

# Selector High Conviction Equity Fund

Monthly report – May 2026

selector

## Market insights

In May, Jerome Powell's eight-year tenure as Chair of the Federal Reserve came to an end. Assessments of his tenure are divided: he largely achieved the elusive soft landing, bringing inflation down from a 40-year peak without triggering recession, yet will leave office with prices having remained above the Fed's 2% target for more than five years. His early characterisation of post-pandemic price pressures as "transitory" and the delayed tightening that followed, clouded what was otherwise a solid tenure.

His successor, Kevin Warsh, was sworn in on 22 May as the 17th head of the Federal Reserve. A former Fed Governor (2006–2011) and Stanford Hoover Institution fellow, Warsh arrives with an explicit mandate for change. The centrepiece of his agenda is the Fed's \$6.7 trillion balance sheet – a figure that expanded from under \$1 trillion before the global financial crisis through successive rounds of quantitative easing. Warsh has argued this bloated balance sheet was itself a contributor to the post-COVID inflation surge and has signalled a deliberate programme of reduction. Unlike the passive "runoff" approach of recent years, markets are pricing in a more active asset sales regime – a "quantitative-tightening-for-cuts" framework where balance sheet reduction substitutes for the near-term rate cuts many had expected. The yield curve has already steepened in response.

Despite an Iran-driven oil shock lifting headline inflation to 3.3%, an untested Fed chair with hawkish balance sheet instincts, and ongoing Middle East uncertainty, U.S. markets reached new all-time highs during May as investors backed earnings quality. First quarter earnings provided a strong anchor – with 82% of the S&P 500 exceeding consensus, with aggregate profit growth tracking at 25%, in many cases far in excess of analyst expectations. Technology stocks remained the dominant force, which is in stark contrast to the Australian market that has remained index bound, led by a passive momentum mindset. Companies that did report in May and held by the fund recorded strong operating performances.

We continue to seek businesses with:

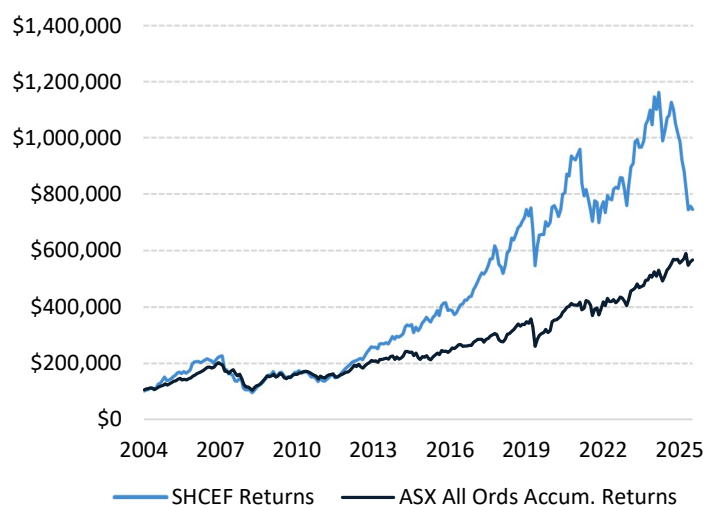
1. Competent management teams
2. Business leadership qualities
3. Strong balance sheets
4. A focus on capital management

## Performance as at 31 May 2026<sup>1</sup>

	1 Month	3 Month	6 Month	1 Year	3 Year <sup>2</sup>	5 Year <sup>2</sup>	10 Year <sup>2</sup>	15 Year <sup>2</sup>	20 Year <sup>2</sup>	Since Inception <sup>2</sup>
Fund (gross of fees)	(1.52)	(8.75)	(24.36)	(30.28)	(3.26)	(1.50)	6.76	10.76	7.83	9.75
Fund (net of fees)	(1.66)	(9.12)	(24.95)	(31.36)	(4.70)	(3.00)	4.97	8.85	5.96	7.80
All Ords Accum Index	1.22	(3.95)	2.13	6.82	11.00	7.88	9.17	8.53	7.25	8.37
Difference (gross of fees)	(2.74)	(4.80)	(26.49)	(37.10)	(14.26)	(9.38)	(2.41)	2.23	0.58	1.38

<sup>1</sup>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. <sup>2</sup>Returns greater than 1 year are annualised.

## 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 (%)
TechnologyOne	TNE	8.98
Aristocrat Leisure	ALL	7.14
CAR Group	CAR	6.97
Nanosonics	NAN	6.79
FINEOS Corporation Holdings	FCL	6.35
Resmed	RMD	6.32
James Hardie Industries	JHX	5.95
Fisher & Paykel Healthcare	FPH	5.11
Breville Group	BRG	4.49
Pro Medicus	PME	4.43

## Unit Prices as at 31 May 2026

Entry price	\$2.2843
Mid-price	\$2.2786
Exit price	\$2.2729

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## Performance contributors

Top five	Contribution (%)
TechnologyOne	0.60
Computershare	0.55
James Hardie Industries	0.53
Aristocrat Leisure	0.51
Fisher & Paykel Healthcare	0.22

Bottom five	Contribution (%)
FINEOS Corporation Holdings	(0.68)
Nanosonics	(0.67)
CSL	(0.66)
REA Group	(0.56)
WiseTech Global	(0.54)

## Portfolio Commentary

### Aristocrat Leisure (ASX:ALL)

Aristocrat Leisure delivered its HY26 result during the month, reporting revenue of US\$3b, flat year on year, or up 6% on a constant currency (cc) basis. Total operating profit (EBITDA) increased 6% (+14% cc) to US\$1.3b and adjusted net profit after tax (NPATA) grew 8.4% (+16.3% cc) to US\$794m.

Management highlighted continued market share gains across all key segments with strong performance in Aristocrat Gaming, led by “exceptional” performance in Global Outright Sales and continued expansion in Gaming Operations. In Outright Sales, the company delivered 13,118 new units in North America (+15%) representing a 35% market share and doubled its unit sales in Australia to 5,087 (48% market share).

In North American Gaming Operations, the company added a net 2,017 units (77,242 install base), increasing its market share to 43%. The company retained its market leading fee per day at US\$53.11, supported by a portfolio with 17 of the top 25 premium leased games across the half (Eliers March 2026 Game Performance Report).

Management reaffirmed FY26 guidance for NPATA growth on a cc basis and continued share gains in Aristocrat Gaming, Product Madness and accelerated performance in Aristocrat Interactive towards its US\$1b FY29 revenue target.

Aristocrat Leisure has a market capitalisation of A\$31b.

### Fisher & Paykel Healthcare (ASX:FPH)

Fisher & Paykel reported FY26 revenue of NZ\$2.3b, up 14% and gross profit margin improvement of 122 basis points in cc to 63.7%, despite a 90 basis point impact from U.S. tariffs. Operating Income (EBIT) grew 25% to NZ\$636m (27.6% margin) from ongoing efficiency gains. The company continues to target long term gross profit and operating margins of 65% and 30% respectively.

The Hospital division reported strong revenue of NZ\$1.51b (83% recurring) up 18%. Hardware sales increased 27% in cc supported by recent product releases in North America. New Application Consumables (75% consumable revenue) grew 18% to NZ\$997m with solid growth across all therapies, driven by ongoing adoption and changes in clinical practice.

Homecare revenue increased 8% to NZ\$803m (87% recurring), driven by OSA consumables with recently launched Solo and Nova mask range gaining share.

For FY27, management guided to revenue of NZ\$2.45b-NZ\$2.57b, and NPAT of NZ\$500m-NZ\$550m

Fisher & Paykel Healthcare has a market capitalisation of \$18b and net cash of NZ\$401m.

### James Hardie Industries (ASX:JHX)

James Hardie Industries announced its 4Q26 result, delivering revenue of US\$1.4b, up 45%, reflecting the contribution of the AZEK acquisition in July 2025. Adjusted EBITDA grew 42% to US\$381m, with margins decreasing 50 basis points to 27.1%. Adjusted NPAT for the quarter was up 11% to US\$173m.

North American siding and trim organic sales declined 7% to US\$676m due to ongoing soft market conditions. For the financial year, organic sales declined 2% compared to the market down mid-to-high single digits.

For FY27, management guided to revenue of US\$5.25b-US\$5.41b, up 9%-12%, and adjusted EBITDA of US\$1.45b-US\$1.50b, up 14.5%-18.5%.

James Hardie Industries has a market capitalisation of \$18b.

### TechnologyOne (ASX:TNE)

TechnologyOne delivered HY26 revenue up 11% to \$322.7m and profit before tax of \$89.1m (28% margin), an increase of 6%. Annual recurring revenue (ARR) increased 17% to \$598m, with strong growth in new customer wins and ongoing success in cross selling across existing customers. Net revenue retention ended the half at 114% (116% cc), with customer churn at 0.6%.

Management highlighted standout performance in Local Government and Education, which grew 27% and 15% to \$244m and \$150m respectively. Highlights include a new 10 year deal with James Cook University who acquired all products in the OneEducation suite as well as its recently launched AI solution Plus. In Local Government, City of Townsville, a returning client signed a 10 year SaaS+ agreement including Plus.

The UK business continues to build momentum recording ARR growth of 23% to \$53m and increasingly becoming the “*defacto solution for local government and higher education*”.

Guidance for FY26 was reaffirmed, with the business targeting ARR growth of 16%-18%, profit before tax growth of 18%-20% and a profit before tax margin of 32%.

TechnologyOne has a market capitalisation of \$11b.

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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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