Selector Small Companies Fund

Monthly report – October 2026

Market insights

Beneath macro noise, U.S. corporate earnings for the September quarter held up far better than the backdrop would suggest. Amongst elevated oil prices and fiscal tightening from the Federal Reserve, U.S. equities advanced to record closes in early October, heading into the quarterly results season with earnings growth of around 30% expected. By 30 October, it was clear that this had largely delivered, with some 82% of the S&P 500 companies who had reported to date beating estimates. Unsurprisingly, much of this growth continues to come from AI-related investment, turning investors' attention once again to capital spending forecasts of hyperscalers such as Meta, who announced during the month plans to raise (via equity) up to US$95b, after lifting the bottom end of its capital spending guidance to US$135b for the year. Of the four major hyperscalers – Alphabet, Amazon, Meta and Microsoft – only one (Microsoft) remains with free cash flow. Meta's raise is evidence that the largest spenders are now moving beyond cash flow to fund the AI build-out.

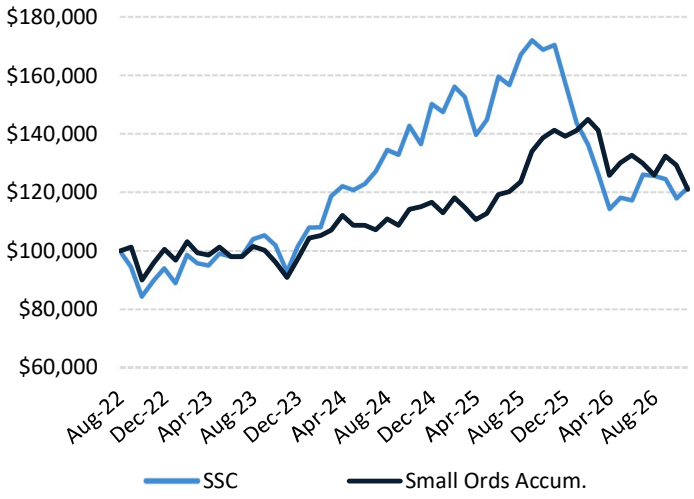
Strong aggregate earnings are necessary but no longer sufficient, as the market's reaction to results has become more discriminating. The end of October saw a sharp technology sell off lead by a single stock's result, while Alphabet experienced its largest single day draw down ever (-13%), as investors questioned the return on AI investments. This also played out locally and across our portfolio. Updates from companies held were rewarded by markets for evident growth and strong balance sheets, while other "blue sky" (speculative) market heavy weights and IPO hopefuls faced valuation reality checks.

Inflation pressure on the consumer is the other side of the ledger, evident in regions such as Europe where a large portion of energy is imported. In Australia, higher fuel and borrowing costs caused consumer confidence to fall for a second month. As we write, consensus has the Reserve Bank delivering a fifth consecutive rate hike in early November, taking rates back to highs of the 2008 Global Financial Crisis. On October 8th the US 10Y Govt. bond raced to a yield of 5.35%. It finished the month with a 4 handle.

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 (%)
TechnologyOne	TNE	9.00
Breville Group	BRG	8.75
PWR Holdings	PWH	8.72
Pro Medicus	PME	8.04
Nanosonics	NAN	6.42

Unit prices as at 31 October 2026

Entry price	$1.1706
Mid price	$1.1677
Exit price	$1.1648

Performance as at 31 October 2026[1]

	FYTD	1 Month	3 Month	6 Month	1 Year	2 Year[2]	3 Year[2]	Since Inception[2]
Fund (gross of fees)	(3.42)	3.20	(3.09)	2.97	(28.57)	(5.56)	9.44	4.73
Small Ordinaries Accum. Index	(6.93)	(6.43)	(3.89)	(6.94)	(14.36)	2.56	10.03	4.60
Difference (gross of fees)	3.51	9.63	0.80	9.91	(14.21)	(8.12)	(0.59)	0.13

[1]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. [2]Returns greater than 1 year are annualised.

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Performance contributors

Top five	Contribution (%)
Pro Medicus	1.39
PWR Holdings	1.04
TechnologyOne	0.85
Life360	0.59
HUB24	0.52

Bottom five	Contribution (%)
Telix Pharmaceuticals	(1.15)
Megaport	(0.68)
Nick Scali	(0.54)
ARB Corporation	(0.36)
Reliance Worldwide Corporation	(0.13)

Portfolio Commentary

FINEOS Corporation Holdings (ASX:FCL)

FINEOS provided its third quarter 2026 update in October, reporting a closing cash balance of €51.7m, up €19.0m on the prior comparative period (pcp) and cash receipts from clients totalling €46.3m, up 47% on pcp. The numbers are reflective of the seasonal nature of subscription revenue and the timing of cash collections, as well as two large invoices that were expected last quarter.

Management reaffirmed FY26 revenue guidance of €147m-€152m, and confirmed that the business pipeline remains strong, driven by growing demand for FINEOS' AI-enabled platform and proven market success.

FINEOS Corporation Holdings has a market capitalisation of $660m.

Pro Medicus (ASX:PME)

Pro Medicus announced two new client contracts during the month totalling $67m. The first deal was a seven year, $24m contract with Billings Clinics – Logan Health, a unified not-for-profit independent health system covering 25 hospitals with more than 1,000 beds. The new contract is for Visage's Full Stack solution with go live targeted for the first quarter of the 2027 calendar year.

The second contract was a seven year $43m contract with Virtua Health, an academic health system in South Jersey covering five hospitals, 3,000 affiliated doctors and clinicians, and 15,000 colleagues. The contract is for Visage's Full Stack solution and Cardiology with go live targeted for late second quarter/early third quarter of calendar year 2027.

Commenting on the Virtua deal, CEO and Co-Founder Sam Hupert said. *"Notably, they have also opted for our cardiology offering which will provide Virtua with a truly unified enterprise imaging solution, a trend we see continuing as more and more healthcare enterprises look to consolidate their disparate imaging systems."*

"Our pipeline remains strong and spans all market segments. There is growing interest in our 'full stack' solution comprising all three core Visage products, namely viewer, workflow and archive, with the added option of other "ologies", such as cardiology."

Pro Medicus has a market capitalisation of $19.6b.

Telix Pharmaceuticals (ASX:TLX)

Telix reported third quarter 2026 group revenue of US$245m, up 19%, driven by strong demand for its commercial portfolio. Precision Medicine revenue increased 30% to US$201m, flat quarter on quarter (QoQ), with U.S. dose volumes increasing 1% QoQ, reflecting summer seasonality. Management reaffirmed FY26 guidance for revenue at the upper end of US$950m-US$970m, R&D expenditure of US$240m-US$260m and Precision Medicine revenue growth of over 25%.

Other business highlights included regulatory approval for brain cancer imaging agent Pixclara, and enrolment completing for BiPASS with the U.S. FDA granting fast track designation.

Telix Pharmaceuticals has a market capitalisation of $4.4b.

Temple & Webster (ASX:TPW)

Temple & Webster provided a trading update at its AGM, reporting improved revenue and contribution margin following its decision to reduce promotional activity. For the financial year to date, revenue declined 8%, while contribution margins dollars are up 16%. On a run-rate between the company's last trading update at its August result to now, revenue has improved from -13% to -4%. From February 2027, the business begins to cycle prior periods with similar promotional depth and therefore expects to return to growth with improved operating margins. The business remains on track to deliver FY27 EBITDA of $33m-$40m, up 50%-80% over FY26, and remains committed to deliver both top and bottom line growth.

Management delivered an update to its strategic initiatives, with a focus on evolving four key priorities. Firstly, the business is adjusting its marketing mix to have a greater weighting towards brand awareness. Second, creating distinctive product range for the mass and mid market with a greater portion of private label and exclusive offerings. Lastly the company wants to leverage its technological capability to drive a personalised user experience and margin expansion as the business scales.

Early results are positive with a refreshed brand campaign in Brisbane delivering an 11% uplift in traffic and 7% higher revenue relative to the control markets. Similarly, a program to replace entry-level products with higher quality private label range delivered an 8% uplift to revenue, fivefold increase in private label penetration and 11% higher delivered margins.

Temple & Webster has a market capitalisation of $660m.

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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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