

Selector High Conviction Equity Fund

Monthly report – September 2026

selector

Market insights

September delivered the bond market's reckoning, with global yields repricing to levels not seen in decades, significantly compressing equity valuations. The U.S. 10-year Treasury yield touched an intraday high of 5.29% late in the month, up from below 4.80% only weeks earlier, while the 30-year reached 5.62%, and closed out the month at its highest level since 2002. The imbalance between bond demand and supply is further impacting yields. As yields rise, the impact on borrowers and governments who are funding growing deficits are faced with an ever-increasing interest bill. Addressing the G20 summit during the month, U.S. Treasury Secretary, Scott Bessent, put it *"the world is awash in debt. The only way for us to get out of this is to grow our way out of it."*

While the story in August was debt driven, the catalyst in September was inflation, the moves driven by persistently high energy prices resulting from the war in Iran, alongside a tightening of the U.S. Federal funds rate (+25 bps) to 3.75%-4.00%. Likewise, the RBA delivered a largely anticipated fourth hike for the year in the backend of the month, lifting rates by 25 bps to 4.60%. The hike marks Australia's highest rate since 2011 and places the country as having the second highest interest rates in the developed world (behind Iceland).

Over the past two weeks we travelled through the U.S., and in doing so, either directly or indirectly, covered some 60% of our portfolio of businesses. Bond yields, AI, wars, can easily distract from what is happening on the ground. The business environment has its challenges, but the majority are in good shape, many have net cash balance sheets and are leaders in their respective field. Our attendance at investor days held by James Hardie, Telix Pharmaceuticals also dovetailed with site visits to Breville, Computershare, Flight Centre, Nanosonics, Pro Medicus and Resmed, to name just a few. Confidence is also reflected in the many share buybacks now under way, funded by net cash balance sheets. It is easy to lose sight of business progress when the news dial would suggest otherwise. We do not suggest things are easy but investors should focus on the signal and not the noise, as our upcoming quarterly newsletter will aim to illustrate.

We continue to seek businesses with:

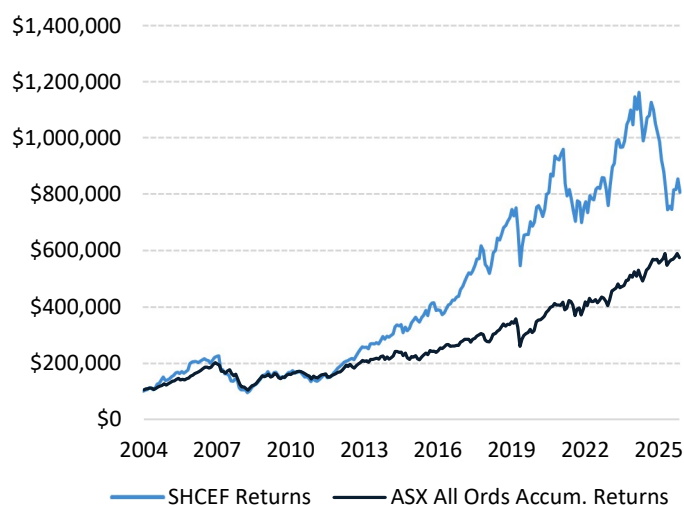
1. Competent management teams
2. Business leadership qualities
3. Strong balance sheets
4. A focus on capital management

Performance as at 30 September 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)	(5.53)	(1.03)	8.26	(23.13)	(0.34)	(2.71)	6.87	12.57	7.87	9.99
Fund (net of fees)	(5.67)	(1.41)	7.48	(24.28)	(1.81)	(4.11)	5.09	10.64	6.00	8.04
All Ords Accum Index	(2.51)	1.01	5.05	1.43	11.04	7.20	9.01	9.68	7.07	8.30
Difference (gross of fees)	(3.02)	(2.04)	3.21	(24.56)	(11.38)	(9.91)	(2.14)	2.89	0.80	1.69

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: 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 (%)
Aristocrat Leisure	ALL	7.92
TechnologyOne	TNE	7.85
Resmed	RMD	6.94
James Hardie Industries	JHX	6.68
Nanosonics	NAN	6.46
CAR Group	CAR	6.20
Fisher & Paykel Healthcare	FPH	5.94
Reece	REH	5.49
FINEOS Corporation Holdings	FCL	5.43
Pro Medicus	PME	5.42

Unit Prices as at 30 September 2026

Entry price	\$2.4580
Mid-price	\$2.4519
Exit price	\$2.4458

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Performance contributors

Top five	Contribution (%)
Nanosonics	0.39
Cochlear	0.20
Fisher & Paykel Healthcare	0.18
CSL	0.18
Computershare	0.11

Bottom five	Contribution (%)
CAR Group	(1.27)
James Hardie Industries	(0.95)
TechnologyOne	(0.93)
WiseTech Global	(0.57)
SEEK	(0.47)

Portfolio Commentary

James Hardie Industries (ASX:JHX)

In September, we attended James Hardie's investor day in New York, the company's first since its acquisition of AZEK in July 2025. Management outlined a new organic growth target of 4%-7% above market and adjusted EBITDA margins of +35% built on a US\$23b material conversion opportunity, growth initiatives across product innovation, channel expansion and branding as well as price. Importantly, management highlighted that none of these drivers assume a housing recovery.

Management also upgraded FY27 free cash flow (FCF) guidance to US\$600m, up 20% due to achieving its US\$125m in cost synergies a year ahead of schedule. The increased FCF and announced sale of its European business for US\$980m in August (~US\$600m allocated to debt paydown) supports the business achieving net leverage under 2.0x by 2Q28.

James Hardie reaffirmed 2Q27 guidance for sales of US\$1.49b-US\$1.58b and adjusted EBITDA of US\$420m-US\$455m as well as FY27 sales and adjusted EBITDA guidance of \$4,990m-\$5,133m and \$1,446m-\$1,534m respectively.

James Hardie Industries has a market capitalisation of \$21b.

REA Group (ASX:REA)

REA Group entered into an agreement to acquire a 35% stake in Distilled, the leading multi-vertical digital marketplace operator across Ireland and Northern Ireland for a total consideration of €248m (A\$409m), funded by debt and existing cash reserves.

The acquisition is expected to complete by the end of CY26 and contribute modestly to group core earnings per share in the first year. In the 12 months to June 2026, Distilled generated revenue of €72.4m and EBITDA of €43.3m, and has achieved a double-digit compounding annual growth rate of both revenue and EBITDA over the past five years.

Distilled's portfolio consists of Daft.ie and DoneDeal.ie; Ireland's number one residential property portal and automotive marketplace, PropertyPal and Used Cars NI; Northern Ireland's number one property portal and automotive marketplace and Adverts.ie; Ireland's number one general classifieds site. Each of the businesses operate independently under its own brand, sales team and technology stack.

Commenting on the proposed acquisition, CEO Cameron McIntyre said: "This is an exciting opportunity to extend our core property strategy into an attractive, profitable, high growth

market, with increasing adoption of vendor paid advertising and where our intellectual property and technology is directly relevant. The Investment provides immediate exposure to an exceptional business with a strong growth trajectory and a portfolio of high growth assets"

REA Group has a market capitalisation of \$21b.

Telix Pharmaceuticals (ASX:TLX)

During the month, the U.S. Food & Drug Administration (FDA) approved Telix's Pixclara, the first approved imaging agent for Glioma (brain cancer). The approval addresses a material unmet need for physicians to help differentiate recurrent or progressive glioma from treatment related change in patients one month or older. Gliomas are the most common form of central nervous system (CNS) cancer, accounting for roughly 30% of all brain and CNS tumours and 80% of all malignant brain tumours. Approximately 24,000 new cases are diagnosed each year in the U.S., representing the scale of the unmet addressable need.

Telix also announced the acquisition of Munich based ITM Radiopharmaceuticals, a global leader in the supply of therapeutic radioisotopes across 65 countries and the only producer of globally scaled commercial grade Lutetium-177 (177-Lu). The acquisition expands Telix's commercial-scale and isotope production which is critical for securing its radioisotope supply chain and global ambitions for its therapeutics pipeline.

ITM comes with an advanced complementary product pipeline, with assets in urology, brain and neuroendocrine cancers. The pipeline includes ITM-11 (177-Lu-edotreotide), a late stage therapeutic candidate for gastroenteropancreatic neuroendocrine tumours (GEP-NETs) which has successfully completed its phase three trial for Grade 1 and 2 cases and completed recruitment for a phase 3 label expansion trial for Grade 2 and 3 patients. ITM-11 potentially accelerates Telix's therapeutic commercial assets pending FDA approval and addressing a complete response letter.

The agreement involves an upfront consideration of US\$1.65b, with US\$1.25b paid in Telix NASDAQ shares (105.8m) at US\$11.84 per share (35% dilutive). Telix will assume US\$302m of ITM debt at closing. ITM reported CY25 revenue of US\$273m and is expected to be EBITDA positive from FY27.

Telix Pharmaceuticals has a market capitalisation of \$5.5b.

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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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