

Selector Small Companies 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 ASX Small Cap Resources Index up 70.3%, driving the Small Ordinaries Index up 21.8%.

We continue to seek businesses with:

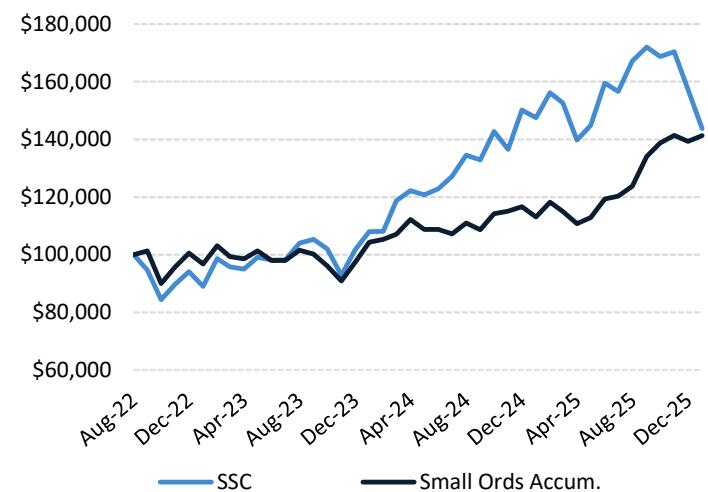
1. Competent management teams
2. Business leadership qualities
3. Strong balance sheets
4. A focus on capital management

Performance as at 31 December 2025¹

	FYTD	1 Month	3 Month	6 Month	1 Year	2 Year ²	3 Year ²	Since Inception ²
Fund (gross of fees)	(8.27)	(8.62)	(14.83)	(8.27)	(2.58)	15.37	17.32	11.19
Small Ordinaries Accum. Index	17.39	1.42	1.80	17.39	24.96	16.36	13.44	10.62
Difference (gross of fees)	(25.66)	(10.04)	(16.63)	(25.66)	(27.54)	(0.99)	3.88	0.57

¹Performance 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. ²Returns greater than 1 year are annualised.

Gross value of \$100,000 invested since inception



Inception Date: 01/08/2022. Benchmark: S&P/ASX Small 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 (%)
Nick Scali	NCK	7.59
Breville Group	BRG	7.42
Nanosonics	NAN	7.17
Pro Medicus	PME	6.67
ARB Corporation	ARB	6.64

Unit prices as at 31 December 2025¹

Entry price	\$1.4028
Mid price	\$1.3993
Exit price	\$1.3958

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

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Performance contributors

Top five	Contribution (%)
Flight Centre Travel Group	0.48
Jumbo Interactive	0.13
Medical Developments International	0.02
FINEOS Corporation Holdings	(0.03)
Nick Scali	(0.05)

Bottom five	Contribution (%)
Telix Pharmaceuticals	(1.40)
Pro Medicus	(1.31)
Catapult Group International	(1.21)
Life360	(1.16)
Netwealth Group	(0.56)

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 earnouts. 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 FLT adjusted EBITDA from a TTV of ~£450m.

For FY26, FLT 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 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.

Netwealth Group (ASX:NWL)

In December, Wealth Management platform Netwealth agreed to pay compensation to members who suffered losses from the collapse of the First Guardian Master Fund after reaching an agreement with ASIC. The agreement means ASIC has now concluded its investigation into Netwealth.

The compensation, funded by a mixture of cash and debt is estimated to total \$101m and will be paid to member's super accounts by 30 January 2026. Netwealth has arranged a \$100m debt facility and plan to rapidly pay back any drawn amount.

Management expects the expense to impact net profit after tax by approximately \$71m with immaterial ongoing costs to comply with the APRA enforceable undertaking, requiring an uplift of investment governance processes by Netwealth Superannuation Services.

Netwealth has a market capitalisation of \$6.3b and \$148m of Cash with no debt as at 30 June 2025.

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.

Pro Medicus has a market capitalisation of \$23b.

Telix Pharmaceuticals (ASX:TLX)

Radiopharmaceuticals company Telix, provided an update to its Prostate Cancer global phase 3 trial ProstACT Global. The trial has completed dosing of 30 patients in part 1 (safety and dosimetry study) with preliminary results to be presented after submission to the FDA.

Following a review of available data by an Independent Data Monitoring Committee, the committee recommended the study to proceed to part 2 in approved jurisdictions. Part 2 has dosed its first patient and is open for enrolment across ANZ and Canada.

Telix has a market capitalisation of \$4b.

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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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