

2025 Annual Letter
to Investors



AORIS

Dear fellow investor,

In 2025, the investment performance after fees of our Class A (Unhedged) fund (the Fund) was 4.0%, which compares to 13.7% for its benchmark. Our Class C (Hedged) fund returned 6.8%, which compares to 19.9% for its benchmark.

Performance – Class A

	Aoris	Benchmark	Difference
2025	4.0%	13.7%	–9.7%
2024	22.9%	29.8%	–6.9%
2023	30.8%	21.6%	9.2%
2022	–12.2%	–12.7%	0.6%
2021	41.3%	26.0%	15.3%
2020	0.4%	6.0%	–5.6%
2019	36.5%	26.9%	9.6%
2018 – nine months to December	3.2%	0.1%	3.1%
Since inception* – annualised	14.9%	13.4%	1.5%

* Inception 26 March 2018

Our return in 2025 was positive, but below that of our benchmark for the second year in a row. For those investors who've been with us for only a year or two, this is not the start I would have liked to deliver to you.

As well as measuring our performance against our benchmark, it's also appropriate to compare our results to those of our peers. We do this every year, even when our results compared to peers aren't flattering. The Fund ranked in the 70th percentile in 2025 against a broad peer group of international equity funds available in Australia. Over the last five years and since its inception, which I believe are the more relevant periods for comparison, the Fund placed in the 16th and 12th percentile, respectively.

As an investor, 2025 was one of the most unusual years I can remember. The market's enthusiasm for AI and large technology companies was paired with disdain for much else, including many companies that we own. This was frustrating for us at times, when we could observe strong and improving company fundamentals but the share price was moving in the opposite direction.

I should note that two of our companies – Amphenol and Halma – benefited from the growth in AI and data centre construction, though our portfolio in aggregate suffered neglect amid the AI frenzy.

We made errors in 2025, as is the case every year, but the impact on returns of those errors was no more than I consider normal.

We asked ourselves plenty of questions throughout the year about all our holdings, particularly those whose share prices underperformed the broader market. I believe the decisions we made to exercise patience with those stocks will be rewarded in the years to come.

Two words that to me defined 2025, and certainly ones we heard more than any other, were Trump, and AI. But when I think about applying our investment process in 2025, words that come to mind are fortitude, independent thinking, discipline, and patience.

The *image* that comes to mind when I think about our portfolio in 2025 is that of an elastic band. As the intrinsic value of our businesses moved forward at a good rate but the share prices stood still or in some cases went backwards, it felt like an elastic band stretching. In my experience, as the difference between intrinsic value and share price of high-quality, durable businesses widens, it's not too long before other investors pay attention. With time, the stretched elastic band contracts to normal and share price catches up with intrinsic value.

As we begin 2026, I believe the difference between share price and intrinsic value of many businesses in our portfolio is unusually wide. We have a stretched elastic band, and for that reason I feel very positive about the Fund's prospective returns.



The major positive contributors to Fund performance in 2025

Of the stocks the Fund owned for the whole year, there were three notable positive contributors to performance in 2025: **Amphenol**, **Halma**, and **L'Oréal**. Interestingly, the first two were also among the top contributors the previous year. L'Oréal, on the other hand, was on the detractor list for 2024, yet I wrote in last year's Annual Letter how our confidence in the long-term growth of the business remained high. Our decision to be patient with L'Oréal benefited the portfolio in 2025.

Amphenol +82%

Amphenol is a leading manufacturer of electronic connectors. These small devices are used to join electrical circuits and can be found in a wide range of end markets, including cars, laptops, mobile phones, aerospace, and data centres.

The data centre market has grown rapidly in the last few years and now accounts for around one-third of Amphenol's sales. Data centres built for AI workloads are more intensive in their requirement for electronic connectors than those used for conventional cloud computing. Amphenol has captured a large portion of this wave of spending, driving very strong growth in its earnings in the last year.

As beneficial as the AI-centric data centre buildout has been in the last couple of years, Amphenol is far from being a one-trick pony. It is a deliberately broad business, and we have been impressed by the strong growth across its many other end markets, as well as the earnings contribution from its successful acquisition program.

Halma +37%

Based in the UK, Halma is a leading global supplier of specialty products used in three broad end markets – safety, environmental, and health care. Halma focuses on growing niches within these broad markets, such as gas and flame detectors used in manufacturing facilities, and sensors, radars and emergency communication systems that are used in elevators and car parks, and on motorways. In the environmental sphere, among its many products and solutions are air- and water-quality testing products, and devices that detect leaks in a municipal water system.

For Halma, 2025 was another successful year, with its earnings growing by about 15%. While Halma is a highly diversified business, it also has an optical technology business that serves the data centre market, which has experienced exceptional growth in the last couple of years. Even without this tailwind, the rest of Halma grew at an impressive rate in 2025.

What has been most impressive about Halma is the *durability* of its earnings growth. Earnings per share (EPS) has grown at 12% p.a. over the last decade, while it has increased its dividend by 5% or more for a remarkable 46 consecutive years. We expect Halma's impressive record of growth and profitability to continue for many years to come.

L'Oréal +15%

In 2024, it seemed to us that other investors were unduly focused on a slowdown in consumer spending in China, an important market for L'Oréal yet contributing only 17% of its sales. L'Oréal is a broad, balanced business such that in any given year, faster-growing parts of the world will typically offset the weaker ones. We saw this in 2025, where strength in markets such as Europe, the Middle East and South America offset sluggish markets in China and the US, allowing L'Oréal to deliver a year of solid earnings growth.

Importantly, L'Oréal gained market share broadly across its end markets in 2025. In fact, L'Oréal has increased its share of the global beauty market in 18 of the last 20 years. It invested heavily in product innovation, its brands, technology, and its distribution channels in 2025, positioning it well for another year of outperformance and earnings growth in 2026.



The major detractors from performance in 2025 and lessons learned

A poor investment outcome from an individual stock doesn't necessarily mean the ownership decision was wrong. This is particularly the case over periods as short as one year. At the same time, when the outcome doesn't meet expectations, it's all too easy for an investor to reflexively attribute the shortfall to external conditions such as macroeconomic or market factors, without acknowledging the possibility they've made mistakes.

It's not the case that good outcomes can always be attributed to good investment decisions, while bad outcomes only ever come from bad luck!

I start with the acknowledgement that we *will* make investment mistakes. I believe this mindset helps us identify our mistakes relatively early, thereby minimising their cost to portfolio performance. Further, it's only by recognising our mistakes that we can learn from them, which we work hard to do. Based on past performance I expect our errors to detract 2–3% from our returns in a typical year.

At the same time, as patient, long-term investors it's important to identify when the fundamental progress of a business is meeting our expectations, but is simply being neglected or underappreciated by the equity market.

In any given year, I try to be as objective as possible in recognising which of our holdings constituted investment mistakes. The two stocks I consider errors in 2025 were Atlas Copco, and Copart.

Atlas Copco

Atlas Copco supplies industrial products and components, such as vacuum valves, air compressors, filters and pumps, into a wide variety of end markets.

We expect the businesses we own to be commercially ambitious and look to grow their revenue faster than the markets they serve – even more so when those markets are challenged. We sold Atlas Copco in May, having become disappointed with its lack of observable self-help initiatives. The company appointed a new CEO in May 2024, and perhaps this leadership transition is responsible for a seeming de-emphasis on innovation and commercial initiatives to drive growth. While the company's share price appreciated 4% in the five months we owned it in 2025, its return disappointed over our full 18-month ownership.

Our error here was not recognising Atlas Copco's underwhelming commercial drive and ambition before our purchase in late 2023.

Copart

Copart operates an auction platform, primarily to serve US auto insurers disposing of damaged vehicles that have been deemed too expensive to repair. Its share price declined 25% in 2025 until it was sold from the portfolio in July.

The company has a single competitor of note: IAA Inc. After many years of losing share to Copart, IAA has in the last two years improved its operating performance and regained some market share. This caused us to question Copart's competitive strengths, as well as its long-term growth and earnings prospects.

Our error here was not appreciating the risk to any business that has just one competitor. As Copart's auction marketplace became larger relative to IAA, we believed insurance customers would achieve better price outcomes at auction with Copart, driving further share gains for Copart, and so on. We underestimated the possibility that IAA could improve its competitiveness and regain share. We like businesses that have breadth and diversification, not only across customers and the geographies in which they operate, but also in their competitive landscape.

The total cost to portfolio performance of these two investment mistakes in 2025 was within the 2–3% range I consider normal for our errors each year.

Other underperformers and why I remain confident

Two other material detractors from returns last year were **Accenture** and **RELX**, both of which were perceived by other investors to be an 'AI loser'.

It seemed last year that many investors felt the future efficiency wonders of AI, measured in trillions of dollars of additional corporate valuations accredited to the AI winners, must commensurately come at the expense of other businesses, the losers. The prevailing thinking was that AI will automate many business processes, thereby shrinking white-collar workforces and, in turn, the revenue of companies providing software or services to other businesses. AI was also expected to easily extract data from the internet, thereby devaluing businesses for whom data is at their core.

While we expect that some businesses will indeed become less relevant as AI is more broadly adopted, we believe that Accenture and RELX have been mischaracterised as AI losers. On the contrary, we believe that technological change, including AI, will be a positive for these businesses, as it has been in the past.

We saw encouraging evidence of this in 2025 for those two companies, yet their strong fundamentals were neglected by the market. We have chosen to continue holding Accenture and RELX in the portfolio and believe our patience will be rewarded in time.

Accenture

Accenture is the world's leading IT consulting and outsourcing company. Its share price declined 28% in 2025.

Accenture helps the world's largest organisations manage change and improve their efficiency. Change management projects might involve helping an organisation move its IT infrastructure to the cloud, modernise its enterprise resource planning (ERP) software system, or build a new e-commerce system. Clients can also choose to outsource entire functions to Accenture, who can often operate them more efficiently by virtue of its scale. For example, Accenture can manage a client's cloud environment, which may cover many thousands of different software applications, and take responsibility for updates, reliability, cybersecurity, uptime and bug fixes.

Some market participants see Accenture as an AI loser because AI tools are easy to use. A point the company made to us more than once last year is that many investors believe their own experience with AI is representative of that of a large organisation.

Individuals can download ChatGPT, and the same day can be using it to write software code, automate tasks, write reports and summarise text. AI for an enterprise is very different.

To use AI effectively and at scale, an enterprise typically will need to move their many databases and hundreds of IT applications to the cloud. Data needs to be simplified, cleaned, connected, and properly governed. Access provisions and cyber security will need to be put in place and managed. Employees will need to be trained and upskilled and entire business processes changed. Large organisations are complex and usually find they need outside help to do all these things. This is what Accenture is good at.

AI drives the need for change management in large organisations, and Accenture has expertise that helps its customers navigate this change more effectively than they can do themselves. AI also improves the efficiency with which Accenture can deliver its outsourcing services, helping it to win more business.

Accenture has invested to position itself as an AI and transformation partner of choice to large organisations, and its result for the three months ended November was encouraging. The value of new contracts it signed in the quarter was 10% greater than a year ago and included 33 clients with new contracts greater than \$100 million. AI-specific work accounted for 9% of new bookings and doubled in value compared to a year earlier.

Accenture has grown its EPS at an average rate of 10% p.a. over the last decade. We expect a similar rate in the years ahead.

RELX

RELX provides data and software tools to a variety of professional markets, including academic researchers, legal practitioners, risk and compliance teams inside corporates and financial institutions, auto insurers, and fraud mitigation teams within government agencies. RELX's share price declined 15% in 2025.

The data at the core of RELX's solutions is proprietary and not available to AI models. For example, auto insurers in the US provide RELX with details of every policy holder, every vehicle and every accident claim, from which RELX supplies its insurance customers with data that helps them make better underwriting and claims decisions. RELX also has the world's largest chemicals database, which is used by pharma R&D teams in research and drug development.

Rather than undermining the value of its solutions, technology, including AI, enhances it. In the Legal segment, RELX last year released LexisNexis Protégé, a purpose-built AI assistant for legal work. It helps lawyers by analysing content within a secure environment, drafting documents in the lawyer's own style, and searching both RELX's proprietary legal database and the client's own data. This contributed to a significant acceleration in growth in RELX's legal segment to 8% in Q3 of 2025, its fastest pace for many years.

Building on the acceleration in earnings growth over the last two years, with technology and AI playing a key role, we expect to see further strategic progress and strong earnings growth for RELX in 2026 and the years beyond.

We were fortunate to meet with the CFO of RELX in London in the latter part of 2025. I was impressed by the energy and ambition to strengthen and move the business forward, through the combination of data, technology and deep client relationships. RELX feels like a company in an exciting period of accelerating growth.

The fair values of Accenture and RELX were, in our view, around 10% higher at the end of 2025 than at the beginning of the year. The decline in their share prices meant the valuation gap widened considerably – the elastic band stretched. I believe the expected investment return from here for both of these businesses is very attractive.

Our sell discipline, and the discipline to not sell

In our September Quarterly, Alasdair Kingham from our Investment team wrote about our sell discipline in an article titled 'How to Say Goodbye'.

I'm proud of the discipline we showed in the four portfolio sales we made in 2025. Fastenal and MSCI were sold for reasons of valuation. The share prices of both stocks had performed well, and we felt valuation was no longer on our side. It takes discipline as an investor to remain objective and not 'fall in love' with a stock whose share price is rising strongly.

In the case of Atlas Copco and Copart, their share prices had declined in the months prior to our sale. It takes discipline to acknowledge the quality of a business is not what we thought and to change our mind. We don't trade off quality for a seemingly cheaper price.

Our sale decisions have made a strong contribution to our long-term investment success. Since the inception of our Fund, 71% of the stocks we have sold have underperformed our benchmark since they were sold, and have done so by an average of 7% p.a.

Sometimes, though, the discipline is in *not* selling.

We recognise that our appraisal of a business may be wrong and we spend a lot of our research effort in search of evidence this is the case. At the same time, we operate with fortitude, not allowing our confidence in a business to evaporate simply because other investors have a different view. We strive for independent thinking, balance and equanimity.

I'm proud of the decisions not to sell that we made in 2025, and indeed in earlier years. Our returns last year benefited from our discipline to hold stocks that had gone through protracted periods of underperformance in prior years, including Amphenol, Halma and L'Oréal.

We want to be long-term owners of growing, successful businesses, benefiting as they become progressively more valuable over time, valuation permitting.

To become an owner takes patience. We typically allow ourselves at least a year to feel like we know and understand a business well enough to even contemplate owning it. We may then have to wait years until its price is attractive enough to make the initial purchase.

We know that a company's earnings won't hit record levels every quarter, nor will its share price. Owning a business through those periods requires patience. Patience is not passivity or benign neglect, though. We are constantly, actively questioning ourselves, asking how we could be wrong.

I'm confident that our investment performance in the years ahead will benefit from our discipline and patience to hold stocks in 2025 during a period of underperformance.

We stayed true to our process in 2025

I'm proud that as an investment team we stayed true to our process last year, not succumbing to the temptation to buy what's going up or to look more like the market.

We have a deliberately large investment exclusion zone, or areas of the equity market we say no to. We avoid banks, energy and mining companies, and businesses in emerging markets for reasons of risk – while acknowledging that from time to time those parts of the market will do very well.

We also choose not to invest in businesses we consider to be at the sharp end of change, no matter how exciting they seem to others. By this I mean new and fast-growing markets, such as weight-loss drugs, electric vehicles, and AI chips, as a few contemporary examples.

With fast growth and rapid change comes uncertainty. The above three markets are competitively fluid. Market shares are moving around, and the long-term winners are far from clear. Often, government policy plays an important role in these nascent markets, creating an additional layer of uncertainty. We saw that risk evidenced last year in EVs, with government subsidies being withdrawn in the US and emission standards for petrol engine cars being relaxed.

Through 2025, while being true to our process and our exclusion zone, we asked ourselves lots of questions. We asked whether any of the large technology companies were no longer fast-growing or fast-changing and warranted reconsideration. The one company where we answered in the affirmative was Amazon.

For many years, Amazon's retail operations were loss-making, reflecting costly investments in faster delivery, new services and new geographies. In recent years, these investments have matured, and this side of Amazon is consistently and increasingly profitable. At the same time, Amazon's cloud computing business, where we had concerns about increasing competition from Microsoft and Google, continues to grow profitably. We see Amazon now falling within our investment parameters, though as is the case with the other stocks on our reserve list, we may never own it in our portfolio.

We don't blithely ascribe our underperformance last year relative to our benchmark to market or style factors. We constantly question what we do own, testing for errors of commission, as well as what we don't own, testing for errors of omission. All the while we remain true to our disciplined investment process and work hard to improve our execution of that process.



Our investment returns will come from growth in intrinsic value and valuation

At Aoris, we target a return of 8–12% p.a. after fees over a market cycle. I find the framework below useful in understanding how we expect to achieve that outcome.








- **Growth in intrinsic value** – we participate in the growth in the intrinsic value of the businesses we own, which we expect to be at a rate of around 10% p.a. This is the bedrock of our expected investment return.
- **Valuation** – by owning these businesses at prices below what we consider to be their true worth, we expect valuation to contribute about 3–5% p.a. as their share prices appreciate over time to more fairly reflect their growing intrinsic value.
- **Dividends** – we expect a dividend yield of about 1.5%. This essentially offsets the management fee we charge.
- **Mistakes and shortfalls** – we make an allowance of 2–3% p.a. for the expected negative impact of investments that fall short of our expectations and our own investment errors.

In 2025, I believe the intrinsic value of the businesses we owned appreciated on average by about 13%. In most years I expect the gap between the fair value of the businesses we own and their share prices to narrow, contributing positively to returns. However, last year the share prices of many of our portfolio holdings lagged the growth in their intrinsic value. This widening valuation gap detracted around 5% from our returns in 2025. When it came to mistakes, our investment in Copart had a negative impact on returns of about 1%. Lastly, changes in currency values negatively impacted our AUD returns by about 3%.

I believe the 15 businesses owned in the portfolio today will continue to grow in intrinsic value at a rate of around 10% p.a. The average gap between the share prices of the 15 companies we own and our appraisal of their intrinsic value was 25% at the end of 2025. Rarely over the last seven years has the valuation of our portfolio been as attractive as it is at the start of 2026.

As share prices converge on fair value over the next few years – as the stretched elastic band returns to a more normal state – I expect valuation will make a greater than normal contribution to returns. Allowing for dividends, fees and our inevitable investment mistakes and shortfalls, this leaves me very confident we can achieve our 8–12% p.a. after-fee return objective over the coming 5–7 years and outperform our benchmark over the same period.

We replaced four stocks in the portfolio in 2025

	Sold	Bought
February 2025	MSCI 	GRAINGER 
March 2025	FASTENAL 	jack henry 
May 2025		
July 2025		
August 2025		IHG <small>HOTELS & RESORTS</small> 

Sales

Our four sales were addressed in earlier pages.

Purchases

Grainger (W.W.) is one of the largest distributors of products used in maintenance, repair and operations (MRO) in the US. MRO products are the essential items required to run a building or commercial facility, and include everything from light bulbs, safety supplies and cleaning equipment, to air compressors and HVAC equipment. While industrial and commercial distribution sounds simple, doing the simple things repeatedly well, having the right product at the right warehouse door at the right time at a fair price has been the foundation for Grainger's success. In what is a fragmented market, Grainger has gained market share in most years in the last decade, and grown earnings per share at a rate of 12% p.a. over that period. Grainger has also increased its dividend for 52 consecutive years. We believe it can continue to grow its earnings at an attractive rate in the future.

Jack Henry is a leading provider of essential software to small and mid-sized banks and credit unions in the US. Its offering includes the core account management software that maintains a financial institution's customer deposit and loan data, transaction processing software, digital banking, fraud detection and treasury management. Jack Henry has an established record of very high customer satisfaction, which has aided its long record of new customer wins and market share gains. We believe Jack Henry can continue its history of attractive earnings growth for many years to come.

IHG Group is a brand owner and franchisor of hotel chains globally. The largest hotel brands in the IHG system are Holiday Inn and Holiday Inn Express, followed by InterContinental and Crowne Plaza. There are 20 brands in total across IHG's 6,600 hotels.

IHG provides hotel owners the benefits of its loyalty program (IHG One), property management system, reservation system, and revenue management system, in return for a franchisee fee. This makes it more economically attractive for the owner to franchise rather than operate as an independent hotel. These benefits also make it attractive for existing independent hotels to convert to one under the IHG system. IHG today accounts for 4% of global hotel rooms and 10% of the pipeline, which indicates it should increase its share of the hotel market and grow earnings at an attractive rate for many years to come.

SAP is the world's leading enterprise resource planning (ERP) software company, which is an integrated set of applications across HR, finance, manufacturing, supply chain management and customer relationship management. Of the world's 100 largest companies, 99 use SAP, and 77% of the world's transactions touch an SAP system. As customers transition to the cloud with SAP, they take more SAP applications and their annual spend with SAP typically increases 2–3x. Most of its customers are yet to begin the transition to the cloud. We see SAP as being in an advantageous position when it comes to data analytics and AI tools, since most of its customers' essential data resides within SAP systems. The early progress in these areas is very encouraging. We see many years of attractive earnings growth ahead for SAP.



The year 2025 for Aoris as a business

For Aoris, 2025 was another year of growth and progress. The value of our funds under management increased from \$1,813 million to \$2,130 million over the 12 months. I'd like to thank everyone who became a client of Aoris for the first time in 2025, as well as those who've been investing with us for longer.

To meet increasing interest from overseas-based family offices, we launched a Cayman Islands-registered version of our strategy in 2025. In the coming year we will launch a unitised fund structure, known by its abbreviation NURS, specifically for the private wealth market in the UK.

Our primary objective as a business is to deliver great long-term investment returns to our clients. I'm proud to lead what I consider to be an outstanding Investment team with Delian, Alasdair, Matt, Andres and Harrison, and I was impressed by the discipline and process rigour they all displayed during a challenging year.

I'd like to express my appreciation to Alfie and Vic, both of whom left us in 2025, for what they contributed during their years with Aoris and wish them well in their future endeavours.

Our business is far more than just our investment function, though, and our operations and business development functions are critical to Aoris providing high-quality outcomes to our growing client base.

I'm enormously grateful to Dale and Jessie in our Operations team, who work tirelessly to find any opportunity to strengthen and improve our business and operations processes. During the year this included improvements to our cybersecurity protection, and equity and foreign currency trading. I'm proud of Dan, Clinton, Rohan and Baron in our Business Development team, who communicated with our clients with transparency and candour during a year when our performance relative to our benchmark invited extra scrutiny.

The year ahead

As we look into 2026, some investors may feel that market aggregates have powered ahead to unreasonable levels and will look to sit on the sidelines, in expectation of a market sell-off. Other investors will look to gain an edge by anticipating the changing political winds, technological innovation or market sentiment, and positioning themselves accordingly.

I don't have any view on the outlook for the equity market in calendar 2026, or what's in store in politics, economic growth, interest rates or the cutting edge of technology.

I do believe that durable, resilient, market-leading, competitively winning businesses, run by prudent and capable management, will prosper and become more valuable over time, and that their share prices will reflect that.

If we do a good job of identifying these businesses, owning them at attractive prices, and focusing on long-term rather than short-term results, I'm confident we'll deliver on our 8–12% p.a. after-fee return objective over the coming 5–7 years.

I believe we begin 2026 with unusually attractive valuations for our portfolio holdings – a stretched elastic band. As such, I feel very positive about the returns our Fund will deliver in the years ahead.

Thank you for your interest in Aoris. I wish you and your loved ones a happy and successful 2026.

Sincerely,

A handwritten signature in black ink that reads "Stephen". The signature is fluid and cursive, with a large initial 'S'.

Stephen Arnold
Chief Investment Officer

Get in touch

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