

Selector Small Companies Fund

Monthly report – August 2026

selector

Market insights

Mid-August marked a milestone for global capital markets, as U.S. national debt crossed US\$40 trillion (A\$56 trillion), representing ~123% of U.S. GDP. Onshore, Australian national debt ticked over A\$1 trillion, a milder 34% of national GDP. The data is a reminder of the challenges presented by growing government debts and deficits.

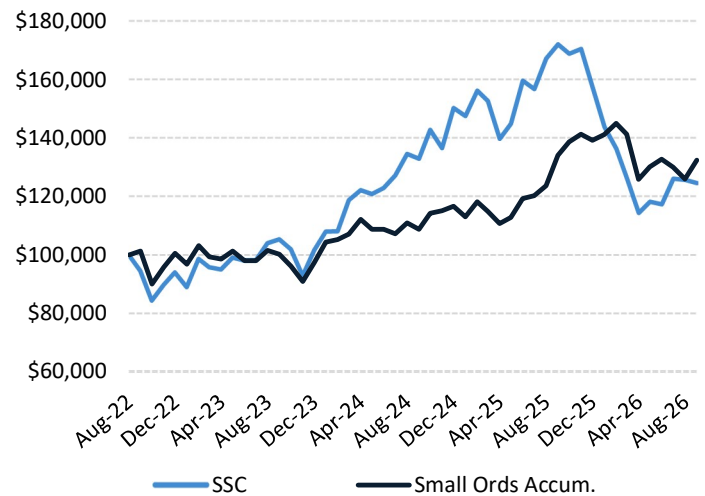
In the U.S., Treasury Secretary Scott Bessent stepped in, moving to increase “by at least double” (US\$4b+), the size of liquidity support buybacks for long-dated US government bonds (10 year to 30 year). We highlighted in last month’s writing the historic highs that long-dated U.S. bonds had climbed to. The Treasury Secretary’s liquidity announcement served as an attempt to force yields lower, which would in turn bring down borrowing costs for the U.S., a country which now spends more on servicing debt annually (~US\$1t) than it does on its defence force. It is worth noting briefly the mechanics of the buy back – treasury does not have spare cash sitting around to buy the long-dated issues back and funds the buy back by issuing more short-dated bills. The net effect (retire long bonds, issue short bills) is a reduction of the weighted average maturity of debt stock, and lower near-term interest expenses. The initial market response to the announcements saw yields drop across the long end of the curve, while equities rose, however, by the end of August this had been given back among concerns the move looked desperate on the White House’s part. All of the above has resulted in U.S. dollar debasement, with the currency tracking towards one of its weakest annual performances in decades. With debt past US\$40t, deficits stuck near US\$2t, and Treasury attempting to suppress yields rather than genuine demand, the month’s events saw U.S. capital rotating out of the dollar and into real and alternative assets such as gold and Bitcoin as a hedge against the weakening currency.

In Australia, August saw most of the portfolio report a full or interim half year result. Many of the companies held delivered stand out results against challenging geopolitical and macroenvironmental trading conditions.

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: 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 (%)
Breville Group	BRG	9.06
TechnologyOne	TNE	9.04
PWR Holdings	PWH	8.58
Pro Medicus	PME	7.18
Telix Pharmaceuticals	TLX	6.46

Unit prices as at 31 August 2026

Entry price	\$1.1978
Mid price	\$1.1948
Exit price	\$1.1918

Performance as at 31 August 2026¹

	FYTD	1 Month	3 Month	6 Month	1 Year	2 Year ²	3 Year ²	Since Inception ²
Fund (gross of fees)	(1.18)	(0.83)	6.17	(1.27)	(27.59)	(3.18)	5.75	5.52
Small Ordinaries Accum. Index	1.85	5.18	(0.19)	(6.31)	(1.22)	10.40	9.77	7.13
Difference (gross of fees)	(3.03)	(6.01)	6.36	5.04	(26.37)	(13.58)	(4.02)	(1.61)

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 (%)
PWR Holdings	1.25
Pro Medicus	0.59
TechnologyOne	0.47
Reliance Worldwide Corporation	0.43
Telix Pharmaceuticals	0.38

Portfolio Commentary

Nick Scali (ASX:NCK)

Furniture retailer Nick Scali delivered a solid FY26 result against a challenging consumer environment, reporting revenue growth of 4.3% to \$516.7m, operating profit (EBIT) of \$124.7m up 18%, while net profit after tax (NPAT) increased 22.1% to \$75.7m.

In Australia & New Zealand, revenue grew 5% to \$476.7m, whilst gross profit margins improved from 65% to 66% and NPAT increased 10% on an underlying basis to \$80.5m. The group opened four new stores in FY26 and two in July across the Nick Scali and Plush brands with management targeting a further four new stores in FY27.

In the UK, revenue declined 4.3% to \$40m reflecting the impact of store closures associated with the refurbishment and rebranding program. Gross profit margins improved significantly to 60.3% from 47.1% in FY25 and reaching 61.2% in the second half reflecting successful conversion of store to the Nick Scali product range and improved sourcing efficiencies. Net losses improved to (\$4.8m), from (\$11.2m) in the prior year with the company achieving a \$0.8m net profit in the second half. At year end, 19 stores had been rebranded to Nick Scali and the best-selling product remain in line with those in Australia.

Like-for-like written sales orders for rebranded stores in the UK trading in the second half increased 19%, despite difficult trading conditions giving management early confidence to begin scaling its operations including leasing a new warehouse and targeting one new store opening in October with further locations under negotiation.

Nick Scali has a market capitalisation of \$1.3b.

Pro Medicus (ASX:PME)

In FY26, Pro Medicus delivered cc revenue growth of 28% to \$273.5m, underlying EBIT of \$206m, up 31%, and underlying NPAT of \$154.5m, an increase of 33%.

The company signed 10 new contracts with a minimum cumulative value of \$407m and \$144m of contract renewals taking total contract value signed in FY26 to \$551m. Importantly, all contract renewals were for five years at higher per transaction fees. Pro Medicus has also largely completed its biggest implementation to date (\$330m Trinity Health contract), with the final two cohorts (13% volume) expected to go live by October 2026, marking one year since the first cohort went live.

Bottom five	Contribution (%)
Life360	(1.15)
Nanosonics	(0.74)
Flight Centre Travel Group	(0.49)
HUB24	(0.40)
Nick Scali	(0.32)

The company launched a new digital pathology module and a native Ai optimised reporting solution within the Visage platform, enabling a true single desktop solution for customers.

Pro Medicus has a market capitalisation of \$18b.

PWR Holdings (ASX:PWH)

PWR Holdings delivered a strong FY26 result, reporting revenue of \$170.7m, up 31%, EBIT of \$28.9m, up 114% and NPAT of \$17.9m, up 83%. The result was driven by the Motorsports and Aerospace & Defence (A&D) segments which grew 45% and 31% to \$101.9m and \$35.2m respectively.

Motorsports record result was driven by the complexity of new Formula 1 regulations, broader adoptions of products across hybrid and electric platforms as well as greater uptake of PWR's technical services.

In A&D, growth was driven by a growing customer cohort including a repeat U.S. government contract of US\$11.9m. The company announced an investment into a fourth manufacturing location in Poland to support opportunities in Europe. The factory is located in southeast Poland, in Aviation Valley, a region known for its high concentration of aerospace and defence talent, supply chain resources and scientific and research centres. The Aviation Valley industry cluster comprises of 211 member organisations and approximately 37,000 employees. The capital investment is expected to be \$16.1m over four years, with \$3.8m of this to be recognised in FY27. PWR expects the facility to be operational in FY27 with approximately 15 employees.

For FY27, the business expects the strong revenue growth of 30% in A&D to continue, with a current order book of \$40m providing good forward visibility. Motorsports revenue is expected to maintain record FY26 levels, backed by stable Formula 1 regulations and strong manufacturer involvement in global motorsport. Management expects NPAT margins to improve a further 2 percentage points from 10.5% in FY26 driven by ongoing operating leverage and volume growth from its expanding factory footprint at its new Staplyton headquarters.

Over the medium term management are targeting a return to FY24 NPAT margin of 17.8% between FY28 and FY30.

PWR Holdings has a market capitalisation of \$1.1b.

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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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