Selector High Conviction Equity 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.

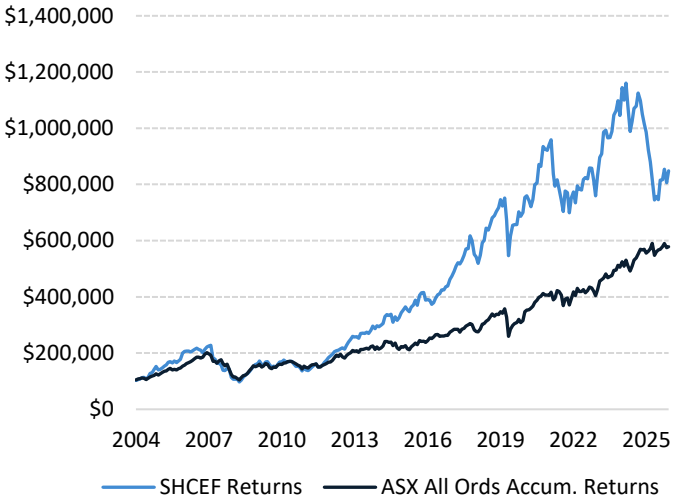
Strong aggregate earnings are necessary but no longer sufficient, as the market's reaction to results has become more discriminating. The end of October saw a sharp technology sell off lead by a single stock's result, while Alphabet experienced its largest single day draw down ever (-13%), as investors 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: 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	8.26
Aristocrat Leisure	ALL	8.23
Resmed	RMD	7.40
James Hardie Industries	JHX	6.79
CAR Group	CAR	6.52
Nanosonics	NAN	6.39
Pro Medicus	PME	6.22
Fisher & Paykel Healthcare	FPH	5.81
Reece	REH	5.31
FINEOS Corporation Holdings	FCL	5.21

Unit Prices as at 31 October 2026

Entry price	$2.5814
Mid-price	$2.5750
Exit price	$2.5686

Performance as at 31 October 2026[1]

	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)	5.16	3.96	11.98	(16.52)	3.74	(1.63)	8.13	12.27	7.48	10.20
Fund (net of fees)	5.02	3.56	11.16	(17.77)	2.22	(3.06)	6.34	10.34	5.62	8.24
All Ords Accum Index	0.66	0.00	3.30	1.61	12.75	7.31	9.32	9.22	6.86	8.30
Difference (gross of fees)	4.50	3.96	8.68	(18.13)	(9.01)	(8.94)	(1.19)	3.05	0.62	1.90

[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	1.06
TechnologyOne	0.80
Resmed	0.78
Aristocrat Leisure	0.67
WiseTech Global	0.67

Bottom five	Contribution (%)
Telix Pharmaceuticals	(0.66)
OFX Group	(0.41)
ARB Corporation	(0.22)
FINEOS Corporation Holdings	(0.08)
REA Group	0.05

Portfolio Commentary

CSL (ASX:CSL)

CSL entered into an agreement with Alentis Therapeutics to co-develop and co-promote lixudebart, a potential first in class treatment for people with rare kidney and liver disease. Lixudebart is currently being evaluated in a Phase 2 trial in patients with ANCA-associated vasculitis and rapidly progressive glomerulonephritis (AAV-RPGN).

CSL agreed to make an initial payment of US$355m, with Alentis eligible to receive an additional US$1.2b in milestone payments. Additionally, CSL will fund the completion of the ongoing Phase 2 RENAL trial and Phase 3 trial in AAV-RPGN and the Phase 2 trials for two new indications. Once commercialised, global profits will be shared 55% to CSL and 45% to Alentis.

In Behring, CSL announced its U.S. plasma collection sites will transition to Haemonetics latest generation collection device by the end of 2027. The decision reflects one of several measures in place to increase collection efficiency and comes five years after its decision to replace Haemonetics with Terumo's Rika device.

CSL also announced the appointment of Deborah Waterhouse as CEO from 1 February 2027 with interim CEO Gordon Naylor elected as Chair from 31 March 2027. Ms Waterhouse has an extensive 30-year career with GSK which includes leading the U.S. Vaccines business and most recently President of GSK Global Health and CEO of ViiV Healthcare, a leading specialist in HIV with sales of £7.7 billion during GSK's 2025 financial year.

CSL has a market capitalisation of $95b.

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

Resmed (ASX:RMD)

Resmed delivered its first quarter 2027 result, reporting revenue of US$1.42b, an increase of 6% on the pcp, or 7% in constant currency (cc). Underlying gross margins expanded 50 basis-points to 62.5%, while operating income increased 1% to US$453m. Net income of $418m grew by 20%. Underpinning the result was strong demand across the global sleep devices portfolio and masks increasing 9% and 10% to US$716m and US$540m respectively. Americas Sleep and Breathing revenue grew 7% in cc to US$833m, while Rest of World revenue grew 8% to US$426m.

During the quarter, Resmed closed the divestiture of MatrixCare, simplifying the Residential Care Software division around its core Sleep and Breathing franchise. Excluding MatrixCare, the division recorded revenue growth of 8% to US$155m. Proceeds from the US$490m sale and strong free cash flow US$374m supported more than US$1.0b returned to shareholders in the quarter.

On product, Resmed announced the U.S. launch of the AirTouch F40, extending its fabric mask range and new personalisation features in its myAir app including a sleep score, timeline of events and the ability to adjust device comfort. Innovation remains focused on improving patient comfort and compliance with management highlighting patients using MyAir meaningfully improve compliance from 70% up to 87%.

Management reiterated FY27 guidance of core cc revenue growth of 5%-7%, and reported revenue of US$5.75b-US$5.85b.

Resmed has a market capitalisation of $45.9b.

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.

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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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