Selector High Conviction Equity Fund

Monthly report – December 2025

Market insights

In 1976, Vanguard group launched the first publicly accessible index fund – the origins of passive investing. Assets in products of this type grew slowly through the 1990's, trailing active funds. Fast forward to 2015, passive strategies overtook active ones when measured by annual inflows, and in 2024, they surpassed active funds in total assets under management (AUM). This style of investing has been adopted by superannuation managers, ('index hugging'), so to avoid regulatory scrutiny or penalties as a result of index underperformance. The result? Trillions of super dollars funnelled into passive strategies, contributing to the structural overvaluation of Australian mega-cap stocks. A recent research paper, *Passive Investing and the Rise of the Mega Firms (Jiang, Vayanos, Zheng)*, provides insights into how inflows into passive funds disproportionately elevates the prices of the largest firms. As mega-caps boast such dominant index weights, they receive a systematic bias to higher valuation as a result of market cap weighted capital allocation.

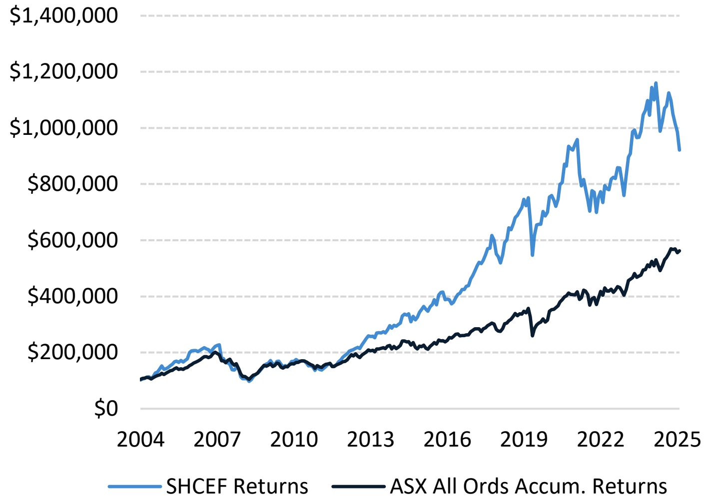
The top four index ETFs in the U.S. have an AUM of roughly US$2.2t. Australia's top four A$46b. Over the past year these have grown by 15% and 20% respectively (exclusive of market movements). Should these rates of growth be maintained, this would see each group having grown its AUM by 45% and 67% just three years from now, further diminishing active managers' share of the market. In the fullness of time, this may prove passive investing's undoing with a shift back to common sense.

U.S. bourses continued to climb in what was a choppy year under a new administration, with key indices S&P 500 and Nasdaq posting calendar year gains of 16.4% and 20.4% respectively. One can also not look past materials, notably gold and silver posting their biggest annual gains since 1979, boosted by the Federal Reserve's interest rate cuts, central bank buying, and momentum-chasing investors. Australian indices posted annual gains, with the ASX200 Materials Index up 31.7%, driving the All Ordinaries Index up 7.1%.

We continue to seek businesses with:

1. Competent management teams
2. Business leadership qualities
3. Strong balance sheets
4. A focus on capital management

Gross value of $100,000 invested since inception



Inception Date: 30/10/2004. Benchmark: S&P/ASX All Ordinaries Accumulation Index. Fund returns are before fees, costs and tax, and assuming reinvestment of distributions. Past performance should not be taken as an indicator of future performance.

Top holdings

Company name	Code	Weight (%)
Resmed	RMD	7.31
CAR Group	CAR	7.12
Nanosonics	NAN	7.09
TechnologyOne	TNE	6.94
Aristocrat Leisure	ALL	6.90
Cochlear	COH	6.44
FINEOS Corporation Holdings	FCL	6.08
Pro Medicus	PME	5.70
James Hardie Industries	JHX	4.72
Fisher & Paykel Healthcare	FPH	4.44

Unit Prices as at 31 December 2025[1]

Entry price	$2.8403
Mid price	$2.8332
Exit price	$2.8261

[1] *Unit prices quoted are for the last business date of each month.*

Performance as at 31 December 2025[1]

	1 Month	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)	(6.55)	(12.17)	(14.57)	(16.21)	7.89	3.93	9.73	11.70	9.61	11.06
Fund (net of fees)	(6.68)	(12.53)	(15.25)	(17.49)	6.27	2.35	7.88	9.76	7.70	9.07
All Ords Accum Index	1.26	(0.80)	4.41	10.56	11.66	9.72	9.49	8.50	7.58	8.49
Difference (gross of fees)	(7.81)	(11.37)	(18.98)	(26.77)	(3.77)	(5.79)	0.24	3.20	2.03	2.57

[1]*Performance figures are historical percentages, calculated using end of month redemption prices, and do not allow for the effects of income tax or inflation. Returns assume the reinvestment of all distributions. Performance can be volatile, and future returns can vary from past returns.* [2]*Returns greater than 1 year are annualised.*

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Performance contributors

Top five	Contribution (%)
Flight Centre Travel Group	0.20
Reece	0.19
James Hardie Industries	0.09
Medical Developments International	0.01
Aristocrat Leisure	(0.01)

Bottom five	Contribution (%)
Pro Medicus	(1.13)
CAR Group	(0.87)
Telix Pharmaceuticals	(0.83)
Resmed	(0.67)
Nanosonics	(0.54)

Portfolio Commentary

Flight Centre Travel Group (ASX:FLT)

Flight Centre Travel Group announced the strategic acquisition of Iglu, the leading UK online cruise agency. The London based business captures more than 15% of cruise bookings in the U.K., and 75% of online bookings, which significantly expands Flight Centre's cruise footprint and accelerates growth opportunities in a high margin sector.

Flight Centre's cruise division total transaction value (TTV) is set to top A$2b during FY26, two years ahead of plan. Management is now targeting a A$3b Cruise TTV stretch target for 2028.

The acquisition comprises an upfront payment of £100m, plus up to £27m in performance based earn-outs. The deal, which is being funded using a combination of cash and existing debt facilities, is expected to be EPS accretive in FY26, and to contribute £14.8m to adjusted EBITDA from a TTV of ~£450m.

For FY26, Flight Centre upgraded its profit guidance by 3% to A$315m-A$350m to reflect Iglu's contribution. Management remains committed to the A$200m on-market share buyback with A$110m completed to date (8.6m shares).

Flight Centre Travel Group has a market capitalisation of $3.2b.

Nanosonics (ASX:NAN)

During the month, infection prevention leader Nanosonics achieved a key regulatory milestone for its CORIS system, gaining inclusion in the Australian Register of Therapeutic Goods and CE and UKCA marks (conformity markings that indicate goods meet certain standards) for European and U.K. markets respectively.

CORIS is the first approved automated system designed to deliver improved cleaning outcomes for flexible endoscopes, in particular the complex channels prone to biofilm build up.

CEO Michael Kavanagh said, *"These certifications are pivotal regulatory milestones in our commercialisation journey for CORIS and pave the way for the commencement of our planned Controlled Market Release [CMR] with select hospital partners. We're excited to commence this next phase through our CMR in Australia, the UK and Ireland early in the new year"*. The U.S. CMR will commence once a pending 510(k) submission has been approved by the Food & Drug Administration (FDA).

Nanosonics has a market capitalisation of $1.2b.

Pro Medicus (ASX:PME)

Leading healthcare informatics company Pro Medicus announced a $25m, 7-year Open Archive contract with BayCare, the leading healthcare system in Tampa Bay and Central Florida. The deal extends BayCare's existing contract to the "full-stack" with a target go live in the first quarter of calendar year 2026. CEO Sam Hupert said the deal confirms management's belief in the material opportunity to sell Open Archive to both new and existing customers. Both founders, Hupert and Hall lifted their holding in the company during the month.

Pro Medicus has a market capitalisation of $23b.

WiseTech Global (ASX:WTC)

We attended WiseTech Global's investor day in Sydney where the business discussed several of its recent changes and upcoming products. CEO Zubin Appoo opened with an update on the new commercial model which was announced in August and went live on 1 December. The new model moves away from the historical fee per 'seat' (user) to a transaction-based model, where clients are charged per shipment (or other logistics job). The new, simplified model has created a more transparent pricing with an easier ability to pass on software related fees to end customers with each logistics job.

As part of the release, WiseTech is embedding agentic AI into CargoWise, which the business sees as a significant value add as manual workflows become more automated, reducing labour costs in the long run. As of early December, WiseTech had 95% of its client base live on the new model.

Management provided an update on Container Transport Optimisation (CTO), an algorithm product which empowers logistics providers to maximise efficiencies across container movement, reducing empty container legs. The product will significantly lower both operating costs and environmental impacts for logistics companies and is expected to launch in the first half of 2026.

Discussion on the integration with supply chain software provider E2open was also had, where the business has made "rapid progress" in organisational alignment, allowing cost synergies to progress. Management remains focused on reducing customer attrition, leveraging growth opportunities, and delivering on its commitments.

WiseTech Global has a market capitalisation of $23b.

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About Selector

Selector Funds Management ("Selector") specialises in high conviction, index agnostic, concentrated portfolio management (AFSL 225316). The investment team have a high level of experience, are owners of the business and invest in the funds alongside clients. Selector has a long-term track record of performance.

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