

Selector High Conviction Equity Fund

Monthly report – February 2026

selector

Market insights

February is traditionally marked as one half of our annual company reporting calendar. While the focus should be on the individual business fundamentals, company reporting events took a backstage to what was playing out in the U.S., specifically around Artificial Intelligence (AI).

The release on 6 February of Anthropic's Claude Opus 4.6 and OpenAI's ChatGPT 5.3 new coding models, jolted markets, and has seen some business valuations decouple from fundamentals. This was compounded by passive and industry funds adhering to benchmarks that foster risk aversion.

Investments do face into structural headwinds, and all businesses need to adapt and reinvest or they get disrupted. The onset of AI will again require evolution. When we consider our individual holdings from a bottom-up perspective, we see companies that are durable, global leaders, with strong and sustainable financial metrics run by competent leaders, who in many cases are founders or have a founder's mindset, who are evolving their respective businesses. Most of our businesses are conservative in nature, with many holding net cash positions.

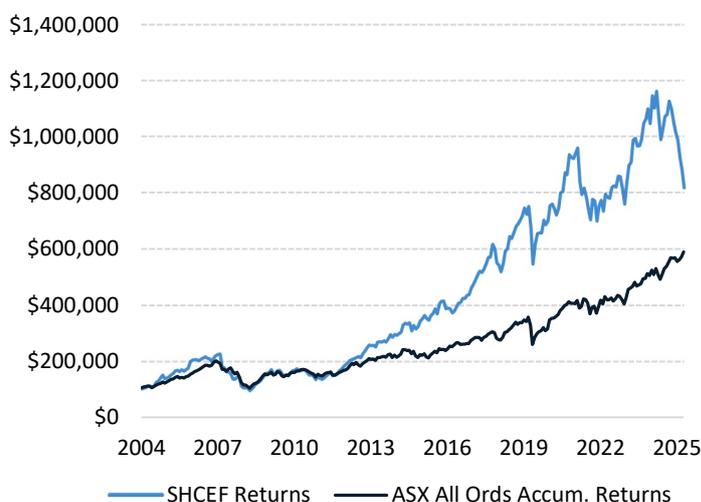
We have seen divergence in EPS growth and valuations during "market events" like GLP-1 scare which indiscriminately hit ResMed, Fisher & Paykel Healthcare along with chocolate providers and carbonated drink manufacturers. More recently building companies Reece and James Hardie Industries were sold down aggressively, only to recover when financial facts revealed these businesses are not "broken" but are moving forward with confidence.

Investors are nervous, increasingly reacting to daily "news" events. We caution such action. In the fullness of time, we suspect that the winners of "AI" are likely to be some of the companies that investors are currently discarding. Incumbency, trust, unique data and a mindset to adapt, invest and embed AI will empower the likes of CAR Group, Pro Medicus, REA, TechnologyOne and others. Staying the course is difficult. Our due diligence and consistent process suggest current valuations are compelling.

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	7.40
TechnologyOne	TNE	7.33
CAR Group	CAR	6.95
Nanosonics	NAN	6.86
Aristocrat Leisure	ALL	6.39
James Hardie Industries	JHX	5.95
FINEOS Corporation Holdings	FCL	5.95
Cochlear	COH	5.52
Fisher & Paykel Healthcare	FPH	5.27
Reece	REH	4.63

Unit Prices as at 28 February 2026

Entry price	\$2.5137
Mid price	\$2.5074
Exit price	\$2.5011

Performance as at 28 February 2026¹

	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)	(7.14)	(17.11)	(25.56)	(24.12)	1.41	2.55	8.93	11.09	8.56	10.35
Fund (net of fees)	(7.23)	(17.41)	(26.12)	(25.26)	(0.10)	1.00	7.10	9.17	6.67	8.38
All Ords Accum Index	3.34	6.33	3.60	15.81	12.09	10.42	10.81	8.69	7.61	8.68
Difference (gross of fees)	(10.48)	(23.44)	(29.16)	(39.93)	(10.68)	(7.87)	(1.88)	2.40	0.95	1.67

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.

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Performance contributors

Top five	Contribution (%)
FINEOS Corporation Holdings	0.83
TechnologyOne	0.39
OFX Group	0.29
Reece	0.26
Fisher & Paykel Healthcare	0.14

Bottom five	Contribution (%)
Cochlear	(1.95)
Pro Medicus	(1.47)
Nanosonics	(0.97)
SEEK	(0.78)
CSL	(0.72)

Portfolio Commentary

Cochlear (ASX:COH)

Cochlear reported its HY26 results, delivering sales revenue of \$1.18b, up 1% and underlying net profit of \$195m, down 9%.

The Cochlear Implant division reported sales down 2% in constant currency (cc) to \$724m, whilst Services and Acoustics declined by 1% and 3% in cc to \$312m and \$140m respectively.

In Cochlear implants, unit sales increased 6% to 27,106, due to strong sales in emerging market, particularly in China where volume of its lower priced implants grew over 15%. In developed markets, growth was impacted by the timing of product registrations and contracting for the new Nucleus Nexa system.

The new Nexa system is the world's first "smart" implant that can be updated to enable new features and future innovation. Management reported that the new system received positive reception from both professionals and recipients and market share gains. In November and December, key developed markets observed ~10% year-on-year (YoY) implant unit growth, with 80% of units sold in December comprising the Nucleus Nexa.

The business anticipates a strong second half driven by continued uptake of the Nexa system, strong growth in its Services division, and improved momentum in Acoustics. Underlying net profit for the full year is expected to be at the lower end of the guided range of \$435m-\$460m due to the slower than expected contracting process for the Nexa system.

Cochlear has a market capitalisation of \$12.8b.

James Hardie Industries (ASX:JHX)

James Hardie reported 3Q26 net sales of US\$1.24b, up 30%, adjusted EBITDA growth of 26% to US\$330m, and adjusted net profit after tax (NPAT) of US\$142m, down 7%.

On an organic basis, James Hardie's business delivered net sales of US\$965m and adjusted EBITDA of US\$266m, up 1% each whilst AZEK delivered net sales of US\$275m and adjusted EBITDA of US\$64m, up 1% and 8% respectively.

North America Siding and Trim organic sales fell 2% (average sales price +5%, volume -7%) due to ongoing soft market conditions with new construction permits down 9% YoY and a stabilising repair and remodel market. Management is focused on returning the segment to organic growth through four core strategies – i) increased focus on repair and remodel

opportunity, ii) deeper new construction penetration via expansion of builder relationships, iii) product innovation, and iv) installation efficiency and cost reduction.

Following the strong quarter, James Hardie upgraded its FY26 earnings guidance for Siding & Trim net sales of US\$2.95b-US\$3.00b and adjusted EBITDA of US\$939m-US\$962m and Deck, Rail & Accessories net sales of US\$787m-US\$800m and adjusted EBITDA of US\$219m-US\$224m.

James Hardie Industries has a market capitalisation of \$19.5b.

Pro Medicus (ASX:PME)

In HY26, Pro Medicus reported revenue growth of 28% to \$125m (90% recurring) and underlying operating profit (EBIT) of \$90.7m up 29.7%. The business continued to grow its presence in North America, completing six cloud-based implementations and winning seven new contracts totalling over \$280m at minimum values, including its first Cardiology sale. Pro Medicus ended the half with over 10% share of the radiology market by scan volume.

All implementations remain on or ahead of schedule with Pro Medicus completing large scale projects in less than 20% of industry norms. The company made progress on its ambition to be the single platform for the entire health enterprise by announcing the soon-to-be released Digital Pathology solution pending U.S. Food and Drug Administration approval.

Pro Medicus has a market capitalisation of \$13.3b

Reece (ASX:PME)

Reece reported HY26 revenue of \$4.6b, up 6% and operating profit (EBIT) of \$262m, down 14% due to continued market softness and investment in branch rollouts. In ANZ, sales grew 4% to \$2.1b with four net new branches opened, bringing the total network to 680 stores. In the U.S., sales increased 6% to US\$1.7b with the branch network increasing by 19 to 286 stores.

Management remains focused on three strategic priorities, being operational excellence, accelerating innovation and investing for profitable growth. This included new product ranges, enhanced digital tools, network expansion, and new learning and development programs for staff.

Reece has a market capitalisation of \$9.6b and expect FY26 operating profit of \$520m-\$540m.

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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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