneEducation solution to become the world's first SaaS platform to encompass the entire student lifecycle, from course design to graduation, into a single unified ERP solution.

Outlook

Looking ahead, TechnologyOne is well positioned to continue its growth trajectory, driven by ongoing investment in R&D (25% of revenue in FY25), the expansion of its SaaS+ and AI capabilities, and a strong pipeline in both domestic and U.K. markets. The company remains committed to its long-term target of $1b+ ARR by FY30 and doubling in size every five years.

TechnologyOne has a market capitalisation of $9.3b. ***SFM***

Persistence and resilience – a long-term plan

As we close out 2025 and wind down before ramping up into 2026, we wanted to leave you, our investors, with a reaffirmation of who we are, why we approach investing the way we do and our commitment to stay the course.

Below, we provide some topics and point form comments, which we hope offer clarity and confidence in our investment judgement.

1. Investing for the long term

- Markets tend to undervalue the long duration growth potential of companies. It's very hard to predict too far into the future.
- Many attempt to predict the future using a declining rate of growth, a typical Discounted Cash Flow model (DCF). This is a very linear approach.
- The world is not linear; nothing works like a DCF tends to suggest.
- Returns are similarly not linear; we don't do DCF's.
- A DCF penalises companies with net cash, while rewarding those with debt. Stupid is, stupid does.
- A net cash balance sheet is an asset, a by-product of sensible management
- If you do enough homework, you can find businesses that grow over the long run.
- What is important is how the business works.
- Any model needs to be super simple.
- The real challenge lies in the exhaustive qualitative research required to justify why it looks increasingly appealing.

2. What does homework look like

- Think about the business from a long-term owner perspective.
- Assess the business from multiple angles, information, data set, feedback, culture, transparency and consistent reinvestment.

3. Underestimating how quality reduces investment risk

- To assume qualitative equivalence exists across all businesses is extremely dangerous.
- Numbers alone do not tell the whole story.
- Looking behind the numbers is important. Quality matters.
- Experience is also important, but the longer you go, the less you can predict.
- People and culture rank high in importance.
- We become far more comfortable when we are backing people we like, people we trust and those with a track record.

4. Predicting the future – unlikely to be right every year

- This is incredibly hard to do, so it's important not to make too many predictions.
- Instead, focus on asking the easier questions.
- Invest in businesses you can own for the long term, where the economics are good.
- Quality and duration help reduce investment risk.
- Selling and repurchasing is just another opportunity to be wrong.

5. Stock ownership duration, lessons learnt

- How right things can go when they go right, which is something not appreciated by investors.
- We are taught prudence. Rule number one: do not lose money. Rule number two: do not forget rule number one.
- More important to consider risk first, do the analysis to take as much risk off the table upfront, rather than the notion of avoiding risk.
- A bigger risk is selling businesses way too soon.
- What is way worse is to sell a business that goes up 7/10/12x. The opportunity cost is much greater than protecting the downside.
- Our single biggest mistake was selling online operator Realestate.com (REA) way too early. Buying it back years later, even at higher prices, partly corrected the error.

6. How

- Keep an open mind. Think of what can go right, rather than what can go wrong.
- Our industry is very good at estimating what could go wrong – and some are exceptionally good at it. But we would argue more money has been made through discipline around reducing risk upfront, patience and maintaining an open mind.
- When you are right you can be really right, which delivers the big returns concentrated in a few holdings.

- What is true of small businesses is also likely of big businesses, underestimating quality attributes over a long duration.
- Underestimating human qualities that will drive long-term growth outcomes.

7. Future landscape – it's so easy to be wrong

- We are unlikely to be your best fund manager every year and unlikely to pick the key stocks every year.
- We want to make really thoughtful decisions every year. Over the long run, we are likely to get a good result, a resilient result.
- High quality businesses, run by quality people, with a dose of common sense. Year in, year out, rinse and repeat. The odds of a good result are very high.

8. Own businesses that do right by their customers

- Businesses that delight their users, especially where it is hard to replicate, inspires the confidence to be bold when making the investment.

9. We like businesses that are hard. Hard is hard to copy

- The network, data and scale are incredibly hard to replicate and require significant amounts of capital.
- Low customer churn, with a highly repetitive earnings profile and high switching costs, a recipe for attractive businesses.

10. When you look back and you see how right you can be

- Missed by many, due to lack of imagination and patience, when companies grow more than what is believed.
- Investing is more about the heart than the mind.
- There are so many super smart people but not as many super smart investors.

11. Learnings

- Numbers or financial models do not define successful companies. They are just the measuring tools.
- Successful ones are layered. They commit, are focused, build from within and are consistent in their application.
- These two qualities, the culture of discipline plus the consistency of doing, builds momentum, differentiation and business duration.
- Successful companies compound, way beyond the day-to-day musings of the market.
- Never underestimate how far a great business can go.

12. The Portfolio

When you peruse the portfolio holdings, consider:

- The business beyond the share price.
- The track record of each.
- The depth and aspiration.
- But importantly, that the world does not operate in a linear fashion.
- And finally, the path is rarely predictable with any degree of precision, not even by companies themselves, let alone by outside observers. ***SFM***

Aside: *If you are interested in what quality, duration and consistency looks like, check out [ARB's 50-year video celebration](). This one covers the U.S.*

Having visited the U.S. operations during the quarter, particularly the retail operations of 4WP, we believe the company's best years are in front of them.

Below are illustrations of ARB's Gardena store in California, U.S. and the 4WP history board, from inception in 1961 to the present, taken on our recent trip in October 2025.

Figure 10: ARB showroom Gardena, California, U.S.

Source: Selector Funds Management

Figure 11: 4WheelParts (4WP) 53-year timeline

Source: Selector Funds Management

Growing the gap

What a share price does not give investors is perspective. It lacks colour and dimension. It says little about the people, nothing about a company's history and no insight into financial standing. In short, it is a simply just a number.

Some do not like big numbers, fearing it to be too expensive. Others focus on the trading patterns of these numbers. Others simple choose to invest based on the company weighting or numbers that make up the index.

We care less about such an approach. What we focus on is the gap. Growing the gap in a business setting, is what allows those numbers to grow. It is rarely achieved in a transformational sense, rather, consistent incremental steps

Jim Collins, author of Good to Great, describes this as *'Preserve the Core| Stimulate Progress'*, which he identified as a leadership principle for enduring success.

"Companies must stay true to their fundamental purpose and values (the Core) while constantly innovating and adapting their strategies, practices, and ideas (the Progress) to changing times, preventing stagnation and staying relevant."

The power of these two forces, when measured over time, can have a profound impact on market competitiveness. In our opening letter, we referred to several companies held within the portfolio. Choose any and what has transpired are businesses that have grown the gap.

If we take four-wheel parts manufacturer ARB, a 50-year-old business where one of its biggest breakthroughs came in 2024 when it acquired 4 Wheel Parts (4WP), the leading U.S. retail operator in arguably the world's largest global market for four-wheel parts.

Figure 12: ARB Corporation 2018-2025

RowName	2018	2019	2020	2021	2022	2023	2024	2025
Shares outstanding	79.2	79.7	79.7	81.5	81.7	82.1	82.3	83.2
Revenue	426.4	446.6	467.0	625.9	697.3	688.7	698.8	739.0
Gross Profit margin (%)	55.6	55.6	53.6	55.2	56.1	53.1	57.2	56.7
EBITDA	90.6	91.9	101.5	175.5	192.7	149.7	173.4	171.7
EBITDA margin (%)	21.4	20.7	21.8	28.2	27.8	22.3	25.0	23.5
EBIT	77.7	78.0	79.8	152.0	167.7	123.8	145.0	139.2
EBIT margin (%)	18.2	17.5	17.1	24.3	24.1	18.0	20.7	18.8
NPAT	51.0	57.1	57.3	112.9	122.0	88.5	102.7	97.5
NPAT margin (%)	12.0	12.8	12.3	18.0	17.5	12.8	14.7	13.2
EPS (c)	64.3	71.9	71.8	140.0	149.4	107.0	124.9	117.7
DPS (c)	37.0	39.5	39.5	68.0	71.0	64.0	66.0	116.0
Net debt	-5.2	-8.5	-41.6	-84.8	-52.7	-44.9	-56.5	-69.2
Leverage (x)	-0.1	-0.1	-0.4	-0.5	-0.3	-0.3	-0.3	-0.4
Free cash flow	2.6	22.3	70.1	67.4	25.4	44.5	79.6	84.6
Dividends	-25.4	-23.8	-15.0	0.0	-50.3	-45.3	-44.7	-23.5
ROCE (%)	26.9	24.6	22.5	33.7	30.9	21.3	22.6	19.4

Source: SFML model

Figure 12 provides a brief timeline that incorporates the Covid era. All figures included in this article are sourced from our models, comprising of financials released by each respective company on an annual basis.

The direction is clear, revenues growing from $426m to $739m, largely organic. Gross profit margins have remained stable at 57%, while operating profits have performed ahead of revenues, lifting from $78m to $139m. Shares on issue have remained largely unchanged at 83m shares while net cash has grown to $56m, even with annual dividends almost doubling to 66 cents per share.

On most measures ARB fits the model of businesses we seek. They have maintained their uniqueness throughout, a focus on designing and building great enduring products, but always with an eye to the future. Very much in the mould of Collins' *'Preserve the Core| Stimulate Progress'*.

The U.S. is now front and centre. It represents a market that knows the ARB brand but historically lacked direct presence. We visited several 4WP stores in California during October 2025. The acquisition of 4WP has provided ARB with retail presence but even more importantly, the services of a seasoned management team, led by Greg Adler and Rich Botello.

Adler's family founded the 4WP business in the early 1960's, while Botello was a key employee for over 30 years. With the 4WP business now housed within the joint venture operations of Off Road Warehouse (ORW), owned 50% by ARB and the balance by Adler and key executives, there is now true financial alignment to succeed.

ARB is illustrative of a long-term compounder. As the profits have improved, so has the share price. At the beginning of 2018, it was hovering around the $18 mark. Over the subsequent seven years it rose to as high as $51 and as low as $25. It ended the year at $32. The timing alignment of profits to share price is therefore not perfect, but the future direction of share prices invariably follows the path of profits.

ARB is illustrative of a business that is growing the gap and represents just one of a portfolio of companies on a similar path.

Below, we provide examples of other businesses held over the same time frame of 2018-2025. When you consider the numbers, note that Covid impacted businesses from 2020.

From our perspective the key trends to consider are issued capital, noting some businesses undertook acquisitions during the period, revenue growth, operating profits (EBIT), net profits (NPAT) and net debt.

Figure 13: Aristocrat Leisure 2018-2025

RowName	2018	2019	2020	2021	2022	2023	2024	2025
Shares outstanding	638.5	638.5	638.5	638.5	659.8	648.6	629.3	616.8
Revenue	3553.4	4398.9	4158.2	4737.6	5599.7	6332.7	6629.5	6297.0
Gross Profit margin (%)	55.6	55.2	47.3	51.9	55.3	56.4	58.6	60.9
EBITDA	1281.3	1566.5	1066.0	1403.3	1931.7	1876.2	2388.7	2642.8
EBITDA margin (%)	36.1	35.6	25.8	29.6	34.7	29.8	36.2	42.0
EBIT	942.8	1153.0	616.4	1028.9	1561.2	1494.2	1917.4	1968.4
EBIT margin (%)	26.5	26.2	14.8	21.7	27.9	23.6	28.9	31.3
NPAT	542.6	698.8	1377.7	820.0	948.5	1454.1	1303.4	1640.3
NPAT margin (%)	15.3	15.9	33.1	17.3	16.9	23.0	19.7	26.0
EPS (c)	114.0	140.0	74.6	135.0	142.9	204.7	247.0	262.8
DPS (c)	46.0	56.0	10.0	41.0	52.0	64.0	78.0	86.0
Net debt	2453.0	2224.1	1567.6	804.5	-564.0	-809.1	1139.8	423.3
Leverage (x)	1.9	1.4	1.5	0.6	-0.3	-0.4	0.5	0.2
Free cash flow	664.6	837.6	775.1	1100.7	884.9	1346.4	1280.1	2391.0
Dividends	-249.0	-312.4	-217.1	-159.4	-347.8	-367.4	-447.7	-538.4
ROCE (%)	20.0	23.8	10.8	18.6	27.5	24.2	23.4	25.7

Source: SFML model

Figure 14: Breville Group 2018-2025

RowName	2018	2019	2020	2021	2022	2023	2024	2025
Shares outstanding	130.1	130.1	136.5	138.9	139.4	142.8	143.4	143.9
Revenue	652.3	760.3	952.5	1187.9	1418.8	1479.3	1530.2	1696.8
Gross Profit margin (%)	35.6	35.7	33.7	34.8	34.3	35.0	36.4	36.6
EBITDA	100.2	114.0	135.1	163.3	186.8	218.2	245.5	271.9
EBITDA margin (%)	15.4	15.0	14.2	13.7	13.2	14.8	16.0	16.0
EBIT	86.9	97.3	109.5	136.4	156.4	172.0	185.7	204.6
EBIT margin (%)	13.3	12.8	11.5	11.5	11.0	11.6	12.1	12.1
NPAT	58.5	67.4	66.2	91.0	105.0	110.2	118.5	135.9
NPAT margin (%)	9.0	8.9	7.0	7.7	7.4	7.4	7.7	8.0
EPS (c)	45.0	51.8	48.5	65.5	75.3	77.2	82.6	94.4
DPS (c)	33.0	37.0	41.0	26.5	30.0	30.5	33.0	37.0
Net debt	-58.0	-9.8	-128.5	-129.9	4.1	121.3	-53.6	-48.5
Leverage (x)	-0.6	-0.1	-1.0	-0.8	0.0	0.6	-0.2	-0.2
Free cash flow	69.2	2.0	94.0	93.2	-84.8	37.1	240.8	84.1
Dividends	-41.0	0.0	-50.8	-45.6	-39.7	-42.8	-45.2	-50.4
ROCE (%)	36.8	32.2	33.7	30.9	25.0	19.1	21.9	21.8

Source: SFML model

Figure 15: CAR Group 2018-2025

RowName	2018	2019	2020	2021	2022	2023	2024	2025
Shares outstanding	242.2	244.3	245.6	282.0	282.8	376.7	377.2	377.6
Revenue	444.0	417.5	394.1	427.2	509.1	781.2	1098.7	1183.9
Gross Profit margin (%)	93.3	91.9	91.7	95.0	90.2	92.3	94.0	95.2
EBITDA	207.9	222.0	240.3	259.4	305.2	432.9	581.0	644.7
EBIT	190.5	197.8	204.0	219.2	258.5	325.8	426.2	473.4
EBIT margin (%)	42.9	47.4	51.8	51.3	50.8	41.7	38.8	40.0
NPAT	184.8	132.9	119.6	130.7	162.1	645.6	250.0	275.5
NPAT margin (%)	41.6	31.8	30.3	30.6	31.8	82.6	22.8	23.3
EPS (c)	54.0	54.7	48.9	54.3	56.9	73.5	91.0	99.8
DPS (c)	42.0	45.5	47.0	47.5	50.0	61.0	73.0	80.0
Net debt	389.7	380.2	364.3	-240.8	532.3	973.4	989.6	1079.9
Leverage (x)	1.9	1.7	1.5	-0.9	1.7	2.2	1.7	1.7
Free cash flow	87.4	107.7	123.8	156.7	146.2	167.7	296.8	332.5
Dividends	-92.3	-95.1	-105.6	-113.5	-126.2	-186.7	-251.1	-284.5
ROCE (%)	25.6	27.1	26.1	27.7	16.7	7.7	10.0	10.8

Source: SFML model

Figure 16: Cochlear 2018-2025

RowName	2018	2019	2020	2021	2022	2023	2024	2025
Shares outstanding	57.6	57.7	65.7	65.7	65.7	65.6	65.5	65.4
Revenue	1373.9	1455.7	1398.7	1584.1	1679.4	1949.6	2235.6	2369.5
Gross Profit margin (%)	73.5	75.4	73.9	72.6	75.1	74.8	74.9	73.7
EBITDA	379.5	397.8	296.0	424.5	460.9	475.2	613.6	611.8
EBITDA margin (%)	27.8	27.9	22.4	28.3	28.0	24.5	27.4	26.1
EBIT	345.3	359.3	218.5	345.0	387.9	394.3	528.7	521.4
EBIT margin (%)	25.1	24.7	15.6	21.8	23.1	20.2	23.6	22.0
NPAT	245.8	276.7	-238.3	326.5	289.1	300.6	356.8	388.9
NPAT margin (%)	17.9	19.0	-17.0	20.6	17.2	15.4	16.0	16.4
EPS (c)	427.3	466.0	236.0	358.0	426.0	421.0	544.0	594.0
DPS (c)	300.0	330.0	160.0	255.0	300.0	330.0	410.0	430.0
Net debt	86.2	103.0	-457.0	-564.6	-586.7	-555.5	-513.6	-275.7
Leverage (x)	0.2	0.3	-1.5	-1.3	-1.3	-1.2	-0.8	-0.5
Free cash flow	208.7	181.4	-288.3	198.7	299.3	266.4	299.0	135.0
Dividends	-161.1	-181.8	-193.7	-75.6	-194.0	-197.4	-245.7	-278.2
ROCE (%)	45.9	40.9	13.0	18.9	20.7	20.0	24.9	21.3

Source: SFML model

Figure 17: Computershare 2018-2025

RowName	2018	2019	2020	2021	2022	2023	2024	2025
Shares outstanding	542.0	543.0	541.0	603.7	603.7	603.7	598.6	578.4
Revenue	2301.1	2357.8	2275.4	2332.0	2613.5	3188.4	2923.5	3069.7
Gross Profit margin (%)	153.7	20.0	16.8	13.6	14.1	87.9	88.4	88.2
EBITDA	618.2	671.1	640.4	625.8	696.6	1147.9	1101.9	1191.9
EBITDA margin (%)	27.1	28.7	28.2	27.4	27.2	36.3	37.8	38.9
EBIT	497.7	530.5	434.2	386.5	422.5	867.9	918.8	1027.3
EBIT margin (%)	21.6	22.5	19.1	16.6	16.2	27.2	31.4	33.5
NPAT	300.1	415.7	232.7	189.2	227.8	444.7	352.9	605.6
NPAT margin (%)	13.0	17.6	10.2	8.1	8.7	13.9	12.1	19.7
EPS (c)	55.4	76.6	43.0	31.3	37.7	73.7	59.0	104.7
DPS (c)	30.6	30.3	32.7	34.5	37.9	44.9	55.4	62.8
Net debt	973.7	1468.6	1432.5	893.2	1180.3	1216.2	461.4	527.9
Leverage (x)	1.6	2.2	2.2	1.4	1.7	1.1	0.4	0.4
Free cash flow	474.7	234.0	584.8	290.3	467.6	605.7	1274.2	810.7
Dividends	-150.1	-163.6	-159.2	-170.9	-188.7	-243.5	-273.6	-290.5
ROCE (%)	19.1	15.9	12.1	10.9	11.1	21.5	30.1	32.5

Source: SFML model

Figure 18: Fisher & Paykel Healthcare 2018-2025

RowName	2018	2019	2020	2021	2022	2023	2024	2025
Shares outstanding	571.0	572.0	574.3	576.2	579.0	579.0	583.5	590.2
Revenue	969.5	1077.1	1273.4	1948.2	1642.4	1588.6	1758.1	2023.5
Gross Profit margin (%)	65.7	66.9	66.4	62.8	61.7	59.5	61.4	62.9
EBITDA	314.5	332.1	433.2	822.9	602.5	431.1	483.0	649.5
EBITDA margin (%)	32.6	31.0	34.0	42.2	36.7	27.1	27.5	32.1
EBIT	269.9	290.4	372.2	737.9	506.5	332.1	368.7	509.6
EBIT margin (%)	27.8	27.0	29.2	37.9	30.8	20.9	21.0	25.2
NPAT	190.2	209.2	287.3	524.2	376.9	250.3	132.6	377.2
NPAT margin (%)	19.6	19.4	22.6	26.9	22.9	15.8	7.5	18.6
EPS (c)	33.3	36.6	50.0	91.0	65.1	43.2	22.7	63.9
DPS (c)	20.0	23.3	27.6	38.0	39.5	40.5	41.5	42.5
Net debt	-49.9	-54.4	-42.2	-302.9	-221.6	-37.7	32.2	-200.5
Leverage (x)	-0.2	-0.2	-0.1	-0.4	-0.4	-0.1	0.1	-0.3
Free cash flow	149.3	120.1	150.7	440.6	154.5	26.9	90.6	445.6
Dividends	-102.5	-114.6	-146.4	-181.3	-224.9	-195.7	-145.5	-195.9
ROCE (%)	42.3	39.3	39.7	63.1	39.3	21.6	22.7	30.7

Source: SFML model

Figure 19: James Hardie Industries 2018-2025

RowName	2018	2019	2020	2021	2022	2023	2024	2025
Shares outstanding	441.5	442.0	444.5	445.4	445.7	442.0	433.8	432.1
Revenue	2054.5	2506.6	2607.0	2908.7	3614.7	3777.1	3936.3	3877.5
Gross Profit margin (%)	35.5	33.2	35.8	36.2	36.3	34.7	40.4	38.8
EBITDA	452.2	551.2	556.6	749.1	976.3	960.8	1119.5	1068.3
EBITDA margin (%)	22.0	22.0	21.4	25.8	27.0	25.4	28.4	27.6
EBIT	360.2	431.8	425.1	614.1	814.5	788.2	934.5	852.1
EBIT margin (%)	17.5	17.2	16.3	21.1	22.5	20.9	23.7	22.0
NPAT	146.1	228.8	241.5	262.8	459.1	512.0	510.2	424.0
NPAT margin (%)	7.1	9.1	9.3	9.0	12.7	13.6	13.0	10.9
EPS (c)	33.1	51.8	54.3	59.0	103.0	115.8	117.6	98.1
DPS (c)	30.0	36.0	10.0	70.0	70.0	0.0	0.0	0.0
Net debt	597.8	1296.5	1205.2	645.1	747.3	941.0	752.6	513.9
Leverage (x)	1.3	2.4	2.2	0.9	0.8	1.0	0.7	0.5
Free cash flow	94.4	-13.5	265.4	677.8	499.4	30.4	469.1	381.0
Dividends	-177.5	-172.1	-158.6	0.0	-484.0	-129.6	0.0	0.0
ROCE (%)	35.4	18.7	18.0	34.5	37.2	29.2	33.7	30.7

Source: SFML model

Figure 20: Nanosonics 2018-2025

RowName	2018	2019	2020	2021	2022	2023	2024	2025
Shares outstanding	299.3	299.9	304.0	305.2	301.8	305.1	303.0	303.6
Revenue	60.8	86.2	99.4	104.6	120.7	166.0	170.0	198.6
Gross Profit margin (%)	74.6	74.5	75.5	78.0	76.4	78.7	77.9	78.2
EBITDA	5.9	17.6	15.3	16.6	7.5	26.8	16.7	25.9
EBITDA margin (%)	9.7	20.9	15.3	16.1	6.2	16.1	9.9	13.0
EBIT	4.4	15.5	11.4	11.9	1.8	19.6	9.1	17.8
EBIT margin (%)	7.2	18.0	11.5	11.4	1.5	11.8	5.4	9.0
NPAT	5.8	13.6	10.1	8.6	3.7	19.9	13.0	20.7
NPAT margin (%)	9.5	15.8	10.2	8.2	3.1	12.0	7.6	10.4
EPS (c)	1.9	4.5	3.3	2.8	1.2	6.5	4.3	6.8
DPS (c)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net debt	-68.5	-71.7	-91.7	-96.0	-94.5	-112.2	-129.6	-161.6
Leverage (x)	-11.7	-4.1	-6.0	-5.8	-12.6	-4.2	-7.7	-6.2
Free cash flow	6.1	2.6	20.9	5.9	-0.2	19.8	20.4	35.3
Dividends	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ROCE (%)	9.9	37.7	47.4	54.4	4.9	49.5	28.5	92.3

Source: SFML model

Figure 21: Pro Medicus 2018-2025

RowName	2018	2019	2020	2021	2022	2023	2024	2025
Shares outstanding	103.4	103.6	103.9	104.2	104.6	104.4	104.4	104.7
Revenue	36.0	50.1	56.8	67.9	93.5	124.9	161.5	213.0
Gross Profit margin (%)	99.4	97.2	99.4	99.3	99.5	99.6	99.8	99.9
EBITDA	22.3	32.0	37.5	49.9	69.7	91.6	120.2	163.0
EBITDA margin (%)	61.9	63.8	66.1	73.5	74.6	73.4	74.4	76.5
EBIT	17.3	25.9	29.8	42.7	62.4	83.7	111.7	155.8
EBIT margin (%)	48.1	51.6	52.5	62.9	66.8	67.0	69.1	73.1
NPAT	12.7	19.1	23.1	30.9	44.4	60.6	82.8	115.2
NPAT margin (%)	35.4	38.2	40.6	45.4	47.6	48.6	51.3	54.1
EPS (c)	12.3	18.5	22.2	29.6	42.5	58.1	79.3	110.1
DPS (c)	6.0	10.5	12.0	15.0	22.0	30.0	40.0	55.0
Net debt	-25.2	-32.3	-43.4	-42.0	-63.7	-91.2	-123.9	-174.5
Leverage (x)	-1.1	-1.0	-1.2	-0.8	-0.9	-1.0	-1.0	-1.1
Free cash flow	7.5	17.4	23.7	31.3	53.2	58.3	80.1	111.5
Dividends	-5.2	-9.8	-10.9	-13.5	-18.8	-26.1	-36.6	-49.1
ROCE (%)	106.9	331.8	285.8	141.2	158.2	181.1	144.0	146.9

Source: SFML model

Figure 22: Reece 2018-2025

RowName	2018	2019	2020	2021	2022	2023	2024	2025
Shares outstanding	560.8	560.8	646.0	646.0	646.0	646.0	646.0	645.9
Revenue	2689.4	5471.8	6013.7	6279.2	7685.4	8861.3	9112.8	8981.4
Gross Profit margin (%)	33.1	28.1	27.8	28.1	27.9	28.4	28.6	28.5
EBITDA	376.4	556.2	628.3	693.2	786.3	921.3	1019.4	903.5
EBITDA margin (%)	14.0	10.2	10.5	11.1	10.3	10.4	11.2	10.1
EBIT	322.6	384.9	395.8	465.7	528.0	639.5	643.0	500.7
EBIT margin (%)	12.0	7.0	6.6	7.4	6.9	7.2	7.1	5.6
NPAT	224.6	202.1	229.0	285.6	392.6	387.6	419.2	316.9
NPAT margin (%)	8.4	3.7	3.8	4.5	5.1	4.4	4.6	3.5
EPS (c)	45.0	36.0	36.5	44.0	61.0	71.0	65.0	49.0
DPS (c)	20.3	20.3	12.0	18.0	22.0	25.0	25.8	18.4
Net debt	-539.9	1481.6	760.5	506.7	869.6	724.8	517.9	590.3
Leverage (x)	-1.4	2.7	1.2	0.7	1.1	0.8	0.5	0.7
Free cash flow	98.3	160.3	498.6	315.7	33.9	602.8	508.8	350.4
Dividends	-100.6	-113.6	-113.6	-77.5	-126.0	-148.6	-161.5	-156.7
ROCE (%)	24.1	11.2	9.4	11.3	10.8	12.7	12.4	9.0

Source: SFML model

Figure 23: Resmed 2018-2025

RowName	2018	2019	2020	2021	2022	2023	2024	2025
Shares outstanding	144.0	144.5	145.7	146.5	147.0	147.6	147.6	147.3
Revenue	2331.7	2595.8	2944.9	3211.6	3569.1	4247.4	4677.8	5146.3
Gross Profit margin (%)	58.2	59.0	59.8	59.1	57.7	56.5	57.7	60.0
EBITDA	666.6	783.9	962.5	1087.6	1155.0	1321.4	1568.2	1871.4
EBITDA margin (%)	28.5	30.1	32.5	34.0	32.3	31.3	33.5	36.4
EBIT	546.6	633.1	807.7	930.9	995.4	1156.2	1391.3	1672.9
EBIT margin (%)	23.4	24.4	27.4	29.0	27.9	27.2	29.7	32.5
NPAT	315.6	404.6	621.7	474.5	779.4	897.6	1021.0	1400.7
NPAT margin (%)	13.5	15.6	21.1	14.8	21.8	21.1	21.8	27.2
EPS (c)	353.0	364.0	476.0	533.0	572.0	644.0	772.0	955.0
DPS (c)	142.0	150.0	156.0	159.0	170.0	180.0	197.0	219.0
Net debt	92.8	1123.7	713.0	360.1	501.5	1213.2	468.9	-541.2
Leverage (x)	0.1	1.4	0.7	0.3	0.4	0.9	0.3	-0.3
Free cash flow	433.6	381.7	696.3	619.9	195.1	559.3	1286.4	1661.7
Dividends	-199.7	-211.7	-225.1	-226.7	-245.3	-258.3	-282.3	-310.9
ROCE (%)	13.2	12.0	15.6	16.7	24.4	16.0	18.8	21.2

Source: SFML model

Figure 24: TechnologyOne 2018-2025

RowName	2018	2019	2020	2021	2022	2023	2024	2025
Shares outstanding	316.7	317.8	318.7	321.1	323.0	325.7	326.1	327.4
Revenue	298.7	285.0	298.3	311.3	369.4	437.2	506.5	599.9
Gross Profit margin (%)	45.7	52.6	53.8	60.3	60.6	63.6	55.5	54.8
EBITDA	71.2	82.5	101.9	124.5	152.3	181.3	213.2	255.7
EBITDA margin (%)	23.8	29.0	34.1	40.0	41.4	42.2	42.2	42.7
EBIT	66.9	76.4	83.2	98.6	114.2	127.8	144.4	174.9
EBIT margin (%)	22.4	26.8	27.9	31.7	30.9	29.2	28.5	29.2
NPAT	51.0	58.5	66.5	72.7	88.8	102.9	118.0	137.6
NPAT margin (%)	17.1	20.5	22.3	23.4	24.1	23.5	23.3	22.9
EPS (c)	16.1	18.4	19.8	22.6	27.5	31.7	36.2	42.1
DPS (c)	11.0	3.2	12.9	13.9	17.0	19.5	22.5	36.6
Net debt	-104.3	-105.0	-125.2	-142.9	-175.9	-223.3	-278.7	-319.6
Leverage (x)	-1.5	-1.3	-1.2	-1.1	-1.2	-1.2	-1.3	-1.3
Free cash flow	45.6	38.6	58.7	62.1	75.5	103.5	120.1	188.1
Dividends	-33.0	-35.9	-39.0	-42.5	-46.1	-56.6	-64.8	-78.4
ROCE (%)	149.8	-142.4	-482.3	1272.2	587.1	487.6	342.7	1330.5

Source: SFML model

Figure 25: WiseTech Global 2018-2025

RowName	2018	2019	2020	2021	2022	2023	2024	2025
Shares outstanding	292.5	318.2	323.3	324.9	326.3	331.9	333.4	334.6
Revenue	171.7	248.4	287.9	377.0	460.9	552.2	683.7	778.7
Gross Profit margin (%)	82.5	80.9	82.1	84.6	86.8	84.6	84.0	86.2
EBITDA	58.5	78.9	90.4	159.1	236.5	268.3	336.6	381.6
EBITDA margin (%)	34.0	31.8	31.4	42.2	51.3	48.6	49.2	49.0
EBIT	45.5	57.2	54.2	111.9	185.6	203.1	249.6	291.3
EBIT margin (%)	26.5	23.0	18.8	29.7	40.3	36.8	36.5	37.4
NPAT	31.6	38.6	105.3	80.8	141.8	143.6	172.2	200.7
NPAT margin (%)	18.4	15.5	36.6	21.4	30.8	26.0	25.2	25.8
EPS (c)	10.8	12.1	32.6	24.9	43.5	43.3	51.6	60.0
DPS (c)	2.1	2.5	2.2	4.9	8.1	10.1	11.1	14.4
Net debt	-88.4	-182.1	-154.4	-235.9	-333.7	54.4	-27.6	-102.4
Leverage (x)	-1.5	-2.3	-1.7	-1.5	-1.4	0.2	-0.1	-0.3
Free cash flow	53.9	44.7	26.9	88.9	144.7	163.9	155.6	214.8
Dividends	-4.7	-6.4	-7.4	-9.8	-19.3	-28.0	-34.3	-42.2
ROCE (%)	24.0	15.2	9.0	16.6	27.5	12.9	14.8	17.4

Source: SFML model

Our aim is to identify and hold long term compounders, those that have the capability to deliver sustainable business moats by growing the gap between themselves and their competitors. History has shown that those who can compound earnings per share also deliver share price performance reflective of that growth. ***SFM***

A par 3 or 72 holes

Over the course of two weeks from late October to early November, we travelled extensively across the U.S. Our portfolio comprises of Australian-listed businesses, yet the vast majority operate globally, with the U.S. serving as the key hub for expansion.

In one investor to chairman encounter, we described our investment philosophy at Selector as vanilla. That is, we identify people and businesses we want to back for an indefinite period, with minimal complexity. No leverage, no hedging and no ability to short other companies. In other words, plain, boring, buy and hold, vanilla.

This U.S.-based company chairman responded by noting our investment method was not necessarily vanilla anymore, and is, in fact, no longer the norm.

He observed that investment managers prepared to buy and hold companies for a long time are becoming rare.

Such a comment from an experienced executive says much about an industry and the patterns of investors who rarely sit still.

Delivering negative investment returns over the short run is frowned upon and owning businesses through the ups and downs of commercial life is for many a bridge too far.

But the truth of the matter is that the delivery of positive investment returns is not linear and loss of capital, while not ideal, is a reality.

Yet the financial industry has conditioned investors to expect good news all the time.

Shaun Manuel is one of the key executives for Australia's leading industry fund, the $400b Australian Super and oversees $100b worth of this focused on domestic companies. He was recently quoted in the AFR, warning of business standards slipping, "*We have to guard against companies that just think they're entitled to a certain percentage of inflow into their stock every week, and that they just take their foot off the pedal."*

Manuel spoke about the lack of fortitude among listed companies, "*What is concerning us is that this increased short-term is drifting into the behaviour of boards and management teams. They are getting distracted by the short term now more than I've ever seen in 30 years in the markets.*"

So why are companies becoming so "short-term"? Perhaps it is because super funds are mandated to think short-term. The introduction of Your Future, Your Super performance tests has eroded the practice of supporting companies based on fundamentals and duration.

Remember, if a super fund finds itself on the wrong end of the annual performance test, it faces severe consequences. As Lucas Baird from the AFR wrote, "*The test ranks funds based on the yearly and longer-term returns on their investments, net of fees, and against a benchmark created by the regulator. If a product underperforms this benchmark by 0.5 per cent or more, it has failed, and the fund must write to their members acknowledging this. If it fails the next year, it is barred from accepting any new members.*"

Treasurer Jim Chalmers takes the view of nothing to see here, "*We'll have another look at the performance test to see whether we can improve it, not water it down. I take my responsibilities as a Labor treasurer seriously as a custodian of super*."

However, as John Kehoe reports in the AFR, "*Critics say the test has led to the homogenisation of investment strategies across funds, steering many to passively track share market indices rather than actively allocating capital to assets that take a longer time to present a viable return, such as start-ups, biotech and private companies."*

It's a sentiment echoed by David Whiteley, global head of external relations at industry-super fund backed IFM Investors, *"We need a test that avoids the risk of herding and doesn't discourage investment that in the long term will deliver better returns to members."*

Although Manuel won't say it, the super fund industry has taken a passive role, investing along index lines so that it doesn't fall foul of the performance test. Think of sheep clustered together, for fear of being caught on the outer.

This is why Australia's largest listed businesses – think Telstra, the banks, the big miners and the supermarket giants – all have the support of the super industry. It's not based on fundamental metrics but on index weighting.

So, rather than the fear of listed companies thinking short term, the real risk lies in industry funds abdicating their responsibilities by gaming a system dictated by the government and administered by the Australian Prudential Regulation Authority (APRA).

Our recent on-the-ground insights, discussions with business leaders and interactions with boards suggest the opposite is true. What many investors cannot stomach is the long-term payoff that so many business leaders actively pursue.

Visiting the likes of CSL, Aristocrat Leisure, ARB, Reece, Breville, PolyNovo and Nanosonics over the U.S. site visits, to name just a few, confirmed the multi-decade approach these management teams are undertaking.

They are not the index leaders that passive funds are gravitating to, but they are expanding and growing internationally with increasing success.

To succeed requires commitment and occasional stumbles. It also involves talent that is not necessarily available locally, nor at the same cost.

The second issue that Manuel didn't raise was the damaging impact proxy advisors are having on company boards and for that matter, shareholders.

It is somewhat lost on the industry that proxy advisors are not shareholders. They have positioned themselves to have voting clout but carry no accountability.

Needless to say, we are in constant disagreement with proxy advisor recommendations. Their key grips are invariably centred on executive remuneration levels and individual director re-elections. Companies and boards must navigate public market issues. They have shareholders to report to, executives to appoint, regulations to adhere to and competition to deal with.

Too often, the remuneration topic centres on the quantum paid and less so on the substance delivered. This is where shareholders and proxy advisors differ so greatly. Owners want good operators, understand that it comes at a cost and sensibly appreciate that competitive tension requires compensation packages to be aligned to financial outcomes.

Director selection and tenure are another sore point. Good boards that add value are few and far between. Once in place, shareholders want them to stay. Where we seek longevity and sensible commercial competence, proxy advisors focus on auditor conflicts and directors who sit on too many boards.

It is a box-ticking exercise applied without thought or consideration. Unfortunately, many institutional investors who sign up to proxy advisor recommendations end up casting votes that are devoid of responsibility.

The recent ousting of James Hardie's chairwoman is a case in point. Shareholders are justified in venting anger and at times retribution. That is at the crux, shareholder democracy.

However, we doubt anyone took the time to directly discuss concerns with the chair. Further, we doubt that proxy holders undertake their board engagements with an open mind. More likely, a cookie-cutter approach is adopted, robbing companies of flexibility.

Finally, the media bears considerable responsibility for how the facts are presented. Too often, what is reported as fact is actually individual opinion.

Such opinions often correspond more with share price performance than business outcomes.

We have seen this play out time and again, adding further pressure on boards to respond, which invariably shifts attention to shorter term matters.

If anything, the concerns that Manuel raises should not be directed to business leaders but to industry funds and proxy advisors that have influenced outcomes to the detriment of shareholders, by applying passive-like index investing and restrictive, non-commercial thinking.

When you tinker with market integrity, such as with our superannuation performance test, you run the risk of unintended consequences. Equally, further entrenching the role of proxy advisors carries with it a groupthink mentality that penalises risk taking, a process that ticks all the boxes but supports mediocrity.

Private v public

ASIC appears awake to the challenges of public markets. In November, the AFR reported on comments from ASIC's Chair, Joe Longo, "*We want to encourage growth in public markets, I don't think anyone thinks it's good they wither.*"

Whereas in the past, the pinnacle of business success was achieving public-listed status, this is no longer the case.

Companies are choosing to stay offline and investors, predominantly the industry funds, are supportive. Why? Being less exposed to daily market fluctuations and investing capital in a private capacity complements its listed passive index approach.

As the AFR noted, "*ASIC reported that company boards are uncomfortable with the increased glare that comes with being listed, including greater media coverage and the intervention of proxy advisors who are paid to advise investors on governance matters. These factors disincentivised listing on the ASX.*"

Ideally everything works well until it does not, "*ASIC has been casting its eye over the growing world of privately held investments, mindful that Australia's superannuation sector is increasingly tilting its focus toward unlisted opportunities, exposing retirees and the broader banking system to black-swan event losses.*"

And this is the regulator's concern. For all its faults, public markets offer two fundamentally important outputs, market liquidity and price discovery.

For those who can stomach the volatility that comes with that, there is the opportunity to own businesses with promising long-term prospects.

The long game

To use a golfing cliché, playing the long game takes some effort. Many opt for the short par three course while very few choose the exacting 72-hole, four-day tournament.

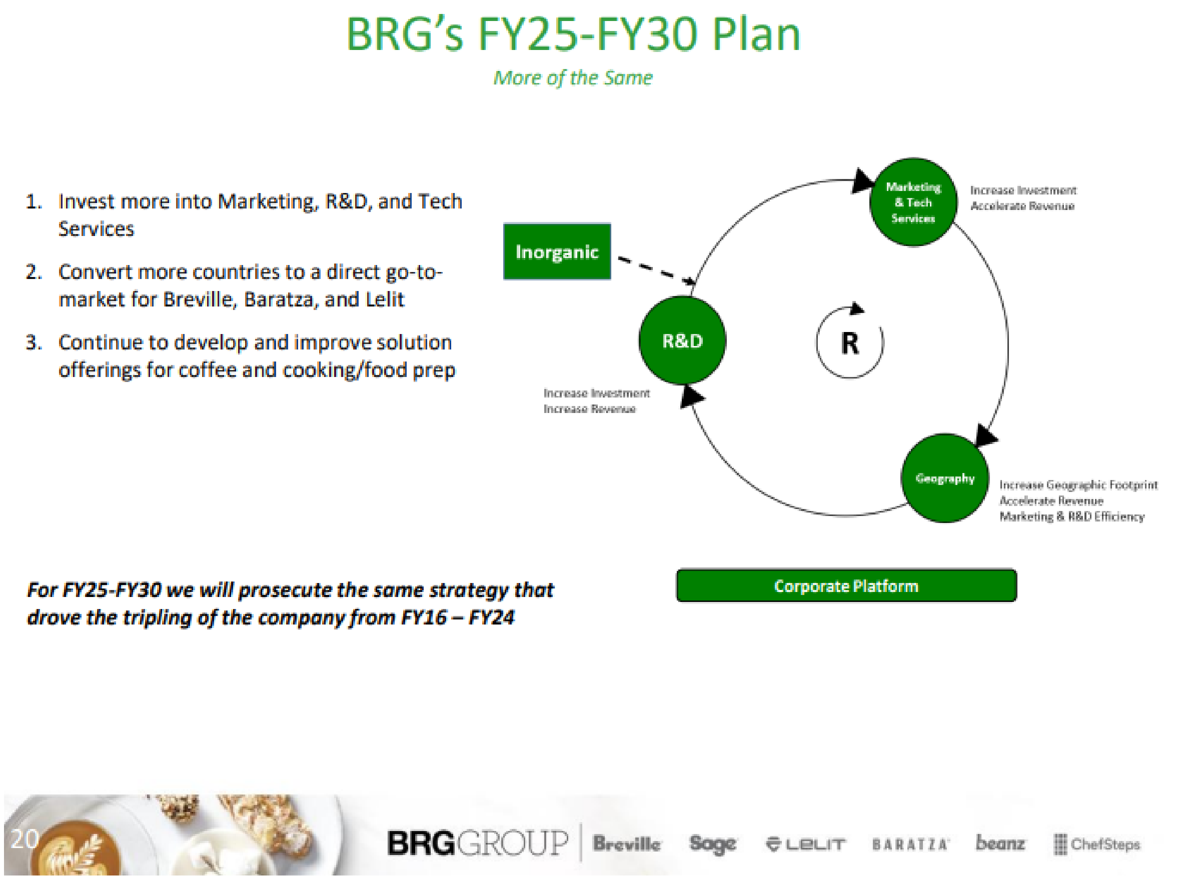
Good businesses play the long game. They avoid short-term distractions and stick to a game plan that ultimately rewards consistent execution. Kitchen appliance company Breville is one such business.

Figure 26: "Forest for trees problem" – Macquarie conference 2024

Source: Breville group May 2024 Macquarie conference presentation

As Figure 26 illustrates, the most recent years have been anything but smooth. Breville set sail in 2015 under the guidance and leadership of newly appointed CEO Jim Clayton. With that came a handpicked executive-leadership team strategically located in global markets, a formidable research and development function based in Australia, and a clear vision to build out a global kitchen appliance offering, led by the key category of coffee.

Figure 27: Breville 2025-2030



Source: Breville group May 2024 Macquarie conference presentation

As we travelled the U.S., which is the company's biggest 'theatre', the presence of Breville appliances in leading retail outlets including William Sonoma, Crate & Barrel, Best Buys and Target were front and centre. The company has not only built brand credibility and trust among its retailer base but continued to execute on its non-negotiable investment in new product development and technology innovation.

Having navigated the economic backdrop of 2018-2024, only to encounter the Part 2 tariffs dilemma of 2025, the business has needed to respond appropriately while staying committed to its long-term strategy.

That approach is now clearly paying off. As other competitors changed tack during the latest Trump tariff rollout, Breville did not.

By maintaining business continuity, it now finds itself in pole position in many key global markets, including Australia and North America.

The 2030 roadmap is clearly laid out. As noted in Figure 27 *"For FY25-FY30 we will prosecute the same strategy that drove the tripling of the company from FY16-FY24."*

Management is executing to that plan, cognisant that even the best-laid plans are not immune to unexpected change. This past year is a reminder that change is constant; the skill is not to confuse short-term noise with long-term objectives.

An excellent management team, a considered and aligned board, a global business mindset, innovative market-leading products, a net cash balance sheet and a preparedness to play the long game sets this business apart from many others. ***SFM***

Taking the metro

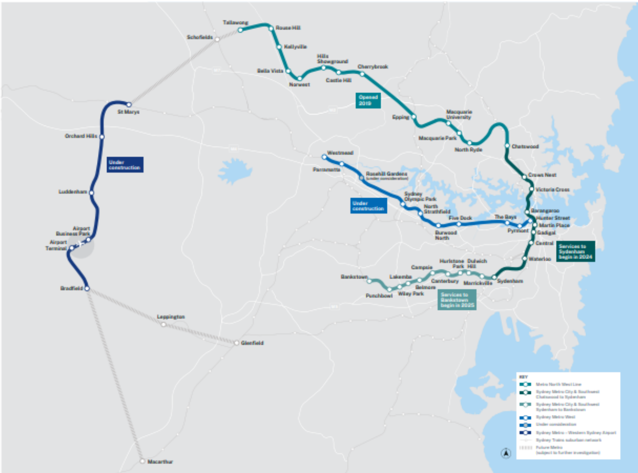
The multi-phase Sydney Metro project, first announced in 2011 and signed off in 2013, was a major transport investment program led by the Liberal government at the time. The previous Labor government had committed to a metro project in 1998, which was subsequently abandoned by the then Keneally Government. Safe to say, it was a long time in the making.

The first milestone, the Metro Northwest Line between Tallawong and Chatswood, opened to the public on 26 May, 2019. The next stretch from Chatswood to Sydenham, crossing under Sydney Harbour and through the CBD, took its first passengers on 19 August, 2024.

Figure 28 & Figure 29 shows the current metro system and the new Martin Place metro station.

Figure 28: Sydney metro system

Our services



Operational lines

We are progressively delivering a new rapid transport system for Greater Sydney. Our Metro North West Line, Australia's first fully accessible and driverless train service, started operating in May 2019.

Metro North West Line	
Location	36 kilometre line running from Chatswood to Tallawong
First passenger service	26 May 2019
Stations	Tallawong, Rouse Hill, Kellyville, Bella Vista, Norwest, Hills Showground, Castle Hill, Cherrybrook, Epping, Macquarie University, Macquarie Park, North Ryde and Chatswood

Construction projects

Three projects were under construction during 2023–24.

Sydney Metro City & Southwest	
Location	30 kilometre metro line extending from the end of the Metro North West Line at Chatswood, under Sydney Harbour, through the CBD and southwest to Bankstown
Stations	Crows Nest, Victoria Cross, Barangaroo, Martin Place, Gadigal, Central, Waterloo, Sydenham, Marrickville, Dulwich Hill, Hurlstone Park, Canterbury, Campsie, Belmore, Lakemba, Wiley Park, Punchbowl and Bankstown
Integrated transport benefits	• Increases system capacity and improves transport network resilience by providing an alternative mass transit mode through the CBD. • Reduces crowding at key stations, including Central, Town Hall, Wynyard and North Sydney. • Improves access to the northern part of the Sydney CBD, the Rocks and Barangaroo's growing waterfront precinct. • Stations along the T3 Bankstown Line currently have a train every six to 15 minutes in the morning peak. When Sydney Metro services start, there will be a train every four minutes in the peak in each direction. Capacity will increase with Sydney Metro being able to move 17,000 people an hour on the Bankstown Line in each direction compared to the suburban train system which can move around 12,000 passengers an hour. • Replacing the T3 Bankstown Line with a new stand-alone metro line will also provide more reliable journeys for rail passengers across Sydney by removing the current bottleneck that occurs as the T3 merges with other railway lines close to the Sydney CBD.
Precinct highlights	Integrated station developments at Crows Nest, Victoria Cross, Martin Place and Gadigal will unlock the potential of Sydney as a growing global city. These developments will deliver new stations combined with commercial buildings, homes, community facilities, public and retail space and better pedestrian connections. The metro station at Waterloo is the catalyst for renewal of the surrounding precinct.
Project announcement	2014
Construction commencement	2017
Budget	$21.6 billion
Estimated opening	Stage 1 Chatswood to Sydenham – 2024 Stage 2 Sydenham to Bankstown – 2025
Key milestones 2023–24	• Station construction works completed on the City section with services set to start in 2024. • 11,000 hours of testing completed between Tallawong and Sydenham as part of operational readiness activities. • 11,360 of the 16,576 metres of security fencing on the southwest section between Sydenham and Bankstown has been installed. • 4,199 of the 4,741 metres of segregation fencing on the southwest section between Sydenham and Bankstown was completed. • All stations from Sydenham to Bankstown were made fully accessible.

Source: Sydney Metro Annual Report 2024

Figure 29: Martin Place metro station

Source: Sydney Metro Annual Report 2024

This investment now forms the basis for further metro station expansion as per Figure 30. The metro network has transformed how the city moves and illustrates the potential of forward thinking and the multiplier effect that such capital projects can deliver when done well.

Figure 30: Sydney metro system 2024-2028

Our operational assets June 2024	Our expected operational assets by June 2028	Our operational assets June 2024	Our expected operational assets by June 2028
36 kilometres of twin tracks between Chatswood and Tallawong	**66 kilometres** of twin tracks between Bankstown and Tallawong **23 kilometres** St Marys to Bradfield	**8** bike parking facilities	**19** bike parking facilities
15 kilometres of tunnels	**40.3 kilometres** of tunnels	**45** trains	**80** trains
13 metro accessible stations	**37** metro accessible stations	**4,000** commuter parking spaces	**5,700** commuter parking spaces
4 kilometres viaduct and bridges	**7.5 kilometres** viaduct and bridges	**8** power substations	**10** power substations
1 stabling and maintenance facility	**3** stabling and maintenance facility	vertical transport **45** lifts **78** escalators	vertical transport **127** lifts **184** escalators

Source: Sydney Metro corporate plan 2024-2028

In the business world, that same forward thinking is often demonstrated through investment in research and development. The fruit of which is often seen years after having first planted the seeds. But that is the prize, just as many are now enjoying the new taste of modern travel.

Why is this even relevant?

On 23 October, we took the metro from Martin Place to Macquarie University to attend Cochlear's 30th annual general meeting as a listed business.

It certainly would have been easier to 'Zoom' in, as is the norm these days, but there is value in attending in person. Not to mention, Cochlear's extensive and impressive campus, which is a fitting place to hold such an event.

The most obvious benefit is our undivided attention, without office distraction, in an environment that facilitates discussion amongst directors and executives.

The second point is engagement. How each resolution is considered and the responses of each director seeking re-election, always come with subtleties in delivery and live engagement.

Then there are the off-chance moments, when your understanding of the business grows exponentially, simply because your curiosity prompts you to ask questions after the meeting.

In our case, it happened on the topic of Cochlear's newest implant, following the 12 June announcement to the market, "*Cochlear launches world's first and only smart cochlear implant system with upgradeable firmware*", illustrated in Figure 31.

Figure 31: Nucleus Nexa system

Source: Cochlear's new Nexa system, annual report 2025

The Nucleus 'Nexa' cochlear system sets a new bar for the industry. The group's Chief Technology Officer, Jan Janssen, having joined the business in 2000, said on its public release, "*The new Nexa implant features a state-of-the-art chipset with onboard diagnostics, which has the capability to reduce the burden on carers and recipients by enabling the system to self-monitor. As the first implant with internal memory, recipients' unique* *settings can be stored on the implant and easily transferred to any Nucleus Nexa Sound Processor. The implant has been designed to further Cochlear's record of outstanding implant capability.*"

Janssen engaged with us after the meeting, discussing Nexa and the cochlear implant evolution. He provided perspective on why this release is seen as a technological leap and an important differentiator.

Even more revealing was the absence of fellow investment managers and Industry healthcare analysts. Nor were the major proxy advisors present. Credit to the Australian Shareholders Association (ASA) for turning up and seeking their own insights. Perhaps this top 50 ASX-listed company, with a $19b market worth doesn't warrant the closer attention that other businesses enjoy. We beg to differ.

The 30-minute breakout session, following the AGM formal proceedings, gave attendees the opportunity to see a live show-and-tell by Cochlear employees on the new Nexa implant, adding weight to CTO Janssen's views.

Equally impressive is the Cochlear campus location. As CEO Dig Howitt pointed out, it is unique in the global cochlear hearing field for a company to enjoy end-to-end access and capabilities across such a wide range of expertise, including the resources of Macquarie University, Macquarie Hospital, the hearing hub acoustic centre, post cochlear implant care centre, as well as the likes of Google, incorporating Artificial Intelligence with the aim to improve hearing outcomes in noisy environments.

Further to this is Cochlear's own manufacturing base, which houses the 700-odd implant specialists who hand-assemble the implant components. All in all, an impressive and comprehensive set of assets and relationships.

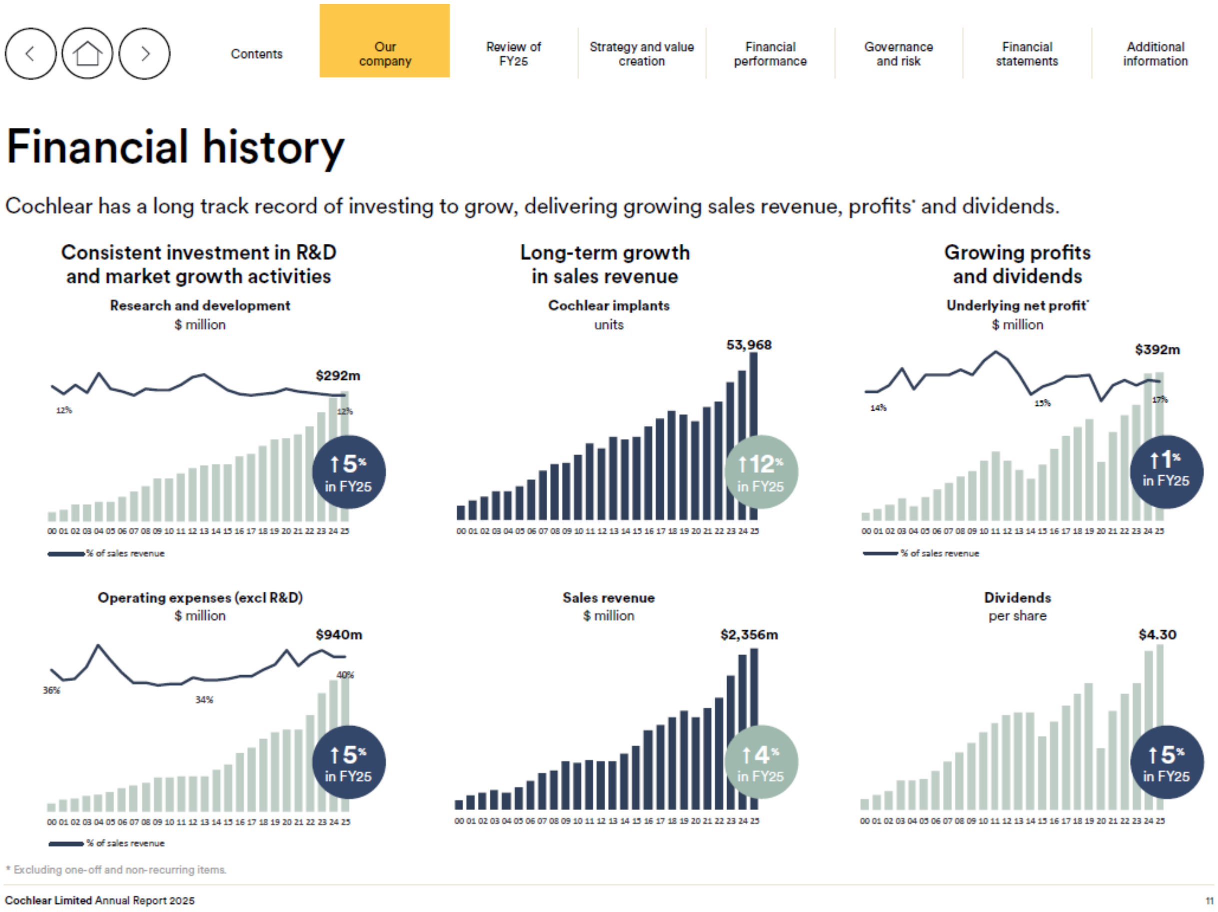
Some may construe our low turnover portfolio approach to investing, historically sitting below 10% per annum, or the depth of understanding we have of each business, as increasing the risk of confirmation bias.

It is a view we disagree with. Yes, there is bias in what we do. Not sure how you can invest with any degree of confidence without showing some bias. We keep that in check by seeking businesses with attributes that can go the distance, deliver real earnings per share growth and operate with conservative financial metrics around debt and cash flow.

Cochlear is one such company that fits the bill. Is there bias? Yes, but for good reason, it delivers. Figure 32 illustrates what good looks like when considered over two decades.

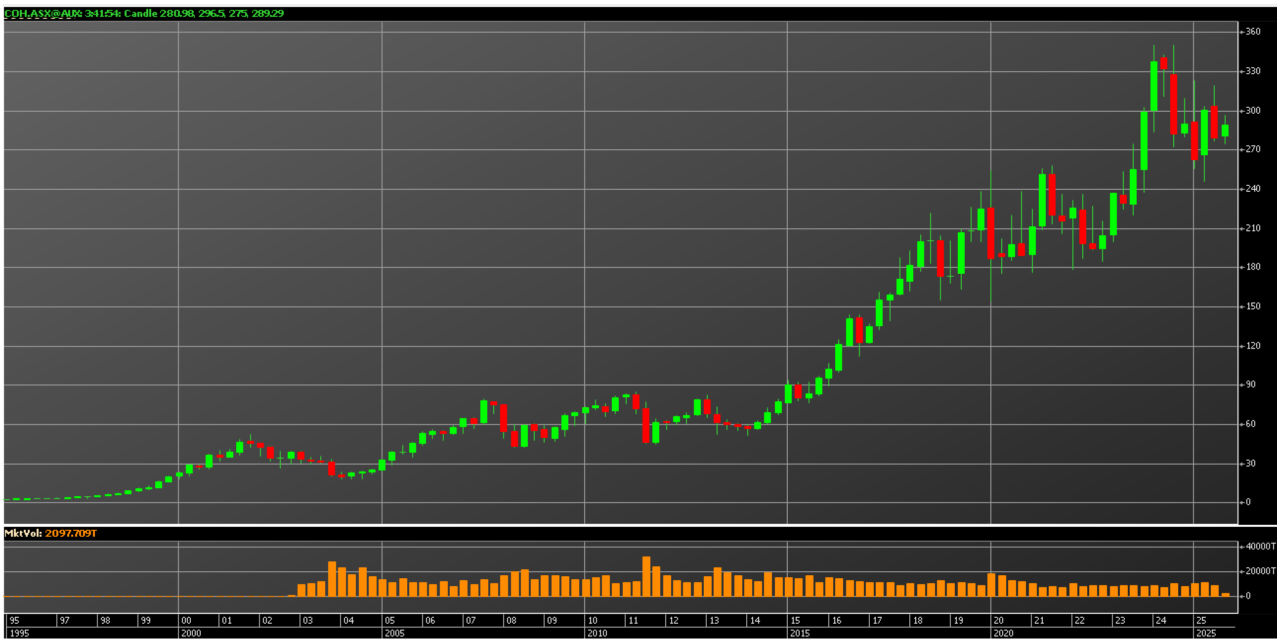
The link between financial delivery and share price performance is equally evident in Figure 33.

Figure 32: Cochlear's track record 2000-2025



Source: Cochlear's Annual Report 2025

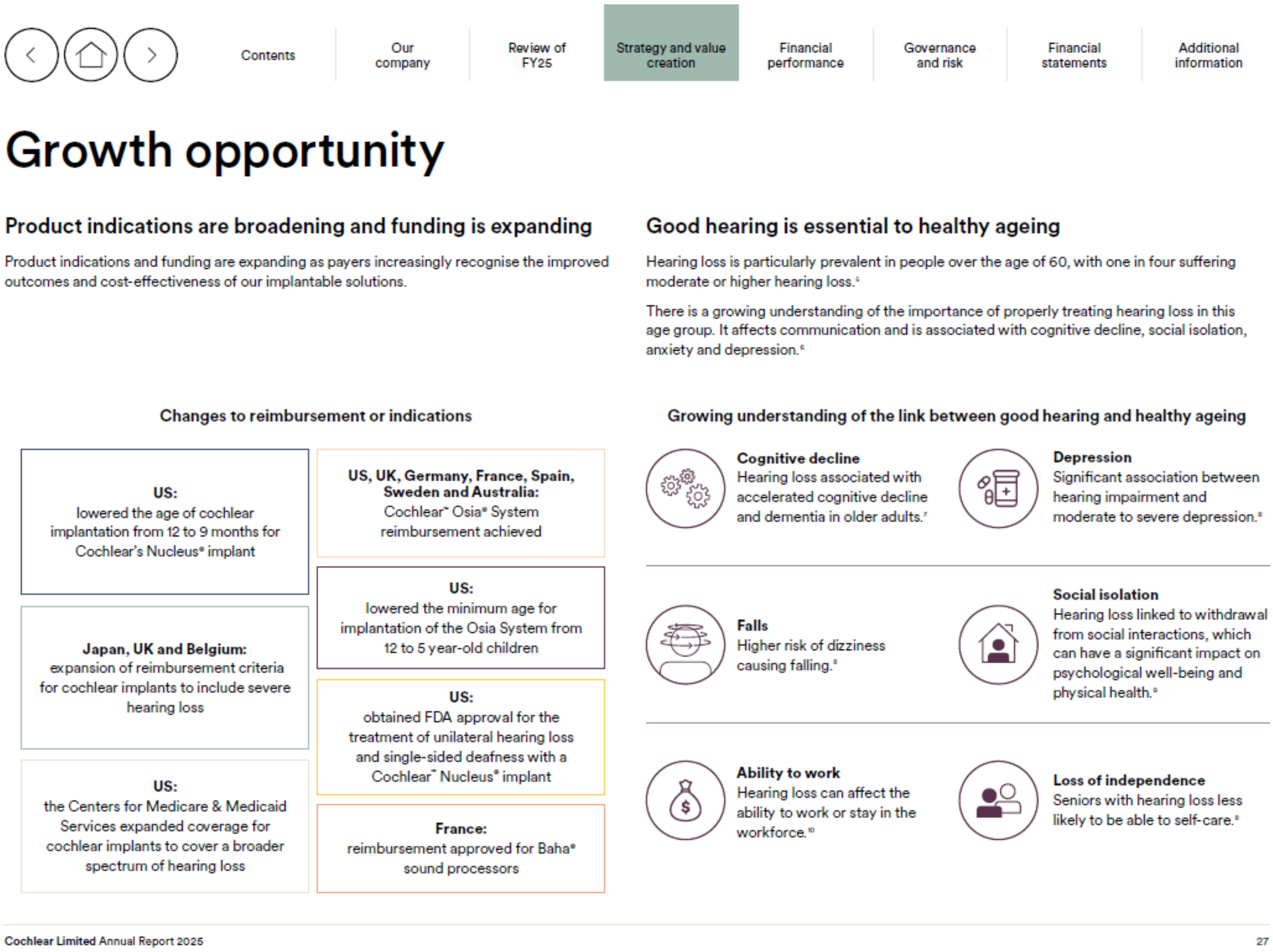
Figure 33: Cochlear's 30-year track record performance 1995-2025



Source: Iress

It is said that past performance is not illustrative of future performance. That also depends. Confirmation bias? Maybe, but the structural trends in hearing are clearly heading in one direction, as noted in Figure 34.

Figure 34: Cochlear implant opportunity



Contents | Our company | Review of FY25 | Strategy and value creation | Financial performance | Governance and risk | Financial statements | Additional information

Growth opportunity

Product indications are broadening and funding is expanding

Product indications and funding are expanding as payers increasingly recognise the improved outcomes and cost-effectiveness of our implantable solutions.

Changes to reimbursement or indications

US: lowered the age of cochlear implantation from 12 to 9 months for Cochlear's Nucleus® implant

US, UK, Germany, France, Spain, Sweden and Australia: Cochlear™ Osia® System reimbursement achieved

US: lowered the minimum age for implantation of the Osia System from 12 to 5 year-old children

Japan, UK and Belgium: expansion of reimbursement criteria for cochlear implants to include severe hearing loss

US: obtained FDA approval for the treatment of unilateral hearing loss and single-sided deafness with a Cochlear™ Nucleus® implant

US: the Centers for Medicare & Medicaid Services expanded coverage for cochlear implants to cover a broader spectrum of hearing loss

France: reimbursement approved for Baha® sound processors

Good hearing is essential to healthy ageing

Hearing loss is particularly prevalent in people over the age of 60, with one in four suffering moderate or higher hearing loss.[5]

There is a growing understanding of the importance of properly treating hearing loss in this age group. It affects communication and is associated with cognitive decline, social isolation, anxiety and depression.[6]

Growing understanding of the link between good hearing and healthy ageing

Cognitive decline Hearing loss associated with accelerated cognitive decline and dementia in older adults.[7]

Depression Significant association between hearing impairment and moderate to severe depression.[8]

Falls Higher risk of dizziness causing falling.[9]

Social isolation Hearing loss linked to withdrawal from social interactions, which can have a significant impact on psychological well-being and physical health.[9]

Ability to work Hearing loss can affect the ability to work or stay in the workforce.[10]

Loss of independence Seniors with hearing loss less likely to be able to self-care.[9]

Cochlear Limited Annual Report 2025 27

Source: Cochlear's Annual Report 2025

There is a tendency in investing to take short cuts. Our bias comes from learning. Time, diligence, curiosity, travelling, conversing and following a time-tested investment process, alongside a roadmap that considers important attributes to determine whether businesses are held over long durations.

Attending AGMs in person may be just one small piece of the puzzle, but it can end up being the most important.

At the conclusion of our two and a half hour time spent with Cochlear, we took the 21-minute metro ride back to the city.

Was it worth the $9 return metro ticket? Absolutely. ***SFM***

James Hardie – an independent legal perspective

At a recent annual general meeting, a question was asked of the CEO regarding a series of investments made. The response was telling on two fronts. The first spoke to the group's holding intentions, *"I would say that . . . In the next 50 years, we won't give a thought to selling those positions."*

The issues at James Hardie have been well documented in the media and the annual general meeting in October proved to be equally eventful.

Below, we provide an independent legal perspective free from hyperbole and grandstanding, and most importantly, backed by legal expertise.

James Hardie, the board and management may not have executed the acquisition and subsequent funding of leading U.S. decking company AZEK to everyone's liking. While this is clear, the ensuing reaction from a subset of shareholders and proxy advisors has been, and continues to be, emotional and at times unhinged.

It is barely six months since the deal closed, far too early to tell whether the AZEK deal is the right or wrong choice. Paid too much perhaps, but our understanding of the business and where the industry is heading would suggest the combination of the two is moving in the right direction.

We sought and were granted permission from the author, Will Heath from King & Wood Mallesons, to reproduce the following piece, written on 30 September 2025, prior to the company's AGM.

Let's let listed company directors take risks

Authored by: Will Heath, King & Wood Mallesons

"The ASX's current listing rules and waivers fail Australian shareholders. This has made it necessary for shareholders to take matters into their own hands and to constitutionally enshrine protections, the likes of which are afforded to shareholders in many other countries. Even third-world countries have better protection than ours on this front." - Simon Mawhinney, Allan Gray

"If the ASX doesn't shut the loophole in the listing rules that allows companies to shaft their owners by issuing equity to vendors for acquisitions, then investors will shut the loophole themselves." - Dean Paatsch, Ownership Matters[1]

With a large serving of hyperbole, an activist investor and a proxy adviser recently claimed that Australian listed company law fails shareholders. That claim apparently justifies two movements for change: first, proposed amendments to the ASX Listing Rules and, second, proposed amendments to listed company constitutions to tip the balance in favour of shareholders.

This note examines the arguments in favour of change and argues they are overstated and illogical. Moreover, the imposition of more red tape on listed companies, their boards and executive teams is not productivity enhancing. It will stifle potential economic activity and will distort the foundations of Australian company law, which vest decision-making in listed company boards and officers who, unlike shareholders (activist or otherwise), owe statutory duties to act in good faith in the company's best interests.

How did we get here?

James Hardie Industries Plc – which is not an Australian public company but was and remains listed on ASX – announced on 24 March 2025 that it would acquire AZEK, an NYSE-listed company. The acquisition was structured in part as a 'scrip-for-scrip' deal: James Hardie agreed to pay a cash amount and also issue a certain number of ordinary shares so that, on completion of the transaction, James Hardie and AZEK shareholders would own approximately 74% and 26% of James Hardie respectively.

The proposed issue of shares by James Hardie under the acquisition enlivened ASX Listing Rule 7.1. The rule generally prevents a listed company from issuing more than 15% of its equity capital in a 12-month period unless shareholder approval is obtained or an exception applies. Two well-recognised and deployed exceptions facilitate scrip-for-scrip takeovers and schemes. These exceptions exist because it would otherwise be difficult for a listed company (as a bidder) to complete a

[1] *Each as quoted in the Australian Financial Review "Fury over James Hardie deal won't die" (12 September 2025).*

takeover or scheme were it required to seek approval from its own shareholders. ASX Guidance Note 21 also expressly states that ASX will consider granting a waiver for a listed company to make a cross-border scrip-for-scrip acquisition into certain countries including the US and UK. James Hardie obtained a waiver from Listing Rule 7.1 on this basis and was therefore able to acquire AZEK without a shareholder vote.

Following announcement of the transaction, there were criticisms that the transaction overvalued AZEK[2] and exposed James Hardie to too much leverage[3]. These criticisms snowballed into claims that James Hardie shareholders should have been given a vote on the transaction and that the ASX Listing Rules should be changed so a transaction of this *kind "never happens again"*[4].

As a result, and as discussed in our separate note here, ASX is undertaking a consultation on Chapter 7 of the ASX Listing Rules and others matters.

Regardless of the outcome of ASX's consultation on Listing Rules, shareholder activism has pushed further. Encouraged by substantial shareholder and activist Allan Gray[5], one listed company[6] is proposing to amend its constitution so that it may not undertake a non-pro rata share issuance in excess of 25% of its equity capital in any 12-month period without shareholder approval. The proposed amendment *"aims to restrict significant share issues without shareholder approval such as those made under a takeover bid or scheme arrangement [sic] where the company shares are offered as scrip consideration in a material acquisition"*[7]. Allan Gray stated: *"This is something all companies should adopt. It's about shareholder rights and good corporate governance."*

But is it?

The flaws in the case for more red tape

The case for change to the ASX Listing Rules and the push for more restrictive listed company constitutions is based on a sweeping assertion that Australian company law offers less than 'third world' shareholder protection where 'loopholes' exist to allow shareholders to be 'shafted'.

There are a number of flaws in the assertion:

1. First, Australian listed company directors and officers are subject to very strict statutory (and in the case of directors, fiduciary) duties that, amongst other things, require them to act in good faith in the best interests of the company and with reasonable care and diligence. These statutory duties cannot be modified or 'contracted out of', unlike certain comparable duties of directors of foreign companies. Australian company directors' and officers' statutory duties require an independent and honest decision to be taken having regard to the interests of the company and shareholders as a whole, not merely those shareholders with the biggest voice.

Second, shareholders in Australian listed companies are well protected by a robust regime of shareholder rights. Listed company shareholders enjoy the right to vote at least annually on a 'two strikes' resolution, on director election/re-election, and on various other matters under the Corporations Act and ASX Listing Rules. Further, listed company shareholders enjoy various specific rights relating to board composition which ensure the board remains accountable to shareholders. These rights include the right to nominate candidates for board election, the right to remove directors at any time under section 203D of the Corporations Act, and certain rights to call general meetings (or to propose resolutions). Unlike other jurisdictions, these appointment, removal and requisition rights exist in statute and/or the ASX Listing Rules and generally cannot be eroded by a company 'contracting out' in its constitution. These rights are also the result of extensive policy and parliamentary consideration and should not be changed on a whim.

Third, whatever your views on them, ASX Listing Rule 7 and Guidance Note 21 – which set out ASX's approach to new share issuances – have always been publicly available to all shareholders and the market as a whole. The claim that there are 'loopholes' is an exaggeration – the waiver obtained by James Hardie was clearly within ASX's stated guidance and analogous transactions.

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[2] *"James Hardie investors worried $14b Azek deal is overvalued" Australian Financial Review (24 March 2025).*

[3] *"How James Hardie's board bowed to Azek and agreed to a $14b deal" Australian Financial Review (6 May 2025).*

[4] *"Why a decking company has made James Hardie shareholders so livid" Australian Financial Review (27 June 2025).*

[5] *Which owns approximately 20% of Orora Limited.*

[6] *See Orora Limited, Notice of Annual General Meeting issued on ASX on 12 September 2025.*

[7] *Page 11*

Behind its hyperbole, the activist push for further restrictions in ASX Listing Rule 7 and listed company constitutions is in substance a call for greater anti-dilution protection. Such protection may not be in the best interests of listed companies nor their shareholders as a whole. In particular, constitutional requirements for shareholder approval of new non-pro-rata equity issuances above a specified level may come with new costs and create unintended consequences.

In the public M&A context, a listed company that requires its own shareholders to approve scrip issuance under a transaction may be viewed as a less attractive and competitive bidder to a potential target. Additionally, the target may seek the largest lawful reverse break fee to be paid if the listed company's shareholders vote against the scrip-for-scrip issuance. That is, the 'ask' for a vote by activist shareholders of a bidder can become a 'gun to their heads'.

From a fundraising perspective, a constitutional requirement for shareholder approval of non-pro-rata equity issuances above an equity 'ceiling' may unduly constrain listed companies' fundraising options. Much will depend on the level of the 'ceiling' and the drafting of what constitutes a 'pro rata' offer, but a critical point is that company constitutional provisions cannot (unlike the Listing Rules) be waived. Equity fundraising circumstances can also be time-critical and may not fit neatly with listed company shareholder approval processes which typically take over a month.

Shareholder approval requirements do not guarantee that shareholders will not be 'shafted'. As we have seen in public M&A and other contexts, it is the shareholders on the register at the time of the vote that have the say. After announcement of a transaction, shorter term investors like hedge funds can and do enter the fray before a shareholder vote and can influence the outcome contrary to the expectations and views of existing long-term holders.

Restrictions on non-pro-rata equity issuances may encourage listed companies to look at leveraged financing alternatives or (as was the case in James Hardie) a combination of (leveraged) cash and scrip funding for transactions.

These are but some of the complex issues associated with any new anti-dilution red tape in the ASX Listing Rules and listed company constitutions. We think great caution should be exercised before changing the rules because of one transaction.

James Hardie Annual General Meeting

The results from the company's AGM are shown below in Figure 35.

Figure 35: Hardie AGM resolution results

Results of AGM

Resolutions voted on at the meeting					If decided by poll					Proxies received			
Resolution		Result	Voting method	If s250U applies	Voted for		Voted against		Abstained	For	Against	Abstain	Discretion
No	Short description				Number	%	Number	%	Number	Number	Number	Number	Number
1	Financial Statements and Reports	Passed	Poll	n/a	452,223,037	99.02	2,731,712	0.60	1,739,278	452,173,826	2,731,712	1,739,278	N/A
2	Remuneration Report	Defeated	Poll	n/a	153,555,849	33.62	302,591,574	66.26	546,504	153,506,738	302,591,574	546,504	N/A
3(a)	G Hendrickson election	Passed	Poll	n/a	266,379,162	58.33	189,525,806	41.50	791,385	266,327,625	189,525,806	791,385	N/A
3(b)	J Singh election	Passed	Poll	n/a	448,431,562	98.19	5,670,877	1.24	2,593,914	448,380,025	5,670,877	2,593,914	N/A
3(c)	H Heckes election	Passed	Poll	n/a	252,376,341	55.26	203,739,171	44.61	580,841	252,324,804	203,739,171	580,841	N/A
3(d)	Peter John Davis re-election	Defeated	Poll	n/a	215,810,842	47.25	240,368,504	52.64	517,007	215,759,305	240,368,504	517,007	N/A
3(e)	A Lloyd re-election	Defeated	Poll	n/a	148,792,928	32.58	307,368,645	67.30	534,780	148,741,391	307,368,645	534,780	N/A
3(f)	R Rodriguez re-election	Defeated	Poll	n/a	184,061,665	40.30	272,089,005	59.58	545,683	184,010,128	272,089,005	545,683	N/A
4	Authority to fix external auditor remuneration	Passed	Poll	n/a	451,515,630	98.87	3,844,122	0.84	1,334,275	451,466,419	3,844,122	1,334,275	N/A
5	Grant of Return on Capital Employed (ROCE) Restricted Stock Units (RSUs) to CEO	Defeated	Poll	n/a	221,642,597	48.53	233,7169,129	51.18	1,335,201	221,593,486	233,716,129	1,335,201	N/A
6	Grant of Relative Total Shareholder Return (TSR) RSUs to CEO	Passed	Poll	n/a	435,419,268	95.35	19,563,120	4.28	1,711,539	435,370,157	19,563,120	1,711,539	N/A
7	Issue of Shares under the James Hardie 2020 Non-Executive Director Equity Plan	Passed	Poll	n/a	446,949,932	98.36	4,586,197	1.01	2,861,328	446,900,821	4,586,197	2,861,328	2,296,470
8	Increase to non-executive director fee pool	Defeated	Poll	n/a	186,822,985	41.11	264,503,544	58.21	3,070,717	186,773,874	264,503,544	3,070,717	2,296,681

Source: James Hardie ASX company announcement 30 October 2025

As Heath noted in his article, the legal process of shareholder rights exists to enact change. In this instance, shareholders voted to remove three existing directors, including Chair Anne Lloyd, while supporting the appointment of three unknown directors, all former AZEK directors.

We doubt that any institutional shareholder who voted against the sitting directors engaged with them before the meeting, something we would argue is a prerequisite in carrying out their shareholder obligations.

We did, both before and after the meeting, to bring balance and understanding, without emotional attachment. Our view stands that shareholders have done a disservice to the company's other shareholders in voting against the re-election of the Chair, in particular.

Heath has since written another piece, published on 11 November 2025, which explores the potential implications of the James Hardie matter and is reproduced below.

Change is coming: shareholder approval requirements under ASX listing rules

On 20 October 2025, ASX released its public consultation on shareholder approval requirements under the ASX Listing Rules. The ASX is seeking submissions on the issues by 15 December 2025. We intend to make a submission and – whether you are a listed entity director, officer, executive, shareholder, adviser or market participant – we would be delighted to hear your thoughts.

What's changing?

ASX acknowledges that the calls for change to the Listing Rules arose from James Hardie's acquisition of AZEK. A number of institutional and activist investors criticised the deal. As we described in the last edition of its Public, complaints were made not only against James Hardie, but also about ASX and the scope of the ASX Listing Rules.

ASX sought initial confidential feedback on potential changes to the Listing Rules before publishing its public consultation paper. That initial feedback frames not only the scope of ASX's public consultation but also drives initial suggestions by ASX for reform.

In summary, ASX has identified four potential areas for change.

First, ASX has stated it would have 'no objection' to imposing a shareholder approval requirement on an ASX-listed bidder which is issuing 25% or more of its ordinary equity capital under a scrip-for-scrip scheme or takeover. Currently, an ASX listed bidder can issue up to 100% of its ordinary securities (as at the date of announcement of the transaction) under a scrip-for-scrip scheme or takeover under exceptions 6 and 7 in ASX Listing Rule 7.2. This exception has essentially been in place since the 1996 Listing Rules Simplification. It was subject to refinement (in relation to reverse takeovers) in 2017, which put the 100% 'cap' on the exception. Based on confidential feedback from institutional investors, ASX now seems amenable to accept 25% to bring the Listing Rules broadly in line with international counterparts. The move towards international alignment will need to recognise that a stricter shareholder approval requirement may make ASX-listed bidders offering scrip in a competitive auction less attractive, as we recently argued.

The second and third potential areas for change relate to changes to listing status. ASX is considering introducing a potential new requirement that a dual-listed company should seek shareholder approval if it wishes to change its admission status to be an ASX Foreign Exempt Listing. Similarly, ASX is considering introducing a potential new requirement that a dual-listed company should seek shareholder approval to delist from ASX even if it will continue to maintain its foreign listing elsewhere. These changes may impact the attractiveness of ASX as a listing location for some foreign companies.

The final area for potential change noted by ASX is Listing Rule 11. Certain activist and institutional shareholders have pushed ASX for a new requirement for shareholder approval 'of any significant acquisition whether or not it involves an issue of securities, or potentially for any significant transaction whether it is an acquisition or disposal.' Their argument is essentially for a re-writing of Listing Rule 11. ASX's position, outlined in the public consultation paper, is that it does not propose to change Listing Rule 11 because it considers the 25% 'cap' change in Listing Rule 7 sufficient.

Too many cooks in the kitchen

These potential changes raise concern. While unlikely to get up, the most difficult to grasp is the last point: shareholder approval would be required for *“any significant acquisition whether or not it involves an issue of securities, or potentially for any significant transaction whether it is an acquisition or disposal.”*

This would result in a complete reset of current rules, but who would be accountable in the fullness of time? When there are boards and management teams, they are accountable. The U.S. legal system has made suing an art form, with companies in the U.S. constantly in legal stoushes.

If shareholders start to dictate terms, at what point do boards become redundant? When shareholders vote, contrary to a company's intention, should they commit to remaining invested for a duration, or can they flip-flop based on individual whims?

One thing is clear: changes are afoot.

However, as Heath points out, the media and activist grandstanding has led to a great deal of "hyperbole" and "sweeping statements".

Companies are led by their board and management teams. They make decisions, invest and represent all shareholders. Some get it right, some get it wrong. The system isn't perfect, nor is it broken. If there is concern, it should be directed to proxy advisors, who are both unelected and unaccountable.

We trust that Will Heath has provided some balance to an otherwise one-sided media parade. ***SFM***

Step change & evolution

Remuneration

Like it or not, Telsa with Musk at its helm has been a thought leader and pacesetter for over two decades.

Recently Elon Musk labelled shareholder advisory firms ISS and Glass Lewis as ‘corporate terrorists.’ The remarks came after both firms advised Tesla investors to vote against his proposed US$55 billion pay package (US$1 trillion at its peak). This is a revived version of the 2018 deal previously struck down by a Delaware court for being ‘deeply flawed.’

ISS and Glass Lewis argued that Musk’s compensation was excessive, diluted shareholder value and failed to align with long-term investor interests. Musk sees their opposition as an attack not just on him, but on Tesla’s independence and innovation.

Writing on X, Musk accused the firms of voting along ‘random political lines’ and wielding unaccountable power over corporate governance. *“They’re like corporate terrorists, deciding the fate of companies they don’t even build”.*

Musk said on an analyst call that *“it’s not like I’m going to go spend the money. There needs to be enough voting control to give (me) a strong influence – but not so much that I can’t be fired if I go insane.”*

If Remuneration practices and ownership structures are an important fundamental, why is it often outsourced to a non-transparent third party? Tesla may be an outlier, but the old premise that incentive drives behavioural outcome, generally holds true. Australian investors need to understand that our remuneration expectations can limit the talent pool available to our home-grown businesses when they seek leadership talent based in the U.S. or running a U.S. venture.

Reece

Following the strained communication during the financial year result in August, and the announcement of the off-market buyback in September, Reece AGM was a concise and carefully worded affair that allowed investors to join some dots. Chair & Chief Executive Officer Peter Wilson lead off with comments.

“To become the business we are today, we've benefited from our unique ownership structure, which provides a multi-decade time horizon. Our focus is on maintaining the benefits that this ownership structure has delivered whilst bringing in new skills and expertise in our independent directors. In practice, this makes us look quite different to many other ASX-listed companies. We embrace this uniqueness proudly because it is one of the reasons for our success”.

The 2025 remuneration report received a second strike, and the Reece board survived the “toothless” spill motion with 97% voting against the proposition.

In response to a question from the Australian Shareholders Association (ASA) on why the short-term incentive was not reduced to “0”, the Chair & Chief Executive Officer Peter Wilson explained.

“The Remuneration framework is designed to attract and retain talent. We benchmark all our jurisdictions with an increasing weight to the U.S. because that's where the growth and the biggest part of the business is going to come from.”

For a follow up question they asked, *“Why then are you so concerned to link your remuneration to U.S. practices”*.

By way of background, Wilson noted they are seven years into a multi decade runway. Today the USA accounts for 291 of Reece’s 900 branches and in FY25 generated $5b of the Groups $9b in sales and $405m of its $900m EBITDA. If tomorrow includes the next 20 years, the U.S. will dominate Reece’s future financials by accounting for most of the group’s growth. While not directly comparable a rough rule of thumb suggests that a U.S. store generates double that of an Australian store when considered in AUD terms.

Wilson answered the ASA in very clear language, *“…we're spending a lot of time and a lot of focus in the U.S. And look, for what it's worth, just adding to it, when you compare the U.S. to Australia, there's a lot of magic to the U.S. because they do encourage risk, they do encourage entrepreneurship and they encourage outliers and then they reward for it. And that's why you get the magic of the U.S. In Australia, we obviously -- we have a different jurisdiction and it's all about fitting into the swim lane and into the governance and into the average. So, I think the U.S. have got it right. So that may not be what you want to hear.”*

Commitment questioned

After the financial year 2025 results commentary, investment banking analysts went to water, questioning the commitment of the founding family, and the U.S. strategy while pricing the business as if it would never grow again.

In contrast, over the first quarter of FY26 Reece opened 15 new branches (10 in the US) and rebuilt in full the waterworks team and installed a new leader. At the same time an off market $365m share buyback was announced. Effectively the Wilson family paid a premium to market to materially increase its stake in the business to a level Peter Wilson described *as "Off the top of my head, just over 70%. I think 70.1% after the buyback"*.

Whether or not this proves to be the bottom of the cycle is not overly relevant. This is a business they have owned for 50 years, and they are on a multi decade march.

In November, we spent time on the ground in the U.S. visiting half a dozen new and newly renovated existing stores. We talked to customers and team members.

We witnessed firsthand the experiments underway to adjust a model that already represents a differentiated service offering in the customers eyes. There are clearly better months and worse months and performance varies across micro economic climates. Orange County may be strong and inland softer as an example. A short-term appraisal is not the way to assess this investment. In reality, a lower 30-year mortgage is required to shift housing starts.

What is clear is that teams of 5-6 in smaller branches and more than 20 at larger sites understand what needs to be achieved and are clearly up for the challenge. They see personal opportunities for progression, a strong ethical culture and an owner who is engaged and willing to invest to grow the footprint materially. To a person they understand the magnitude of the white space.

The simple dots to join include; the right people, a very large opportunity, a differentiated service offer, an aggressive store rollout, a long-term commitment to getting the model right, a single digit EBITDA multiple (U.S. deals can command between 15 and up to 25x) and a 70% owner willing to pay above market at the nadir of the housing cycle that has been contracting for four years. To be clear the return on capital employed (ROCE) is at a cyclical low point, the Wilson family continues to invest in the business, and they are also buying shares at a faster rate than we have seen in 25 years.

On top of this we layer a passionate founder with an excellent management team, who understand cashflow, debt, ROCE and real EPS growth. Collectively they are driven and willing to do what's right for the business rather than follow the average path of pandering to proxy firms and large super funds.

Like Musk, Wilson is part maverick and calls it how he sees it. The financial year results call was an example. He is a true entrepreneur if you prefer the sanitised version, a highly driven founder. And in a similar vein, he's not doing this so he can run off and spend the money. Both individuals are beyond that.

The Buyback continues

An on-market buyback of $35 million was announced a week after the AGM, this was the residual rump of the $365m which was to start on December 12th.

On the 22nd of December, Reece announced an additional $50m increase to the on-market buyback taking the target to $85m. The company noted that this reflects a disciplined approach to capital management and ongoing commitment to delivering shareholder value.

Structural change in USA employment?

On 17th of December Christopher Waller, the top internal candidate to lead the Fed, warned that American jobs growth was now *"close to zero"* and said interest rates should be lowered *"at a moderate pace"* next year to support employment. *"We're close to zero jobs growth, now that's not a healthy labour market,"* he told the Yale CEO Summit on Wednesday. *"I still think we're probably ... 50 to 100 basis points off of neutral,"* Waller said, referring to the level of interest rates that neither boosts nor throttles economic growth. *"We've still got some room, we could bring things down."*

The long-delayed government report on Tuesday the 16th December showed that 64,000 jobs were gained in November, while 105,000 jobs were lost in October. Job losses in June, August and October mean the U.S.

economy has shed jobs in three out of the past six months.

The U.S. unemployment rate rose to 4.6% in November, its highest in more than four years, fuelling questions about the economy's underlying strength.

Despite the shut down the decline in jobs created came with no real surprise. What is a concern is accuracy of data and the ability to discern creeping structural change.

Days earlier on the 10th of December, at the FOMC rate setting press conference Fed Reserve Chair Powell noted he expected the unemployment rate to be 4.5% at year end. When rounding up is taken into consideration he was close to the mark. He also noted that the risks are rising, unemployment is no longer considered low and he intimated he has low confidence in the data.

Official statistics could be drastically overstating recent hiring. Powell said that Fed staffers believe that federal data could be overestimating job creation by up to 60,000 jobs a month. Given that figures published so far show that the economy has added about 40,000 jobs a month since April, the real number could be something more like a loss of 20,000 jobs a month, Powell said.

"We think there's an overstatement in these numbers," Powell said in a press conference following the central bank's two-day policy meeting.

Powell's concern involves a quandary that the Labor Department faces when measuring hiring. How do you estimate the number of jobs added or destroyed when new businesses are created or close down. Those jobs can't be surveyed directly because it is difficult for the government to reach out to brand-new companies or companies no longer in business.

Instead, Labor's data arm, the Bureau of Labor Statistics, use a statistical model to make a guess. In the past few years, that technique, called the birth-death model, referring to the births and deaths of businesses, has contributed to estimates that have overstated job creation by hundreds of thousands of jobs a year, forcing significant downward revisions later.

President Trump fired the Bureau of Labor Statistics (BLS) commissioner, Erika McEntarfer, after sharp revisions in August ate into springtime jobs growth.

Are they Structural drivers?

It's difficult to have confidence in any financial model. When structural forces are also at play, we are dealing with a series of best guesses.

The combination of Ai, which is on everybody's agenda and doorstep, and the Trump administrations achievement of net zero migration will likely have a material impact on US employment landscape.

These two forces potentially erode different parts of the employment ecosystem. The permutations are many.

Artificial Intelligence (AI)

The ultimate impact of AI on both skilled and unskilled labour is unknowable. There are absolutely two sides to the story. What is apparent, AI is driving evolution in the workforce, it's certainly a structural shift and the impact will be material.

Despite widespread fears of job losses owing to the rise of AI agents, it is not all gallows humour. The technology is already creating demand for new roles—to train agents, embed them in organisations and ensure that they behave. Many of these jobs, moreover, require uniquely human skills.

Robust businesses with strong balance sheets that generate cash and have a high propensity to reinvest will no doubt prevail over time. WiseTech, a global logistics software company, have noted that the cost of a cargo movement between China and the U.S. is 70% labour and that Agentic AI can reduced this by 50%. WiseTech, while continuing to do the same thing, are evolving their economic model to deal with the new paradigm.

Immigration and Customs Enforcement

In Oregon, a witness recently filmed masked agents frogmarching a man past store checkout lane of Home Depot, the U.S. equivalent of Bunnings where we shop with our kids and dog on Saturday mornings. Immigration and Customs Enforcement agents have made recent arrests outside Home Depot stores in cities including New Orleans, Charlotte and Chicago. This is a policy shift that may drive structural change in U.S. employment.

The Trump administration has so far deported more than 600,000 immigrants who were in the U.S. illegally, according to the homeland security department.

Midterms

As we approach the midterm elections the administration will continue to pull out all stops to win favour. Tough action in Venezuela is a case in point.

In this vein, Trump will focus on short term wins, such as tariff reductions to help inflation pressures at home. So far coffee, bananas and other daily essentials have seen some reprieve.

As inflation eases the full employment mandate of the Federal Reserve will become the key to further interest rate reductions.

The real question is will these drivers amount to structural change or be more short term in nature? We don't have the answer, and our longer-term approach to owning businesses that generate real EPS growth means we don't bet on these macro unknowns.

Is ESG is the rear vision mirror in 2026?

The EU has softened rather than outright delayed its 2035 shift to electric vehicles by replacing a 100% "zeroemission only" requirement with a 90% tailpipe emissions reduction target that leaves some room for combustion and hybrid technologies after 2035.

This change reflects pressure from key member states and automakers, growing concern over competitiveness and China, and a less favourable global policy backdrop for EVs, including a more hostile US stance under President Trump.

What the policy change delivers

The original law effectively banned sales of new internal-combustion engine (ICE) passenger cars and vans from 2035 by requiring a 100% reduction in fleet CO_2 emissions versus 2021, which in practice meant only zero-tailpipe-emission vehicles (battery EVs and some fuel-cell vehicles) could be sold.

The new Commission proposal keeps 2035 as a turning point but requires a 90% reduction in average tailpipe CO_2, allowing up to 10% of sales or emissions to come from plug-in hybrids and vehicles using certified "CO_2-neutral" fuels, and lets manufacturers reduce reported emissions via low-carbon steel and certain bio/e-fuels.

This effectively scraps the de-facto full ICE ban, turning it into a very tight but not absolute constraint and extending the commercial life of combustion and hybrid powertrains past 2035.

Will ICE vehicles still be made in the EU?

The new proposal replaces the 100% CO_2-reduction target with a 90% fleet-average cut from 2035, which explicitly allows a remaining share of plug-in hybrids, range-extenders, mild hybrids and pure ICE vehicles in manufacturers' portfolios.

In practice this means OEMs can keep producing and registering new vehicles with combustion engines after 2035, provided their overall fleet still hits the 90% reduction threshold.

Can ICE run on CO_2-neutral fuels?

The remaining 10% of emissions can be compensated via recognised measures, including the use of sustainable fuels such as e-fuels and advanced biofuels, and low-carbon ("green") steel in vehicles.

Parallel technical work in the EU is developing a common definition and tracking framework for CO_2-neutral fuels that would include renewable e-fuels and biofuels meeting RED sustainability criteria, with the explicit aim of enabling new ICE and hybrid vehicles to qualify as "zero-emission" when running exclusively on such fuels in specific regulatory contexts.

Why EU policy was changed

Industry and member-state pressure: Germany, Italy and others, backed by major carmakers, argued that a full ICE ban threatened jobs, under-valued existing combustion know-how, and was too rigid given uncertainties in battery supply, charging infrastructure and demand.

Competitiveness and China concerns: EU policymakers worried that aggressive EV-only rules could accelerate loss of market share to cheaper Chinese EVs and penalise European firms still reliant on profitable ICE and plug-in hybrids for funding the transition.

Political backlash and *"green fatigue"*: Center-right parties and some governments made rollback of *"over-zealous" green rules a priority, using cost-of-living pressures and farmer/driver protests to argue for a slower, more "technology-neutral"* path.

Role of US policy and the Trump administration

The earlier U.S. Inflation Reduction Act (IRA) strongly supported EV demand and manufacturing with generous tax credits, indirectly helping EU automakers export EVs into a buoyant U.S. market.

Under President Trump, the transition team has outlined plans to roll back Biden-era EV incentives, including scrapping the federal EV tax credit, easing emissions standards, and ending requirements for federal fleets to go zero-emission, which would significantly weaken U.S. EV demand and policy leadership.

Analysts note that reduced U.S. demand and policy support for EVs, combined with rising trade tensions and tariffs, undermines the global economics of an all-EV bet and has fed into European concerns about over-committing to a rapid EV-only trajectory, even if EU officials frame the change mainly in terms of domestic competitiveness and social acceptance.

Key ESG impacts

Environmental (E)

Slower emissions reductions: Allowing ongoing ICE and plug-in hybrid sales beyond 2035 means higher cumulative transport emissions versus the original 100% EV pathway, making EU net-zero and Paris-alignment harder and increasing reliance on offsets and low-carbon inputs (e-fuels, green steel).

Technology mix and stranded-asset risk: The softer target extends the life of combustion investments and fuels infrastructure, which may reduce near-term stranded-asset risk but increases long-term transition risk if later policy has to tighten sharply to meet climate goals.

Social (S)

Jobs and regional impacts: The compromise is explicitly justified as protecting employment in legacy powertrain manufacturing regions and giving workers and suppliers more time to retrain and retool, potentially smoothing labour-market disruption in Germany, Italy and Eastern Europe.

Affordability and consumer acceptance: Maintaining a role for hybrids and combustion cars could keep more lower-price options on the market in the 2030s, addressing concerns about EV affordability, charging access, and rural mobility, but at the cost of slower decarbonisation.

Governance (G)

Policy credibility and regulatory risk: Re-opening and weakening a flagship climate rule within a few years signals that major EU climate policies are politically reversible, increasing regulatory uncertainty for investors and raising questions about the durability of long-dated transition targets.

Lobbying and capture concerns: The change demonstrates the influence of large automakers and a handful of member states over EU climate rule-making, which may prompt scrutiny of lobbying practices, transparency, and how climate, industrial and trade objectives are balanced in future regulation.

The impact?

For pure ESG driven portfolios, which we are not, this shift generally lengthens the time window for traditional OEMs and suppliers reliant on ICE/hybrids, but it also weakens the near-term regulatory tailwind for pure-play EV and charging names and increases medium-term transition-policy volatility risk in Europe.

The reality is this individual action by the EU has little bearing on our investments. ARB do have a UK business, Truckman who make fiberglass cabins and tray fittings for Utes and specialty vans to service commercial and fleet operators, may see some benefits, although fleets are able to shift to both hybrid and EV offerings. We do however see it as another example of how administrators and governments will “backflip on a dime”. For us it’s another clear sign that investments need to be made for the right reasons rather than the latest trends which invariably change quicker than you expect.

And just to be clear, the right reason for us starts with financial sustainability and ends in long term real EPS growth. ***SFM***

Aristocrat – Sustainability Disclosures 2025

Overview

Aristocrat Leisure has steadily expanded the scope and depth of its sustainability reporting since first publishing annual disclosures in 2018. The FY25 Sustainability Report and accompanying Databook, released in December, represents the first full year of execution under Aristocrat's refreshed four pillar sustainability strategy introduced in 2024. This latest report highlights Aristocrat's measurable progress, transparent governance and ambition to set industry standards.

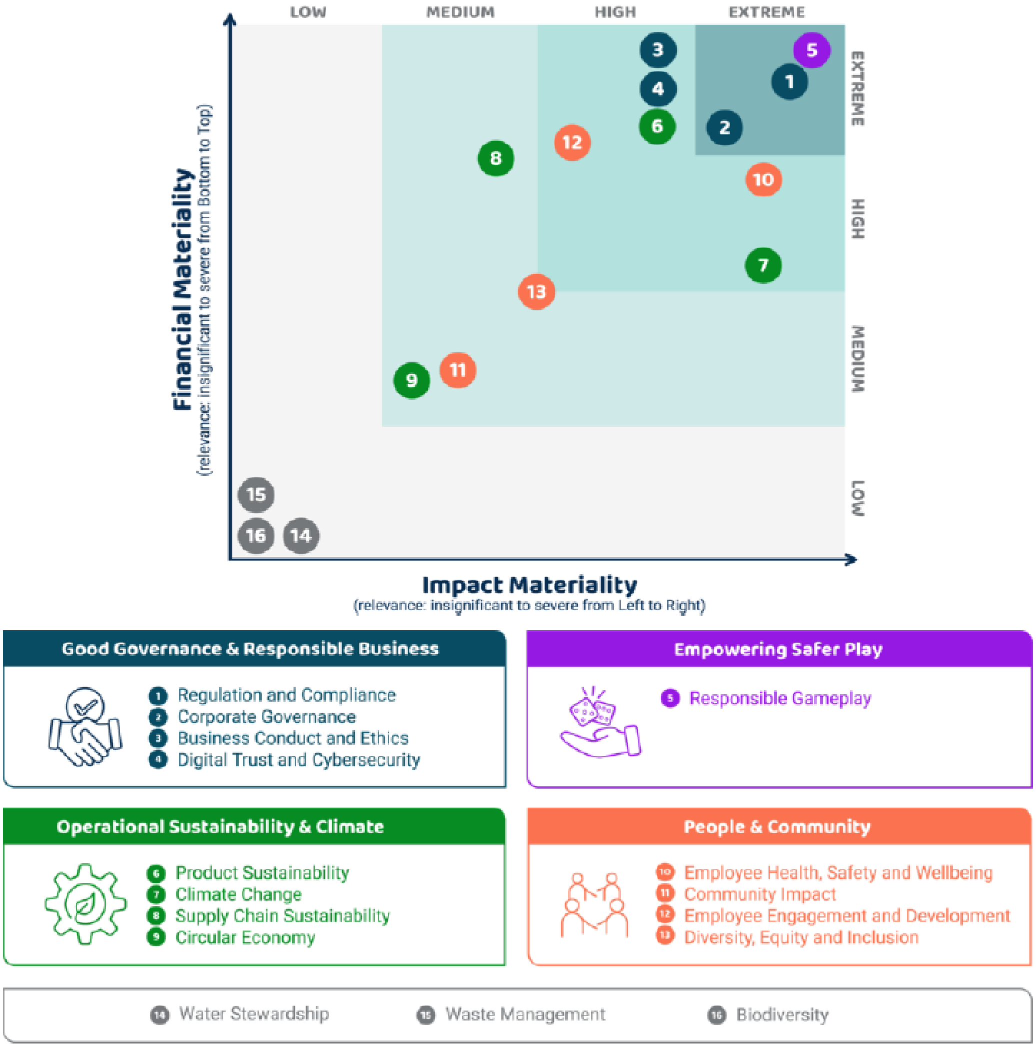
2024 Materiality Assessment

In 2024, Aristocrat undertook a double materiality assessment, aligning with global standards and directives from global bodies such as the International Sustainability Standards Board (ISSB) and Global Reporting Initiative (GRI). This process involved extensive engagement with internal and external stakeholders, including employees, investors, suppliers, regulators and community representatives, mapping both the impact of Aristocrat's activities on people and the environment, as well as the financial implications of sustainability risks and opportunities.

The outcome was a set of 13 material topics, ranging from climate action and responsible gameplay to digital trust, circular economy and community impact, as shown in Figure 36.

These priorities directly underpinned the company's new four pillar sustainability strategy announced the same year.

Figure 36: Materiality Assessment results



Source: Aristocrat FY25 Sustainability Report

Four Pillars of Sustainability

Good Governance & Responsible Business

Aristocrat's Good Governance & Responsible Business pillar is focused on maintaining high standards of integrity, ethical conduct and compliance throughout its global operations. The company continually strengthens its governance framework to ensure responsible business practices and effective risk management.

Key updates & initiatives for FY25 include:

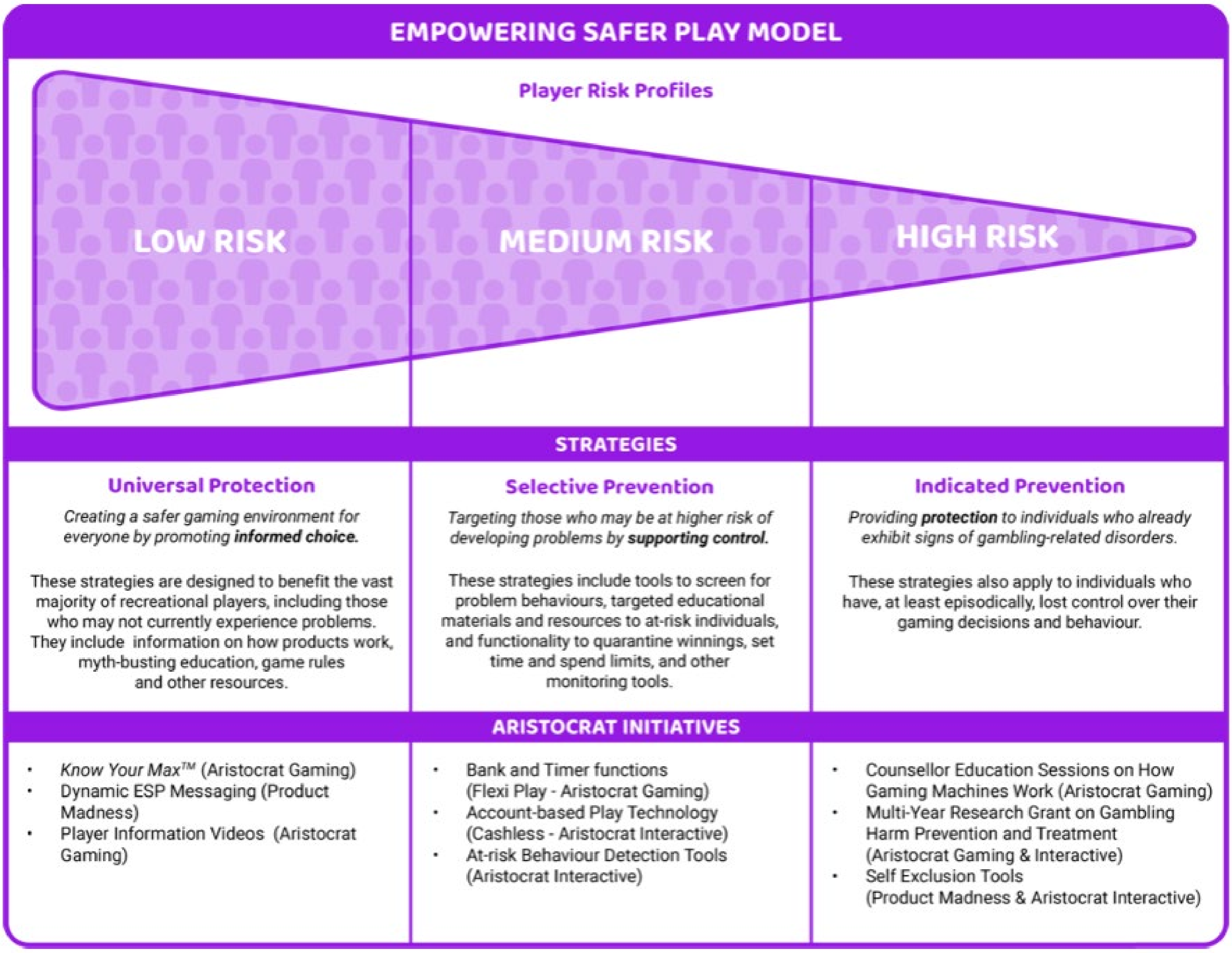
- The integration of NeoGames into Aristocrat's compliance and cybersecurity systems, enhancing oversight and consistency across the group.
- Further development and consolidation of financial crime prevention programs, including anti-money laundering and anti-corruption, under a unified Group Ethics and Compliance function.
- Launch of an AI Governance program to guide the responsible and ethical use of AI technologies within the business.
- Improvements to mandatory compliance training, including a new governance model and streamlined onboarding, resulting in high completion rates for core programs.

These actions demonstrate Aristocrat's commitment to transparency, accountability and ongoing adaptation to regulatory changes and stakeholder expectations.

Empowering Safer Play

Empowering Safer Play (ESP) is at the heart of Aristocrat's commitment to responsible gaming and player wellbeing. Recognised as the most material sustainability matter, Aristocrat aims to set new benchmarks for safer play across the industry. Aristocrat's ESP model takes an enterprise-wide, risk-based approach to responsible gameplay, tailoring initiatives to support players across a spectrum of risk profiles, as shown in Figure 37.

Figure 37: Empowering Safer Play Model



Source: Aristocrat FY25 Sustainability Report

In FY25, the company's approach was defined by innovation and transparency, with a focus on empowering players, leveraging technology and collaborating with stakeholders to create a safer and more enjoyable gaming environment. This vision is underpinned by a set of ambitious strategic goals, including securing external certification for safer play standards, continuously strengthening player and employee awareness, harnessing technologies such as AI for early risk detection and commissioning independent research to inform and assess program effectiveness.

Key updates & initiatives for FY25 include:

- Consolidation of six separate ESP policies into three, covering Regulated Gaming, Product Madness and the Aristocrat Group.
- International expansion of the Know Your Max player education campaign, supported by a new video web series and the launch of a dedicated website in the U.S.
- Embedding of ESP training into employee onboarding processes and incorporated into senior leader performance metrics to strengthen internal awareness and accountability.
- Aristocrat becoming a founding member of the University of Nevada, Las Vegas Artificial Intelligence Research Hub to explore the application of AI in promoting responsible gameplay.
- Deployment of Flexi Play's Bank and Timer tools across more than 11,000 electronic gaming

machines in NSW, enabling players to set time and spend limits.

Operational Sustainability & Climate

Aristocrat's climate strategy has continued to mature. In 2024, the company achieved Science Based Targets initiative (SBTi) validation for both its near and long-term emissions reduction targets, including a 54.6% reduction in Scope 1 and 2 emissions and a 32.5% reduction in Scope 3 emissions by FY33, alongside a net-zero ambition for FY50. In FY25, circular economy initiatives have also gained momentum, with more than 6,400 electronic gaming machines (EGMs) refurbished and over 68,000 parts repaired globally.

Aristocrat completed its first comprehensive climate scenario analysis to strengthen the identification, assessment and management of climate-related risks and opportunities. The analysis modelled three scenarios: 1.5°C, +2.0°C and +4.0°C, to test the resilience of the business across short, medium, and long-term horizons. Each scenario incorporated a range of physical and transition risks, including extreme weather events, regulatory change and technological disruption. This work represents an important step in Aristocrat's preparedness for mandatory climate-related disclosures under AASB S2, which come into effect in FY26.

People & Community

Aristocrat's People & Community pillar is focused on creating a safe, inclusive and engaged workplace while making a positive impact in the communities in which it operates. At year end, the group employed approximately 7,400 people across more than 25 locations globally. In FY25, Aristocrat recorded an employee Net Promoter Score (eNPS) of 53, outperforming the technology sector benchmark by 14 points.

During the year, progress was achieved across several initiatives:

- Launch of the Global Talent Centre of Excellence to drive a safe, inclusive and purpose-driven workplace.
- Expanded Diversity, Equity & Inclusion (DEI) efforts, supporting 32 Employee Impact Groups and strengthening diverse hiring pipelines.
- Implemented safety innovations, such as AI-based safety monitoring and Physical Ability Testing, achieving a 98% closure rate for identified hazards.
- Aristocrat Cares community giving program supported over 150 not-for-profit organisations and contributed more than 5,500 volunteer hours globally.

Conclusion

Aristocrat's FY25 disclosures highlight its leadership in embedding sustainability and responsible gaming at the core of its global operations. As a participant in a highly regulated and scrutinised industry, the group continues to demonstrate that strong governance, transparency and accountability are integral to long-term value creation. Guided by CEO Trevor Croker and Sustainability General Manager Harry Ashton, Aristocrat is not only responding to heightened stakeholder expectations but actively shaping best practice across the sector. This commitment to continuous improvement leaves the company well positioned to navigate evolving regulatory, social and environmental challenges, while reinforcing its role as a responsible leader in the global gaming industry. ***SFM***

Company Engagements – December 2025 Quarter

Date	Company	Description
1-Oct	ARB	ARB Corporation Management Meeting
1-Oct	CSL	CSL Management Meeting
2-Oct	TLX	Telix Pharmaceuticals UBS Virtual Oncology Day
2-Oct	COH	Cochlear Management Meeting
7-Oct	JHX	James Hardie Industries Management Meeting
7-Oct	RWC	Reliance Worldwide Management Meeting
9-Oct	REA	REA Group Annual General Meeting
9-Oct	TNE	TechnologyOne Showcase
10-Oct	MVP	Medical Developments International Annual General Meeting
10-Oct	CAR	CAR Group Management Meeting
10-Oct	NAN	Nanosonics Barrenjoey Industry Insight Call
13-Oct	NAN	Nanosonics GS Management Meeting
16-Oct	ARB	ARB Corporation Annual General Meeting
16-Oct	MVP	Medical Developments International Management Meeting
21-Oct	REA	REA Group Barrenjoey Industry Insight Call
21-Oct	BRG	Breville Management Meeting
22-Oct	WTC	WiseTech Global Barrenjoey Industry Insight Call
23-Oct	COH	Cochlear Annual General Meeting
23-Oct	RWC	Reliance Worldwide Investor Day
24-Oct	SEK	SEEK Management Meeting
24-Oct	CPU	Computershare Management Meeting
24-Oct	HEM	Hemnet Barrenjoey Management Meeting
27-Oct	CSL	CSL Citi Industry Insights Call
27-Oct	OFX	OFX Group Management Meeting
28-Oct	REH	Reece Management Meeting
28-Oct	CSL	CSL Annual General Meeting
28-Oct	PNV	PolyNovo Annual General Meeting
29-Oct	COCH.NAS	Envoy Medical Investor Webinar
31-Oct	RMD	ResMed 1Q26 Results Call
31-Oct	FLT	Flight Centre Travel Group Management Meeting
31-Oct	CAR	CAR Group Annual General Meeting
31-Oct	SLD	Saluda Medical Morgans Investor Briefing
3-Nov	WTC	WiseTech Global Management Meeting
3-Nov	SLD	Saluda Medical Management Meeting
5-Nov	CSL	CSL U.S. Investor Day
5-Nov	NAN	Nanosonics Annual General Meeting
5-Nov	ALL	Aristocrat Leisure UBS Industry Insights Call
5-Nov	JHX	James Hardie Industries UBS Industry Insights Call
6-Nov	CSL	CSL U.S. Investor Day
6-Nov	LNW	Light & Wonder 3Q Results Call
6-Nov	BRG	Breville Annual General Meeting
7-Nov	REA	REA Group 1Q26 Results Call
10-Nov	BRG	Breville UBS Conference
10-Nov	REA	REA Group UBS Conference
11-Nov	FCL	FINEOS Corporation Holdings Macquarie Management Meeting

Date	Company	Description
11-Nov	OFX	OFX Group HY26 Results Call
11-Nov	RMD	ResMed Management Meeting
12-Nov	ALL	Aristocrat Leisure FY25 Results Call
12-Nov	FLT	Flight Centre Travel Group Annual General Meeting
12-Nov	TNE	TechnologyOne JP Morgan Industry Insights Call
12-Nov	OFX	OFX Group Management Meeting
13-Nov	CPU	Computershare Annual General Meeting
13-Nov	ALL	Aristocrat Leisure JP Morgan Management Meeting
13-Nov	FCL	FINEOS Corporation Holdings Management Meeting
14-Nov	ALL	Aristocrat Leisure Management Meeting
17-Nov	WTC	WiseTech Global JP Morgan Industry Insights Call
18-Nov	TNE	TechnologyOne FY25 Results Call
18-Nov	PME	Pro Medicus Management Meeting
18-Nov	PME	Pro Medicus Bell Potter Healthcare Conference
19-Nov	JHX	James Hardie Industries HY26 Results Call
19-Nov	MVP	Medical Developments International Bell Potter Healthcare Conference
19-Nov	TLX	Telix Pharmaceuticals Bell Potter Healthcare Conference
19-Nov	SEK	SEEK Annual General Meeting
20-Nov	FLT	Flight Centre Travel Group GS Industry Insights Call
20-Nov	LPX.NYSE	Louisiana Pacific Barrenjoey Management Meeting
20-Nov	RMD	ResMed Annual General Meeting
20-Nov	WTC	WiseTech Global JP Morgan Industry Insights Call
20-Nov	TNE	TechnologyOne Management Meeting
20-Nov	TNE	TechnologyOne GS Management Meeting
21-Nov	REH	Reece Annual General Meeting
21-Nov	WTC	WiseTech Global Annual General Meeting
21-Nov	TNE	TechnologyOne Barrenjoey Management Meeting
24-Nov	PME	Pro Medicus Annual General Meeting
24-Nov	SEK	SEEK JP Morgan Management Meeting
25-Nov	CPU	Computershare JP Morgan Management Meeting
26-Nov	FPH	Fisher & Paykel Healthcare HY26 Results Call
27-Nov	ALL	Aristocrat Leisure Barrenjoey Industry Insight Call
1-Dec	FPH	Fisher & Paykel Healthcare Management Meeting
2-Dec	ALL	Aristocrat Leisure Barrenjoey Management Meeting
2-Dec	TLX	Telix Pharmaceuticals Morgans Management Meeting
2-Dec	PME	Pro Medicus Apple Showcase
3-Dec	PME	Pro Medicus RSNA Conference
3-Dec	ALL	Aristocrat Leisure 2025 Sustainability Update
3-Dec	WTC	WiseTech Global Investor Day
4-Dec	4DX	4DMedical Investor Webinar
4-Dec	ALL	Aristocrat Leisure Morgans Management Meeting
8-Dec	YOJ	Yojee Barrenjoey Management Meeting
9-Dec	ALL	Aristocrat Leisure Barrenjoey Industry Insight Call
9-Dec	RWC	Reliance Worldwide JP Morgan Management Meeting
9-Dec	CAR	CAR Group Barclays Industry Insight Call
11-Dec	RMD	ResMed Barrenjoey Industry Insight Call
11-Dec	REH	Reece Management Meeting

Date	Company	Description
17-Dec	RMD	ResMed Barrenjoey Industry Insight Call
22-Dec	TLX	Telix Pharmaceuticals Management Meeting

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