



"SEE- WHEN INTEREST RATES GO DOWN, STOCKS GO UP. AND WHEN RATES GO UP, STOCKS GO DOWN. EXCEPT WHEN THEY DON'T."

CartoonStock.com

In this quarterly, we discuss ESG, reporting season and share buybacks in our piece "Capital management – a new approach".

In our article "Technology = growth", we pick up on the workings of Marc Andreessen and Ben Howritz on three sources of growth. We follow this up with a brief discussion on Chris Miller's book "Chip War".

We then comment on the power of compounding and how a high portfolio turnover approach can reduce the quality of stated performance numbers when viewed on an after-tax basis. Finally, some words on the transition to our new fund administrator.

Photo. *Everything supposedly makes sense, until it doesn't. Some call it herd mentality. Source. CartoonStock*



Selector is a Sydney based fund manager. Our team combines deep experience in financial markets with diversity of background and thought. We believe in long-term wealth creation and building lasting relationships with our investors.

We focus on stock selection, the funds are high conviction, concentrated and index unaware. As a result, the portfolios have low turnover and produce tax effective returns. Our ongoing focus on culture and financial sustainability lends itself to strong ESG outcomes.

Selector has a 20-year track record of outperformance and we continue to seek businesses with leadership qualities, run by competent management teams, underpinned by strong balance sheets and with a focus on capital management.

CONTENTS

IN BRIEF – DECEMBER QUARTER	3
PORTFOLIO OVERVIEW	6
PORTFOLIO CONTRIBUTORS	9
ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE (ESG)	12
ESG REPORT 2024	20
REPORTING SEASON SNAPSHOT	27
CAPITAL MANAGEMENT – A NEW APPROACH	39
TECHNOLOGY = GROWTH	44
TOUGH DECISIONS ARE USUALLY RIGHT	55
NEW HORIZONS – REA	57
20 YEARS ON	71
2023: AREAS OF INTEREST	74
CHANGE OF FUND ADMINISTRATOR AND RESPONSIBLE ENTITY	81
COMPANY ENGAGEMENTS – DECEMBER 2023 QUARTER	85

IN BRIEF – DECEMBER QUARTER

Dear Investor,

We started 2023 with one war and ended the year with two.

We were dealt inflation rate readings, the highest in three decades, but ended with talk of imminent deflation.

We endured continuous interest rate rises, the fastest pace in 40 years, finishing at its peak.

We braced for consumers to lower their spending, only to remain strong, much to the surprise of central bankers.

We adapted to the unfolding economic landscape and the need for constraint, while governments ran rampant with massive infrastructure spending outlays.

We were warned of recessions, though it failed to arrive.

We began with fiscal government deficits and ended with even bigger debt obligations.

We were told to prepare for tougher markets but watched the U.S. Dow Jones Industrial Average and Nasdaq Composite indexes post all-time highs, up 13.7% and 43.4% respectively for the year.

We looked to the north, with markets betting on a resurgent China, only to be blindsided by the economic endurance of India.

We experienced the unleashing of Artificial Intelligence (AI), as the number of large language models ramped up during the year, led by ChatGPT (Microsoft), BARD (Google) and LLaMA (Meta). Google Chief Executive Sundar Pichai underscored its expected impact, *"I believe the transition we are seeing right now with AI will be the most profound in our lifetimes, far bigger than the shift to mobile or to the web before it."*

We enjoyed the extraordinary teachings of two great investors for well over half a century, only to lose one at year's end.

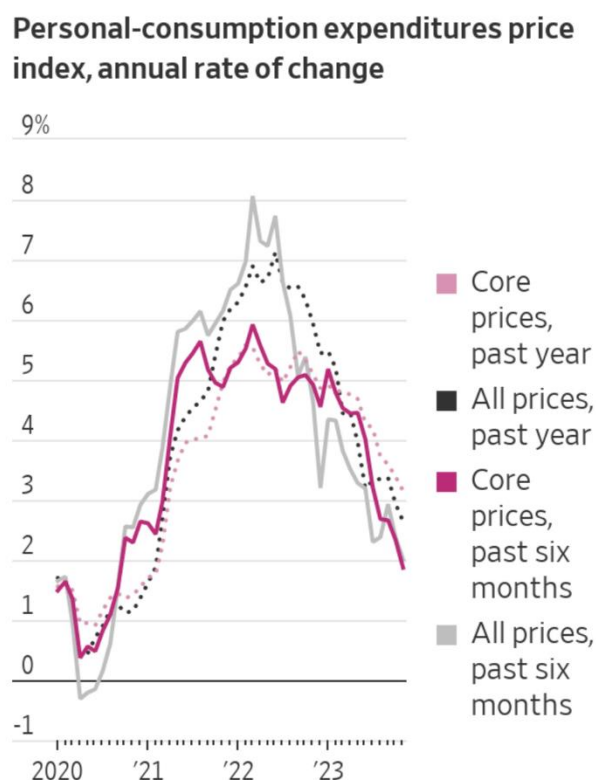
We are now at the close of 2023 and surmise what a year it has been.

Truth be told, the year was relatively normal, wars aside, as life and economies rolled on.

Like COVID-19, things that occupied the greatest attention will be less relevant in 2024.

The fear of inflation will ultimately prove transitory, as we have argued all along, only to be replaced with the quest for economic growth, as [Figure 1](#) below illustrates.

Figure 1: U.S CPI rapidly heading south



Note: Seasonally adjusted; core prices exclude food and energy categories.

Source: Commerce Department

Source: Commerce Department

The 'higher for longer' predictions on interest rates will also prove short-lived. Macquarie Capital Head of Global Strategy Viktor Shvets, who has called this correct from the get-go, recently commented on this following the 13 December 2023 U.S. Fed statement:

"This leads us to yesterday's FOMC statement. Not only has the Fed meaningfully lowered its policy rate estimates, but it also rapidly shifted the debate from the "length of the pause" to "when and how much to cut" while its projections are now firmly imbedding an "immaculate disinflation". Considering Fed's super

hawkishness over the prior two months (which single-handedly drove 10Y to 5%), the shift is breath taking and illustrates how CB's reaction time has gone from months to days and seconds."

Anyone who thinks the U.S. Fed is unlikely to 'pivot' once again, should perhaps think otherwise.

This year we travelled far and wide, engaging with businesses in their respective domains. Overall, the year proved eventful, testing the strength and calibre of each of the Fund's respective management teams. That the portfolio ended in solid shape is a testament to the enduring qualities of many of the businesses held.

These qualities, either in the recurring nature of earnings, the build-out of market leadership, or the conservative positioning of balance sheets, has the portfolio in a good place.

Notably, more of our companies saw fit to undertake share buybacks, reflecting a maturing approach to capital management.

By year's end, six share buyback programs were in train (up from one in the prior year) and were all funded from existing internal company cash flow balances.

We begin this quarterly by discussing the changing landscape across ESG and the importance of financial sustainability. We follow with some company reporting season commentaries and explore share buybacks in our piece "Capital management – a new approach".

In our article "Technology = growth", we pick up on the workings of Marc Andreessen and Ben Howritz who argue that *"There are only three sources of growth: population growth, natural resource utilisation and*

technology." Here we discuss two portfolio businesses that fit the bill.

We follow this up with a brief discussion on Chris Miller's book on *"Chip War"*, a must read that picks up on the increasingly critical role played by microchip technology across all facets of human endeavour. And the importance of thinking long-term when making capital allocation decisions.

In November, we travelled to India and reviewed the country's leading online property portal, housing.com, now part of the REA Group. "New Horizons" profiles REA's entry into India in 2016 and its progress to date.

We comment on the power of compounding and how a high portfolio turnover approach can reduce the quality of stated performance numbers when viewed on an after-tax basis. It is not a subject that gets a lot of attention among the investment community, but its impact can be truly *"eye opening"*.

Finally, some words on the transition to our new fund administrator.

For the December quarter, the portfolio delivered a gross positive return of **10.05%** compared to the S&P ASX All Ordinaries Accumulation Index, which recorded a gain of **8.67%**.

For the calendar year, the portfolio delivered a gross positive return of **22.21%** compared to the Index which recorded a gain of **12.98%**.

We appreciate your ongoing support and trust you find the quarterly informative.

Regards,

Selector Investment Team

“Proxy advisers who do not take account of exceptional circumstances, who simply have boxes to tick and guidelines to follow and do not apply discretion and consideration to exceptional circumstances do their clients a disservice.”

Walter Pisciotta OAM, Non-Executive Director CAR Group

Walter Pisciotta and Greg Roebuck founded carsales (CAR Group) in 1997, with the idea of moving print classified advertising for motor vehicles onto the internet. In 2009 the CAR Group listed onto the Australian Stock Exchange at \$3.50 per share, valuing the business at \$812m.

Today, the business is the global leader in multiple markets, having grown organically and via acquisitions. It is now ranked within the Top 100 ASX listed businesses with a market capitalisation of \$10.5b, while its issued capital has increased from 232m to 377m.

Pisciotta served as co-founder, and as Chair of the company from inception until 2015. He has remained a non-executive director from 2015 to present, having been reappointed as a director at the recent 2023 annual general meeting.

He remains a significant shareholder in the company, having lifted his personal holding, valued at \$249m, from 8.3m shares to 8.9m during 2023.

In 2016 he was recognised in the Queen’s Birthday Honours with the Medal of the Order of Australia for his services to the Australian Automotive Industry.

Mr Pisciotta's personal comments, as outlined in the above quote, was given at the end of the 2023 AGM. It is a poignant reminder of those who pass judgment without truly understanding the ramifications of their actions.

Proxy advisors have an important role to play in representing the best interests of shareholders, on this point there is no disagreement. Where they fail is in applying cookie cutter voting outcomes that to use Pisciotta's words “...do their clients a disservice”.

Clients, namely shareholders would do well to heed Pisciotta's words, because the actions of proxy advisors while appearing benign, carries long term consequences when left unchecked. **SFM**

PORTFOLIO OVERVIEW

Table 1: Performance as at 31 December 2023*

	3 Month	6 Month	1 Year	3 Year	5 Year	10 Year	15 Year	Since Inception
Fund (net of fees)	9.65	8.52	20.33	4.03	9.64	11.27	13.19	10.08
Fund (gross of fees)	10.05	9.35	22.21	5.68	11.56	13.25	15.24	12.12
All Ords. Acc. Index	8.67	7.95	12.98	8.88	10.66	8.16	9.64	8.24
Difference (gross of fees)	1.38	1.40	9.23	(3.20)	0.90	5.09	5.60	3.88

*Performance figures are historical percentages. Returns are annualised and assume the reinvestment of all distributions.

Graph 1: Gross value of \$100,000 invested since inception

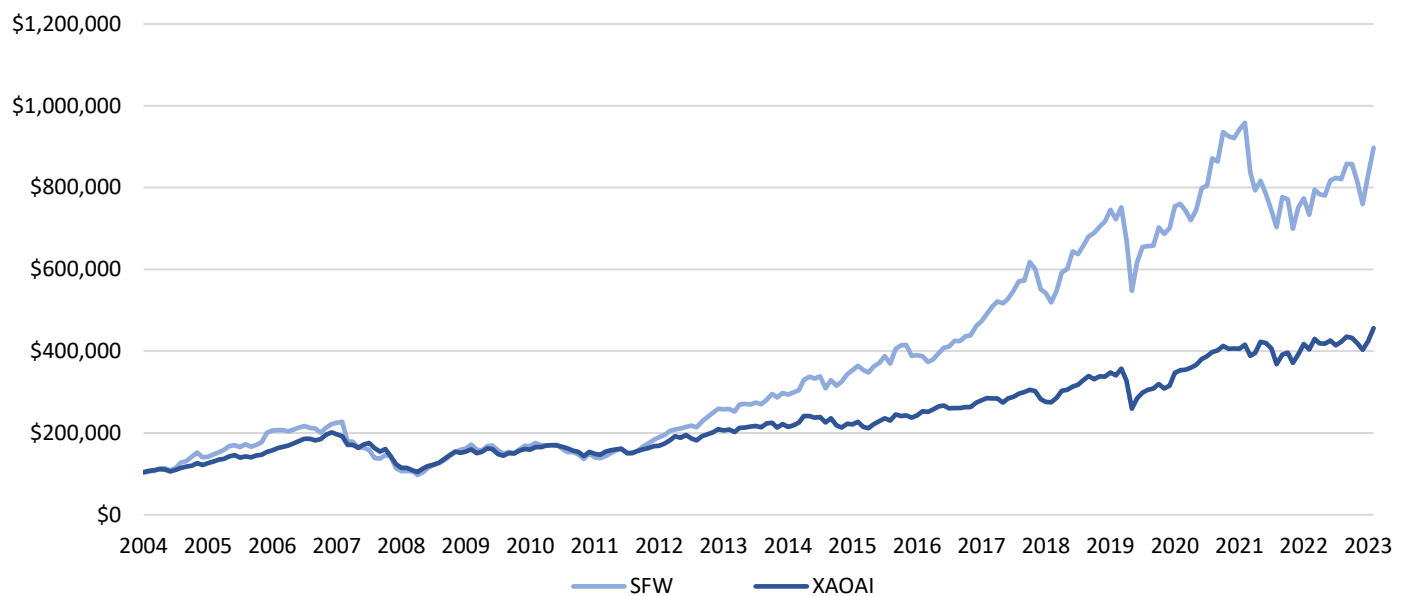


Table 2: Fund's Top 10 Holdings

Top 10 December 2023	%	Top 10 September 2023	%
CAR Group	8.00	CAR Group	8.19
Altium	7.90	Altium	8.08
James Hardie Industries	6.62	TechnologyOne	7.19
Cochlear	6.52	Cochlear	6.11
TechnologyOne	6.50	Aristocrat Leisure	5.38
CSL	5.12	James Hardie Industries	5.23
Reece	4.94	CSL	4.91
Aristocrat Leisure	4.91	Reece	4.50
Domino's Pizza Enterprises	3.64	Computershare	3.88
SEEK	3.51	Domino's Pizza Enterprises	3.58
Total	57.66	Total	57.05

Table 3: Unit prices as at 31 December 2023

Unit Prices	Entry Price	Mid Price	Exit Price
	3.3647	3.3563	3.3479

Selector employs a high conviction, index unaware, stock selection investment strategy. The Fund's top 10 positions usually represent a high percentage of its equity exposure. Current and past portfolio composition has historically been very unlike that of your average *"run-of-the-mill index hugging"* fund manager. Our goal remains focused on truly differentiated broad-cap businesses rather than the closet index hugging portfolios offered by most large fund managers.

Table 4: ASX sector performance – December 2023 quarter

S&P ASX Industry Sectors	Quarter Performance (%)
A-REITS	15.08
Materials	13.19
Healthcare	13.04
Telecommunications	6.83
Financials	6.57
Information Technology	6.47
Consumer Discretionary	5.79
Industrials	5.13
Consumer Staples	(0.08)
Utilities	(3.12)
Energy	(9.20)

Table 5: Fund's industry weightings

Industry group	December 2023 (%)	September 2023 (%)
Software & Services	24.17	25.20
Health Care Equipment & Services	16.03	15.44
Media & Entertainment	14.64	14.16
Consumer Services	13.99	14.96
Capital Goods	6.99	6.41
Materials	6.61	5.23
Pharmaceuticals, Biotech & Life Sciences	5.29	5.11
Commercial & Professional Services	3.25	3.88
Automobiles & Components	2.41	2.25
Insurance	2.10	2.27
Consumer Durables & Apparel	1.94	1.66
Financial Services	1.93	2.39
Cash & Other	0.65	1.03

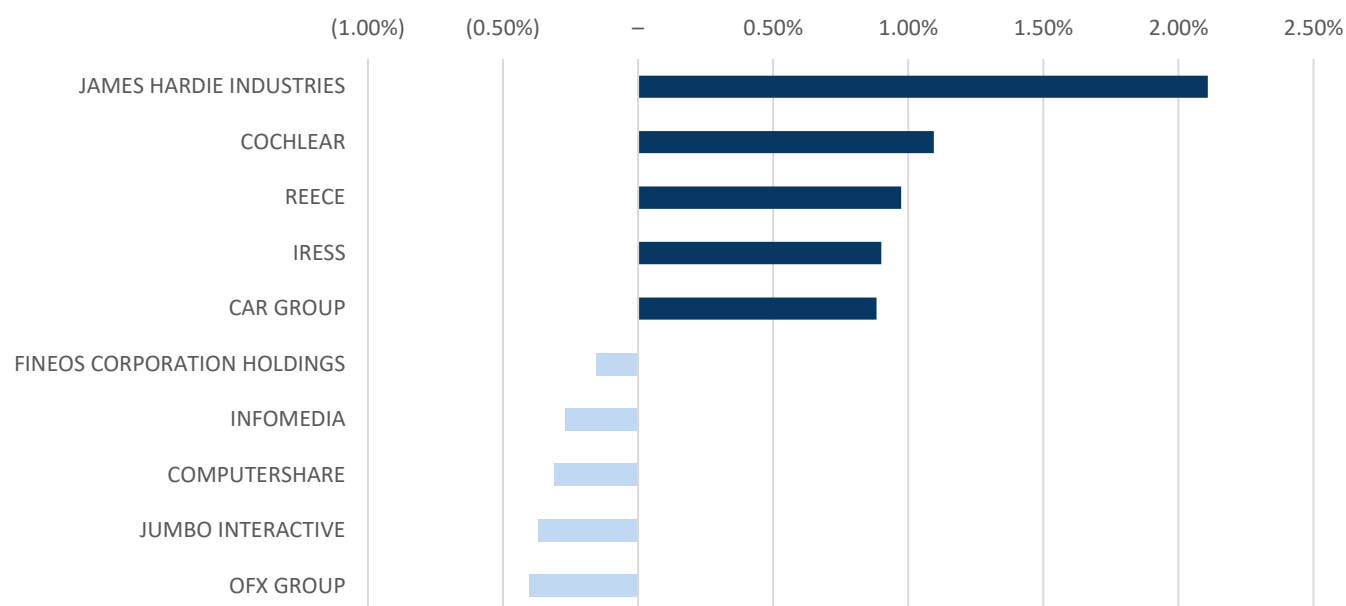
Table 6: Portfolio turnover as at 31 December 2023

Period	Turnover %
1 Year	1.10
2 Years	5.35
3 Years	7.32
5 Years	7.15
10 Years	6.73
Since inception	6.17

- Turnover shown as annualised percentages
- Turnover = Lesser of purchases or sales divided by average funds under management for the period
- Turnover calculation excludes cash flows greater than 1% of FUM over any given period

PORTFOLIO CONTRIBUTORS

Graph 2: Contributors and Detractors – December 2023 quarter



Top quarterly contributors

1. James Hardie Industries (ASX:JHX)

Despite sales remaining flat at US\$998.8m for 2Q FY24, leading fibre cement home siding and exterior design solutions provider James Hardie, achieved record operating profits (adjusted EBITDA) of US\$285.5m, up 9%.

Having completed its initial US\$200m share buyback, the company announced a new US\$250 million buyback program.

James Hardie has a market capitalisation of \$23.5b and net debt of US\$803m (0.79x leverage ratio).

2. Cochlear (ASX:COH)

In October, SFML attended the Cochlear Capital Markets Day. The presentation reiterated the significant long-term opportunity to support those with severe to profound hearing loss. While the company is the clear market leader for Cochlear implants with a reported 60% global market share, the adoption of cochlear implants remains under penetrated, with only a 4% share in its targeted category when compared to the dominate hearing aid providers.

While there is growing external evidence supporting the superior performance of cochlear implants when compared to hearing aids, barriers to greater adoption

remains. Numerous initiatives are in train to drive awareness, including alignment of referral pathways, improving in healthcare guidelines, and consistent research & development spend to drive innovation across the product portfolio.

Cochlear is committed to its stated long-term objectives and has set annual financial targets of 10% revenue growth, accompanied by stable underlying profit margins of 18%, with any operating leverage achieved reinvested into the business.

Cochlear has a market capitalisation of \$19.5b and net cash of \$556m.

3. Reece (ASX:REH)

Reece provided a 1Q24 trading update with sales up 3% to \$2.4b. Across the regions, ANZ sales rose 3% while US revenue remained flat on a constant currency basis.

Reece CEO Peter Wilson provided commentary on the performance, *“we’ve delivered Q1 sales slightly ahead of our expectations heading into the quarter, particularly given our significant growth in the same period last year. This has largely been driven by ongoing inflation and activity backlogs in our ANZ business. US performance, as expected, saw a softer demand setting and faster moderation in inflation.”*

4. Iress (ASX:IRE)

In November Iress provided a business strategy update alongside earnings guidance. A refreshed leadership team has been put in place by CEO Marcus Price with a focus on increased operational transparency and accountability. The transformation program has resulted in FY23 underlying EBITDA guidance being upgraded to \$123m - \$128m (previously \$118m - \$122m).

Iress has a current market capitalisation of \$1.5b and net debt of \$308m.

5. CAR Group (ASX:CAR)

At the 2023 AGM, CAR Group reaffirmed its FY24 qualitative guidance of delivering good revenue and operating profit (EBITDA) growth on a pro-forma basis and EBITDA margin expansion.

In December, CAR Group announced its wholly-owned South Korean subsidiary, Encar, withdrew the Eligibility Review Application (ERA) it had lodged with the Korea Stock Exchange (KRX).

An ERA is the first step in exploring the possibility of conducting an Initial Public Offering (IPO) and this decision was made due to unfavourable equity market conditions. CAR Group remains a committed long-term owner of the Encar business and is excited about the ongoing growth opportunities it has in a large and highly attractive Korean automotive market.

Selector travelled to the U.S and Brazil during the September 2023 quarter, reviewing operations and the respective management teams.

CAR Group has a current market capitalisation of \$11.6b and net debt of \$973m.

Bottom quarterly contributors

1. OFX Group (ASX:OFX)

Please refer to Reporting Season Snapshot below.

2. Jumbo Interactive (ASX:JIN)

At its 2023 AGM, internet lottery reseller and platform provider Jumbo reaffirmed its guidance for FY24 underlying operating profit margin (EBITDA) to be 48% to 50% with cost growth expected to grow at a slower pace than revenue. FY24 will also see the final step up in the service fee paid to The Lottery Corporation which will increase to 4.65% of the subscription price of tickets, up from 3.5% in FY23.

Jumbo provided a FY24 trading update with lottery retailing revenue increasing 3% to \$35m for the first four months of the year, despite total transaction volumes (TTV) falling 11% as a result of jackpot variability.

Jumbo's SaaS offering saw TTV and external revenue increase 20% respectively. Having recently signed a four-year extension agreement with Western Australia's state government owned and operated Lotterywest, the company noted that TTV growth from this market continues to outpace lottery retailing.

Managed Services benefitted from the contribution from StarVale, which was acquired in November 2022. Excluding the impact of this acquisition, revenue growth in this segment remains in line with management expectations.

The company confirmed they are actively pursuing global growth through acquisitions to enhance the existing portfolio of assets and enable access to new markets, complementary capabilities and propositions, and build scale. Acquisitions will focus on profitable businesses in the charity sector that can be expected to benefit from Jumbo's technology and capabilities.

Jumbo has a market capitalisation of \$857m and net cash of \$53m.

3. Computershare (ASX:CPU)

In October, Computershare entered into a definitive agreement to sell its U.S. Mortgage Services business to Rithm Capital Corp for an estimated consideration of US\$720m. The transaction is anticipated to complete in early Q4 FY24 with no material impact on FY24 EPS guidance of around US116 cents per share. The deal is expected to be EPS accretive in FY25 and deliver improved financial metrics including ROIC of 30% (pre-divestment 23%) and Free Cash Flow of US\$545m (pre-divestment US\$511m).

CEO Stuart Irving emphasises the benefits of a simplified strategy along with better quality and consistency of earnings post sale, *"The divestment of US Mortgage Services allows us to focus our efforts on our core businesses which have high levels of recurring revenues, long term growth runways, low capital intensity and attractive returns through the cycle. The proceeds from*

the sale will enhance Computershare's flexibility to pursue strategic investments and consider further capital management opportunities."

Computershare has a market capitalisation of \$14.7b and net debt of \$1.2b.

4. Infomedia (ASX:IFM)

In November, Infomedia, a leading Software as a Service (SaaS) provider in parts, service and data insight solutions to the automotive industry, held its AGM. The meeting marked 18 months as CEO for Jens Monsees. In that time, the business has pivoted to a product-led organisation, simplified the organisational structure and begun realigning all business functions to focus on a global end-to-end data insight platform.

Since laying out its three-stage transformation strategy in December 2022 (change, strengthen and scale), management has completed the first stage ahead of schedule. It has provided the infrastructure for the business to scale and drive incremental profit margin expansion through a single operational go to market strategy.

As Infomedia enters phase two of the strategy, management are focused on strengthening recent efforts to reduce the time to implement and convert the sales pipeline, upgrade and automate internal systems

and drive deeper data-driven insights across the product ecosystem.

To date, the changes have resulted in a leaner and more collaborative organisation with product implementation times reducing by 20%. Management remains encouraged by the outcomes of the recently introduced initiatives and based on current progress at the time of the AGM, upgraded the bottom end financial year 2024 revenue guidance from \$135m–\$142m to \$137m–\$142m.

Infomedia has a market capitalisation of \$526m and net cash of \$65m.

5. FINEOS Corporation Holdings (ASX:FCL)

At its 2023 AGM, Life, Accident and Health (LA&H) insurance software vendor FINEOS reiterated its FY24 guidance to deliver revenue between €131m–€135m alongside €10m in cost savings.

With revenue from recurring subscriptions surpassing services for the first time, FINEOS now expects this trend to continue into FY24 and beyond. This significant business milestone has long been targeted, as FINEOS transitions to a true SaaS operating model, with highly recurring revenues and improving operating margins.

FINEOS has a market capitalisation of A\$700m and cash of €34.9m.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE (ESG)

▪ ESG risk of the portfolio

Table 7: SFML ESG Scores

Company Name	ESG Roadmap	ESG Score
ARISTOCRAT LEISURE	2.0	8
ALTIUM	2.0	6
ARB CORPORATION	2.0	6
BREVILLE GROUP	2.0	7
CAR GROUP	2.0	8
COCHLEAR	2.0	7
COMPUTERSHARE	2.0	8
CSL	2.0	8
DOMINO'S PIZZA ENTERPRISES	2.0	5
FINEOS CORPORATION HOLDINGS	2.0	6
FLIGHT CENTRE TRAVEL GROUP	2.0	8
FISHER & PAYKEL HEALTHCARE CORPORATION	2.0	8
INFOMEDIA	2.0	4
IRESS	2.0	7
JAMES HARDIE INDUSTRIES	2.0	7
JUMBO INTERACTIVE	2.0	6
MEDICAL DEVELOPMENTS INTERNATIONAL	2.0	6
NANOSONICS	2.0	8
NIB HOLDINGS	2.0	9
OFX GROUP	2.0	7
POLYNOVO	2.0	7
REA GROUP	2.0	9
REECE	2.0	9
RESMED	2.0	8
RELIANCE WORLDWIDE CORPORATION	2.0	9
SEEK	2.0	9
TECHNOLOGYONE	2.0	7
WISETECH GLOBAL	2.0	8

ESG 2.0 Roadmap

Consideration			
Environment	Climate Targets	Renewable targets	Progress against target
Social	Human Capital Management	Community (including MS*)	Best Interests
Governance	Board effectiveness	Shareholder interests	Risk & Litigation

Roadmap scorecard

9 filters applied to each portfolio business

*Modern Slavery (MS)

The ESG 1.0 Roadmap, developed in-house in 2019, defines ESG issues that may impact companies and applies a score of 1 or 0 for each of the 12 areas under consideration. The ESG 2.0 Roadmap iteration was created in 2021, with changes integrated into our portfolio models thereafter. The ESG 2.0 Roadmap consists of 9 areas under consideration.

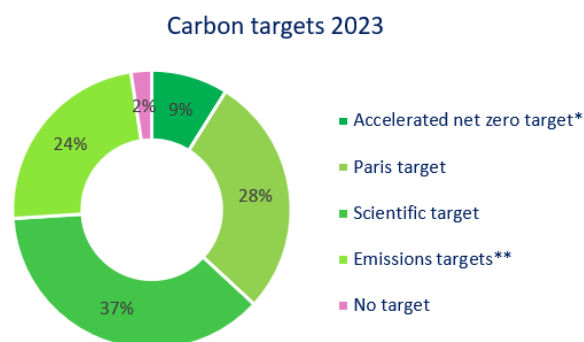
The following is a breakdown of each consideration:

- Climate targets – Assessment of the company’s plans relating to carbon neutrality, Paris commitments, scientific targets, or emission targets. “0” rating for no effort.
- Renewable targets – Assessment of the company’s documented use of renewables mix or implemented targets for renewable energy.
- Progress against targets – Measuring progress made against announced targets. “0” rating for no effort.
- Human Capital Management – “Is there a history of human rights violations, workplace and IR disputes, discrimination and harassment claims?”
- Rating of the company’s employee engagement, turnover and productivity. Compare the company’s work, health and safety (WHS) standards against peers, including their recording and track record of incidents.
- Community – Rating of the company’s community engagement and social licence to operate. Consider whether the company has a framework on social issues across its supply chain, including labour standards, child labour, health & safety, discrimination, and harassment.
- Best Interests – “Is the company behaving in a manner that is in the best interests of stakeholders.”
- Board effectiveness – Assessment of the board including industry experience, independence, age, diversity, tenure, equity ownership and capacity.
- Shareholder interests – Assessment of the remuneration structure, shareholder communication, corporate disclosure, and reliability of financial statements. Test the factors against the company’s corporate strategy and whether they are in line with shareholder interests.
- Risk & Litigation – Rating of the company’s internal risk and control framework.

The ESG Roadmap is reviewed quarterly with data updated annually by reporting companies. Further detail on our ESG Roadmap can be found in the SFML ESG & Voting Policy, available at <https://selectorfund.com.au/esg>

Carbon Risk Analysis

Figure 2: Portfolio Reporting 2023



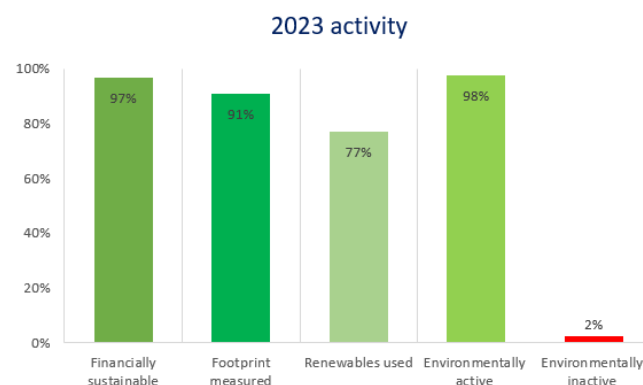
What we are seeking

- Paris targets
- Science based targets
- Emissions targets
- Renewable energy targets

*Net zero across all scopes by 2030

**Has at least measured emissions or energy use or set a target

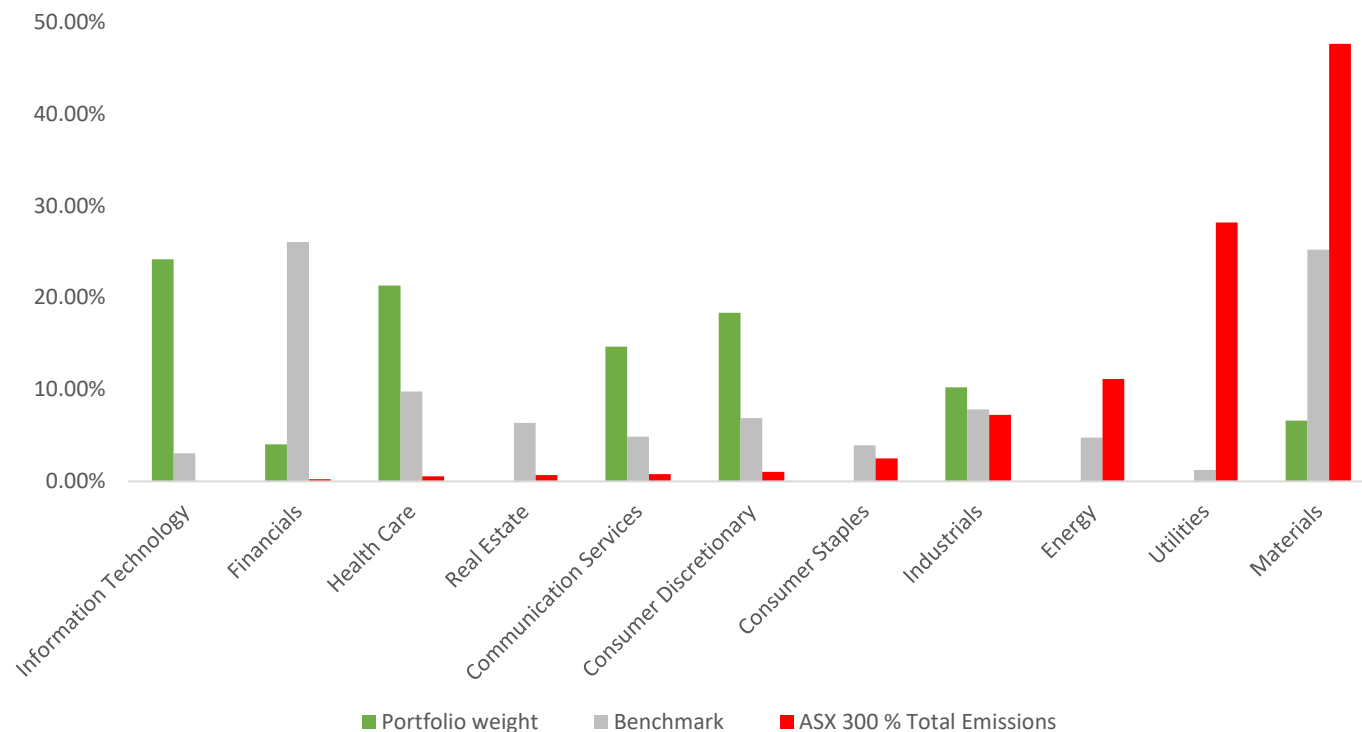
Source: SFML Research



What we are monitoring

- Financial sustainability
- No efforts
- No accountability

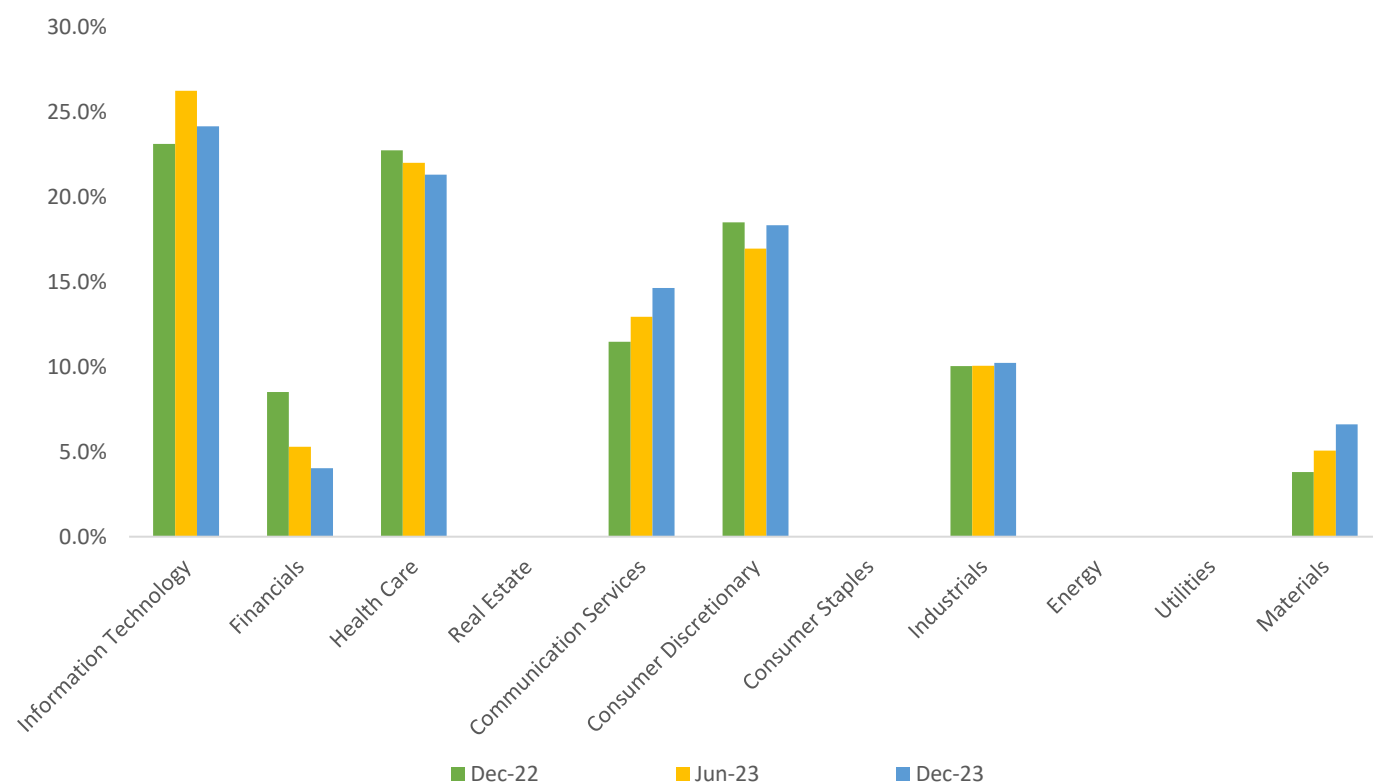
Graph 3: SHCEF vs ASX 300 Carbon Exposure 31 December 2023



*Estimates based on Refinitiv data

Source: Refinitiv

Graph 4: Portfolio Carbon Exposure Periodic Change



Source: Refinitiv

Table 8: SFML Portfolio carbon intensity

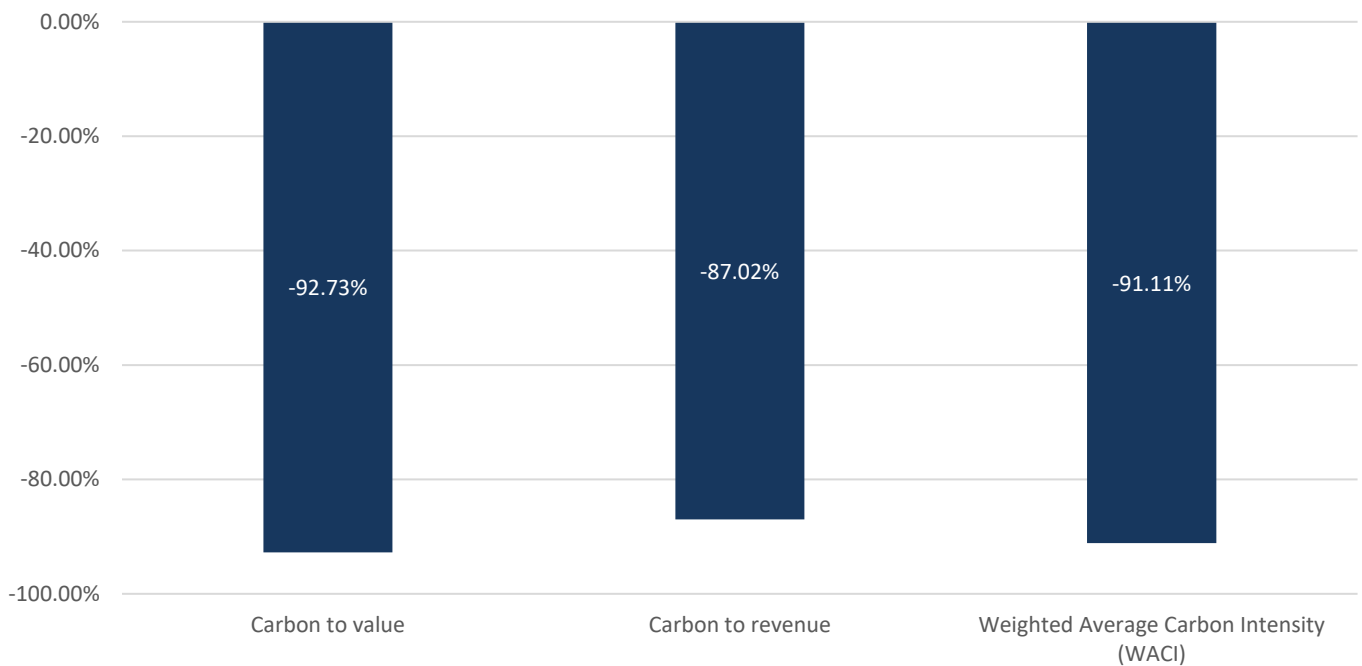
Carbon intensity method ¹	SFML	Benchmark ²
Carbon to value invested	2.50	34.47
Carbon to revenue	14.30	110.16
Weighted Average Carbon Intensity (WACI)	11.48	129.14

Source: Refinitiv

1. Denominated in tonnes per CO₂e/AUD\$m
2. Benchmark used is S&P/ASX 300

- **Carbon to value invested** – this calculation is the aggregation of estimated owned constituent greenhouse gas emissions per \$1m market capitalisation as at 31 December 2023. It allocates the emissions investors are responsible for based on their level of ownership, enabling them to measure their contribution to climate change.
- **Carbon to revenue** – this calculation reflects the aggregation of estimated owned constituent greenhouse gas emissions per \$1m generated in apportioned revenues. It allocates the emissions investors are responsible for based on their ownership of company revenues.
- **Weighted Average Carbon Intensity (WACI)** is the weighted average of individual company's estimated carbon intensities (emissions over revenues), weighted by the investment proportion of the constituents.

Graph 5: SFML Carbon Intensity Relative to ASX 300



Source: Refinitiv

SFML's carbon to value invested and carbon to revenue are both lower than the S&P ASX 300 index, at 92.73% and 87.02% respectively. SFML's WACI is 91.11% lower than the index, due to no exposure to Energy and Utilities sectors, and low exposure to the Materials sector.

Table 9: SFML Top 10 emitters and total Portfolio Revenue impact of AUD\$90 Carbon tax

Portfolio	Revenue (\$m) ¹	CO ₂ Emissions ² (Tonnes)	\$90 Carbon Tax (\$m)	Impact on Revenue (%)
SFML Top 10 Emitters	55,517.21	1,251,239	112.61	(0.20%)
SFML Portfolio – Total	75,823.44	1,274,964	114.75	(0.15%)
ASX300 Top 30 Emitters	554,732.63	188,338,601	16,950.47	(3.06%)
ASX 300 Index – Total	1,271,446.34	203,818,645	18,343.68	(1.44%)

Source: SFML & Refinitiv CO₂ Emission data

1. Last reported financial year revenue as at 31 December 2023
2. Scope 1 and 2 emissions (estimated if not reported).

Note: ASX 300 index revenue impact from a carbon tax is 9.5x larger than SFML portfolio

Table 10: Fundamentals behind comparing SFML Top 10 Emitters and ASX300 Top 30 Emitters

Portfolio	Percentage of Total Portfolio	Percentage of Total Portfolio's Emissions
SFML Top 10 Emitters	37.95%	98.14%
ASX 300 Top 30 Emitters	30.52%	92.40%

Source: SFML & Refinitiv CO₂ Emission data

Note: ASX300 Top 30 Emitters revenue impact from a \$90 carbon tax is 15.0x larger than SFML Top 10 Emitters

Table 11: SFML Portfolio Top 10 Emitters Carbon Tax Scenario Testing

Company	CO ₂ Emissions (Tonnes)	NPAT ¹ (AUD \$m)	EPS ¹ (\$)	Value of Carbon Tax (\$)	Cost of Carbon Tax (\$m)	Impact on NPAT (%)	EPS Post Carbon Tax (\$)
JHX	646,409	748.93	1.72	90	58.18	(7.77%)	1.59
CSL	336,000	3,880.65	8.04	90	30.24	(0.78%)	7.98
REH	65,586	387.61	0.60	90	5.90	(1.52%)	0.59
DMP	60,400	122.60	1.37	90	5.44	(4.43%)	1.30
FLT	33,480	47.41	0.23	90	3.01	(6.36%)	0.22
RWC	32,550	207.64	0.26	90	2.93	(1.41%)	0.26
RMD	25,059	1,334.52	9.07	90	2.26	(0.17%)	9.05
ARB	17,681	88.46	1.08	90	1.59	(1.80%)	1.06
ALL	17,258	1,535.60	2.02	90	1.55	(0.10%)	2.02
FPH	16,816	228.21	0.40	90	1.51	(0.66%)	0.40

Source: Refinitiv CO2 Emission data

1. Last reported financial year values as at 31 December 2023

■ How ESG factors are incorporated into research and decision-making processes

We believe ESG is incorporated into our investment process and our research efforts. We make this distinction to provide further insight.

ESG incorporation into investment process

ESG consideration is integrated into the three core areas of our investment process:

1. Corporate engagement program
2. Quantitative modelling program
3. Voting program.

The three programs of work listed above are applied consistently to each business that we research. Ultimately, we are seeking businesses with leadership qualities, run by competent management teams, underpinned by a strong balance sheet and with a focus on capital management. Each of these four elements has its roots in culture and ESG.

We believe Culture and ESG are intertwined. We consider them both integral to our assessment of a business. Voting is the other half of ESG, all resolutions are documented, researched and voted inhouse.

Our ongoing focus on the individual culture and financial sustainability of a business lends itself to strong ESG outcomes at a business and portfolio level. This is evidenced by portfolio emissions significantly lower than index emissions, coupled with outperformance since inception.

ESG incorporation into research

All research is undertaken in-house by the Portfolio Managers and investment team. This is an intensive, granular and in-depth approach to continuous learning. We seek businesses with leadership qualities, run by competent management teams, underpinned by strong balance sheets and with a focus on capital management. This approach lends itself to strong ESG outcomes. Our approach is to fully integrate ESG into each of these four areas.

This is a risk out process. We are trying to take as much risk off the table as possible before we invest. The key areas of risk we focus on are board and management competency and the culture they are responsible for, business qualities, balance sheet and capital management. We believe a common-sense approach holds that a net cash balance

sheet carries lower risk and more optionality than an optimised or extended balance sheet. We ultimately compare equity risk to a risk-free rate.

Before we invest, we seek to understand which risks a business can control verse those outside its control. For this to be possible, risk must be reported in a consistent and transparent fashion, to avoid any surprises. Here we are considering the possibility of assets becoming stranded (environment) or compromised (Social, Governance, legal, IP, cybersecurity as examples).

Risk sits in each bucket of E, S and G. Our program of corporate engagement has aided our understanding of risk in the S and G buckets since inception. In more recent years we have taken progressive steps to better understand Environmental risk and today, we are actively seeking better financial disclosure from the companies we invest in.

Our conviction in this process generates a concentrated portfolio of our best ideas, or our highest quality stock picks. The aim is to capture as much real earnings per share growth as possible over the long-term.

Our approach has been consistent since inception. It is framed by our Roadmap. This template is both qualitative and quantitative in nature, it focuses our research efforts on the aspects of ESG that we hold important in assessing the risk associated with a long-term investment. This internal scoring system is integrated into our financial model.

Our Roadmap provides a repeatable framework that drives our corporate engagement program, our quantitative program of financial modelling including our stock universe data screen, and our structured voting program. It also holds a strong relevance to our portfolio construction.

Our Roadmap has a material bearing on our investment process from screening ideas to portfolio construction. As an example, we highlight the top left-hand corner of the Roadmap, “Individuals we can trust”. If we are unable to establish confidence in management, board and the culture that they are responsible for, we will not invest in a business. We are index unaware and have the luxury of sitting on the sideline or saying no to an investment.

We believe culture and ESG are intertwined, with the former driving the later. We have focused on the culture that drives the social attributes and governance process within a business since inception.

In 2019 we developed our ESG Roadmap which provides an additional framework for integrating ESG into our research. It is also incorporated into our financial models. This is an iterative approach whereby we are building upon successful initiatives and discarding those that do not add value to our process.

We have taken progressive steps to better understand environmental risk. We measure emissions targets and renewables use across the portfolio. We also measure portfolio emissions against index emissions.

We have long had confidence that our process drives strong ESG outcomes in relation to social and governance issues. We believe our long-term outperformance and low turnover is evidence of this. It is now also apparent, from the portfolio reporting discussed above, that we are driving equally strong ESG outcomes in relation to environmental issues.

In addition, we use our templates and framework to actively seek better transparency and financial disclosure from the companies we invest in.

- **Examples of where ESG issues have been integrated into investment analysis and decision-making processes including company engagement and voting**

As part of our corporate engagement program, we have proposed a sustainable capital management program to businesses we engage with. The ongoing ability to deliver strong ESG outcomes requires long term business sustainability. The model that SFML promotes is a sustainable approach to ongoing re investment into innovation and R&D programs, a sensible payout ratio, and a consistent buyback of shares that drives real EPS growth over the long

term while maintaining a strong balance sheet. These financial elements promote business sustainability that are hallmarks of good financial stewardship including. We have actively discussed this model with:

- CAR Group
 - Fisher & Paykel Healthcare
 - TechnologyOne
 - Cochlear
 - Reece
 - Flight Centre Travel Group
- Details of any ESG research sources (internal and external) used during the reporting period.

We endeavour to read widely. This includes publicly disclosed documents, such as annual reports, sustainability statements, company and board charters and broker research. We subscribe to news services, various publications and a global business transcript service that also collates broker research and financial data.

SFML also recently integrated a new financial platform, Refinitiv, which provides extensive ESG coverage and data insights across ASX All Ordinaries securities. Refinitiv's reported and estimated emissions data has been used to generate the detailed analysis of SFML's portfolio emissions as seen above. Refinitiv will also enable data to be refreshed more frequently.

All research is undertaken in house by the Portfolio Managers and investment team. This is an intensive, granular and in-depth approach to continuous learning. We believe this is a differentiated approach that generates strong ESG outcomes.

ESG REPORT 2024

Sustainability, a changing landscape

In this note, we revisit our approach to sustainability and the aspects that are important to us. We discuss both financial sustainability and culture and how they mesh with ESG.

We also preview some of the changes in the global ESG landscape that we can expect in 2024, the year of the wood dragon, aptly characterised by authority, and thankfully, prosperity and good fortune.

It helps to have a humble approach to Sustainability or Environmental, Social and Governance (ESG)¹, rather than promoting vanguard status or unfounded expertise. It is, after all, a complex field with an unending learning curve.

SFML approach to ESG

Our approach plays to our strengths and reflects our focus on people, business, balance sheet and capital management.

While our prioritisation of people and culture brings “social” (S) to the fore of our in-house research, our preoccupation with business, balance sheet and capital management drive our interest in “financial sustainability” (FS).

Without FS, a business deteriorates, eventually requiring new equity. In a period of decline, E, S and G are each at risk as projects get deprioritised, cost cutting occurs, and good people leave.

Alongside FS sits S, our proxy for and barometer of culture, which determines a business’ approach to both good Governance (G) and Environment (E) agenda and policy.

We delve into both FS, S and their relationship below.

2024 expectations

2024’s ESG regulatory requirements, guidelines and public expectations are likely to change as fast as the volatile swings of the macroeconomic outlook.

The adoption of the first set of European Sustainability Reporting Standards (ESRS), with the first reports required by the end of financial year 2024, calls for an intensification and acceleration of Scope 3 disclosure practices.

Many U.S. companies will be forced to comply, even if the Securities and Exchange Commission (SEC) remains cautious. Australian companies with subsidiaries that exceed revenue minimums will also be impacted.

Will Scope 3 remain relevant in 2024?

Scope 3 emissions are the result of activities from assets not owned or controlled by the reporting organisation, but that the organisation indirectly affects in its value chain. Scope 3 emissions include all sources not within an organisation's scope 1 and 2 boundaries.

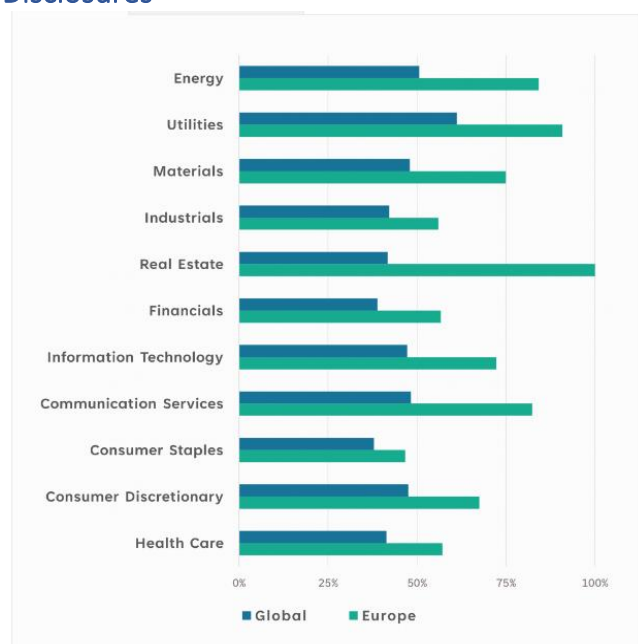
It's unlikely our readers will be surprised that U.S. public companies are not required to report on scope 3 carbon emissions. Climate advocates may, however, be dismayed to learn that scope 3 reporting is neither a sure thing nor a near-term prospect in the U.S.

Michigan-based Cigna Group (JV partner of NIB, ASX:NHF, owned by this fund), like many public companies, has been voluntarily reporting on ESG since 2014². Their efforts may be diminished by others who fail to report comparable data.

¹ Sustainability and Environmental, Social and Governance (ESG) have increasingly become interchangeable, particularly as ESG pushback has grown. The latest dirty word in Corporate America: Chip Cutter & Emily Glazer Wednesday 10 Jan 2024, <https://www.wsj.com/business/the-latest-dirty-word-in-corporate-america-esg>

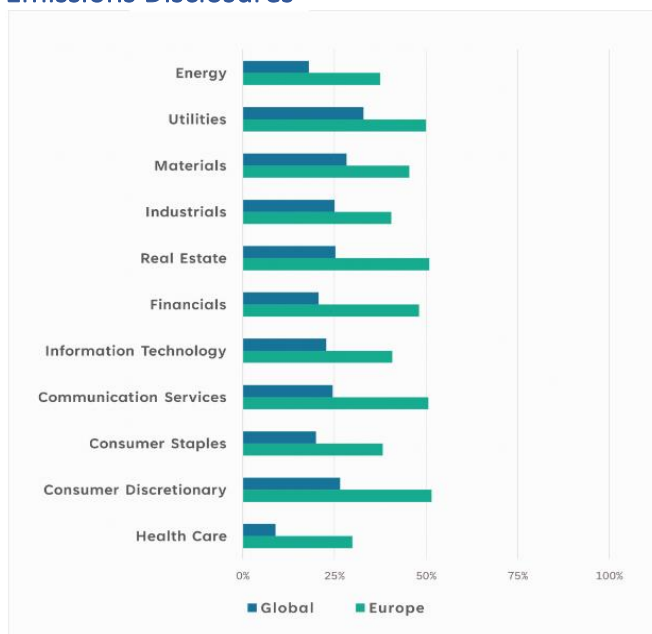
² Finance Executives Hope Certainty Is Ahead on ESG Disclosures, The Wall Street Journal, Jennifer Williams-Alvarez and Mark Maurer 27 December 2023, <https://www.wsj.com/articles/finance-executives-hope-certainty-is-ahead-on-esg-disclosures>

Figure 3: Large Cap Scope 3 GHG Emissions Disclosures³



Source: Reinhilde Weidacher, Managing Director, Head of EMEA Solutions, ISS Corporate Solutions, <https://www.iss-corporate.com/library/are-european-companies-ready-for-scope-3-disclosures/>

Figure 4: Mid and Small Cap Scope 3 GHG Emissions Disclosures³



Source: Reinhilde Weidacher, Managing Director, Head of EMEA Solutions, ISS Corporate Solutions, <https://www.iss-corporate.com/library/are-european-companies-ready-for-scope-3-disclosures/>

³ Percentage of companies disclosing at least one Scope 3 category other than business travel, employee commuting

Currently, less than 30% of companies globally disclose meaningful disaggregated data for Scope 3 Green House Gas (GHG) emissions, according to ISS Corporate Solutions data.

This low level of participation makes it difficult to compare apples with apples. In this case, Cigna's lead over peers and the wider index is harder to measure.

Most businesses continue to wait for an array of new and developing rules, including a climate disclosure rule from the U.S. Securities and Exchange Commission (SEC), which will determine the requirements of Scope 3 emissions reporting.

Not so fast

The SEC appears to be in no hurry. At a Senate Banking Committee appearance in September 2023, SEC Chair Gary Gensler declined to give a timeline for when the climate disclosure rule might move forward.⁴

"We try not to do things against a clock," Gensler told lawmakers. "It's really when the staff is ready."

Figure 5: Bitcoin ETF Approval



Source: cryptobriefing.com

The SEC's climate disclosure rule proposed over a year ago, would require public companies to provide investors with information on their climate-related risks and an account of carbon emissions stemming from their operations.

Without offering specifics, Gensler suggested the Scope 3-related aspect of the proposal could be changed.

"Really important issues have been raised around Scope 3," Gensler said, following a torrent of protest from

⁴ Show Restraint on Climate Rules, The Wall Street Journal, Richard Vanderford 22 June 2022, <https://www.wsj.com/articles/small-businesses-plead-with-sec-to-show-restraint-on-climate-rules>

business groups who complained that tracking emissions would be a cost burden and difficult to do accurately.

After soliciting public comments, the regulator was overwhelmed by 3,400 letters from businesses, trade associations, politicians, churches, and individual citizens. The Wall Street Journal headline proclaimed, *“letters from small business groups had a tone closer to existential dread”*.

Gensler’s response was, *“We’re going to have to think about what to do with so-called Scope 3.”*

Backing down

The SEC previously backed away from enforcing Modern Slavery related regulation when challenged in court. The National Association of Manufacturers, which has also voiced opposition to the climate disclosure rule, sued the SEC over a rule mandated by the 2010 Dodd-Frank Act that required manufacturers to declare their minerals were “conflict-free,” that is, not tied to the civil war in the Democratic Republic of Congo.⁴

An appeals court held that requiring a company to *“confess blood on its hands”* violated its rights, and the SEC, whose leadership passed into Republican hands while the litigation was underway, backed away from enforcing the rule in 2017.

Discussing the climate disclosure rule, Jay Timmons, chief executive of the National Association of Manufacturers, said small manufacturers in his organisation’s membership *“simply can’t take”* the regulatory costs they might be facing.

Looking for answers yields questions

When well-resourced large (market capitalisation) businesses, like Cigna, struggle to make sense of new regulation, it’s only realistic to assume that most small and medium enterprises will sit on their hands until forced to act.

“With the multitude of different rules and regulations and a lack of convergence for preparers, it is really becoming the corn maze,” notes Cigna’s Mary Agolia Hoeltzel, senior vice president of tax and global chief accounting officer.

Hoeltzel is looking for answers to questions on SEC regulation, California laws and on the international front: *“We’re trying to figure out what they mean by double*

materiality...I’m still struggling with that,” Agolia Hoeltzel said, referring to new European Union rules.

Double Materiality

In November 2022, the European Council (EC) and the European Parliament approved the final text of new sustainability reporting requirements for the European Union under the Corporate Sustainability Reporting Directive (CSRD).

The CSRD rules are much broader than those proposed in the United States and will require disclosure from a “double materiality” perspective that includes both how sustainability risks and opportunities affect company financial performance, as well as how they affect people and the environment.

“The CSRD will require sustainability reporting far beyond what most companies provide today and will apply to a substantial number of companies that previously were not subject to mandatory sustainability reporting,” observes Kristen Sullivan, a Deloitte & Touche LLP partner and Deloitte Global Audit and Assurance Sustainability and Climate leader and co-author of the Heads-Up report, *“Global Reach of the E.U. Corporate Sustainability Reporting Directive and the Impact on U.S. Companies.”*

The new sustainability reporting requirements will affect not only EU-based companies, but all companies with significant operations in EU jurisdictions, including U.S. and Australian-domiciled companies with as little as one subsidiary or branch in the European Union.

Australian companies in our portfolio, such as Breville Group, Cochlear, Computershare, CSL, Domino’s Pizza Enterprises, FINEOS Holdings Corporation, Fisher & Paykel Healthcare, Flight Centre, James Hardie Industries, Iress, and Reliance Worldwide Corporation may be impacted by the CSRD in the following direct and indirect ways:

Direct impact:

- Subsidiaries and branches – If an Australian company has a subsidiary or branch in the EU that meets the size and activity thresholds, it will be directly subject to the CSRD reporting requirements. This includes companies with net turnover of €40m or more within the EU (A\$65m).
- Value chain pressure – Even if not directly subject to the CSRD, Australian companies doing business with EU companies may face pressure from their

suppliers or customers to comply with the directive's standards. This is because EU companies will need to ensure their entire value chain is sustainable to meet their own reporting requirements.

Indirect impact:

- **Investor expectations** – The CSRD is likely to set global best practices for sustainability reporting, which could influence investor expectations for all companies, including Australian ones. Investors may increasingly favour companies that report on their sustainability performance in line with the CSRD standards.
- **Market access** – Some EU countries or public procurement tenders may favour companies that comply with the CSRD. This could make it more difficult for Australian companies to compete in the European market if they do not meet the sustainability reporting standards.
- **Reputation risk** – Companies with poor sustainability practices could face reputational damage in Europe, even if they are not directly subject to the CSRD. This could harm their brand image and sales in the EU market.

Other factors that may limit the impact of the CSRD on Australian companies:

- **Delayed implementation** – The first reporting deadlines for the CSRD are not until 2025, which gives Australian companies some time to prepare.
- **Scope limitations** – The CSRD primarily applies to large companies, so smaller Australian businesses may be less affected.
- **Flexibility in standards** – The European Sustainability Reporting Standards (ESRS) that will be used for CSRD reporting are still under development and may change.

Good governance comes at a cost

While the rules and expectations may change in 2024, the impact of compliance on the financials remains consistent. New regulation and compliance creep come at an ever-increasing cost.

Scope 3, “double materiality” and other examples of new regulatory disclosures introduced by state, national and foreign bodies require additional compliance, and add legal risk in the form of potential shareholder litigation when additional disclosures are made.

Legal and compliance are expensive undertakings, and good governance has a material cost. This appears to be a key concern for the SEC after the overwhelming negative feedback to its climate disclosure noted above.

Nowhere is this cost burden more apparent than in the mid- and small-cap space of small and medium enterprises (SME), where valuations live and die under the scrutiny of positive free cash flow and margin expansion or contraction.

While European companies are significantly ahead of the global average, over 50% haven't disclosed disaggregated Scope 3 emissions other than business travel and employee commuting.

As expected, large companies, who are more likely to require a social licence and better placed to absorb regulatory costs, are well ahead of mid- and small-cap companies.

Financial Sustainability is the precursor

Financial sustainability (FS), coupled with a strong culture, delivers good governance and the tendency to consistently fund and develop ESG.

As the complexity and cost of compliance increases, the financial pressures of executing these strategies build.

When FS is threatened, for structural or other reasons, the board and management are forced to act. In a typical down cycle (pre or post downgrade), economic resources are reallocated, and projects are deprioritised. Staff cuts and asset sales may follow if debt is involved.

Reallocation of priorities and reprioritisation of projects are often invisible to an outside shareholder's eye. Senior executives of many SMEs wear multiple hats and execute dual responsibilities, often without titles. As an example, a Chief Financial Officer (CFO) of a small or mid-cap may also be responsible for ESG.

It would be naive to assume that the “Sustainability and ESG cost bucket” is exempt from this type of short-term business management.

We take a holistic approach to sustainability and ESG, encompassing financial sustainability, social, governance and environmental (FSSGE). Financial sustainability simply provides a platform for a business to invest consistently for the long term. This is essential if a business is to compound into the future.

Even high-quality businesses, with recurring revenues, can improve the capital management process, and we are active in this space.

Philosophy behind FS

Our philosophy is simple: to win, you must finish. Debt is a game breaker and reinvestment keeps you ahead of the pack. We ask companies to limit debt and grow productive reinvestment.

Areas we have long championed are having the optionality of a strong net cash balance sheet, writing off all R&D (Research & Development) in the year it is incurred, and a sensible dividend payout ratio that allows ample reinvestment to seed future earnings growth.

When a net cash balance sheet and sensible payout ratio is combined with fully expensing R&D, a company can embark on a long-term incremental share buyback policy. Our modelling suggests buying back 0.5%-1.0% of issued capital per year is optimal. Over a 10-year period, this reduces issued capital by a meaningful 5%-10%, driving significant incremental earnings growth.

This approach across the business cycle will see a range of prices paid for the share bought back as financial conditions impact markets. No CFO should be tasked with picking a stock price (timing the market) to buy back their shares.

If we were to consider a typical business we would own, with a history of compound growth, this approach provides demonstrably greater wealth creation for long-term shareholders than increasing the dividend payout ratio.

30:30:30

We advocate that companies consider a 30:30:30 approach.

30% of NPAT can be used for each of the following:

- I. Business reinvestment or M&A tuck-in or retained on balance sheet;
- II. Dividends; and
- III. Long-term incremental buyback.

This approach, as far as we know, is not taught in textbooks or business schools, where there is a preference for:

- I. Optimised balance sheets that include significant gearing;
- II. High levels of capitalisation of R&D; and
- III. High payout ratios, which are the norm.

Ours is a common-sense approach to investment that aims to deliver a tax-effective compound return. We apply this thought process via direct feedback to the companies whose registers we sit on behalf of our unit holders and our voting policy.

In 2023, SFML financial sustainability modelling provided to boards and management teams was instrumental in shaping the long-term buyback of an S&P/ASX Top 50 company and debt gearing targets of another S&P/ASX Top 50 company. Several others are a work in progress.

While our views may not prevail in each instance, they are taken on board and debated. This, we believe serves the long-term interest of our stakeholders.

The power of “S” (social), barometer of corporate culture

It's unlikely to be news to anyone that we seek businesses with a strong culture. Culture is all about the people and it is a proxy for social (S). The culture of a business drives its approach to both G (Governance) and E (Environment).

The founders of a start-up set a culture. Subsequently, the role of the custodians of the business, made up of board directors and senior executives, is to take a professional approach to ensure it is enduring. Thereafter the culture permeates a business, from the top down. We were not the first to discover the importance of culture.

The familiar Chinese proverb “*the fish rots from the head*”, refers to culture. Bob Garratt used it in the title of his 2011 bestseller *Fish Rots from the Head: The Crisis in Our Boardrooms: Developing the Crucial Skills of the Competent Director*. This is a study of the damage that can be done by dysfunctional boards and the importance of governance.

In June 2020, Harvard Law School Forum on Corporate Governance, published “Time to rethink the S in ESG”.⁵

⁵ Harvard Law School Forum on Corporate Governance, *Time to rethink the S in ESG*. Posted by Jonathan Neilan, Peter Reilly, and Glenn Fitzpatrick, FTI Consulting, on Sunday, 28 June 2020.

<https://corpgov.law.harvard.edu/2020/06/28/time-to-rethink-the-s-in-esg/>

Below is an extract from the article.

Factors which fall within the ‘S’—frequently customer or product quality issues, data security, industrial relations or supply-chain issues—commonly impact businesses and ‘destroy value’. This prompted us to reconsider if ‘social’ was the correct word for the ‘S’ in ESG and whether ‘Stakeholder’ might be more appropriate. Indeed, the use of the term ‘social’ may have contributed to a failure to conceptualise the ‘S’ in ESG, leading to an absence of focus and measurement from the market.

The scope of ‘S’ has progressively widened over the past two decades, which reflects the evolving business environment of the 21st century where businesses and markets are increasingly interconnected and interdependent. Over and above human rights; labour issues; workplace health & safety; and product safety and quality, ‘S’ factors now also incorporate the impact of modern supply-chain systems and the adoption of technology across all business sectors.

In looking at examples of ‘S’ practices among businesses, it was also evident that these practices are a barometer for corporate culture. Where companies have a strong and shared culture across the organisation, ‘S’ practices tend to be strong. Where a culture is poor, or considered ‘toxic’, ‘S’ tends to follow the same pattern.

The opportunity and uncertainty in “S”

A 2019 Global ESG Survey by BNP Paribas revealed that 46% of investors surveyed (covering 347 institutions) found the ‘S’ to be the most difficult to analyse and embed in investment strategies. According to the report, investors understand the ‘E’ and the ‘G’, but the ‘S’ has, for a variety of reasons, suffered from “middle child predicament”:

“A lack of consensus in the industry surrounding what constitutes the ‘S’ makes it harder to incorporate into investment strategies compared to both the ‘E’ and ‘G’. As such, it often acts as an interaction point between these two elements. The range of issues sitting under the ‘S’ umbrella, along with the qualitative nature of social metrics, further contributes to the difficulty of incorporating the ‘S’ into ESG analysis. A lack of social reporting from companies adds another layer of complexity.”

These sentiments are echoed by the United Nations Principles for Responsible Investment (‘PRI’), which

stated that, despite the increasing prominence of ‘S’ factors, the lack of data and consistency presents challenges: “The social element of ESG issues can be the most difficult for investors to assess. Unlike environmental and governance issues, which are more easily defined, have an established track record of market data, and are often accompanied by robust regulation, social issues are less tangible, with less mature data to show how they can impact a company’s performance. But issues such as human rights, labour standards and gender equality—and the risks and opportunities they present to investors—are starting to gain prominence.”

Are we comfortable with “S”?

Unlike respondents to the BNP survey, we remain comfortable with “S” having given people and culture priority in our research since inception. In fact, we see it as a core strength and an opportunity to learn continuously. Data and algorithms alone are unlikely to unlock the secrets of good culture. Qualitative or soft factors are subjective, and it takes many meetings to gain insights and build trust.

Our ongoing program of corporate engagement, driven by our roadmaps, yields more than 500 meetings in any given year. In 2023, 75 of our 513 corporate engagement meetings had a primary focus on ESG issues. 100% of our meetings provided cultural insights.

2023 impact

The outcomes generated in 2023, described above in 30:30:30, stem from our consistent corporate engagement program, a core strength of our internal research.

We have two key advantages here.

Firstly, our focus on people and culture resonates with the companies we own. Our messages are simple and repeated year in, year out. We often refer to this as our “painting the harbour bridge” approach.

They are based on common sense business management principles, including balance sheet conservatism (debt and capitalisation) and long-term capital management. Over time, this message of financial sustainability resonates.

Secondly, our historic low controlled turnover⁶, <2.5% since inception, driving the long-term ownership required for true compounding, naturally resonates with companies who seek the voice of long-term shareholders.

Feedback we receive from the companies we own suggests we are valued on the registers we occupy. We are not blind to the bias inherent in these comments. Rather we gauge the value we add from our common-sense advice that is taken onboard and proven effective through tangible outcomes.

The 2024 takeaways

Sustainability and ESG, like the world around us face a changing landscape in 2024. That said, one factor likely to grow in importance over the coming years is the social licence required for a business and capitalism, in general, to flourish in the long run. Without this licence to

operate, staff, clients and customers will disband sooner or later.

Will Scope 3 emissions remain relevant in 2024?

Likely, in our view. CSRD rules, including “double materiality” may well force the issue for multinationals and the ambitious mid-caps that have to-date remained on the sidelines.

Good governance comes at a cost, but it is also essential for both trust and long-term shareholder wealth creation and protection.

The stewardship of shareholder assets mirrors the culture of a business. It manifests as wealth creation or destruction and is also clearly reflected in a company’s approach to financial sustainability.

In 2024 and beyond, we see financial sustainability and culture as two pillars essential to each other, and to the individual components of ESG. **SFM**

⁶ Retail Fund controlled turnover is annualised turnover controlled by the manager, being the lesser of purchases or sales divided by average funds under management for the period and excluding ALL cash flows in the period.

REPORTING SEASON SNAPSHOT

■ Aristocrat Leisure (ASX:ALL)

In November, global gaming operator Aristocrat Leisure reported its full year 2023 result. Revenue increased 13% to \$6.3b (71% recurring) and adjusted net profit after tax grew 24% to \$1,245m. Operating profit (EBITDA) margins remained flat at 33%.

The result was driven by a strong performance in the Americas land-based segment with revenue up 23% to \$2,973m (+16% in constant currency). Pixel United, the mobile gaming business, reported revenue of US\$1,764m, a decline of 4%, bettering a global market decline of 5%. Pixel remains a work in progress.

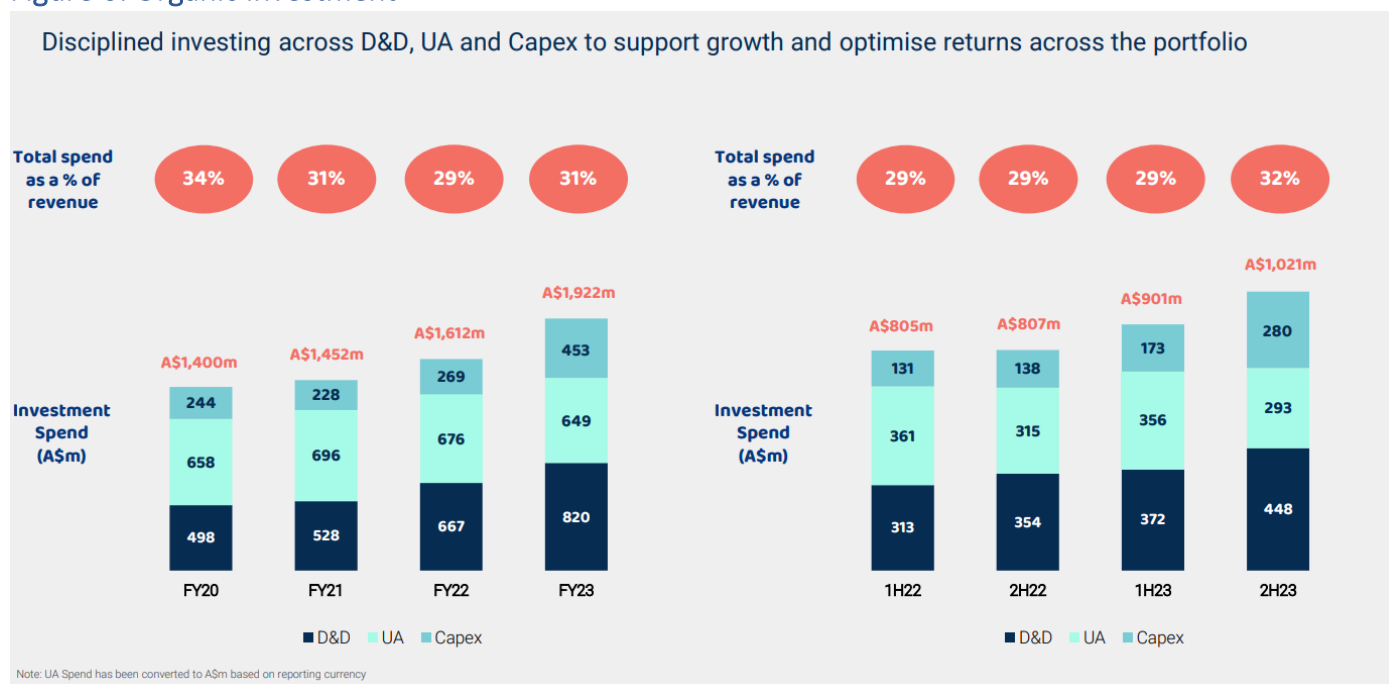
Figure 6 highlights the company's focus on consistent investment in key segments to drive market share gains.

Aristocrat maintained a strong financial position with net cash of \$809m and free cash flows of \$1,364m, up 38%.

The company's strong cash flow generation continues to fund its market-leading investment in Design and Development (D&D) of \$820m, up 23% on the prior corresponding period (pcp). The fully expensed spend represents 13% of the company's revenue, which supports ongoing game and cabinet innovation across 34 studios, talent acquisition and development.

Total investment in product, talent, customer acquisition and technology represented 31% of revenue or \$1,922m.

Figure 6: Organic investment



Source: Aristocrat Leisure FY23 Results Presentation

Segment Performance

Table 12: Segment Revenue

	Land-based			Digital	Total
	Americas	ANZ	International	Pixel	
Revenue (\$m)	2,973	459	212	2,652	6,296
Segment Profit² (\$m)	1,639	151	105	855	2,750
<i>Margin</i>	55.1%	32.9%	49.5%	32.2%	43.4%
R&D (\$m)	(392)			(319)	(820)
<i>Percentage of revenue</i>	10.8%			12.0%	13%
NPATA³ (\$m)	n/a			n/a	1,327
<i>Margin</i>	n/a			n/a	21.1%

1. Constant currency

2. Not measurable

3. Segment profit refers to Earnings Before Interest and Tax (EBIT) before significant items, design and development expenditure, amortization of acquired intangibles and other selected charges and costs

Land-based (58% revenue)

In the Land-based gaming segment, Aristocrat operates a leasing (Gaming Operations) and outright sales model, representing 51% and 49% of revenue respectively. In Australian dollars, Gaming Operations revenue increased by 14% to \$1,845m (7% in cc) and Outright Sales revenue grew by 32% to \$1,780m. North America remains the group's largest market, accounting for 82% of revenue. Land-based segment profit margins remained flat at 52%.

Gaming Operations

The Gaming Operations division operates solely in North America, with revenue earned as a fixed fee or percentage of daily wins per install base. Over the half, the average fee per day earned remained stable at US\$54.97 and remains the highest fee per day in North America. Total units were up 8% to 64,030.

According to management there remains significant opportunity to lift market share, driven by strong customer relations and market-leading content, as the following recognitions highlight:

- High-performing premium leased game portfolio, including 19 of the top 25 leased

games from leading gaming research group Eilers & Krejcik for the 12 months to 30 September 2023

- Gaming portfolio performance of 1.4 times the slot floor average at casinos, exceeding all other suppliers
- Supplier of the year for land-based machines at G2E 2023 Global Gaming Awards
- Launch of highly anticipated NFL titles in early September for class three machines. Class two titles are available for placement as of November 2023, bringing the NFL portfolio to a total of six different games.

Outright sales

Outright sales of gaming units are undertaken across North America, Australia and New Zealand (ANZ) and select international regions.

In the Americas, outright sales units were up 26% to 24,310 units, driven by larger customer budgets and market share gains. Average selling price also increased by 14% to US\$21,142 due to higher take up of the company's new MarsX and Neptune Single cabinets.

Table 13: Digital segment performance

	Bookings (US\$m)	Change	% of Total Revenue
Social Casino	970.3	1.8%	55%
RPG/Strategy/Action	562.2	(10.8%)	33%
Casual	215.5	(11.2%)	12%
Total	1,748	(4.3%)	100%

Source: Company Financials

In the adjacent slot gaming North American market, Aristocrat continues to grow share within Video Lottery Terminals, Washington CDS machines and recently entered Kentucky Historical Horse Racing and New York Lottery markets. These adjacencies remain in their infancy, with management pointing to clear growth opportunities supported by leading gaming content. For the financial year, roughly 25% of outright sales came from the adjacent markets.

Pixel – digital (42% revenue)

Aristocrat's digital business Pixel United, shown in Table 13, reported a softer result led by challenging market conditions, noticeably in casual and an exit from the Russian market (circa 3% annualised bookings impact). The group retained its number one global position in social slots (21% market share) and Squad RPG (role playing game), supported by ongoing investment in new features, content and live operations (updates) to deliver higher engagement and improved in-game monetisation.

Plarium Play, Aristocrat's own PC gaming platform, which sits outside Apple and Google's platform fees, now accounts for 31% of total Plarium revenue, up from 26% in financial year 2022.

The company's strategic focus on user quality is progressing well, with average bookings per daily active user up 13% to US\$0.92. In the same period, daily active users decreased 16% to 4.6m users.

Pixel ended the half with 2,900 employees across 21 global game studios.

Anaxi (RMG)

Anaxi is Aristocrat's recently formed Real Money Gaming (RMG) division. Since its establishment in October 2022, the division has made meaningful progress and is now live with seven operators in six countries across eight

jurisdictions. As of 30 September 2023, the group had 117 game titles available globally. In North America, Anaxi is live with six operators, which covers over 80% of the market and up from 60% in the prior period.

The group has a strong pipeline of land-based titles over the next twelve months, with recently launched buffalo titles in the U.S. and U.K. showing early strong performance. This reinforces the company's view that land-based content resonates with digital players. Management remains confident in the long-term opportunity to accelerate its content distribution globally through its combination of market-leading land-based content, deep customer relations and the recently acquired NeoGames' technology and platform.

The proposed US\$1.0b equity acquisition of NeoGames, announced in May 2023, is proceeding well, satisfying all antitrust and foreign investment requirements. Good progress has been made with gaming regulatory approvals, and the company expects the transaction to close earlier than expected in the first half of calendar year 2024.

NeoGames is a leading platform provider of iLottery, iGaming and Online Sports betting, which brings technology, distribution and a culturally aligned management team.

Anaxi ended the year with approximately 800 employees (~10% of total employees). Post the NeoGames integration (expected in 2024 pending shareholder and regulatory approval), Anaxi will have circa 1,900 employees. For the financial year, investment into the newly formed division totalled \$109m.

Outlook

While no formal outlook was provided, Aristocrat expects to deliver profit after tax and amortisation of acquired intangibles (NPATA) growth over financial year

2024 on a constant currency basis, assuming no material change in economic and industry conditions. This reflects:

- Strong market share, revenue and profit growth in Aristocrat Gaming
- A focus on market share and investment efficiency in Pixel United
- Further investment in Anaxi to support RMG ambitions across North America and Europe

Aristocrat has a market capitalisation of \$26.1b and has completed 50% of its \$1.5b share buy-back program.

▪ Fisher & Paykel Healthcare (ASX:FPH)

Fisher & Paykel Healthcare reported its first half 2024 financial results with operating revenue rising 16% to NZ\$804m and net profit after tax (NPAT) up 12% to NZ\$107m. Hospital revenue rose 11% to NZ\$488m, while Homecare sales increased 26% to NZ\$314m underpinned by strong demand across the group's sleep apnea mask portfolio, led by its lead product Evora Full.

Gross margins delivered a welcome improvement, up 192 basis points in constant currency terms to 60.5%. The group has benefited from improved freight rates and

reduced use of air freight, which was prominent during COVID. Fisher & Paykel aims to return to its longer-term gross margin target of 65% over the next 3-4 years, aided by improving efficiencies across manufacturing and freight.

Investor Day Site Visit

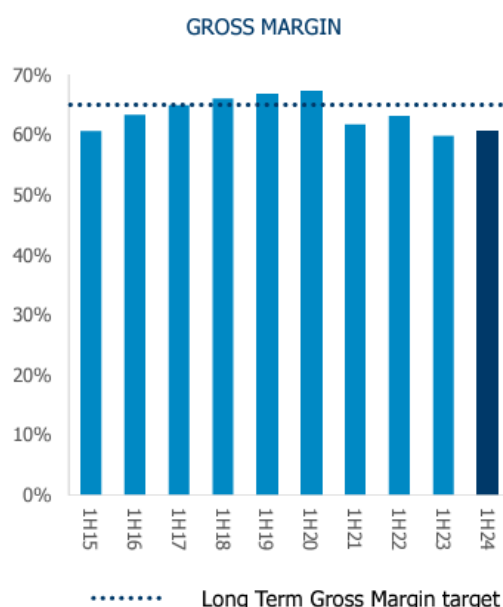
During September, SFML attended Fisher & Paykel's Investor Day visiting operations in the U.S. and Mexico. The event showcased the company's significant manufacturing base in Tijuana, while also reaffirming the substantial long-term opportunity to expand the use of Optiflow nasal high flow outside the hospital ICU, including its newest offering covering anaesthesia.

Notably, Fisher & Paykel operates as the clear market leader, with few alternative products and continues to reinvest in broadening its competitive position. During the period, research and development expenses rose 15% to NZ\$97m, representing 12% of group revenue.

Covid-19 accelerated the adoption of Fisher & Paykel's respiratory products, further enhancing its competitive position. However, gross and operating margins declined as patient care was prioritised over profitability.

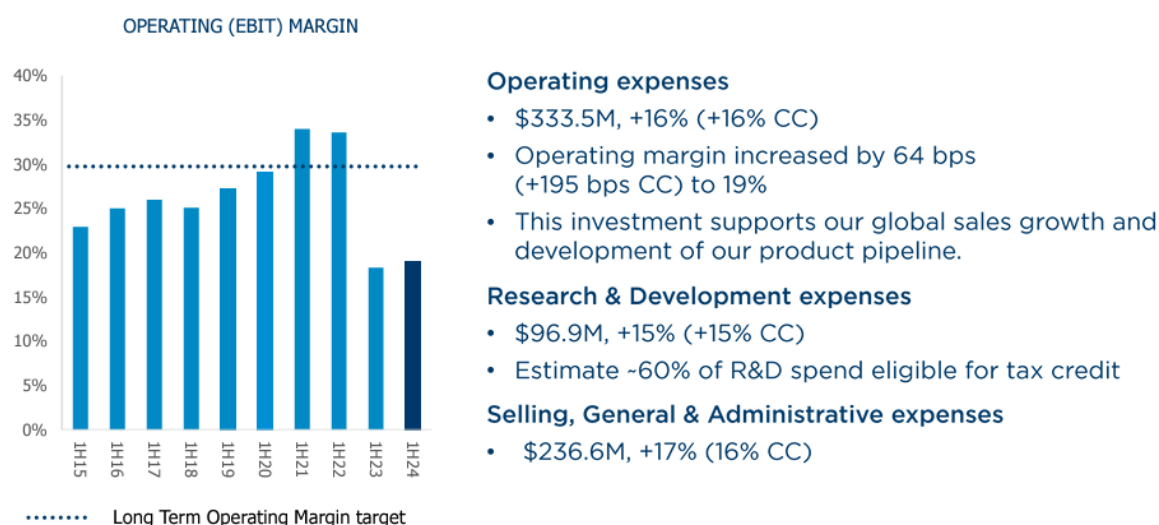
Figure 7: Gross Margin Profile

Gross Margin



- Gross margin for the half year:
 - increased by 65 bps to 60.5%
 - increased by 192 bps in constant currency
- Freight rates have continued easing during the last six months, and a decrease in the proportion of freight being air freight provided a benefit this period.
- FY24 first half gross margin improved on FY23 second half by 72 bps in constant currency.

Figure 8: Operating Margin Profile
Operating Margin



11

Fisher & Paykel
HEALTHCARE

Source: Fisher & Paykel Healthcare HY24 Results Presentation

These circumstances are no longer at play as CEO Lewis Gradon explained at the company's August AGM, "We expect that returning to our normal focus on operational efficiencies rather than our supply-at-all-costs approach during the pandemic will get us back to our long-term gross margin target of 65% within the next 3 to 4 years. Across the global business, we are very focused on this and are putting our shoulder to the wheel."

Figure 7 and Figure 8 provides a historical trend for gross and operating margins.

Outlook

For FY24, Fisher & Paykel expects revenue to rise 7% to NZ\$1.7b and net profit after tax to increase 2% at the midpoint of NZ\$250m-NZ\$260m.

Fisher & Paykel Healthcare has a market capitalisation of \$12.8b and net debt of NZ\$172.7m.

■ OFX Group (ASX:OFX)

In November, international payment services supplier OFX Group (OFX) reported its first half 2024 result. Revenue (fee and trading income) grew 3.3% to

\$114.6m, whilst underlying Operating Profits (EBITDA) declined 1.5% to \$31.8m. Excluding Paytron, a Sydney-based digital payment business acquired in October 2023, underlying EBITDA increased 1.6% to \$32.7m.

OFX generates revenue from the net margin made on each foreign exchange (FX) transaction, otherwise known as Net Operating Income (NOI), and on associated income earned through the transaction process. For the half, underlying NOI grew 5.8% to \$111.4m, driven by strong interest income of \$4.3m, offset by lower turnover of \$19.2b (down 3.5% on the prior corresponding period).

Group NOI margin continues to improve, up 5.3% to 0.60%, reflecting the company's ability to take price and benefit from larger transaction volumes. Since 1H22, NOI margin has grown from 0.46%.

OFX ended the half with \$67.6m of net cash available on hand and \$65.2m of debt. Bad and doubtful debt remained within management's expectation at \$1.2m or 1% of revenue.

Segment Performance

Table 14: Segment highlights

	B2B			B2C
	Corporate	Enterprise	Online Seller	Consumer
Revenue (\$m) ¹	63.4	4.2	3.1	35.8
Growth	7.3%	44.8%	-24.4%	-6.5%
Recurring revenue	87%	n/a	87%	79%
Active Clients	29,300	n/a	n/a	103,900
Transactions per active client	23.2	n/a	n/a	4.3
Average Transaction Value	\$32,400	n/a	n/a	\$20,000

1. Excludes interest income (\$4.3m) and escrow release (\$3.7m)

Business to Business (B2B) Division

Corporate (59.5% revenue)

The corporate segment grew across all regions, led by strong client registrations, up 42% to 7,900 clients. Management attributed the registration growth to ongoing technology investments in onboarding and conversion strategies, as well as a recent operational change with dedicated operational and risk resources established across the business.

The company sees momentum building across all regions, particularly Europe and the UK, with new sales teams building a presence in the market. Canada reported the weakest growth at 0.7%, driven by lower consumer confidence and short-term margin pressures from a handful of traders leaving post the Firma acquisition. Management had planned for this, recording a \$3.7m escrow release and has since seen Canada clients and ATV steadily improve.

Transactions per active client also grew 22.6% to 23.2 transactions per annum, reflecting OFX's ability to develop deeper relations with clients and progressively build out an offering outside of spot transactions.

At the end of the half, Corporate represented 59.5% of group revenue and is 87% recurring.

Enterprise (3.9% revenue)

In Enterprise, existing client growth and conversion of new deals saw revenue increase 87% to \$4.2m. Quicker uptake from smaller partners, are generating revenues in under 100 days from signing.

In the half, OFX recorded two new partnerships, including its first enterprise deal in North America. Post the half, OFX announced its second deal in North America. The pipeline remains strong, with prospects growing from 67 to 77 over the half.

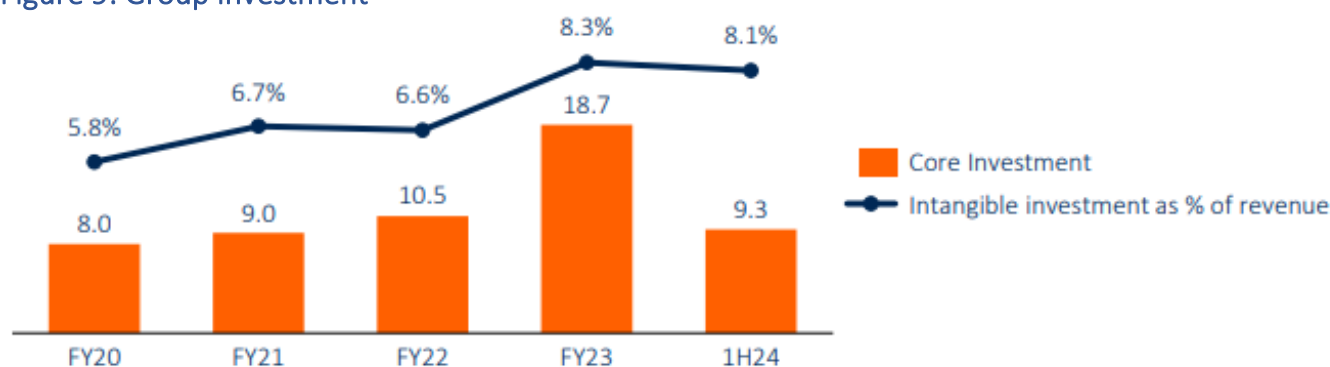
Business to Consumer (B2C) Division

High Value Consumer (33.6% revenue)

Consumer saw a rebound in high value use cases, including wealth-related transfers (+19%) and property (+9.2%), leading to revenue increasing 7.8% half on half to \$35.8m. Revenue remains below prior year highs of \$38.3m, with ongoing macroeconomic uncertainty impacting transaction volume. Average transaction value reverted to its long-term average of circa \$20,000.

OFX has been clear in its strategy to shift from the consumer space to business to business (B2B) transactions to build a better company. B2B clients transact more frequently (greater than five times the average consumer in 1H24), resulting in more predictable revenue. Additionally, these clients are more complex and seek an end-to-end offering outside of spot transactions.

Figure 9: Group Investment



Source: OFX 1H24 results presentation

R&D and Outlook

Since FY19, OFX has set out to become a more global and B2B-focused business. The aim of the transition is to create a single global platform for customers with higher recurring revenues and operating profit margins.

For management, the transition requires developing its offering outside of spot transactions to create a higher valued service for its customers. To date, OFX has expanded into forward contracts. By FY25, the group expects to roll out a digital FX card, starting with Australian corporate customers as part of the Paytron acquisition in May 2023.

The Paytron acquisition brings a modern platform and digital card capabilities with integrated backend automation of all transactions to the customer's accounts payable system. This end-to-end ecosystem is expected to drive incremental revenue through more frequent customer transactions and an opportunity to introduce new revenue streams, such as subscription services.

As a result of the additional investment into the platform, OFX recorded intangible investments of \$9.3m for the half, representing 8.1% of revenue.

For FY24, management has guided to intangible investments of \$17m-\$19m, excluding Paytron. FY24 NOI and core underlying EBITDA guidance, excluding Paytron, saw the top end of the range reduce due to lower Canadian corporate confidence.

FY24 NOI declined from \$225m-\$243m to \$225m-\$238m and core underlying EBITDA from \$63m-\$74m to \$63m-\$70m.

OFX has a market capitalisation of \$336m and repurchased 3.6m shares (1.5% of shares on issue) in the

first half as part of its 12 month share buyback program to acquire up to 10% of shares.

▪ ResMed (ASX:RMD)

In October, ResMed, a leading provider of medical devices, masks, and software for out-of-hospital care, reported its first quarter 2024 result. Group revenue rose by 15% in constant currency (cc) to US\$1.1b, while underlying net income lifted by 4% to US\$219.4m.

During the quarter, the group accelerated the delivery of its 'best in class' AirSense 11 in Japan and launched the device in Australia and New Zealand. The group anticipates further geographic regulatory approvals over the coming year. As a result, global device revenue grew by 8% in cc to reach US\$564.7m.

Global masks and Other revenue grew by 21% in cc to US\$398.3m, driven by strong resupply from existing patients and new patient demand. Recurring mask sales represent approximately 70%-80% of mask demand, while patient compliance and 90-day adherence rates on CPAP devices sit above 87% as more patients adopt the group's cloud-enabled platform, myAir.

Software as a Service (SaaS) revenue lifted 32% to US\$139.3m, including \$25.7m from the recently acquired MEDIFOX DAN, meeting expectations at the time of acquisition. The existing SaaS portfolio sustained strong organic growth of 7%.

Gross Margins

Comparative quarterly gross margins declined from 57.6% to 56.0%, due to higher component and manufacturing costs, partially offset by a favourable product mix and foreign currency movements. To that end, gross margins are expected to improve over the near term through key initiatives, including expanding

the global reach of AirSense11, enhancing mask growth, boosting software solutions and implementing cost reduction measures, which resulted in a 5% cut in its global workforce in October.

Medium-term growth

ResMed's growth opportunity remains significant, with an estimated addressable global market of over one billion sleep apnea patients. The company continues to innovate to identify, screen, diagnose, treat and manage a larger audience of patients in a more streamlined manner.

Research and development (R&D) investment is anticipated to remain consistent with prior years, ranging from 6%-7% of revenue in FY24. In the quarter, the company invested and fully expensed US\$75.7m in R&D.

Once a patient is diagnosed, ResMed is well positioned to capture device demand as it enjoys the number one and two platform offerings. The company continues to enhance its market-leading AirSense 10 and 11 solutions with data-driven insights and software to drive the next leg of differentiation. For example, several AI-driven coaching features are being added across its ecosystem, providing personalised suggestions that deliver better engagement and adherence for its patients, physicians and providers.

CEO Farrell highlights the significant value ResMed is creating, "We now have over 16 billion nights of de-

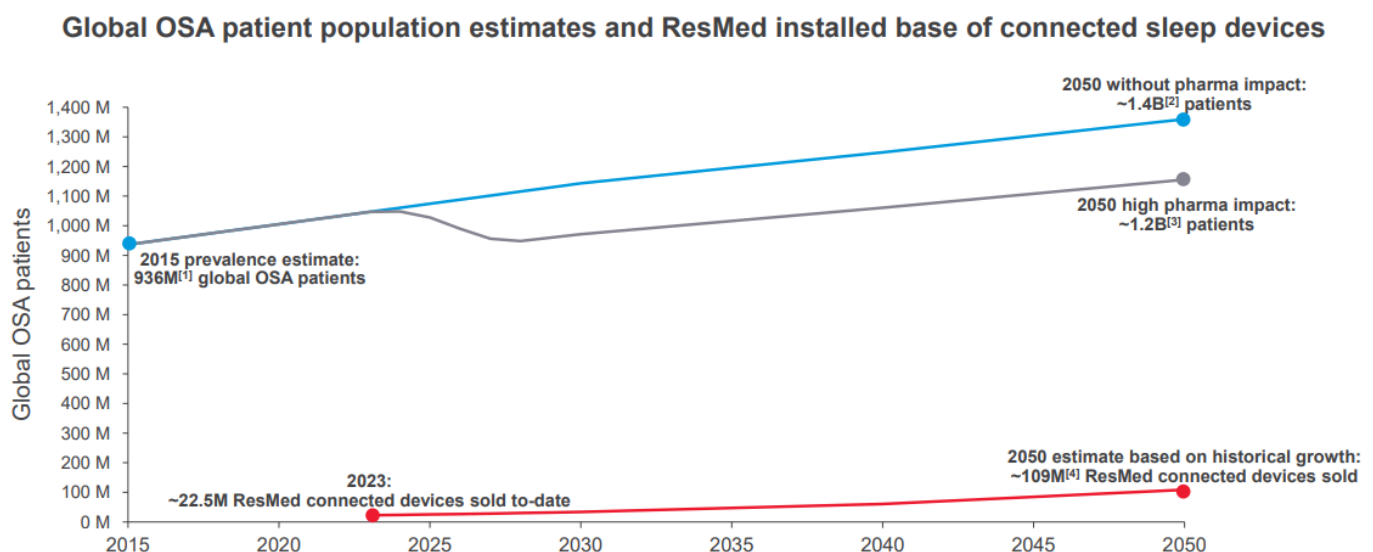
identified medical data in the cloud, and over 22.5 million, 100% cloud connectable medical devices sold in more than 140 countries worldwide. We continue to lead the industry in digital health technology and we don't plan to stop anytime soon. There is so much opportunity ahead of us."

Recent concerns around obesity drugs known as Glucagon-like peptide-1 (GLP-1) have impacted sentiment as investors weigh the long-term outcomes for sleep apnea. ResMed believes the relationship between sleep apnea and weight loss is non-linear, with age, gender and facial structures as additional contributing factors. The company is monitoring the situation, having identified 17,000 patients on GLP-1s, with no significant drop-offs to date.

Notably, the sleep apnea market remains highly underpenetrated; the global total addressable opportunity of over one billion patients is projected to grow to 1.4 billion by 2050. Currently, ResMed serves circa 22.5m patients through a connected device, representing 2.3% of the market.

Should the aggressive take up of pharmaceutical drugs be maintained, ResMed's internal modelling out to 2050 forecasts the global OSA prevalence to reduce to 1.2 billion people, with ResMed servicing 109 million patients (9% of the then total market) based on maintaining mid-single digit growth rates, thereby leaving an addressable market of 1.1 billion people, as shown in Figure 10.

Figure 10: ResMed's Epidemiology Model



Source: ResMed 1Q24 Earnings Presentation

Philips Recall of DreamStation 1 CPAP (Continuous Positive Airway Pressure) devices

In its October 2023 update, Philips confirmed over 99% of the 5.5m replacement devices and repair kits had been produced, with the majority already sent to patients and home care providers. Philips remains under investigation by the U.S. Department of Justice regarding a proposed consent decree and several class-action lawsuits.

ResMed is driving permanent market share gains as clinicians and Durable Medical Equipment (DME) providers experience its best-in-class cloud connected devices and platform ecosystem. Historically, ResMed and Philips together supplied more than 90% of the U.S. market for CPAP devices.

Recent updates: Philips – Food & Drug Administration (FDA) comment on DreamStation 2 CPAP devices

Further compounding Philips' issues, in November 2023, the U.S. Federal Agency of the Department for Health and Human Services published a safety warning for patients and healthcare providers to carefully monitor the Philips DreamStation 2 CPAP machine for signs of overheating.

The FDA noted that some DreamStation 2 machines were distributed as replacements for the recalled DreamStation 1 device. At the time of publication, the FDA did not believe the safety issues with the DreamStation 2 were related to the foam used in the machine but rather to an electrical or mechanical malfunction.

Summary

ResMed has a market capitalisation of US\$25.5b. The company declared a quarterly dividend of US48c per share and announced plans to resume its buyback program starting in the second quarter. ResMed expects to purchase shares to the value of US\$50m a quarter, more than offsetting the issue of employee shares during the year.

▪ TechnologyOne (ASX:TNE)

Financial Summary

Enterprise resource planning (ERP) software provider TechnologyOne reported its full year 2023 result in November, with revenue increasing 19% to \$441.4m and net profit before tax of \$129.9m, up 16%. Total annual recurring revenue (ARR), seen as a better indicator of management execution and business quality, delivered growth of 23% to \$392.9m.

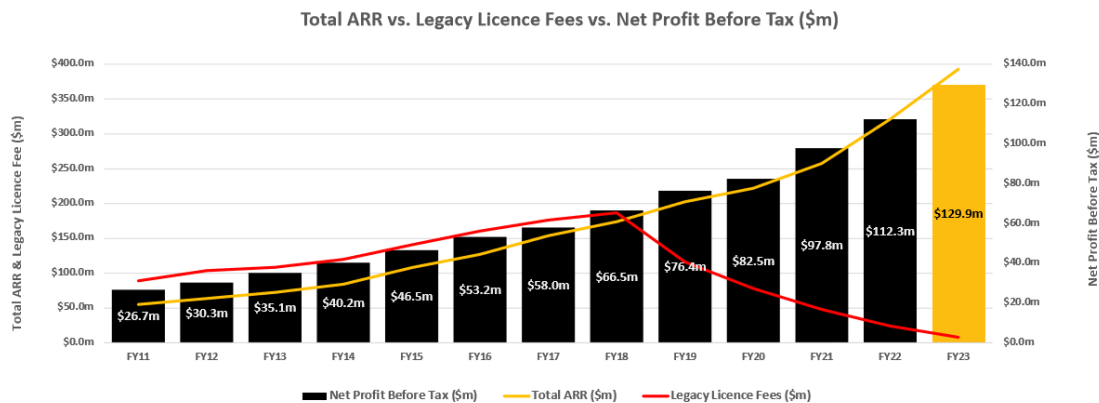
The business performed strongly across all six industry verticals; the top three, including Local Government, Higher Education and Government, were up 32%, 20% and 8% to \$148.2m, \$98.9m and \$53.6m respectively.

SaaS

TechnologyOne has successfully transitioned from an on-premise legacy license business to a SaaS model. This resulted in on-premise legacy license fees falling from a peak of \$65.3m to zero over the past five years.

During this transition, the company actively expanded its SaaS recurring revenue business base and consistently delivered increased annual earnings, as shown in [Figure 11](#).

Figure 11: Transition to SaaS

Transition to SaaS – Careful reduction of legacy licence fees

**Successfully transitioned to SaaS
with continued growth in profit and customers**

Source: TechnologyOne FY23 Results Presentation

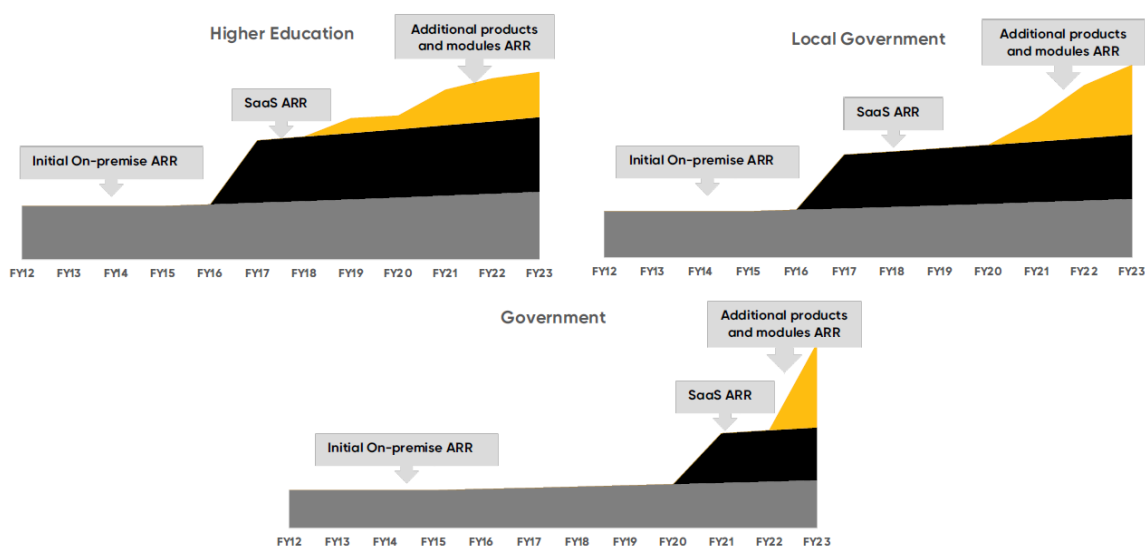
Net Revenue Retention (NRR), a key metric reflecting the net amount of new ARR won and retained from existing customers, was 119% for the 12 months, surpassing best practices in the ERP market. By maintaining an NRR above 115%, TechnologyOne expects the strength of its existing relationships to double its business size every five years.

The business has adopted a strategic approach, initially landing customers with products like Financials, Property and Rating, or Student Management, and expanding

with other products and modules over time. With ongoing investments to enhance functionality, TechnologyOne experiences accelerated product adoption by SaaS customers, leading to significant growth, with the average ARR per customer increasing from \$100,000 in FY12 to nearly \$400,000 in FY23.

Figure 12 illustrates the growth across the top three verticals: Local Government, Higher Education and Government.

Figure 12: TechnologyOne Total ARR and Pre and Post SaaS Transition ARR

Total ARR and Pre and Post SaaS Transition

Source: TechnologyOne FY23 Results Presentation

U.K.

Despite entering the U.K. market in 2006, TechnologyOne is only now experiencing momentum following years of investment. ARR increased 52% to \$26.5m, delivering profit of \$3.7m, a 54% uplift on the prior year.

There has been significant progress. The regionalisation of the company's OneEducation SaaS ERP solution is now complete and marked by two new Student Management deals during the year. The business is uniquely positioned to further accelerate growth across the Local Government and Education markets.

SaaS+

SaaS+ was successfully launched during the year and is exceeding expectations, with 34 customers across all verticals taking up the offer. Seen as the next logical evolution of SaaS and described by management as a 'game changer' in the ERP industry, SaaS+ will enable TechnologyOne to deliver the entire service offering, incorporating product implementation into one single annual fee for the customer. Thereby further differentiating the group's product and service offering from global operators, including Oracle and SAP, who separately outsource customer implementation.

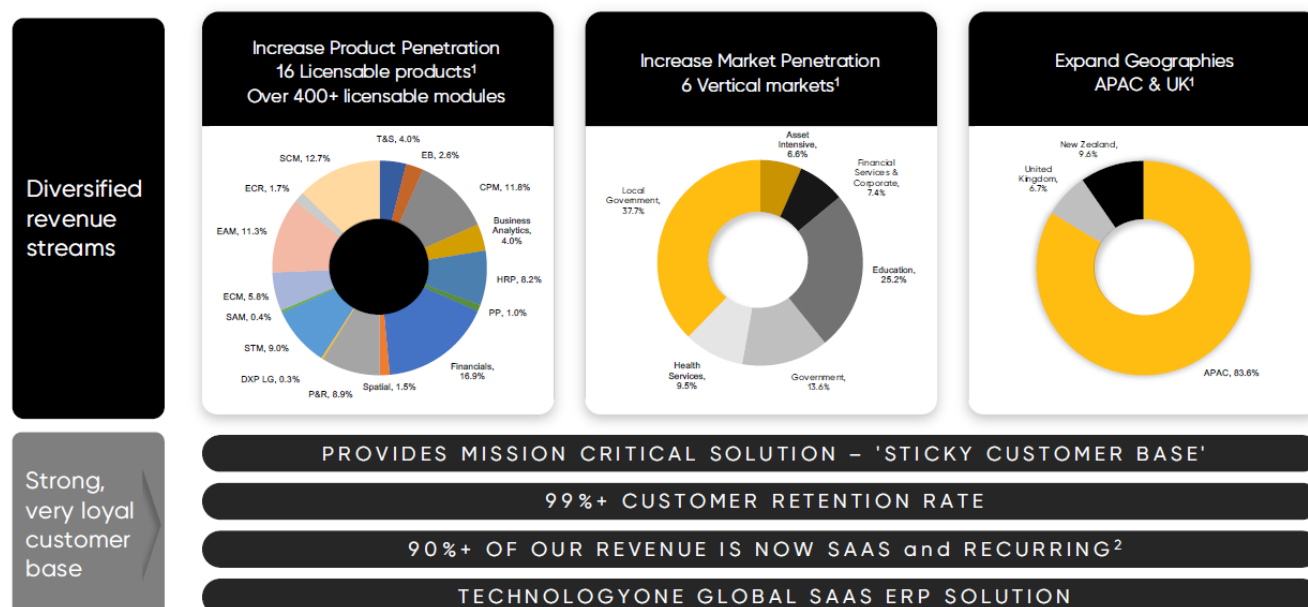
Strategy

TechnologyOne's vision is to build and deliver quality products and services that transform businesses while reducing customer friction. It is underpinned by its core belief in "The Power of One", as a specialist total software enterprise solution vendor, with all product modules written on one single line of code, and where responsibility is taken for full software implementation and ongoing support.

The business is in a strong leadership position as the only enterprise vendor to offer a true Global SaaS ERP solution that enables customers to work anywhere on any device with core functionality, security and a consistent interface to ensure customers have a frictionless experience.

While the use case is large, TechnologyOne is focusing on six key market verticals: Local Government, Education, Health and Community Services, Asset and Project Intensive Industries, and Corporates and Financial Services. With only 15% market penetration in any one vertical, the runway for growth is substantial. **Figure 13** illustrates TechnologyOne's drivers for long-term growth.

Figure 13: TechnologyOne's Drivers for Long-Term Growth



¹ Based on total ARR

² Total revenue less Traditional and Legacy revenue and excluding Scientia contingent consideration reversal of

Source: TechnologyOne FY23 Results Presentation

R&D

While near-term growth will be driven by the expansion of capabilities of the global SaaS ERP solution, initiatives such as Solution as a Service (SaaS+), Digital Experience Platform (DXP) and App Builder, are poised to contribute meaningfully longer term. With that in mind, research and development (R&D) spend remains a high priority, rising 21% to \$112m, representing 25% of revenue.

Total Addressable Market (TAM)

TechnologyOne estimates a \$2b ARR TAM opportunity servicing the company's existing APAC customer base. This segment will benefit from ongoing product and implementation innovation and increased adoption of new product verticals and modules. At year end, products per customer had lifted from 6.2 at the group's FY22 result to circa 6.6. For comparison, this number sat at 5.5 in 2019.

New product releases over the next five years, including DXP Local Government, DXP Student Management and

App Builder, are set to double the ARR TAM from \$2b to \$4b.

SaaS+, currently available to select customers, is expected to further expand the ARR TAM by 40% or \$1.6b in the markets they serve.

Outlook

Management confirmed the business is now on track to surpass the targeted \$500m ARR run rate by 2025, a year ahead of prior guidance, with aspirations of doubling in size every five years. This reflects increasing product depth, product set diversity and improving customer success within the larger U.K. market.

TechnologyOne has a market capitalisation of \$4.9b and net cash of \$223.3m. The company also declared a final dividend of 14.9c per share, including a special dividend of 3c per share, representing a payout ratio of 62% for the full year. **SFM**

CAPITAL MANAGEMENT – A NEW APPROACH

“We have to build the very best business for the long term.” – Richard White, Co-Founder and CEO, WiseTech Global

Custodian

Many investors may not like our approach to capital management. To be clear, the board and management’s role is to be the custodian of a business on behalf of shareholders.

A role that involves wearing many hats, and appeasing many groups, not just shareholders. However, above and beyond, directors must think and act with one overarching goal: to sustain and position a company for long-term duration so as to outlive the current board and crop of shareholders.

Of course, this is not without its challenges. It requires evolving to the surrounding economic environment, adapting to the emerging competitive forces and being ready for potential opportunities.

Merely surviving, though, is not the purpose. Many businesses will fail and should fail. A greater portion will conjure innovative ways of delivering hope while seeking more capital.

Then there are some who have attained a certain status of reputation and trust. The challenge for these “blue chip” companies is not letting public opinion and pressure stray the business from delivering on a board’s true objective: doing what is right for the company long-term.

Starting my investment career at one of Australia’s oldest trustee companies during the 1980s has provided perspective on why some company practices become so ingrained that they end up being its ultimate undoing.

Let me provide an example to illustrate the point. It was and likely remains a core tenant of any trustee board sign-off that for an investment to make the revered approved list, certain financial conditions and outputs need to be met.

One that was pivotal during my time was a business’s ability to sustain a five-year track record of paying dividends. Only those who met this high bar made it onto the list. Those who didn’t hold a dividend track record proceeded no further.

To this day, dividends play a critical role in a board’s decision-making process. However, the reasoning behind this has little to do with attaining approved listing status.

Rather, it involves maintaining public reputation and avoiding shareholder displeasure. It also has little to do with a board’s core duty to make appropriate long-term capital allocation decisions.

Status quo

We do not think we are out of school in saying that many boards and directors stay within their comfort zone on important decisions. While they may be incredibly diligent on governance matters and ensuring compliance sign-off, they are not always the savviest on financial matters. Even less so on decisions regarded as sensible despite the contentious outcomes.

Many join boards for short stints, take on specific functions and play it safe. The propensity to question the status quo or push for a newer, better approach is likely seen as too hard and rocking the boat.

On the contrary, company founders approach matters differently. They may not be the right person for all occasions, but importantly what they bring is a sense of ownership and a purpose to leave a legacy.

As such, their decision making is rarely short term, taking on guardianship-type roles by putting in place strategies to deliver enduring businesses.

A sensible capital allocation framework

When we consider the many scenarios of managing the capital allocation process of a business, few seem to get it right.

In the U.S., there is a tendency for this process to be incredibly one-sided. Businesses are for growth, where employees are rewarded or enticed with large or certainly disproportional equity compensation plans. Stock buybacks also feature heavily, acting as a support mechanism to share prices, while debt is often the currency of payment.

This strikes us as an unsustainable model. It works well when things are on the up but less so when difficulties arise. The usual by-product of this approach is a large debt pile, carrying longer-term implications.

While U.S. boards love share buybacks, Australian businesses are wedded to dividend payments. Such is the focus on this item that it dominates any sensible discussion on capital allocation. Any analysis of our top-tier blue chip companies will reveal a model of consistency when it comes to this topic.

Nowhere is this more evident than in our listed banking sector. Despite being one of the most leveraged businesses operating, typically geared upwards of 20 times, banks still manage to pay out most net earnings in the form of dividends. The four major banks sit within the 80% mark, and any inkling of a cut is met with a swift response from investors. Directors feel the pressure and as such, this topic rarely gets the level of scrutiny it deserves.

Banks are also prone to other random acts of capital allocation decision making, most notably irregular buybacks and underwritten dividend reinvestment programs (DRP). It's a pattern repeated in other companies, almost a recipe for what not to do.

Would a true business owner want to pay out such a high proportion of profits in dividends and then seek part of it back via a DRP, only to undertake a buyback to reduce the number of shares available?

Why not pay a smaller amount out, have no DRP and maintain a progressive buyback of shares? That's what a true owner would do, no smoke and mirrors involved here.

Which begs the question, why is sensible capital allocation so hard?

30:30:30

To illustrate the point, perhaps the balanced approach is to incorporate elements of the U.S. and Australia. The 30:30:30 model is the notion of applying net earnings or, more appropriately, a company's free cash flow equally across dividends, buybacks and reinvestment.

The percentage mix is flexible but the aim is to satisfy short-term objectives without jeopardising long-term outcomes.

Not all companies are created equally and yet the focal point of any discussion concerning capital allocation decisions in Australia is dividends.

A case in point is complementary medicines manufacturer Blackmores, although it is no longer listed following its \$1.9b takeover by Japanese group Kirin in 2023. The company's large retail shareholder base had become dependent on the high dividend payout ratio, a situation that Marcus Blackmore, the largest individual shareholder actively promoted.

Persistent public pressure saw it pay out 70% of dividends, despite the new look board earlier indicating a dividend payout range of 30%-60% as a guide, only to have it lifted to 40%-70%.

Given the company's operating circumstances and business objectives, Blackmores should not have paid a dividend, or at the very least, a small amount, perhaps 30%.

Why? the earlier acquisition of Catalent, a manufacturer of soft gel capsules and tablets, plus the growing need to invest more in marketing and product expansion to support global operations, meant it was appeasing those with the loudest voice.

Giving back such a high percentage to shareholders only exposed the board's weakness in putting short-term interest ahead of long-term benefits.

Under the previous board's rule, this had been building for some time, contributing to a weakening financial position and opening it up to takeover, when in fact it should have accelerated out of COVID.

The silliness of leverage ratios

Investors are not always privy or understanding of the circumstances that drive business decisions. But in our opinion, what is clearly lacking is the foresight and propensity to question the status quo when it comes to capital management allocation and financial metrics surrounding debt.

There is an acceptance in financial markets for companies to be optimally leveraged. Financial leverage can come in many forms and be measured in multiple ways.

The most popular method is a company's ability to meet its financial obligations, as measured by the formula: net

debt to operating profits (EBITDA). While the ratio will vary depending on the type of business and the quality of a company's earnings, an acceptable leverage ratio tends to sit between 1.5x to 3.0x.

Such ratios and debt limits are sensible and demanded by banks that lend money, but it has also introduced two behavioural outcomes, laziness and silliness.

Laziness as it provides boards with a leeway to abdicate their fiduciary responsibilities. Silliness as it leads to questionable capital allocation outcomes. In fairness, one should be careful in blaming boards outright, since it is often the shareholders and, in many cases, the institutional investors that are demanding or driving these agendas.

Bad practices lead to bad outcomes, and all too often investors think selfishly rather than what is sensible and prudent. They will demand higher dividends, push for buybacks and agitate for growth, often through mergers and acquisitions. Using debt to meet all these obligations is often seen as an acceptable outlay, rarely getting the scrutiny that it deserves.

The use of debt makes perfect sense when applied to acquisitions, but the logic fails miserably if used to pay out dividends or buy back shares, despite all the mathematical gymnastics that may justify such actions.

And yet, this is the situation that some investors and boards readily push for and endorse. In our opinion, simply madness.

Small steps

We are supportive of sensible outcomes. Where we don't see alignment, acknowledging this is subjective, we will put forward a counter view.

We don't push silly agendas or agitate for change that pits one voice over another. If truth be told, we want less now so that future generations of shareholders can benefit from investment decisions made today.

It requires a specific mindset that all boards and directors need to embrace, one centred on leaving a company in a better place.

At its core sits financial sustainability, with the board, employees and management teams operationally aligned.

It also explains why we vote on company resolutions the way we do. We judge board members on merit and approach management remuneration matters with an understanding of the individual performance and the combined team effort, alongside a financial metric gateway that aligns with long-term equity ownership.

Others approach these matters with agendas. They consider gender quotas and board member tenure as non-negotiable items. This is never our starting point. We favour diversity and independence of thought, executive experience and individuals possessing a founder mindset, the most valuable attribute.

Ultimately, we support engaged directors who question why, contribute and are aligned, rather than those who make a numerical assessment based purely on years of service.

Therefore, it seems only appropriate that a business with long-term aspirations should employ a long-term capital allocation framework.

Companies

Within our portfolio holdings, there are a growing number of companies embracing a capital allocation approach, which we deem progressive.

- **Cochlear**

In 2023, global cochlear implant leader Cochlear updated its approach to capital management. Historically, it has been on the right path.

A global leader possessing high-quality earnings, alongside a subset of recurring revenues and a fully expensed research and development program, has delivered a growing pool of profits.

Operating with a net cash balance sheet, the board's primary focus has been to pay out 70% of after-tax profits as dividends.

In February 2023, the company released an update to its capital management program, introducing a share buyback program.

Initially aimed at reducing the company's \$500m net cash balance, the initial \$75m buyback program was described as "progressive", giving weight that this was unlikely to be a one-off action.

The chosen path aligns with its corporate heritage of thinking long term, "*A progressive buy-back program*

aligns with the interests of our shareholders, by reducing shares on issue, providing gradual accretion in earnings per share and dividend per share over the long term."

- **Aristocrat Leisure**

Global gaming and content leader Aristocrat Leisure shares a similar story to Cochlear. The company has built a powerful, highly recurring revenue business, which has resulted in U.S. market leadership.

The business currently operates on a net cash basis, expensing all design and development costs, which in 2022 totalled \$667m, while maintaining a sensible dividend payout ratio of 30%.

In 2022, the board introduced a \$500m share buyback, alongside its other capital obligations. CEO Trevor Croker commented, *"Aristocrat's exceptionally robust balance sheet and consistently strong cash flow generation enables us to reinvest in the business, retain our capacity to pursue acquisitions, and return cash via dividends and share buybacks. We will continually assess growth opportunities, including strategic acquisitions and investment in organic initiatives."*

This initial capital return has since been extended on two occasions, and totals a potential \$1.5b buyback, of which fifty percent has been completed to date.

The board has seen merit in delivering both short and long-term returns, maintaining a prudent balance sheet while working within its free cash flow envelope.

- **Computershare**

The global leader in issuer and registry share services, Computershare has a long history of operating prudently.

Some recent missteps include the company's move into the U.S. and U.K. mortgage services. Despite the promise of a new business line, this has proven to be more challenging and has failed to meet management's return on capital objectives.

The decision to exit these businesses, most notably the sale of U.S. Mortgage Services in October 2023 for an estimated US\$720m, has shifted management's focus back to a smaller set of core services, which are capital light, already in the global rollout and operating at scale.

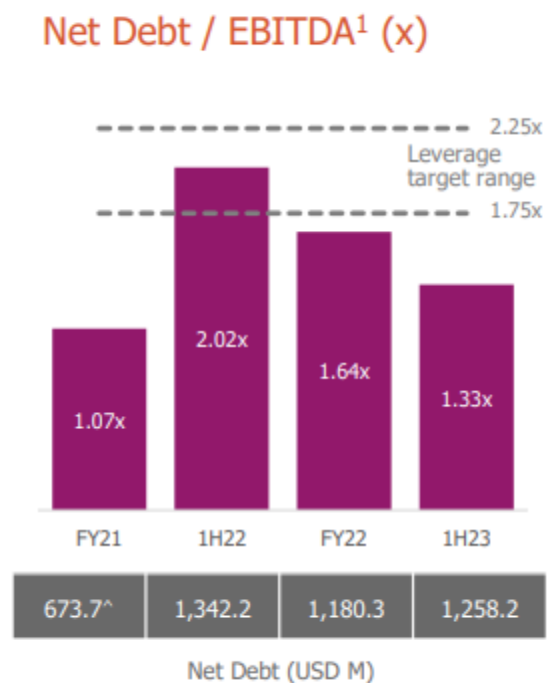
This refocus is most evident in what the company is now not saying. Roll back to the company's first half 2023

results presentation and the discussion surrounding leverage target range featured prominently under the heading Cash Flow and Leverage, shown in [Figure 14](#).

The dotted lines reflected the target range the board considered prudent, namely 1.75x - 2.25x net debt to EBITDA.

We would suggest a more sensible approach might be to have as little debt or, better still, cash during normal operating periods while using the debt markets for acquisitions.

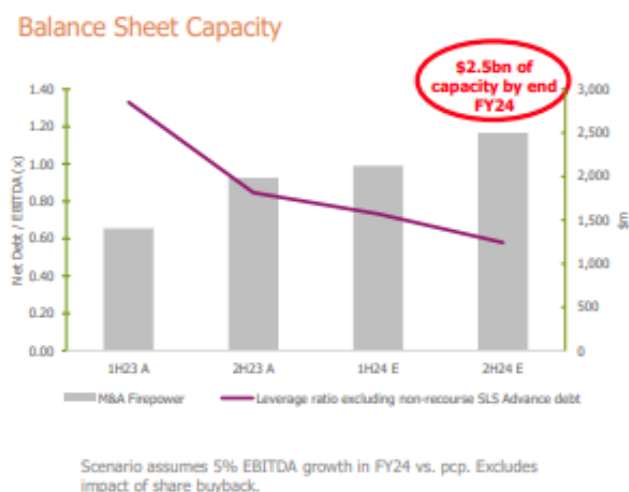
Figure 14: Computershare historical leverage ratio range



Source: Computershare HY23 results presentation pack

Post the company's full year results handed down in August 2023, comments regarding a targeted leverage range no longer appear, see [Figure 15](#).

Figure 15: Computershare 2023 results debt outlook



Source: Computershare FY23 Results Presentation

The subtlety of this shift should not be underestimated. It would appear that management's notion of having debt permanently bound within a financial leverage range no longer holds.

Instead, what is more likely is a debt profile that lifts at certain times, only for it to return to lower and more prudent levels through the release of free cash flow.

Currently, the Board allocates some 40% of net earnings to the payment of dividends. This is a sensible amount, noting the company also expenses most of its research and development spend.

This has now been augmented with the announcement of an A\$750m share buyback program that began in September 2023. If fully completed, the company would be purchasing close to 5% of the outstanding shares on issue.

The combination of an appropriate dividend payout policy and a progressive share buyback program, all funded from the company's free cash flow, reflects a board and management team thinking and acting with a long-term mindset.

Comment

Financial sustainability sits at the heart of all great businesses. To endure requires commitment, persistence and a resolve to make long-term decisions. The role that sensible capital allocation plays in all this should not be underestimated. **SFM**

TECHNOLOGY = GROWTH

“There are only three sources of growth: population growth, natural resource utilisation and technology.

Developed societies are depopulating all over the world, across cultures the total human population may already be shrinking.

Natural resource utilisation has sharp limits, both real and political.

With this in mind, the only perpetual source of growth is technology.” – Marc Andreessen and Ben Horowitz.

The view that technology is the only true source of growth may attract conflicting arguments. However, when you consider the advancements in communication, medicine, energy and automation, such counter views seem to fall away.

Further, as noted by Andreessen and Horowitz, “A market sets wages as a function of the marginal productivity of the worker. Therefore technology – which raises productivity – drives wages up, not down. This is perhaps the most counterintuitive idea in all of economics, but it’s true, and we have 300 years of history that prove it.”

When it comes to advancing technologies, two companies that come to mind are leading high level disinfection group, Nanosonics, and synthetic dermal substitute developer, PolyNovo.

Both originated in Australia, yet their newer and unique technology offering has helped them achieve growing global recognition and increasing success.

Both companies are contributing to the wellbeing of society by pursuing improved medical outcomes. Their respective successes have come from sheer hard work, often on the road less travelled, which others in the technology field know all too well.

As long-term investment holdings, we profiled both businesses in past newsletters: Nanosonics in the June 2018 Selector Quarterly Newsletter and PolyNovo in our September 2019 edition.

There has been significant progress since that time, but importantly both have maintained their appetite for

medical advancements as a result of technological undertakings.

Nanosonics

Some in the investor community quickly dismissed the company’s newest product, CORIS, which aims to transform the cleaning of flexible endoscopes. These devices are used in everyday medical procedures to inspect and observe inside the body without requiring major surgery.

In November, Nanosonics held its annual general meeting (AGM) at its new global headquarters in Macquarie Park, Sydney. We attended and reviewed CORIS, as shown in Figure 16.

Figure 16: CORIS demonstration device



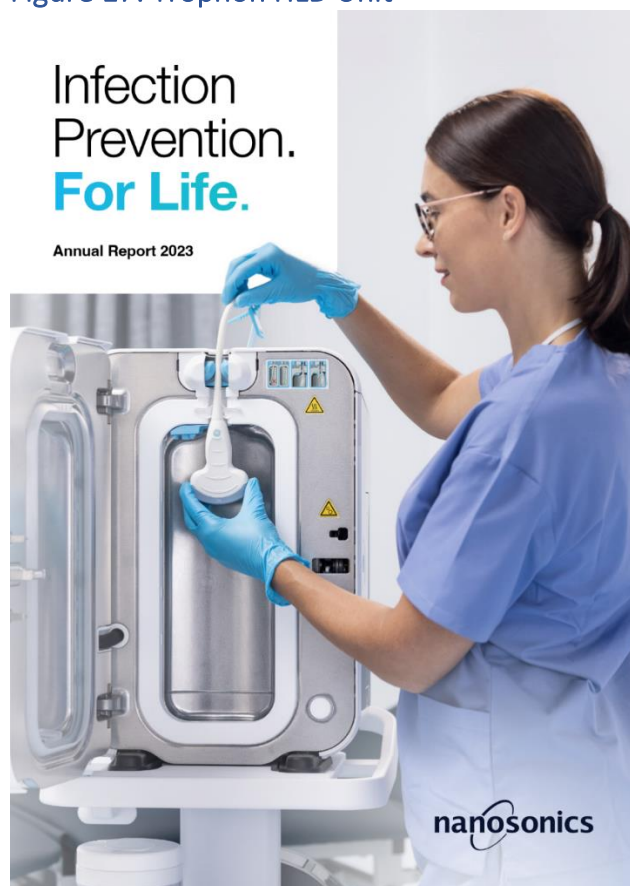
Source: SFML Site Visit

In his address at the AGM, CEO Michael Kavanagh spoke about the “Why”, the “How” and the “What”.

The “Why” is quite simple in writing: to protect people’s lives. Nanosonics has set out to improve patient and clinical safety by transforming how infection prevention practices are conducted, alongside developing and

introducing innovative technologies via high level disinfection (HLD) outcomes.

Figure 17: Trophon HLD Unit



Source: Nanosonics Annual Report 2023

The Trophon HLD, the company's flagship product and world's leading solution for ultrasound probes, has helped protect over 26 million patients annually from the risk of contamination from such procedures. The company has more than 32,000 units in the field globally, with the U.S. market its largest geography.

The "How" considers the ongoing need to educate and change clinical practice, which is no easy task. This involves undertaking sufficient studies so that medical guidelines see fit to change and adopt newer methods.

The "What" is the pursuit of technological innovation, which aims to identify unmet needs in instrument reprocessing by understanding current deficiencies.

To the latter, the CEO noted, *"Through our R&D programs we then aim to bring automation to current practice which not only improves the efficiency of the contamination process but delivers a more effective and safer outcome for our customers and their patients as well as the environment. We have seen this with the introduction of Trophon which replaces a manual, inefficient process and has established itself as the new standard of care in many countries. Our goal is to do the same with the introduction of CORIS in endoscope reprocessing."*

The following is a snapshot from the company's AGM presentation regarding CORIS.

Figure 18: CORIS Slides



Moving onto CORIS, as covered in our FY23 results announcement in August, our focus is on readying for the de novo regulatory submission to the FDA which I'm pleased to say is on track for submission in Q3 FY24.



The Clinical in use study is currently underway.

As noted in August, the FDA required us to conduct a Human Factors Study in the United States. Since August, we have established and commissioned a clinical simulation lab on the West Coast of the US, have CORIS up and running and that Human Factors study is now underway.

Source: Nanosonics FY23 AGM Presentation

Figure 19: CORIS Slides



The efficacy data of CORIS is also now being presented at a number of international conferences, at the National Infection Prevention conference in the United States in June and most recently, in Europe at the World Federation of Hospital Sterilisation Services and the Irish Decontamination Institute with much positive feedback.

Reprocessing failures and infections have been reported across all major endoscope types



There is a growing awareness of the complex nature of the problem to be solved and, that such a complex problem will require an advanced automated solution. Such automation should provide assurance to hospitals that all the channels within an endoscope, irrespective of size, have been effectively cleaned, in particular, the smallest channels which are beyond the capacity of current manual cleaning. In doing so, automation should also remove the laborious inefficient and ineffective manual tasks from current workflow. CORIS is being designed to deliver this. At these conferences, we did share an animation of CORIS to help customers understand its advanced mechanism of action which I'd like to share.

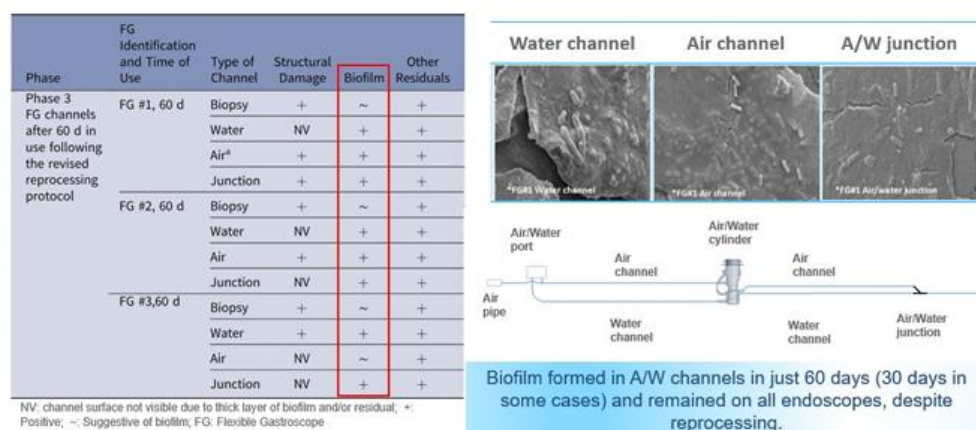
Figure 20: CORIS Slides

CORIS Animation

Of course, the most important requirement is, does this mechanism of action deliver the necessary transformation in cleaning that is required to improve patient safety in particular, the removal of biofilm from the small channels of an endoscope?

I'd like to share with you, some of the data that was recently presented at the conferences where CORIS was presented.

Biofilm forms quickly in narrow channels and is resistant to removal



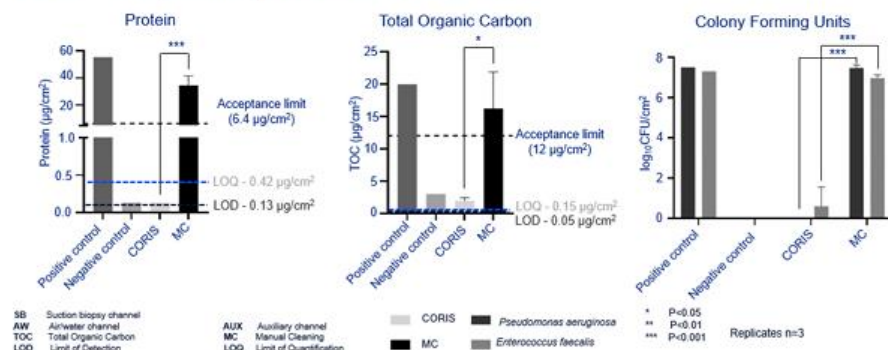
Pinto, M. G. B. et al. Biofilm accumulation in new flexible gastroscop channels in clinical use. *Infect Control Hosp Epidemiology* 43, 174-180 (2022).

Nanosonics Limited | AGM 2023 31

There is much evidence demonstrating the issues of contamination in particular, difficult to remove biofilm from endoscope channels. This study from South America is particularly interesting, as it demonstrates that these biofilms build up very quickly. Indeed, it happens within 30-60 days in new endoscopes despite the scopes being cleaned and disinfected after each patient use.

CORIS Preliminary Results

1.4 mm lumens representing the air water and aux channels



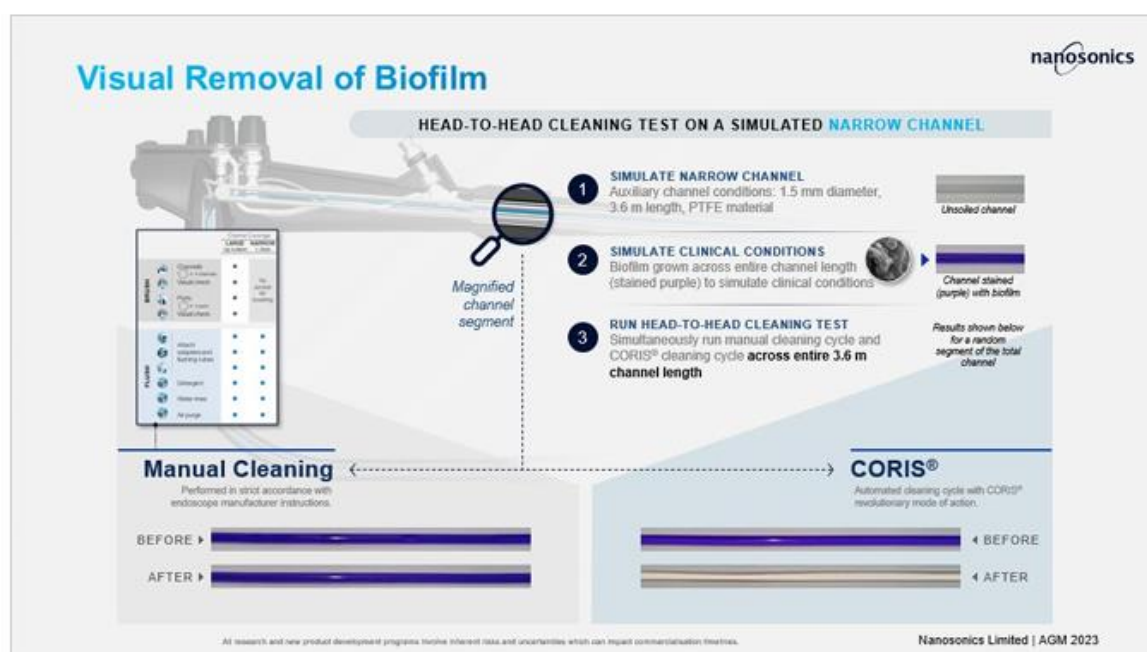
CORIS is significantly more effective at removing cyclic build-up biofilm from simulated endoscope A/W lumens compared to manual cleaning with full IFU adherence.

Nanosonics Limited | AGM 2023 32

Source: Nanosonics FY23 AGM Presentation

Figure 21: CORIS slides

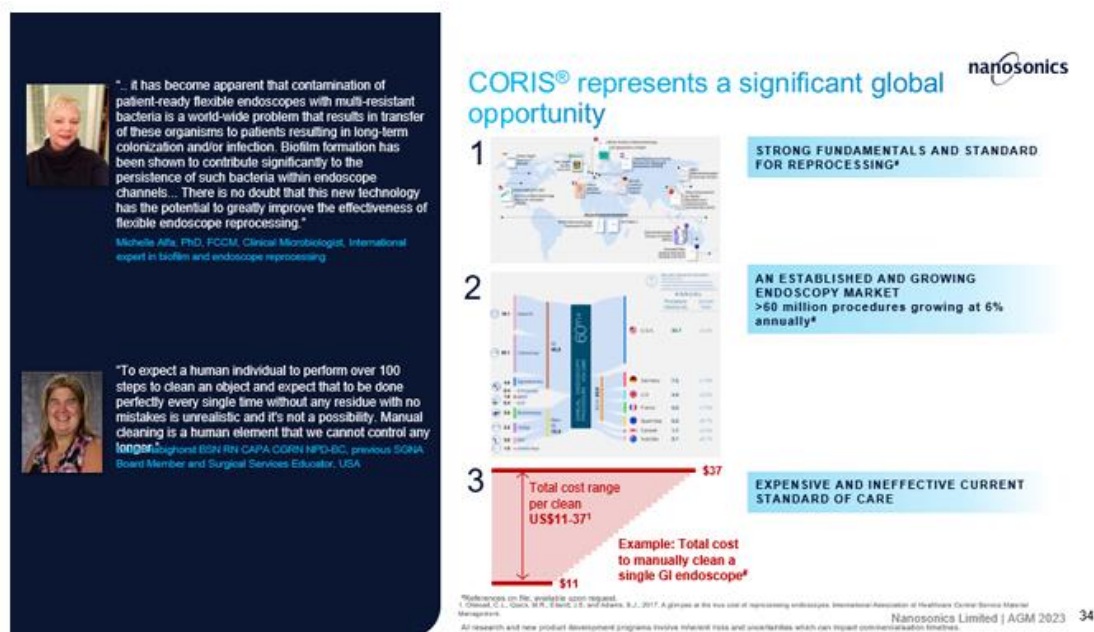
With the CORIS device, we study the effectiveness in the removal of biofilm, referred to here as cyclic buildup biofilm or, CBB in the smallest channels which is the most difficult thing to do. If you just focus on the left-hand side of the slide, you will see a result of a CORIS cleaning cycle on biofilm removal as measured by protein residue inside the lumen of a small channel in an endoscope. Protein is used as a universal measure of cleanliness. What we did, was grow biofilm in the small channels over a 5 day period then compare the effectiveness of current manual cleaning to that of CORIS. From the protein results, you can see that manual cleaning essentially had no effect in removing protein. CORIS however, reduced it down to the limit of detection. We got very similar results on other markers measured, Total Organic Carbon and Colony Forming Units as demonstrated on the slide.



What this would visually look like can be seen here. What you see are segments of a 1.4 mm lumen channel that is over 3 meters long where we have grown biofilm then stained it. With current manual cleaning, you can see it has no effect, the biofilm remains versus with CORIS it is completely removed, and this is the case, along the full 3 meter length of that channel. Clearly, this data demonstrate the opportunity for CORIS to set a totally new benchmark in cleaning but more importantly, improved patient safety.

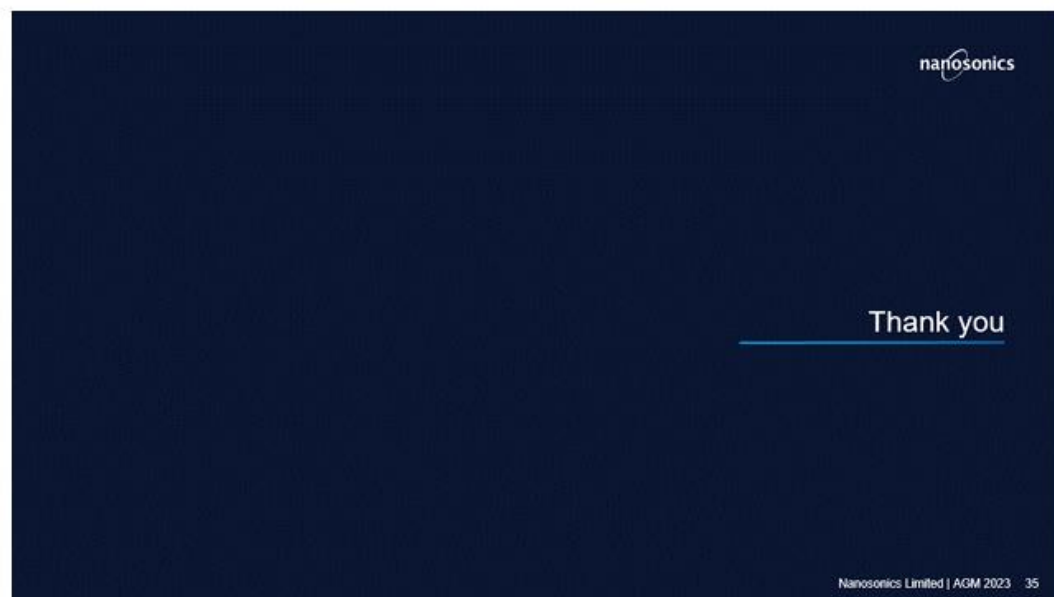
Source: Nanosonics FY23 AGM Presentation

Figure 22: CORIS slides



CORIS represents a significant global opportunity for Nanosonics. There already exist strong fundamentals and standards for reprocessing, there is an established and growing endoscope market and the current cost to clean an endoscope is significant which CORIS can replace.

As mentioned earlier, our focus is currently on the FDA de novo submission, and all is on track for that submission in Q3 of this financial year.



I would like to end by acknowledging the commitment, dedication, and engagement of our employees across the globe who come to work every day dedicated to delivering on our mission. I am very proud to lead an organisation of such capable and dedicated team members. I would also like to thank you, our shareholders for your ongoing commitment and belief in the long-term opportunity for the organisation and, how Nanosonics can establish itself as a recognised global leader in infection prevention.

Thank you and I'll now hand back to our Chair Steve Sargent

Our take

In addition to being a long-term investor, we have followed the progress of the company for well over a decade. When assessed across our four key pillars of People, Business, Balance Sheet and Capital Management, Nanosonics has delivered.

The company is well led by the CEO, his executive team and supported by a world class board. Financially, the business enjoys strong metrics, including high ongoing global demand, increasing recurring revenues, gross margins of more than 75% and a fully expensed R&D program representing 18% of group revenues, alongside net cash of \$112m.

The imminent release of CORIS aims to address one of the most recognised unmet needs in medical instrument reprocessing, endoscope cleaning. Those who dismiss its importance or ultimate success would do well to take a second look.

PolyNovo

In late November, we travelled to Mumbai, India and met with Dr Anand Shastri and his team. Dr Shastri is PolyNovo's Chief Medical Officer (CMO) in India, and he presented at the company's recent AGM, also held in November.

PolyNovo entered the India market in November 2022, with operations going live on April 1, 2023.

Dr Raghavendra Shenoy was appointed as Managing Director and country head, alongside Dr Shastri. The team in India has now grown to 20 people, including 17 direct sales professionals. Since operations began, 79 patients have been treated. The market is attractive for many reasons, none more so than the human benefits the company's synthetic Biodegradable Temporising Matrix (BTM) delivers.

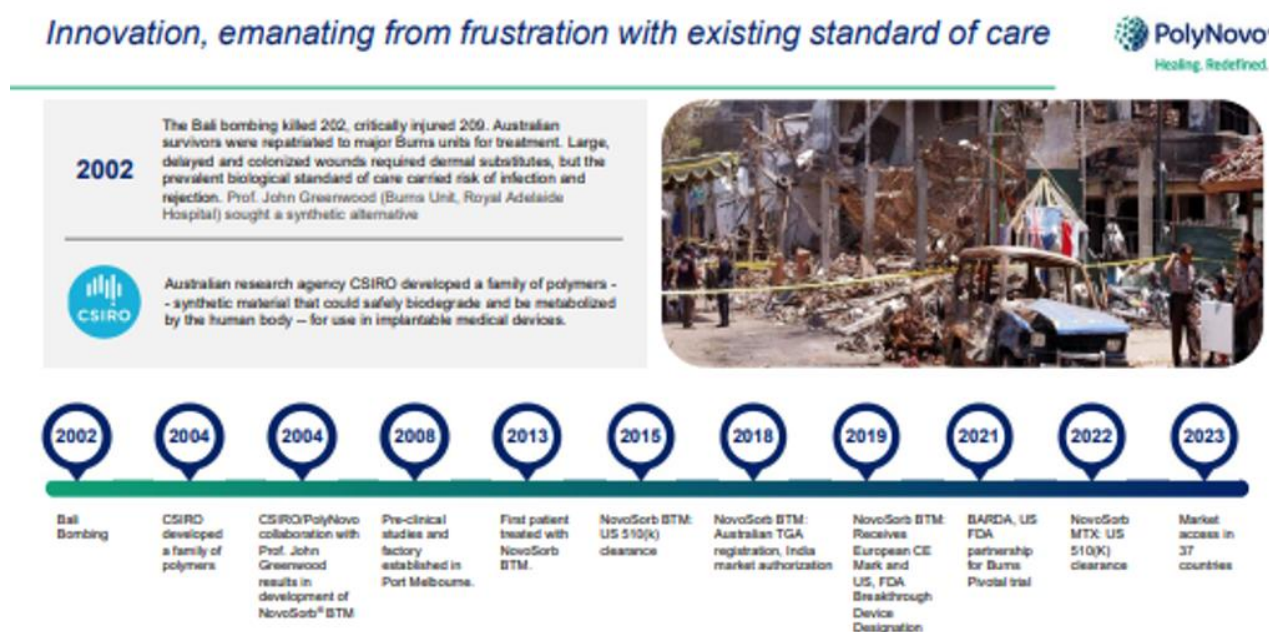
PolyNovo's product is not only transformative and cost effective, but also a disruptive alternative offering superior outcomes. This is why the team refers to BTM as a wound degenerative platform rather than a wound healing solution.

The best illustration of this is the company's progress since our original report in 2019. At that point, the company was in the very early stages of global ramp up, with a workforce of 47 and total revenues of \$14.4m, of which the lead product NovoSorb BTM contributed \$9.3m.

In the full year 2023, the group's headcount surpassed 200 while revenues hit \$67m. [Figure 23](#) and [Figure 24](#) highlights the group's history and progress made.

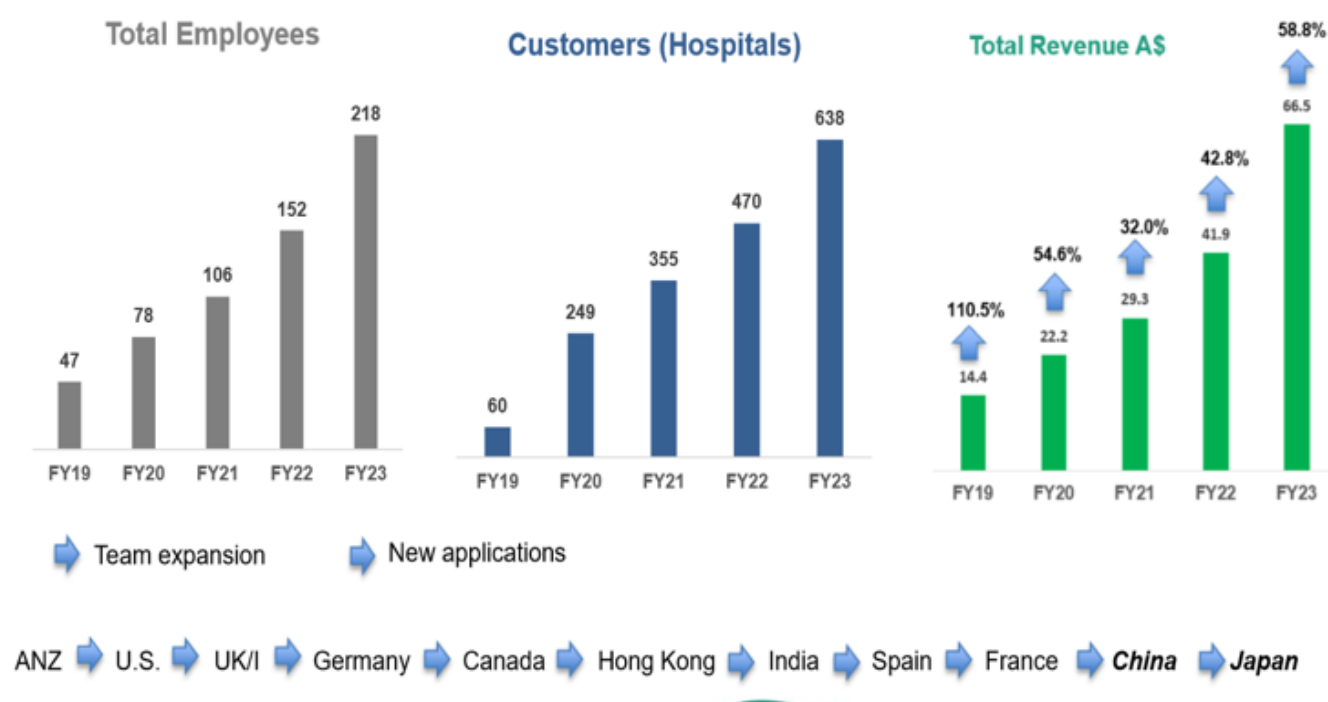
The company also served over 13,000 patients, while the literature regarding its use has continued to grow, as shown in [Figure 25](#).

Figure 23: PolyNovo History



Source: PolyNovo JP Morgan Healthcare Conference Presentation 2024

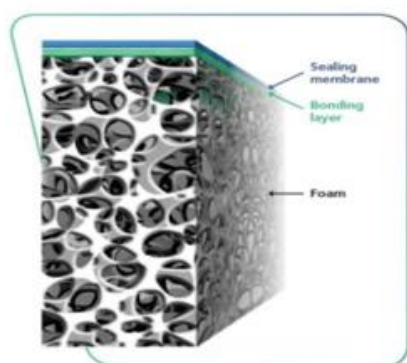
Figure 24: PolyNovo 2019-2023 Progress Highlights



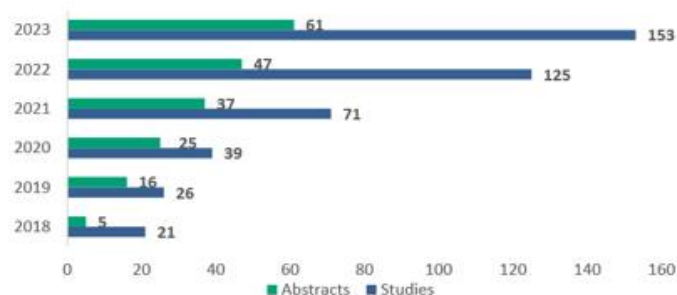
Source: PolyNovo FY23 Results Presentation

Figure 25: NovoSorb BTM publications

Next Generation Dermal Substitute



NovoSorb BTM Publications



- Fully synthetic biodegradable polyurethane
- On formulation
- Facilitates reconstruction of a reinforced, vascularised dermal bed
- Sealing membrane physiologically closes the wound during integration
- Robust in the presence of infection
- Designed to minimise contracture over functionally important areas
- Generates a neodermis over exposed tendons and bones

- Full thickness burns and mixed-depth burns
- Trauma (degloving, crush injuries, scalp avulsion)
- Necrotising fasciitis
- Diabetic and Vascular wounds
- Skin cancer excision and oncology burns
- Meningococcal septicaemia
- Hidradenitis
- Scar revision
- Limb salvage and crush injuries
- Scalp avulsion
- Free flap donor sites

Source: PolyNovo FY23 Results Presentation

Dr Sharsti CMO - India

In India it is estimated there are nine million car accidents and seven million people who suffer from burn injuries every year, leading to 140,000 deaths and 240,000 deformities.

Dr Shastri describes NovoSorb BTM as a “magical product” and the “results are phenomenal”.

At the AGM, Dr Shastri provided his personal perspective on this novel technology.

“I have been a surgeon for 35 years, and I’ve worked in the United Kingdom, Japan, Korea and in India. And in these 35 years, I’ve seen only two transformative innovations. One was 30 years ago, and one was last year with BTM. And that’s because of how it works. And I can demonstrate that with just this little 10 by 10-centimeter paper.

So, this little piece of technology has got about 20,000 little air cells in it that are connected to each other with micropores. And what that does it allows this wound to heal up in 20,000 little spaces, all independent of each other, but connected to each other just enough to allow nutrition, oxygen, and the cells that we generate tissue to get them. And once it completes its work, just like a sakura flower or cherry blossom, it silently floats away. It doesn’t stay back. There is no animal protein in it. It’s purely handcrafted with material that medical scientists are very, very familiar with. They’re entirely medically compatible and compatible to the human body. They’re excreted through the breath, through the urine. They’re not metabolized in the liver. They’re not heavy on the liver. And they don’t induce any reaction from the body.

And finally, because it’s not made of animal protein, the risk of the device falling off or being needed to take away because of an infection, they’re never zero but close to zero. So, to my mind, I saw a great transformative innovation 30 years ago. It was the ultrasonic technology for surgery. And I saw this on the 3rd of October 2022.”

Country visit - India

While our focus on this trip was reviewing the Indian operations, it shouldn’t be forgotten that PolyNovo’s success to-date has been driven by the U.S. market.

In 2023, U.S. sales climbed 45% to \$46m, compared to Rest of World sales totalling \$13.5m, up 134%.

India’s potential is large but embryonic, with the company entering the market via its Mumbai-based subsidiary, PolyNovo Biomaterials India Private Limited.

The PolyNovo India vision is clear, “We are building a world-class, 100% compliant organisation, based on very strong fundamentals of science, clinical knowledge, cutting edge innovation and surgical advancements.”

Photo 1: PolyNovo office Mumbai, India



Source: SFML site visit

Photo 2: On-site visit PolyNovo Mumbai, India



Source: SFML site visit

Our time with the leadership team in Mumbai, outlaying the go-to-market strategy, accompanied by meetings with surgeons who are users of the NovoSorb BTM solution, provided confidence that this market is ideally suited to PolyNovo's offering.

Most impressive is the experience within the executive team, led by Group CEO Swami Rota, who previously held leadership roles within U.S. pharmaceutical giant, Johnson & Johnson. Critically, India's healthcare system is well organised and centred around affordable healthcare.

The company's current 17-person sales team covers 12 Indian cities, with progressive plans to cover the 36 states and unions that make up all the territories.

The market opportunity covering burns, trauma and chronic diabetic foot ulcers is currently valued at US\$360m. PolyNovo's penetration of this opportunity is in its infancy, with all the necessary organisational and operational pieces in place for market rollout.

From this point, the focus will centre on educating the 2,500 plastic surgeons on the wound regenerative capabilities of NovoSorb BTM. India is regarded as a fast adopter and the reason for optimism is the healing powers of NovoSorb BTM against conventional treatments, with no gold standard treatment therapy in place.

With a middle-class population of 250 million and in an environment where *"disability costs much more than surgery"*, the product is expected to gain traction among the country's clinicians.

The PolyNovo India management team has accomplished a considerable amount in a very short period.

The technology is without question, the demand obvious, and the vision to be the *"standard of care in wound management"* provides scope for real optimism.

Final comment

Nanosonics and PolyNovo rarely grab the headlines. Their respective technologies offer unique solutions and global applications.

Each business has been built from the ground up, following a long period of investment discipline accompanied by management perseverance.

This has led to notable achievements, with more to come. Technology is an enabler, a point that both Andreessen and Horowitz identified early, *"the only perpetual source of growth is technology."*

Nanosonics and PolyNovo are real world examples of this at play. **SFM**

TOUGH DECISIONS ARE USUALLY RIGHT

Harvard professor Clayton Christensen introduced the concept of “The Innovator’s Dilemma” in his 1997 book, describing the circumstances of businesses falling foul of technological disruption by smaller, nimbler companies. It is a situation chip manufacturer Intel knows all too well.

In the book “Chip War”, author Chris Miller profiles the history behind microchip technology, now considered the world’s most critical resource.

Intel was an early pioneer in this space. The business was founded in 1968 by Robert Noyce, co-inventor of the integrated circuit board in 1959, Gordon Moore, creator of “Moore’s Law”, who predicted the computing power of each chip would double every couple of years, and Andy Grove, the company’s former president and CEO.

In 1970 the company launched its first product, a dynamic random-access memory (DRAM) chip, that forms the core of computer memory, even to this present day.

Intel built a formidable business around the DRAM chips, but its technological leadership was being undermined by newer competitors in Japan and U.S. start up Micron.

During the 1980s, CEO Andy Grove did what many founders would have struggled to do. He pivoted the business away from DRAM manufacturing, acknowledging it no longer had the technological edge or economic profitability to continue.

In his book, Chris Miller discusses the “innovator’s dilemma” moment in Chapter 33. The decision to shift towards the manufacture of microprocessor chips for the PC market was a strategically gutsy call at the time. However, it ultimately proved pristine, as Intel chips were soon running every PC except that of Apple computers.

This experience should have left the company in good stead to deal with the arrival of mobile devices that would come years later. Internally, though, the idea of pouring money into mobile devices seemed a gamble at a time when far more money was in selling processors for PCs.

This period also coincided with the arrival of new Intel CEO Paul Otellini. Unlike prior CEOs, including Noyce, Moore or Grove, Otellini’s background was not in engineering or physics but economics.

As Miller describes, *“Otellini inherited a company that was enormously profitable. He saw his primary task as keeping profit margins as high as possible by milking Intel’s de facto monopoly on x86 chips, and he applied textbook management practices to defend it.”*

As a result, Intel chose to sit out the mobile device market.

This view was seemingly reinforced when Intel won the contract to supply Apple Mac computers with Intel chips, strengthening its market hold on the global PC chip industry.

Even when Apple founder and CEO Steve Jobs pitched the idea of Intel designing and supplying the company with a new chip for its latest product, a computerised phone, the iPhone, Intel chose not to.

Why? CEO Otellini explains, *“They wanted to pay a certain price and not a nickel more...I couldn’t see it. It wasn’t one of those things you can make up on volume. And in hindsight, the forecasted cost was wrong, and the volume was 100x what anyone thought.”*

In the end, Intel turned down the iPhone contract.

Fast forward a few years and Apple was making more money in smartphones than Intel was selling PC processors. Intel attempted to enter the mobile market with limited success, and today, mobile devices consume a third of all chips sold.

As Miller explains in the below extract from his book.

“The company’s leadership consistently prioritised the production of chips with the highest profit margin. This was a rational strategy – no one wants products with low profit margins – but it made it impossible to try anything new. A fixation on hitting short-term margin targets began to replace long-term technology leadership. The shift in power from engineers to managers accelerated this process. Otellini, Intel’s CEO from 2005 to 2013, admitted he turned down the contract to build iPhone chips because he worried about the financial

implications. A fixation on profit margins seeped deep into the firm – its hiring decisions, its product road maps, and its R&D processes. The company’s leaders were simply more focused on engineering the company’s balance sheet than its transistors. It had the technology, it had the people, one former executive at Intel reminisced. It just didn’t want to take the margin hit.”

Lessons to be learned

Delivering short-term performance whilst retaining long-term relevance is not without its challenges, including the real risk of disrupting today’s profits for the economic triumphs of tomorrow. The greatest threat to such outcomes invariably comes from within.

Maintaining the status quo, as Intel considered the Apple business case for mobile devices, was easily the least risky decision. The views of outside investors are no better. Their opinions are invariably short-sighted and guided by the money.

Similarly, new executive appointments carry additional risk. When a founder steps down only to be replaced by someone considered a ‘safe pair of hands’ the warning

lights should flash. In this case, Otellini did what most ‘safe pair of hands do’, he banked the profits. But he also failed in his primary role as custodian: to position the business for long-term prosperity.

This very point is why we are prepared to support management during the tough periods when unpopular decisions are necessary. It carries even more weight when those decisions are made by people who have real skin in the game, either as founders or as long-term business custodians.

Such an approach remains a core tenant within our business roadmap scorecard, as highlighted in [Figure 26](#). If we get the people right, we are least a good chance of getting the business right long-term. **SFM**

The Book “Chip War”

We highly recommend Chris Miller’s book, “Chip War” as compulsory reading for anyone interested in politics, economics and technology. As the book calls out, in order to understand the current world dynamics, “we must first understand the vital role played by chips.

Figure 26: Selector Roadmap scorecard

The Roadmap

Score 0 or 1



Qualitative (The people)			Quantitative (The numbers)		
Management Qualities	Owner Qualities	Focus	Growth	Business Franchise	Balance Sheet
Individuals we can trust <i>Critical hurdle</i>	Material equity holding	Business point of difference <i>Niche or franchise</i>	Reinvesting in business R&D <i>The future</i>	Financial Metrics Working Cap	Low debt levels <i>We prefer cash</i>
Organic business focus <i>Simple structure, Common sense</i>	Common bond ordinary shareholders	Core Business	Capacity to grow EPS organic	Pricing Power within industry	Simple structure <i>Transparency</i>
Clear articulation of strategy <i>The focus</i>	Track record Inc ESG <i>A guide</i>	Not react to share market pressure <i>Tough decisions at tough times</i>	Free Cash Flow <i>Business lifeblood</i>	ROCE <i>Want to see it get better</i>	Maintenance Cap Ex <i>Stay in business cost</i>

Roadmap scorecard

18 filter Quantitative and Qualitative score card applied to each business
Minimum score of 10 / 18 sort for portfolio inclusion

Source: SFML

NEW HORIZONS – REA

The REA Group story is a truly great one. As early pioneers in the online business movement in 1995, it has become the dominant local real estate portal in Australia.

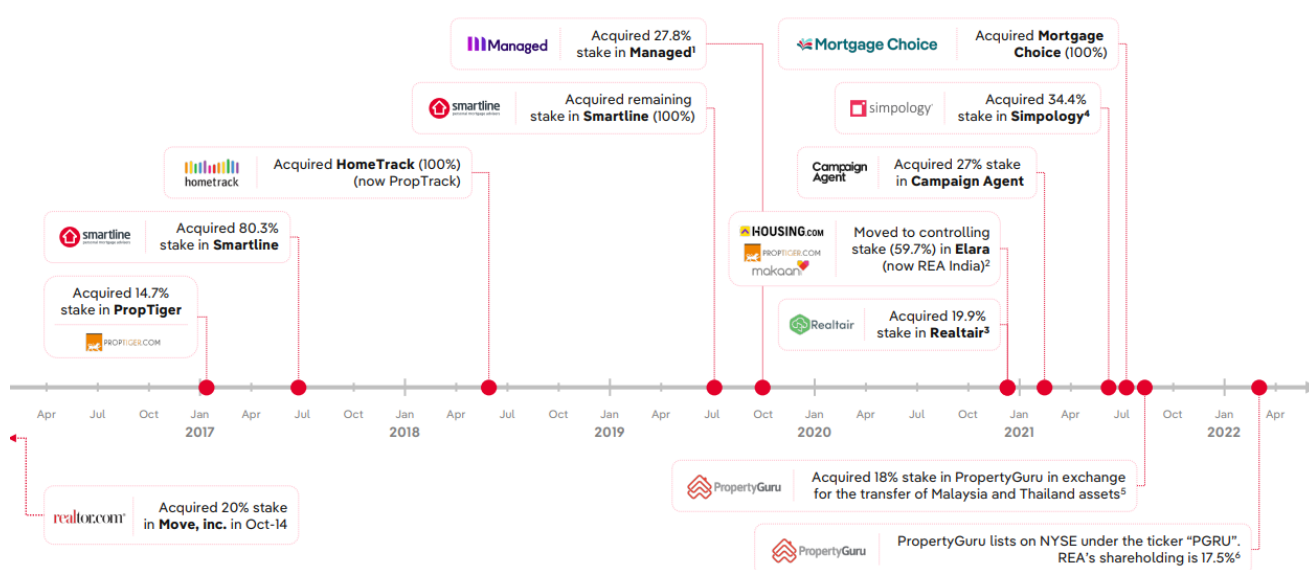
The numbers speak for themselves, with 2023 total group revenues of \$1.2b and operating profits (EBITDA) of \$651m, delivering an operating margin of 55%.

The company enjoys incredibly strong financial metrics and is investing organically and via acquisitions to further its offering and customer relevancy.

In doing so, it has added financial services, a rental and commercial portal, property data insights (as denoted in Figure 27) operating across large addressable markets shown in Figure 28.

Figure 27: REA Group 2016 - 2022

We have accelerated REA's strategy through pivotal investments

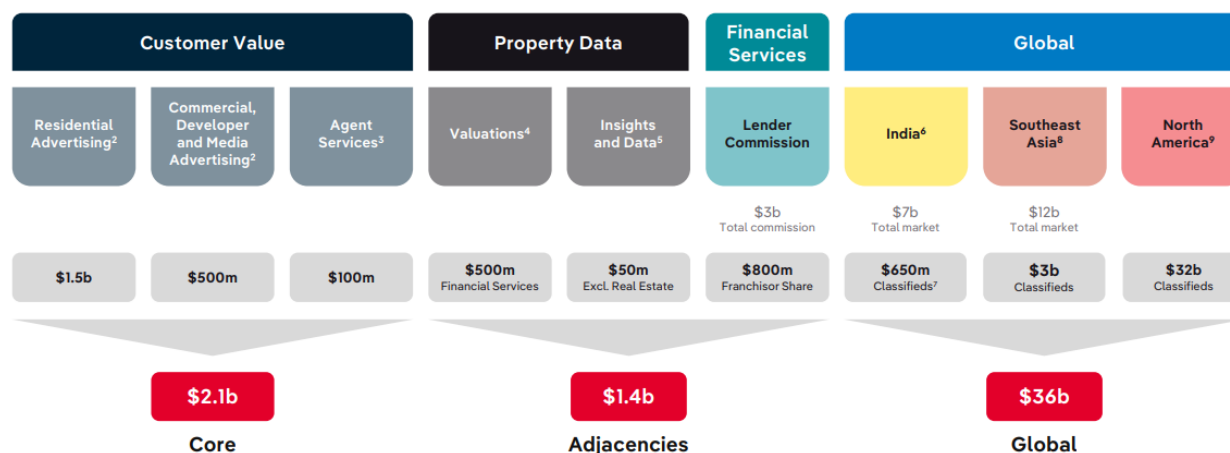


Source: REA Group Investor Day Presentation 2022

Figure 28: REA opportunities

We have significant opportunities across large addressable markets

Total addressable markets¹



Source: REA Group Investor Day Presentation 2022

Beyond Australia, the company has had mixed success. It chose to put aside any European aspiration when it sold its REA Europe operations covering France, Germany and Italy for A\$190m in 2016, following approaches from multiple parties.

Its foray into Asia, via its full takeover of listed operator iProperty Group, has fallen well short of expectations, illustrating the difficulty of building a market-leading online operator.

India

At a similar time to when it was exiting Europe and entering Asia, REA was also looking further afield.

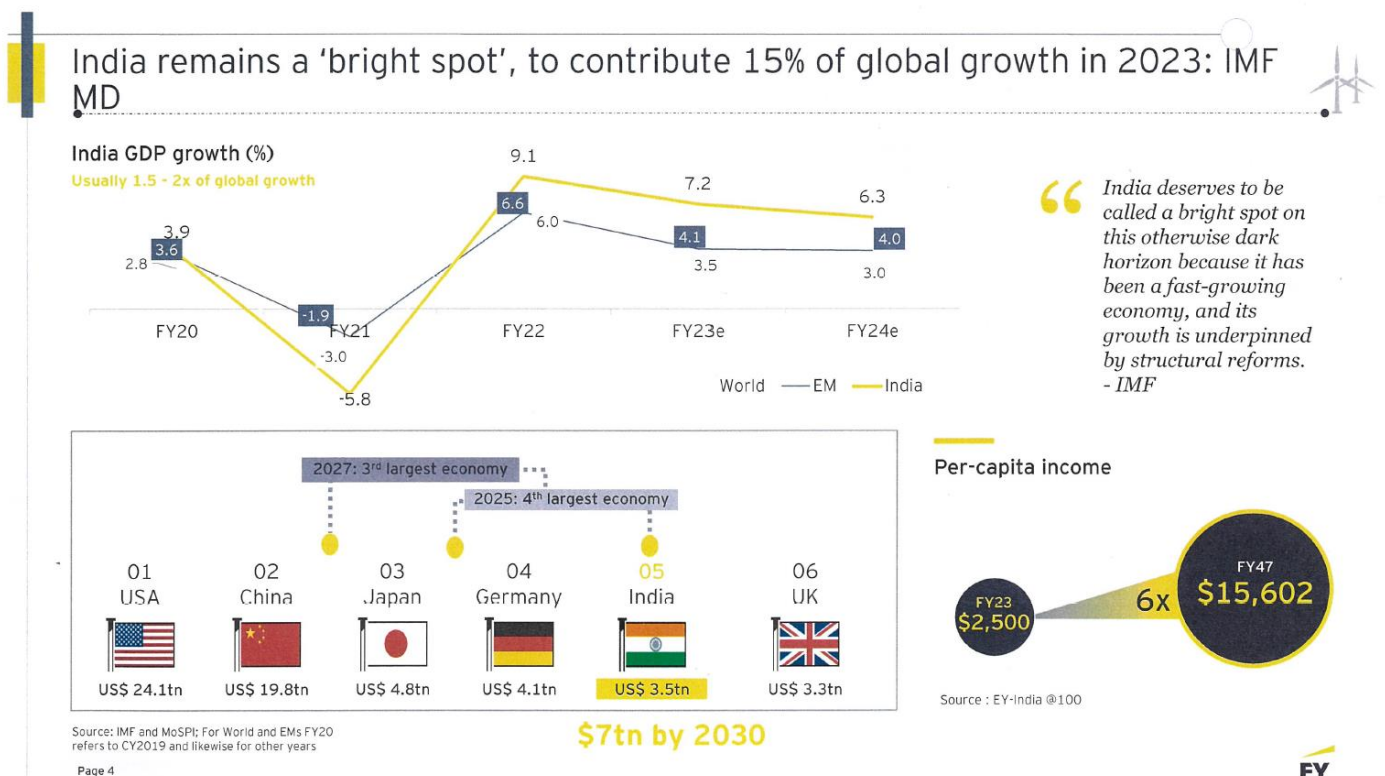
While India is part of the continent of Asia, it is a dynamic market undergoing its own rapid digital transition (see Figure 29, Figure 30 and Figure 31).

REA is committed to this market and has invested to attain market-leading status.

The country has positive structural tailwinds, sitting alongside powerful economic trends. With GDP above 6% per annum, India is currently the world's fastest growing nation and contributing 15% to global economic growth. It remains on track to be the third largest economy by 2027, up from its current position of five.

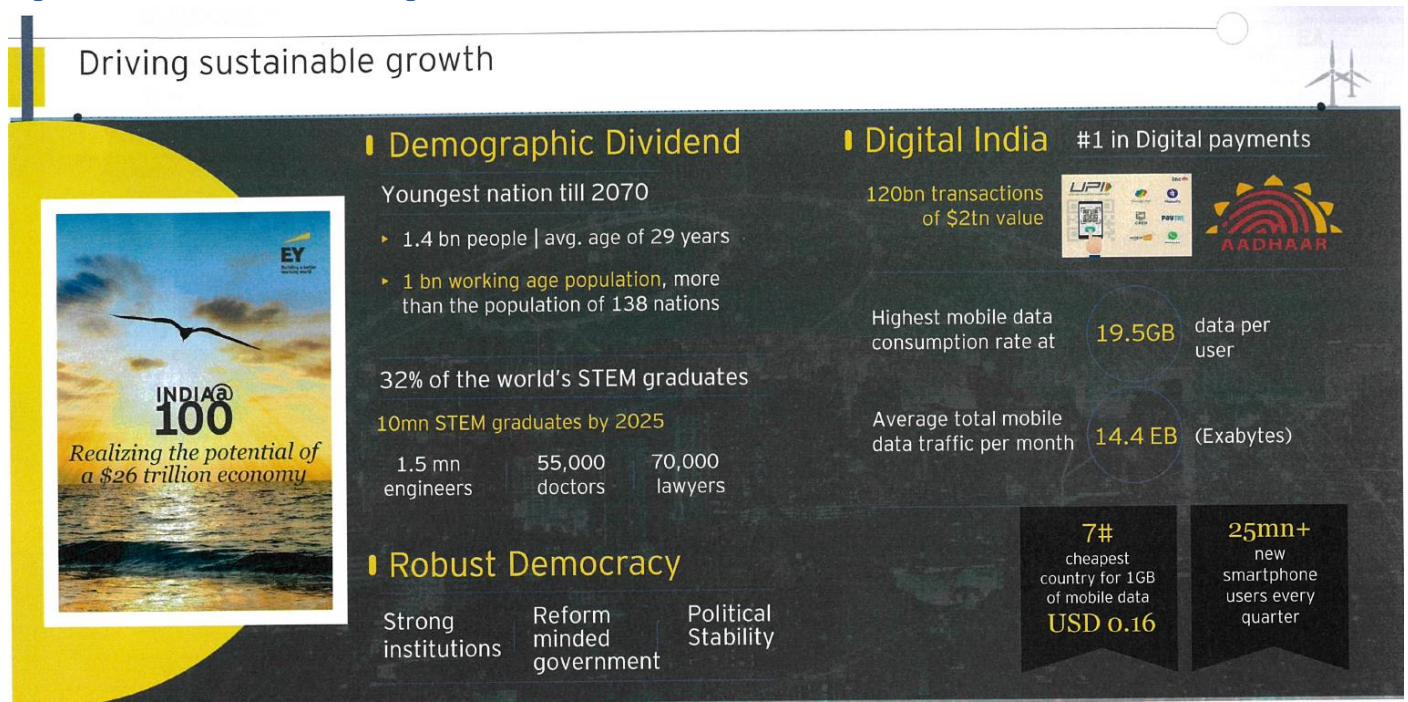
Perhaps the most powerful forces lie within the country's demographics. India's population sits at 1.4b and is set to grow to 1.7b. The average age is 29, with a working age population over 1.0b. India enjoys the highest number of university graduates and a strong digital uptake, which will deliver a structural advantage as the country's per capita consumption rises.

Figure 29: India trends



Source: EY Indian Real Estate Landscape 2023

Figure 30: India's sustainable growth

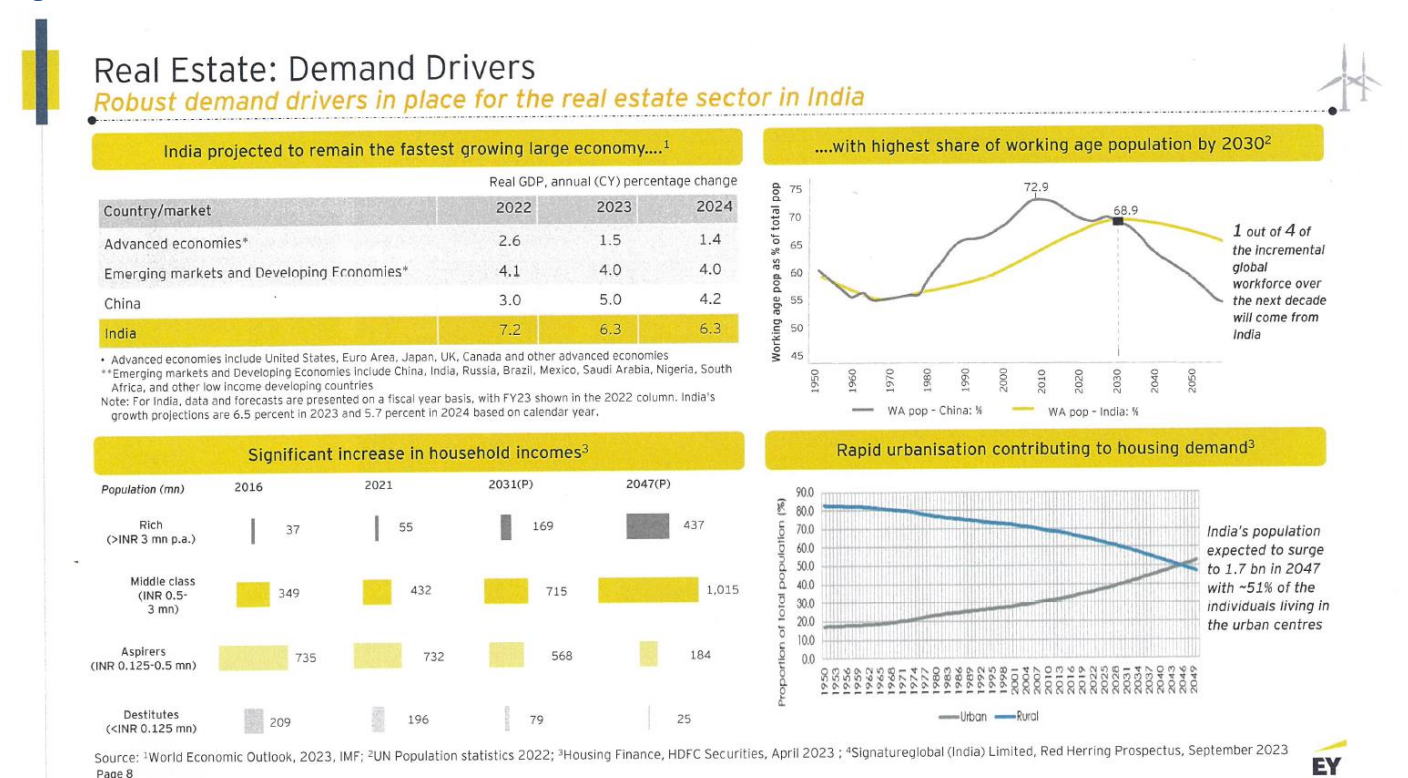


Source: EY Indian Real Estate Landscape 2023

As these dynamics play out, incomes are expected to rise, resulting in a shift in population mix with less in the

destitute pool, and a growing middle class set to grow from 432m in 2021 to 715m by 2031.

Figure 31: India's real estate drivers



Source: EY Indian Real Estate Landscape 2023

REA India background

The company first entered the region in 2016, taking a 14.7% stake in Elara Technologies, a leading digital real estate marketing platform. The stake was acquired for \$68m. Other shareholders included News Corp at 21%, SAIF Partners, Accel Partners and SoftBank.

Elara Technologies (now REA India) houses three portals: Housing.com, as the primary one, focused on India's largest cities; PropTiger.com focused on real estate new developments; and Makkah.com concentrated on smaller cities.

In 2020, REA lifted its ownership of REA India to 54.3% for \$49m, followed by a further \$16m to 61%.

Today, REA controls 78% of REA India, having converted additional cash funding into equity, with News Corp holding the balance.

REA's total investment sits at circa \$316m since entering India in 2016, reflecting a combination of initial capital and subsequent capital injections to fund operating expenses.

Table 15 looks at the REA India financial profile since 2022, including our internal estimate out to 2026, that reflects the possibility of delivering operational profitability.

Table 15: REA India financial profile*

100% consolidated (A\$m)	2022	2023	2024	2025	2026
Revenue	53.9	78.8	110	143	178
Ownership %	73.3%	78%			
Growth %		+46%	+39%	+30%	+25%
Operating costs	(88.8)	(117.9)	(136.0)	(149.6)	(164.0)
Growth %		+33%	+15%	+10%	+10%
EBITDA	(34.9)	(39.1)	(26.0)	(7.0)	14.0
Minorities	9.3	8.3	5.7	1.5	(5.1)
REA EBITDA	(25.6)	(30.8)	(20.3)	(5.5)	9.9

*Lower Loss expected in FY24 vs FY23

Importantly, for 2024 management has confirmed higher revenue growth will be accompanied by lower losses.

India – the economy

It is difficult to compare India to other markets or even truly appreciate the scale of change already achieved. Perceptions of 'old' India are still evident in the cities visited, namely Mumbai and Delhi.

However, significant changes are afoot, and the economy is strong and expected to be one of the world's economic powerhouses, as the previous statistics illustrate.

The Indian Government, led by Narendra Modi since 2014 and one of the most popular global leaders today, should take most of the credit.

Introducing an 18% GST in 2017 has allowed government taxes to be collected across the economy. In turn, growing the 'formal' market collections away from the 'informal' market, which has avoided the tax regime.

In addition, the economic expansion has seen the local population shift investment from cash and gold to financial savings.

Formal jobs are created every month – at the rate of 1.5m-1.8m – while digital adoption has helped facilitate the successful introduction of an identity card, The India Stack, and the Unified Payments Interface (UPI), a digital and real-time system transforming how people make payments.

India represents one of the most progressive societies as it aims to lift people from the lower classes.

REA India – site visit

We travelled to India in November, accompanied by the REA team, which provided us with a first-hand look at operations and the economic conditions on the ground.

The company's Indian employee base totals over 1,700, with the majority in the group's residential developer business segment, PropTiger.

The Indian online property model differs from that which now operates in Australia. As most property sellers would know, the vendor is responsible for marketing. As such, the cost of using online portals and other marketing activity, including print and video, is

ultimately borne by them. These costs vary, but \$20,000 and upwards is typical.

In India, on the other hand, the agents bear the marketing costs. Interestingly, this was the same model adopted in Australia until management switched in 2012 to its current depth vendor model.

REA's intentions in India are twofold. Firstly, to sustain its market-leading online classifieds position, as measured by average monthly site visits and app membership numbers.

Figure 32 shows the company's progress since 2020. The group's website, Housing.com holds a market-leadership position in average monthly visits by a factor of 1.2x against nearest competitors magicbricks and 99acres.

In terms of Spontaneous brand awareness, the story is equally positive. Figure 33 shows Housing.com enjoying the number one position at 86, illustrating its growing brand presence compared to its nearest rival 99acres at 74.

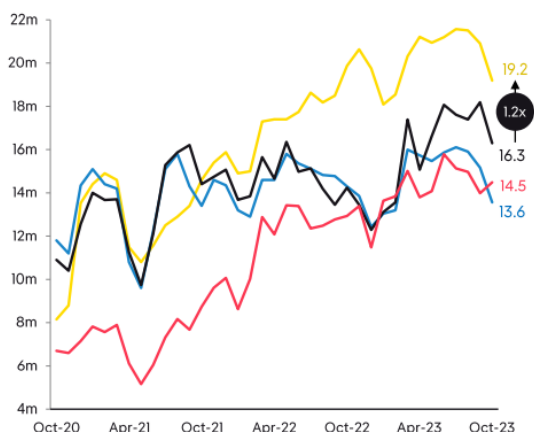
Figure 34 looks at REA India against rivals magicbricks and 99acres.

Figure 32: REA India monthly visits

We are the #1 address for Indian property

Housing.com has grown and sustained #1 audience position since Oct 2021...

Housing.com relative audience size vs competitors
(From Oct-20 to Oct-23)

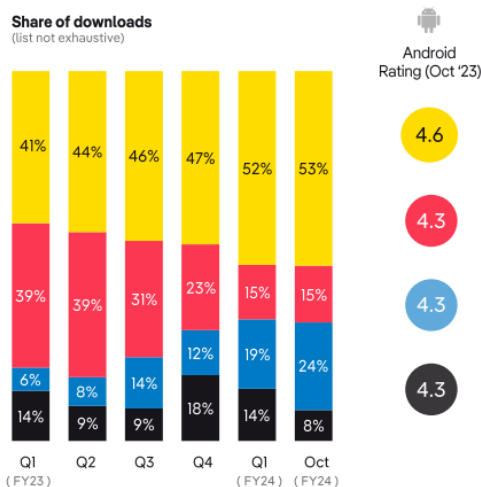


Change in monthly visits
over 3 year period
(Oct '23 vs Oct '20)



...and is now focused on driving app engagement

App downloads market share for top 4
online real-estate classifieds in India²



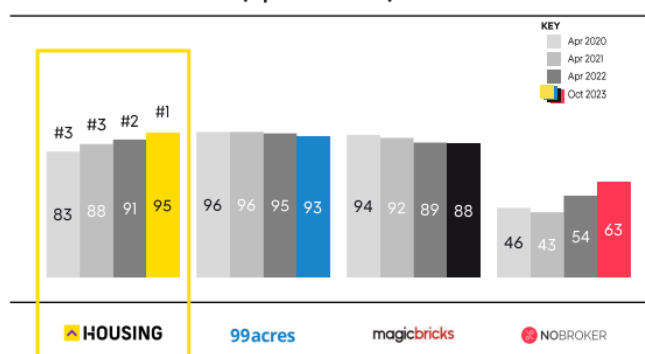
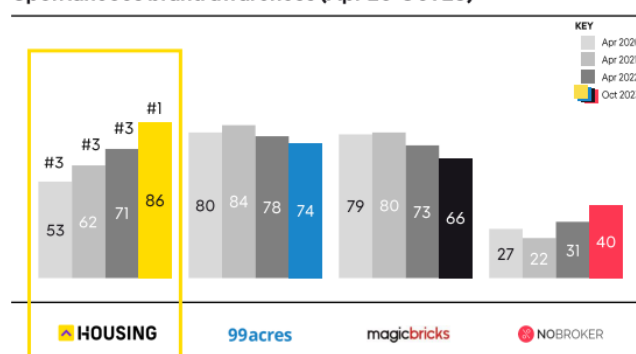
Android
Rating (Oct '23)



Source: REA India Investor Day Presentation November 2023

Figure 33: REA India brand awareness

Housing.com is now #1 for both Total and Spontaneous brand awareness

Total brand awareness (Apr'20-Oct'23)¹Spontaneous brand awareness (Apr'20-Oct'23)¹

Brand Strategy Priorities

Preference Driving
Communication

Most Effective
Media Reach

Highest Share of
Voice on Social Media

Establish Housing.com
as One Stop Solution

Source: REA India Investor Day Presentation November 2023

Figure 34: REA India competitor comparison

Housing.com stands out from competitors with a market leading audience and differentiated products for customers

	HOUSING.com	magicbricks.com	99acres
Audience Metrics			
Audience Traffic ¹	20.8m	17.4m	15.2m
Android App Rating	4.6	4.3	4.3
Monthly App Downloads ³	548k	131k	210k
Strategic Positioning			
City Coverage	8 Tier 1 Cities, 13 Tier 2 Cities	8 Tier 1 Cities, 28 Tier 2 Cities ⁴	8 Tier 1 Cities, 33 Tier 2 Cities ⁴
Segment Focus Areas	Established residential business, commercial new focus	Established in both residential and commercial	Established in both residential and commercial
Listing Inventory Approach	All slot-based	Single-use (top tiers slot based)	Single-use
Unique Customer Propositions			
Guaranteed visibility options ⁵	✓	x	x
Unique Visualisation Solutions (Hardware & Software)	✓	x	x

Source: REA India Investor Day Presentation November 2023

The second key priority for the business is to expand into more Tier 2 cities (see Figure 35). As it stands, REA India's overall city penetration totals eight Tier 1 cities and 13 Tier 2 regions, whereas its nearest competitors cover

over 30. "Our approach to revenue growth includes strengthening our presence in major markets and carefully extending into new cities to take advantage of emerging opportunities."

Figure 35: REA India geographical expansion

REA India – Geographical Expansion

We plan to continue expanding our geographical reach into additional Tier 2 markets

Tier 1 Cities

Established urban centers with high population (>4m)

Established presence in all 8 cities, with addressable population of ~60m¹

Tier 2 Cities

Emerging urban centers with moderate population (0.5m-4m)

On ground operations in 13 cities, with addressable population of ~26m¹

Additional Tier 2 cities remain as opportunities for growth

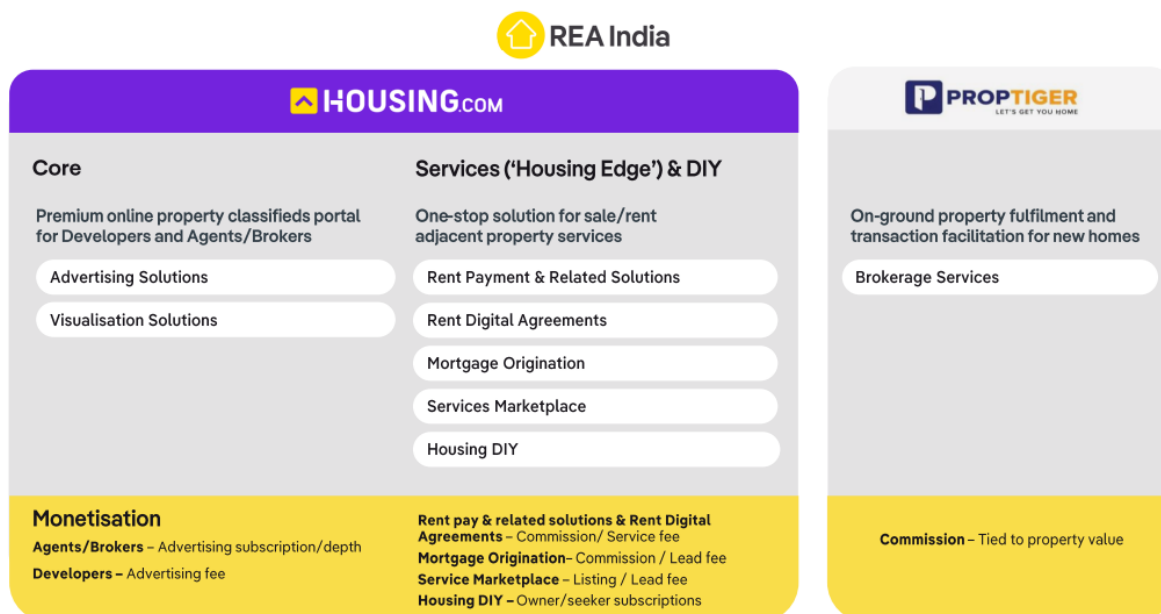


(1) Population data quoted as per 2023 estimates compiled from individual state government websites

Source: REA India Investor Day Presentation November 2023

Figure 36: REA India business segments

Housing.com's core property advertising business is supported by adjacent services on Housing Edge and developer-focused agency, PropTiger



Source: REA India Investor Day Presentation November 2023

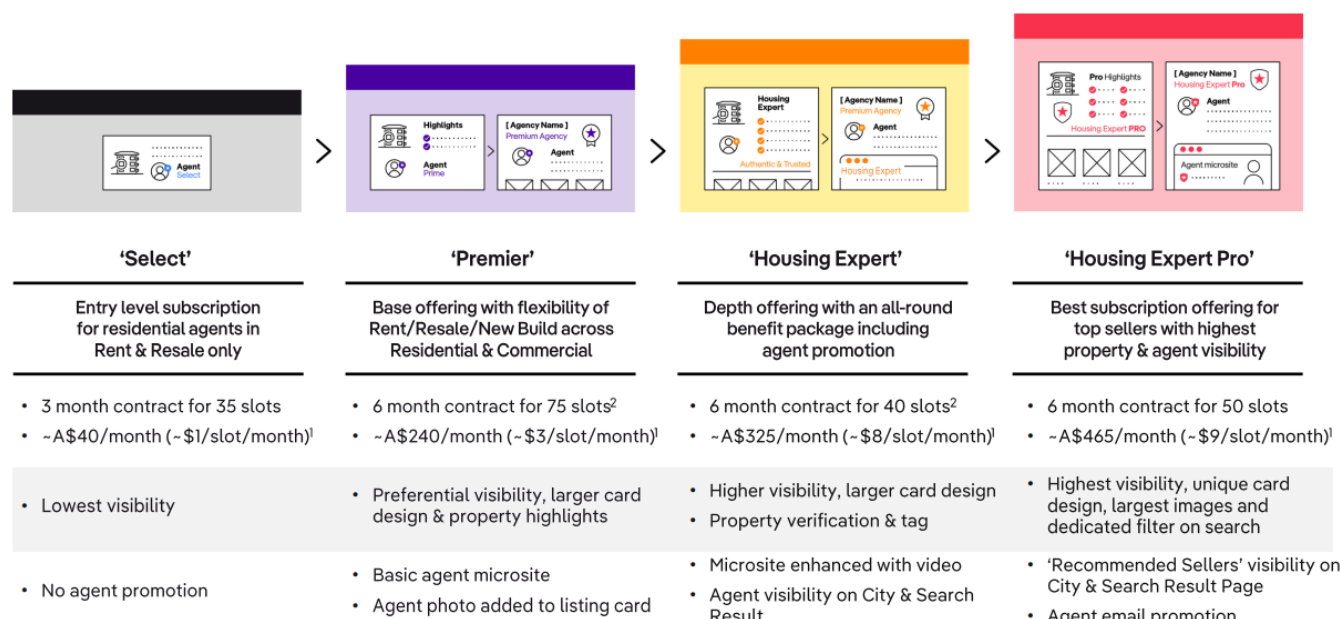
REA India operates across the three business lines, shown in Figure 36, including the listed classified portal of Housing.com, its property developer segment, PropTiger, and adjacent services, including rental.

Management does not provide a split of its revenues across the three divisions, but Housing.com's

subscription business is seen as the largest contributor in the long run. Figure 37 sets out the current tiered offering, starting with 'Select' as the entry level at \$40 per month, through to 'Housing Expert Pro' as the premium offering at \$465 per month.

Figure 37: Housing.com subscription tier offerings

Our tiered subscription products create a depth ladder with reusable slots



Source: REA India Investor Day Presentation November 2023

Team India

Within the REA Group structure, REA India will continue to operate as a separate organisation under the leadership of CEO Dhruv Agarwala, who co-founded Elara 12 years ago, and the current leadership team.

Most of the executive management team have been in place for an average of seven years. Although they no longer hold direct equity, long-term incentives are given in the form of REA equity via the company's employee share plan.

Since 2020 consumer awareness has remained elevated, according to CEO Agarwala, "Covid has pushed digitisation and traffic on our website is at an all-time

high. Our revenue is also growing. The pandemic has elevated the market need for technology and revolutionised the manner in which consumers are finding and purchasing real estate."

India's addressable property market

Figure 38 and Figure 39 provide data points on India's real estate market opportunity. According to the company's 2023 investor day presentation, India's total real estate advertising opportunity stood at A\$1.4b, of which \$185m represented digital classifieds.

By 2030, the digital classifieds market is forecast to grow to \$810m, compared to the ANZ market at \$1.2b.

Figure 38: India's real estate market opportunity

REA India operates in a large and growing market

Our addressable markets are large...

...and growth will continue, driven by favourable market conditions



1 Increasing property prices

India on track to become 3rd largest property market globally by 2030 (A\$1.5 trillion)²

2 More property transactions

Property transactions benefit from favourable demographic trends of urbanisation, middle class expansion, and greater housing formalisation

3 Shift from offline to online

Increased internet penetration and smartphone use will continue to grow online audiences and greater trust of digital content

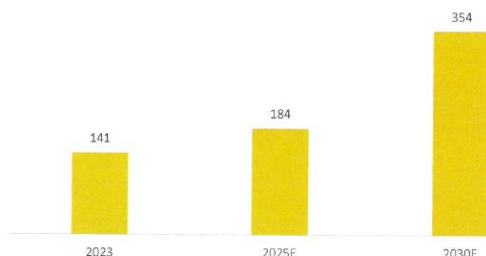
Source: REA India Investor Day Presentation November 2023

Figure 39: Real estate advertising split

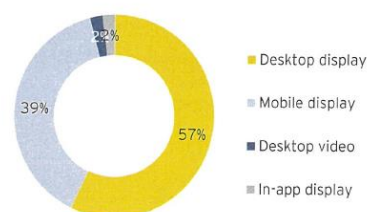
Real estate advertising

Key insights

Real estate online classifieds (USD M)



Proportion of category of digital platforms (%)



Real estate category contribution to TAM

Media	2022
TV	4%
Digital	2%
Print	7%
OOH	19%
Radio	14%

Real estate digital classified as a % of total digital advertising market

2.1%

Ad insertions of Properties-Real Estates category on digital medium saw a rise of 5.5X

Display ads had more than 98% share of category ad insertions

Among digital platforms, desktop display topped with 57% share of ad insertions followed by mobile display with 39% share

Source: EY Indian Real Estate Landscape 2023

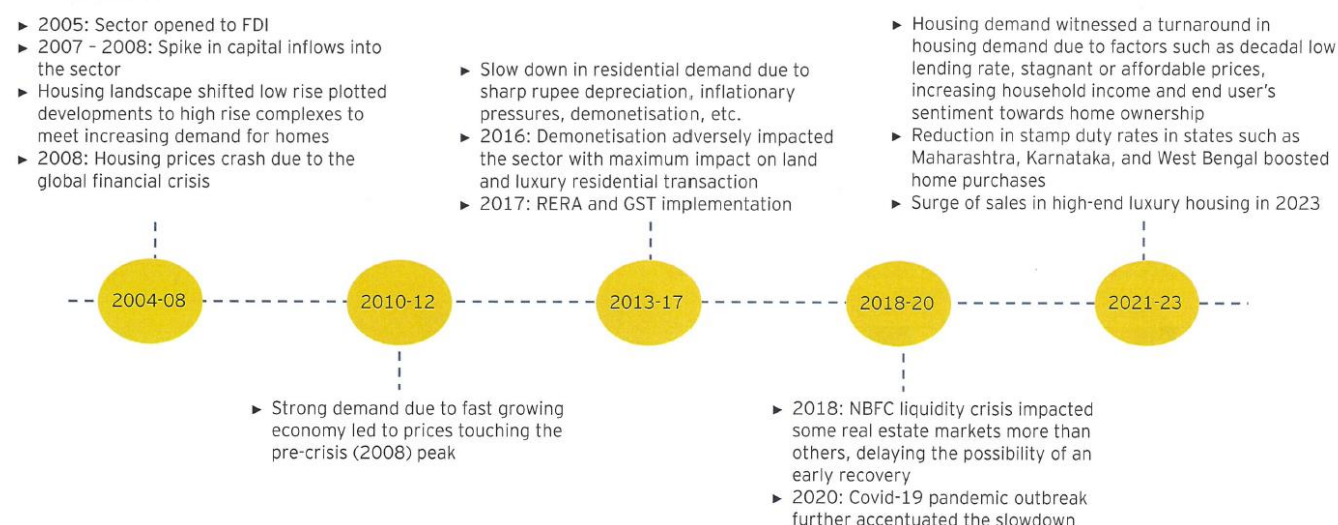
The maturity of India's real estate evolution is best reflected in Figure 40. Since 2004 the industry has undergone significant change. The most important being the introduction of the Real Estate (Regulation and

Development) Act (RERA) in 2016, which seeks to protect the interests of home buyers and boost investments in the real estate sector.

Figure 40: Real Estate (Regulation and Development) Act (RERA)

Residential Sector

Evolution of the residential sector in India



Source: EY Indian Real Estate Landscape 2023

Group CEO

Group CEO Owen Wilson explained why the India opportunity is so compelling.

Firstly, the company is swimming with the tide as the macroeconomic conditions continue to support India's economic growth trajectory.

Secondly, the learnings from Australia are contributing to new product rollouts and greater depth offerings.

Thirdly, urbanisation will likely support higher property prices, with a growing middle class.

Lastly, digitisation is driving growing customer adoption across the real estate classifieds segment and business adjacencies.

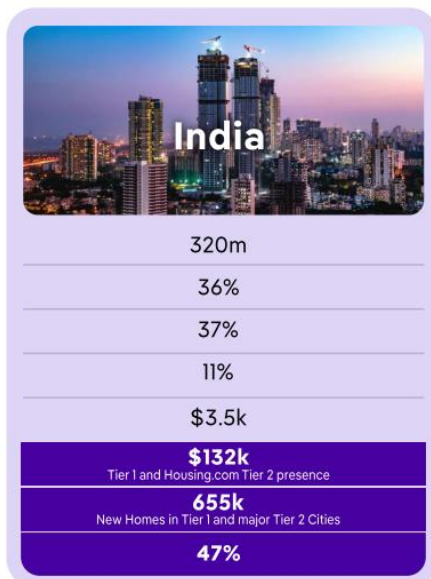
To put this into perspective, [Figure 41](#) provides a head-to-head comparison with Australia. Noteworthy data points include the population differentiator of 10m households compared to India's 310m and Australia's urbanisation level of 86% compared to India's 36%.

Figure 41: REA India v Australia

Comparing the Indian and Australian markets highlights this potential

Annual estimates, 2022

Number of Households¹
Urban Population %²
Household Debt as % of GDP³
Mortgage Debt as % of GDP⁴
Annual Per Capita GDP (A\$)⁵
Average Property Value (A\$)⁶
of Property Transactions p.a.⁷
Smartphone Penetration %⁸



Source: REA India Investor Day Presentation November 2023

Final comment

For an all-in investment of circa \$300m, the REA Group has emerged as the largest player in the Indian real estate classifieds market.

Underpinned by strong economic tailwinds and a growing middle-class population, REA India is well placed to sustain its market-leading position.

CEO Wilson describes the opportunity as a “*tremendous growth story*”, a comment we find hard to disagree with.

SFM

Photos: Perspectives of India

Photo 3: Mumbai International airport



Photo 4: Old and New – Gurugram Sector 8



Photo 5: Old transport – Gurugram Sector 42



Photo 6: New transport – metro line and new development - Gurugram Sector 43



Photo 7: New – apartment building construction - Gurugram Sector 54



Photo 8: New – more apartments building construction - Gurugram Sector 49



Photo 9: Old meets New – land development encroaching on rural setting - Gurugram Sector 65



Photo 10: Central Delhi – hive of activity – Katra Pedan



Photo 11: History: Central Delhi – Red Fort 1638

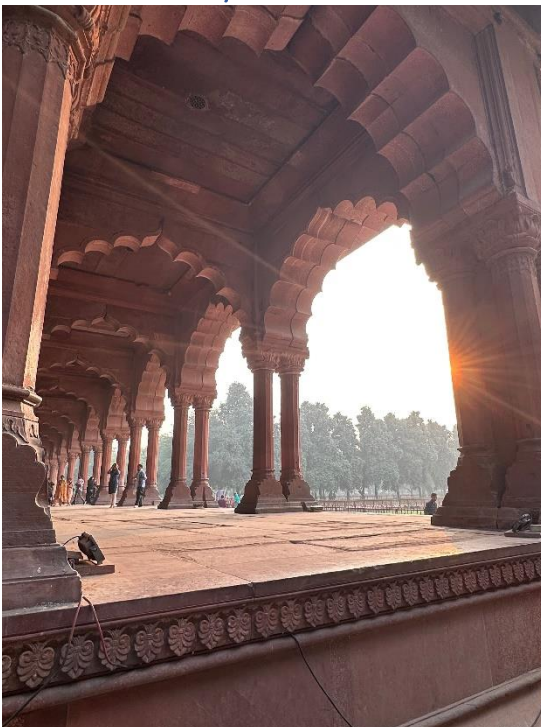


Photo 12: Culture – Central Delhi – Chandni Chowk Area

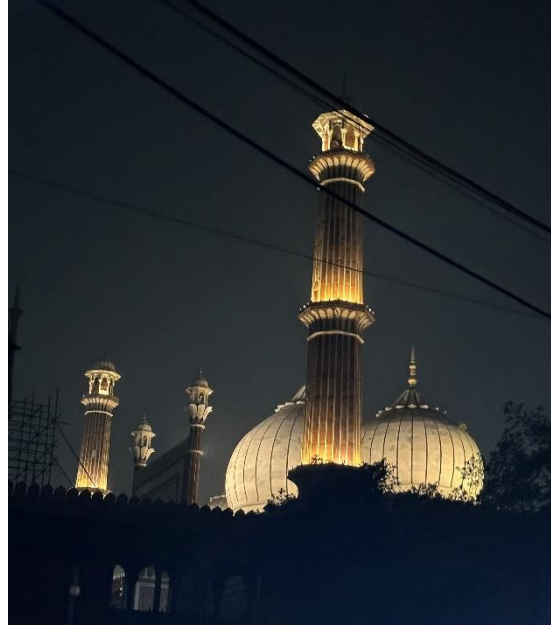


Photo 13: Entrepreneurship – Central Delhi – Arun Jaitley Stadium



Photo 14: Entrepreneurship – Central Delhi – Chandni Chowk Area



Photo 16: Hustle & bustle – Central Delhi – Chandni Chowk Area



Photo 15: Work ethic – Central Delhi – Chandni Chowk Area



20 YEARS ON

When we kicked off the Selector Funds Management business twenty years ago, we began with the simple premise of investing in businesses we wanted to own for a duration, on behalf of investors we hoped would go the distance.

We deliberately made the investor decision-making process difficult for those wanting to join. We paid no trailing commissions (still do not) and anyone wishing to redeem their investment was required to give a minimum of thirty days' notice.

We did not engage in regular advisor meetings, instead choosing to communicate through our quarterly investor newsletters. In short, we made it hard and gave interested parties every reason not to sign up.

Why? We were intentional in our approach to attract genuine investors who had taken the time to do their research on us.

Most importantly, we did not invest conventionally. Nor did we follow the industry's standard rule book of saying one thing and doing something else. We invest according to what we see as the best opportunities, irrespective of size or share market index relevance. We have been unwavering in that regard, although we have refined our areas of business competence.

The industry is plagued with imposters. They claim to invest according to opportunity and value on hand, but any assessment of what makes their top investment holdings reveals the truth.

Invariably, with eyes shut, you could almost guess what makes up the bulk of the list. Your first pick must always be BHP Billiton; you would be a mug if you ignored this one. Next, at least three of the major banks. Throw in Macquarie Bank as the wild card and you should be okay. Every top ten must have an energy stock, perhaps Santos or Woodside Energy. Blood plasma leader CSL gets a guernsey alongside insurers like Suncorp or QBE, and retailers including Woolworths and Wesfarmers. Long time under-performer Telstra also features prominently in most lists. Why? It is simply a given.

That isn't to say our approach is right, and the alternative is wrong. Rather, it represents the investment road we

take, anchored on a few core beliefs surrounding business qualities and people.

That the result is a portfolio of companies not aligned to any index ranking is deliberate, with one common objective: to deliver the long-term performance that we believe it can.

The funds management industry has certainly flourished over the intervening decades. However, one aspect that many investors and industry consultants have largely ignored is the role of portfolio turnover in delivering performance outcomes.

Portfolio turnover refers to the rate at which assets in a fund are bought and sold within one year by the portfolio managers. The higher the rate, the greater the number of decisions made to enter and exit positions.

The tax implications associated with high turnover portfolios is underappreciated. The average active industry manager can turnover upwards of 100% per annum. That is, the whole portfolio is bought and sold in the one year. Some listed funds, have been reported to have a 1000% turnover or the equivalent of ten times the portfolio value.

It boggles the mind that such high activity can be labelled investing. In our opinion, it is anything but.

The standard industry approach to reporting on performance is through gross and net return numbers. These metrics provide a good perspective on how fund performance compares to share market indexes and competitors. What it fails to deliver, though, is performance insights on an after-tax basis.

Compelling fund performance numbers without some understanding of portfolio turnover may attract attention, but it invariably subjects the end investor to a higher tax obligation. In short, the tax man takes a cut far too often, interrupting the power of compounding and reducing the quality of the stated performance numbers.

In our flagship Selector High Conviction Equity Fund, the portfolio's annualised turnover since inception in 2004 has been 6.6%, where turnover is defined as 'Turnover = Lesser of purchases or sales divided by average funds under management for the period'.

Our quarterly newsletter outlines this figure; we can't provide a net tax return performance number due to various tax implications across Individuals and superannuation funds, but it should provide added transparency on our investment approach.

More so, it should portray a manager holding its investments for much longer periods, allowing the respective businesses to fulfil its potential and importantly, enabling the powers of compounding to work its magic. Of course, this will only work if the decisions made in the first place are any good.

Charlie Munger, business partner of Warren Buffett, put it best, *"If you are going to buy something that compounds for thirty years at fifteen percent per annum and you pay one thirty five percent tax at the very end, the way that works out is that after taxes you keep 13.3 percent per annum. In contrast if you bought the same investment and had to pay taxes every year of thirty five percent out of the fifteen percent that you earned then your return would be fifteen percent minus thirty five percent of fifteen percent – or only 9.75% compounded. So, the difference there is over 3.5 percent. And what*

3.5% does to the numbers over long holding periods like thirty years is truly eye-opening."

For example, assume a \$100,000 investment held for over 35 years. The 13.3% per annum net tax return would amount to \$4.6m. In contrast, a 9.75% per annum net return over the same time frame, would see the \$100,000 amount to \$1.6m.

However, to be clear this is not about minimising tax. It's about allowing compounding to work hand in hand with an approach that identifies great investments that can be held for a duration.

As Munger explains, the logic is compelling, *"There are huge advantages for an individual to get into a position where you make a few great investments and just sit on your ass. You're paying less to brokers. You're listening to less nonsense. And if it works, the government tax system gives you an extra one, two, or three percentage points per annum compounded."*

Our aim is to make fewer, better decisions, hopefully leading to fewer mistakes, that allow our winning businesses to keep winning. **SFM**

Excerpt: Poor Charlie's Almanack

Seeking to teach his young charge a lesson in the power of compounding, a teacher made an intriguing offer.

"I will give you one of the following, but you cannot change your mind later, so think carefully before you decide. I will give you \$1,000 per day for thirty days that you can begin spending immediately. Alternatively, I will give you a penny on day one, double it on day two, double the resulting sum again on day three, and continue doubling your holding every day for thirty days, but you may not spend a single cent."

The young charge, enticed by the prospect of spending \$1,000 per day for a month compared to what he believed would be just a few pennies jingling around in his pocket a month from now, chose the \$1,000 per day for a month. Did he choose wisely?

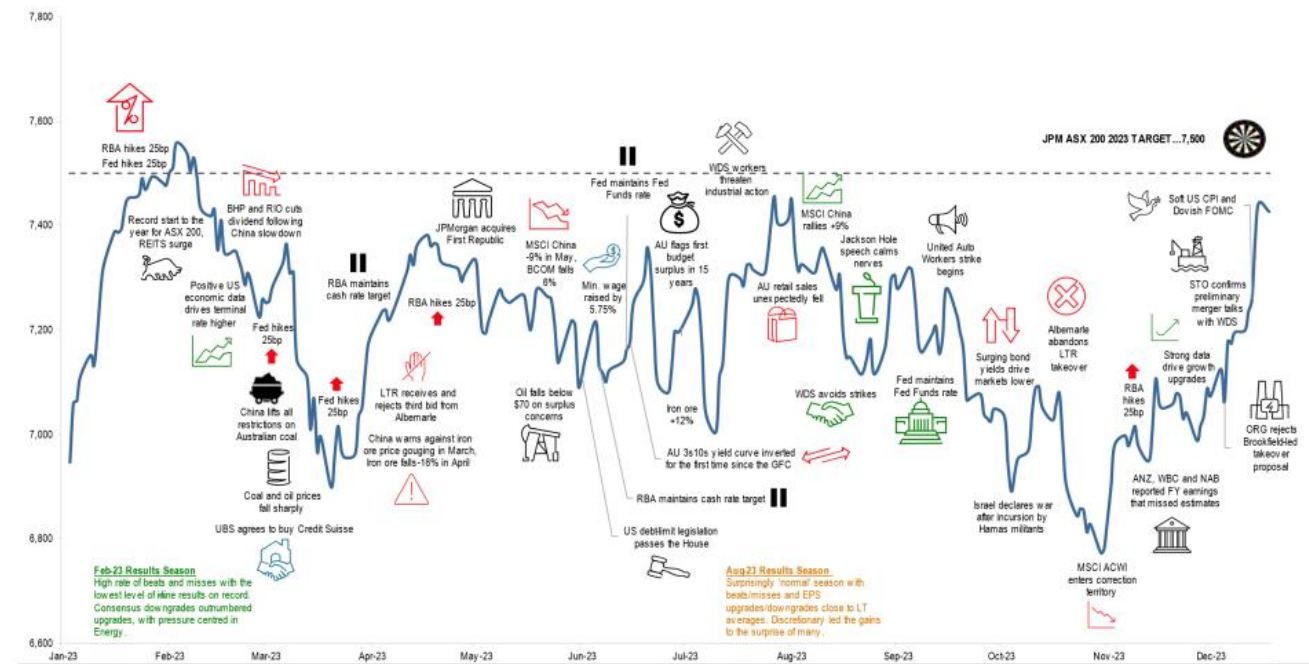
Under the first choice, the young charge would receive a total of \$30,000. Under the second choice, the power of compounding would run the total to \$5,368,709.12.

Table 16: A lesson in compounding

	\$1,000 a day for 30 days	Doubling every day for 30 days
Day 1	\$1,000	\$0.01
Day 2	\$2,000	\$0.02
Day 3	\$3,000	\$0.04
Day 4	\$4,000	\$0.08
Day 5	\$5,000	\$0.16
Day 6	\$6,000	\$0.32
Day 7	\$7,000	\$0.64
Day 8	\$8,000	\$1.28
Day 9	\$9,000	\$2.56
Day 10	\$10,000	\$5.12
Day 11	\$11,000	\$10.24
Day 12	\$12,000	\$20.48
Day 13	\$13,000	\$40.96
Day 14	\$14,000	\$81.92
Day 15	\$15,000	\$163.84
Day 16	\$16,000	\$327.68
Day 17	\$17,000	\$655.36
Day 18	\$18,000	\$1,310.72
Day 19	\$19,000	\$2,621.44
Day 20	\$20,000	\$5,242.88
Day 21	\$21,000	\$10,485.76
Day 22	\$22,000	\$20,971.52
Day 23	\$23,000	\$41,943.04
Day 24	\$24,000	\$83,886.08
Day 25	\$25,000	\$167,772.16
Day 26	\$26,000	\$335,544.32
Day 27	\$27,000	\$671,088.64
Day 28	\$28,000	\$1,342,177.28
Day 29	\$29,000	\$2,684,354.56
Day 30	\$30,000	\$5,368,709.12

2023: AREAS OF INTEREST

Figure 42: Pictorial review 2023

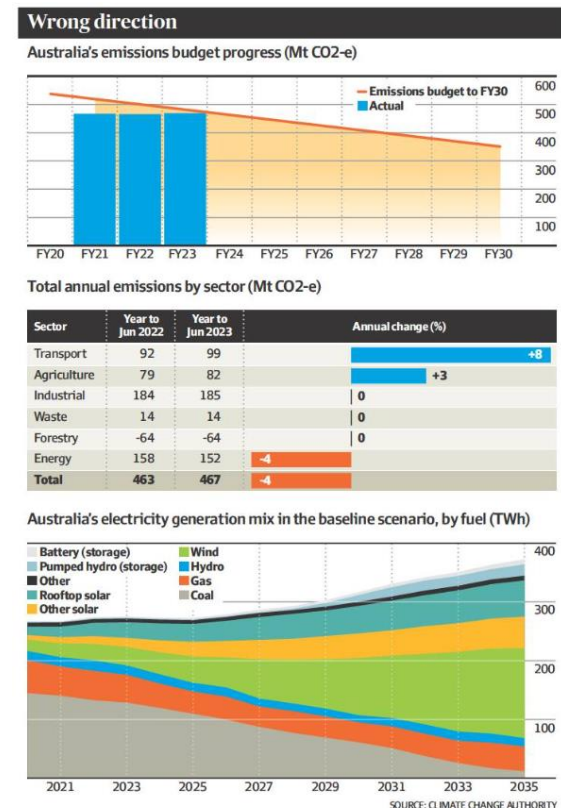


Source: JP Morgan, Bloomberg

Figure 42 provides a backdrop to events that shaped 2023, including the rise and fall and rise again of the local All-Ordinaries Index, much to the surprise of market commentators.

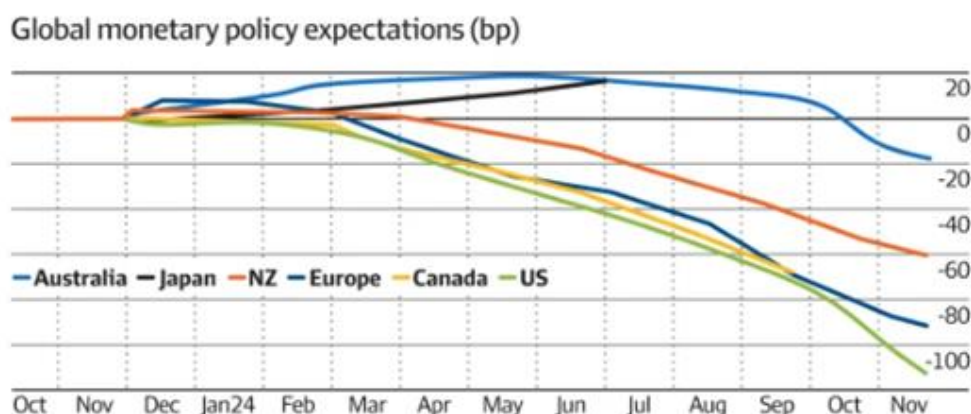
Without being too critical, it is hard to reconcile where we currently stand on emission targets and the baseline scenarios outlined in Figure 43. If achieved, by 2035, the bulk of our electricity generation will be way of solar, wind and hydro. May the force be with us.

Figure 43: Emissions and energy scenarios



Source: AFR December 2023

Figure 44: Global cash rates



Source: AFR December 2023

It didn't take long for the 'higher for longer' interest rate discussion, to shift dramatically as depicted in Figure 44. Now, rate cuts are firmly on the agenda, as inflation concerns recede rapidly.

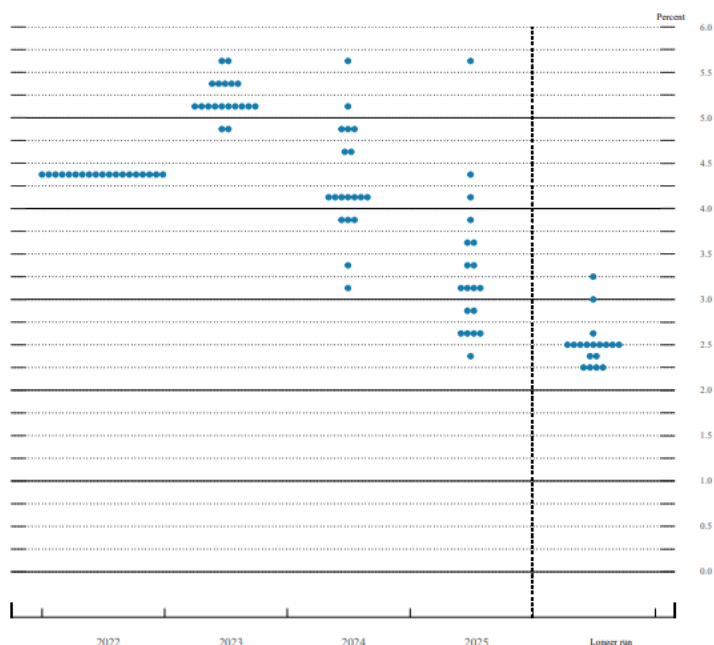
This was always going to be the case, post COVID, as supply and labour constraints, initially, and quite violently squeezed profits and forced prices up. But as

we have argued for some time under 'team transitory', the inflation surge experienced, would prove temporary.

Now U.S. Fed officials including Mary Daly, are of a similar view, noting that if interest rates are held high, for too long and the unemployment rate starts to rise, it tends to go up by a lot and not by only a little bit, "we have to be forward looking and make sure that we don't give people price stability but take away jobs."

Figure 45: U.S. Dot point 12 months ago

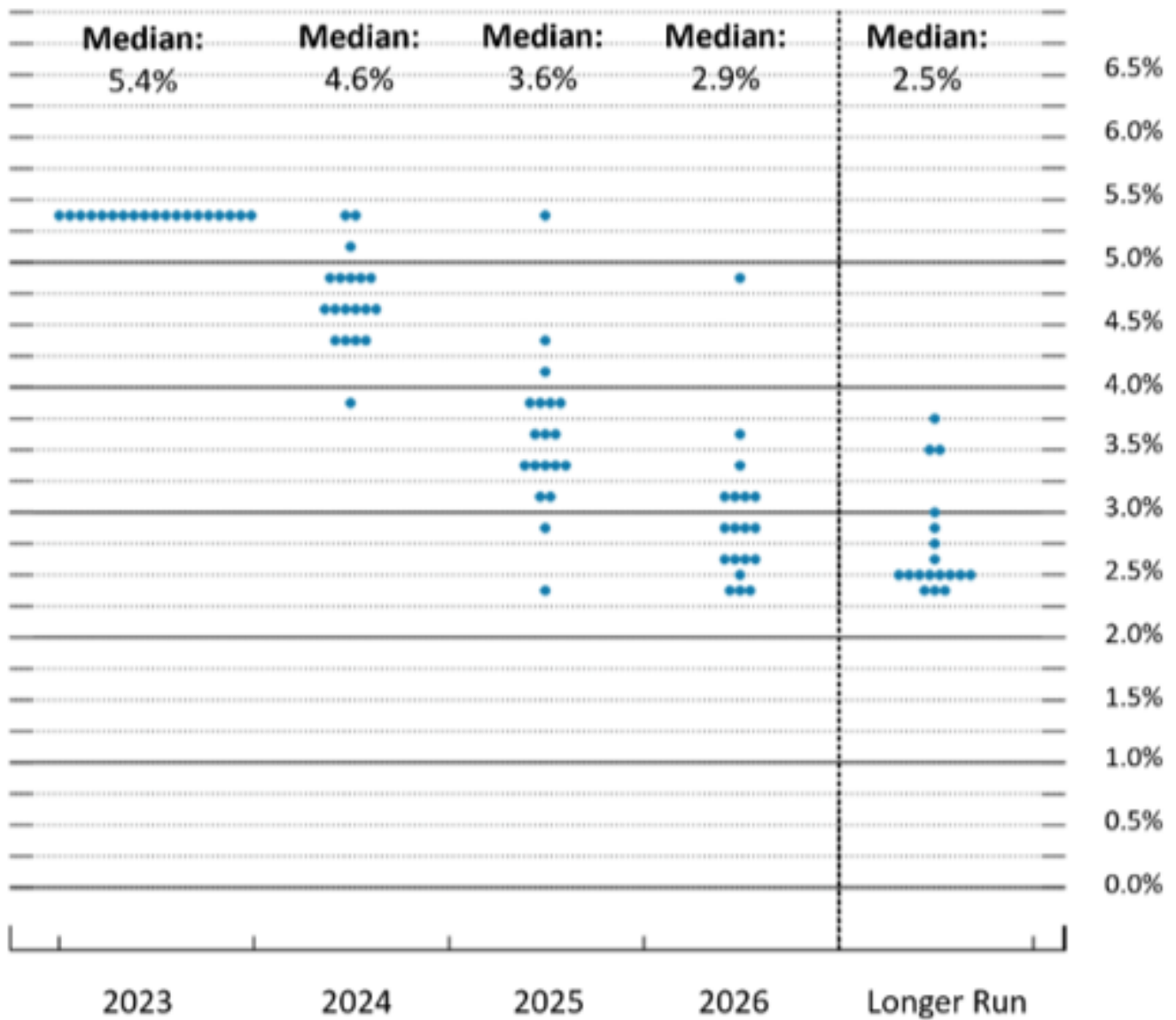
Figure 2. FOMC participants' assessments of appropriate monetary policy: Midpoint of target range or target level for the federal funds rate



NOTE: Each shaded circle indicates the value (rounded to the nearest $\frac{1}{8}$ percentage point) of an individual participant's judgment of the midpoint of the appropriate target range for the federal funds rate or the appropriate target level for the federal funds rate at the end of the specified calendar year or over the longer run. One participant did not submit longer-run projections for the federal funds rate.

Source: U.S. Federal Reserve Summary of Economic Projections, December 13, 2023

Figure 46: U.S. Dot point December 2023



Source: U.S. Federal Reserve Summary of Economic Projections, December 13, 2023

Figure 45 and Figure 46 reflect the U.S. Fed's dot plot charts. These are updated quarterly and records each Fed official's projection for the central bank's key short-term interest rate. Twelve months ago, the Fed's dot plot charts proved too conservative in the short-term, with wildly diverging views longer term. Now, the views are

concentrated, pointing to median cash rate targets of 4.6% in 2024, 3.6% in 2025 and 2.95 in 2026.

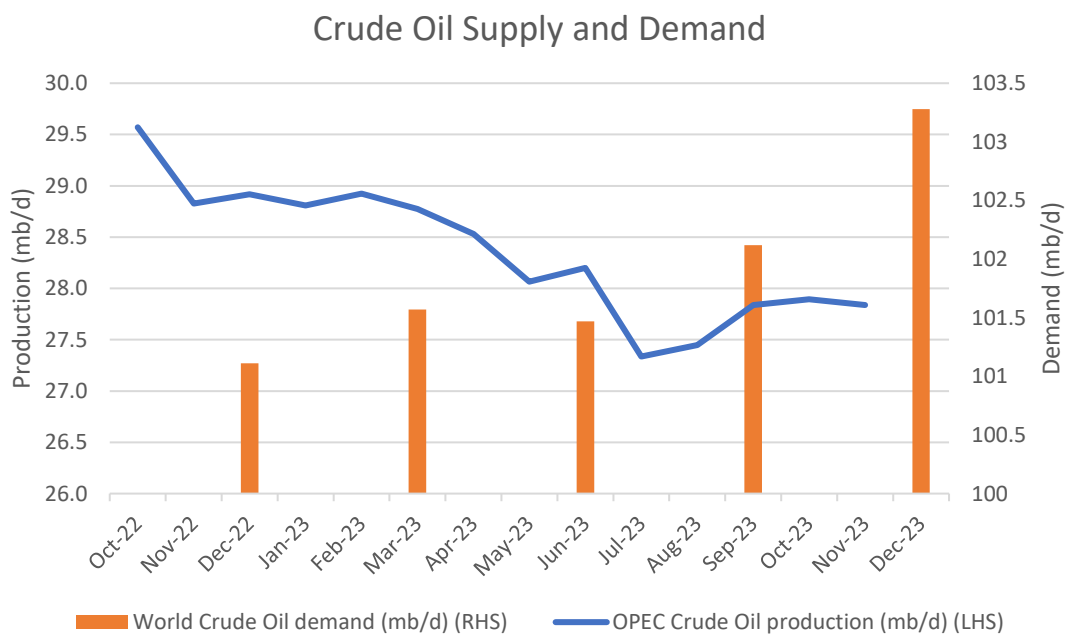
The current U.S. Fed Fund cash rate range stands at 5.25%-5.50%.

Figure 47: Crude Oil price over last 12 months



Source: Trading Economics

Figure 48: Crude Oil Supply and Demand



Source: OPEC Monthly Oil Market Report

Despite wars and progressive OPEC oil cuts throughout 2023, the oil price has wrong footed the market as

Figure 47 and Figure 48 highlight. The crude oil price exits calendar 2023 at near twelve-month lows, providing flow on benefits to inflation expectations.

Figure 49: India's global standing

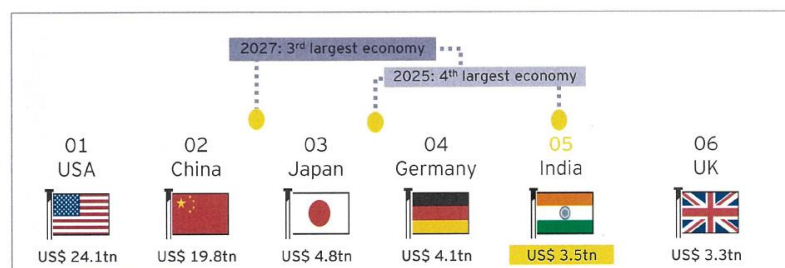
India remains a 'bright spot', to contribute 15% of global growth in 2023: IMF MD

India GDP growth (%)

Usually 1.5 - 2x of global growth



“India deserves to be called a bright spot on this otherwise dark horizon because it has been a fast-growing economy, and its growth is underpinned by structural reforms.”
- IMF



Source: IMF and MoSPI; For World and EMs FY20 refers to CY2019 and likewise for other years

Page 4

\$7tn by 2030

Per-capita income



Source : EY-India @100

EY

Source: EY

Our recent travels to India, visiting the operations of healthcare group PolyNovo and online real estate operator REA Group, provided insights to an economy that is making rapid progress. As Figure 49 illustrates, the IMF has India pegged to become the third largest economy, surpassing Japan, by 2027.

Figure 50: Bracket Creep

Annual growth in average income tax paid per adult

Population aged 15 and over



Inflation-adjusted figures use household final consumption expenditure prices

Chart: Michael Read • Source: ABS; Financial Review

Source: AFR December 2023

Bracket creep is when a worker is pushed into a higher tax bracket by rising wages and static tax brackets.

Figure 50 illustrates what happens when the nominal income tax paid is higher than if it were inflation adjusted. As the gap between nominal and inflation adjusted gets bigger, more taxpayers are being pushed into a higher tax bracket.

So, while our Treasurer Jim Chalmers may suggest, “And I think it’s a good thing that more people are earning more, not just good for the budget but good for workers. We want people to get a bigger reward for their efforts, so they can provide for their loved ones.”

The reality though, according to AMP Chief Economist Shane Oliver, is that “We have a tax system in Australia which regularly delivers bracket creep year after year, and people find themselves in tax brackets that were never intended for them.”

Charlie Munger on one dimensional thinking

“Anyway, as the Medicare example showed, all human systems are gamed, for reasons rooted deeply in psychology, and great skill is displayed in the gaming because game theory has so much potential. That’s

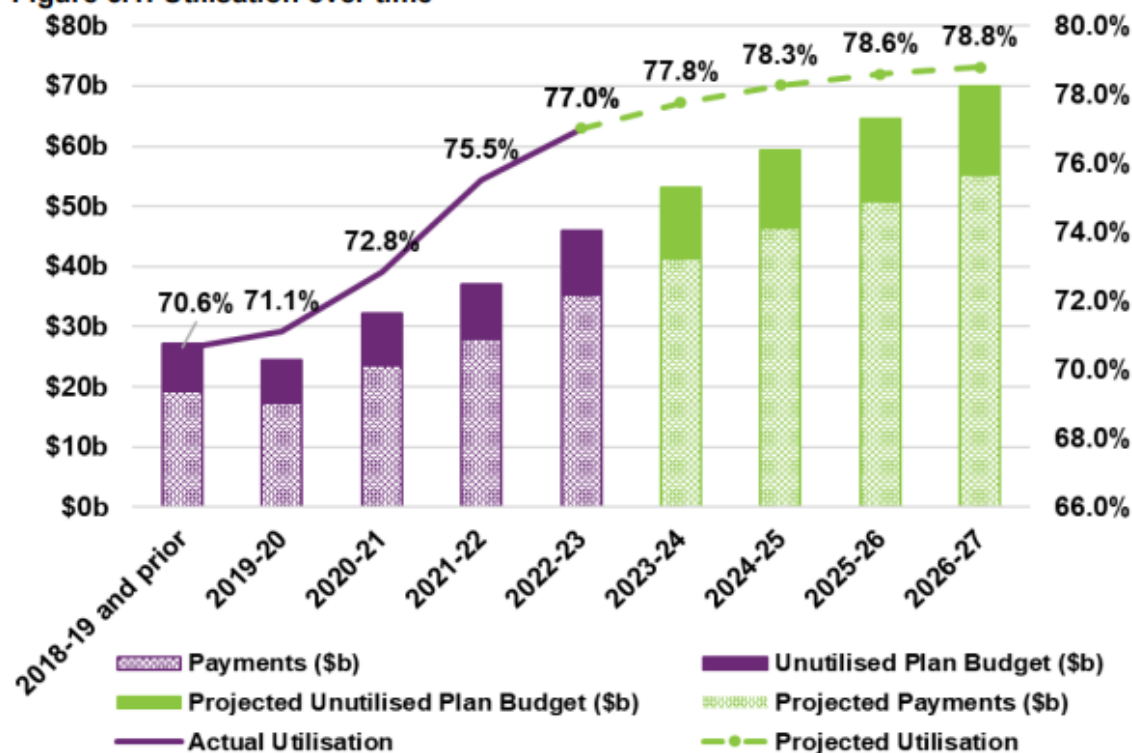
what’s wrong with the workers comp system in California. Gaming has been raised to an art form. In the course of gaming the system, people learn to be crooked. Is this good for civilisation? Is it good for economic performance? Hell, no. The people who design easily gameable system belong in the lowest circle of hell. They just don’t think about what terrible things they’re doing to the civilisation because they don’t take into account the second-order effects and the third order-effects in lying and cheating.”

While Munger was referencing the U.S Medicare system, his comments can easily apply to any system that is designed with good intentions but open to abuse. Here we can include our own National Disability Insurance Scheme, that was legislated in 2013, to assist those in the community with disabilities. From its original roll out in 2016, the cost has skyrocketed from \$4.2b to an estimated \$36.7b in 2023. It is expected to hit \$55b in 2027, compared to its original operational budget of \$14.5b set in 2012.

Why has the NDIS exceeded its original budget? Because almost no one exits the scheme. The number of people existing the NDIS is less than half original forecasts.

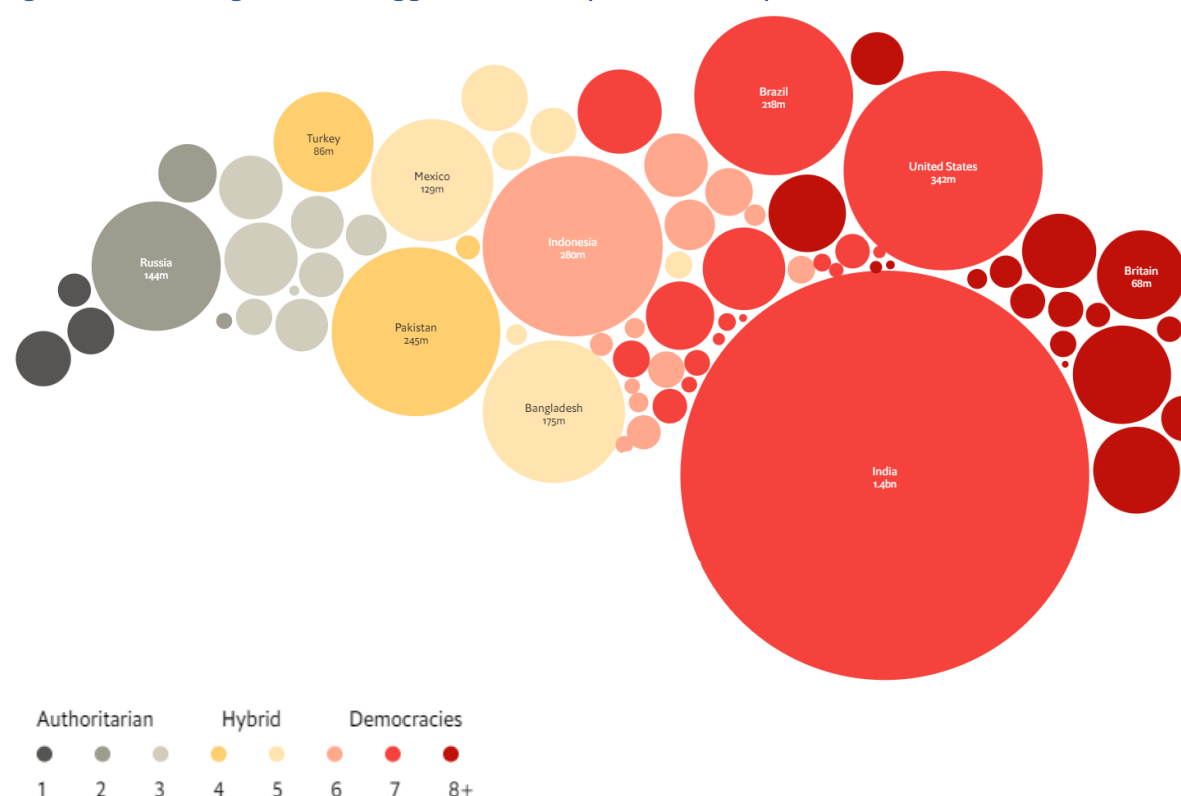
Figure 51: National Disability Insurance Scheme

Figure 5.1: Utilisation over time



Source: National Disability Insurance Scheme, Annual Financial Sustainability Report 2022-2023

Figure 52: Looking ahead – biggest election year in history



Source: The Economist

In 2024, 76 countries are scheduled to hold elections, including eight of the ten most populous countries. In total, more than half of the world's population will participate.

The Economist Intelligent Unit (EIU) graded countries out of 10, according to citizen's ability to decide the next

government or changes in policy. The categories range from Authoritarian regimes (1-3) to hybrid (4-5), flawed democracy (6-8) and full democracy (8+). Of the 71 countries covered, only 43 are classified as democracies.

SFM

CHANGE OF FUND ADMINISTRATOR AND RESPONSIBLE ENTITY

Or, to borrow from another article in this newsletter:

TOUGH DECISIONS ARE USUALLY RIGHT

A few years ago, we looked again at our business model and reviewed our internal considerations of our external service provider redundancies, i.e., if X (not the former Twitter platform) fell over, how might we implement Y to fill the gap and achieve the required temporary solutions?

We considered the issues that often come with having smaller external service providers, including evolving user needs and investor requirements, technology development plans, cyber-responsiveness and their key-man risk and resourcing issues.

However, as we looked at the potential pitfalls and the possible solutions, we began to think: why shouldn't we have these enhancements as our new baseline instead of reserving them for an emergency?

Rather than apply the 'safe pair of hands' philosophy, we looked at what would put the business in the best position for long-term prosperity. In early 2023, we made the tough decision to move on from our current administrator of almost 20 years to a new external fund administrator, Apex Fund Services.

For those of you in the retail fund, this move first required a change of Responsible Entity, appointing Equity Trustees Limited, and we thank you for your patience and responsiveness as investors were allowed to vote on this additional stage of the process.

We were mindful of the short-term disruption while we changed everything we knew, and which worked. However, we believe the benefits of partnering with Equity Trustees as one of Australia's leading and independent Responsible Entities and a global group, such as Apex, position us far better for the future.

Apex has an excellent international reputation, and the locally based team we worked with during the transition and now on a day-to-day basis are impressive in their responsiveness and experience.

On the Selector side, we re-assigned some of our internal resources to form a project management group to work on the transition; a culmination of people who knew the Selector business and clients well, had project management skills and some who fortuitously had previous experience working with Apex and their local predecessor, Mainstream.

We used this opportunity to look at every existing requirement with a fine-tooth comb. Whether it was concerning reporting, verification or instruction processes, we asked ourselves, 'Was what we had been doing a genuine requirement or an ongoing multi-layered response to a single historic event?' To that end, we removed a few processes, but because we never forget people have entrusted us with their money, some of the steps that we felt could be eliminated have been marked for review in a month or two through a 'trust but verify' approach.

What we retained was simplified; we replaced repetitive and manual steps with automated processes, working with the new inputs from Apex and existing inputs from external custodians. Selector's human involvement in our monthly reporting processes is now almost exclusively focussed on reviewing the quality and accuracy of reported data.

We also accelerated our reporting cycles. The daily processes, which previously took all day to review, approve and report, now take a few hours.

Even our first monthly reporting cycle with Apex, which was late to arrive and more manual than anticipated, gave us a sense of optimism for the future as we could clearly see the good bones of the new reports and processes. Now in

our second monthly reporting cycle with Apex, reporting times and quality are already noticeably improved over our original pre-transition procedures.

Today, as we're working through our first quarter-end reporting cycle with Apex with its inevitable teething issues, we expect to see the same increase in efficiencies and timeliness implemented in time for next quarter-end.

We're hearing positive feedback from investors as you can now access your investments and investment history online, and in the case of our retail investors, the ability to make additional investments without needing to complete paperwork using the BPAY® payment network.

Maintaining the status quo and staying with our long-term administrator was clearly the easier and less risky option to take in the short term. We had wanted things to remain the same but get better. The transition with all its internal reviews and questions was time-consuming and, at some points, mentally draining. But we're already noticing the benefits of the change and can see further in the pipeline, and we're excited about these improvements. **SFM**

Appendix – BPAY

Selector strives to simplify the process of investing, whilst being mindful of costs, so we have decided to adopt BPAY® as a method of making additional investments into our funds, whether as a one-off or as a regular savings plan.

BPAY® is currently available only on our retail fund, the Selector Australian Equities Fund. BPAY® codes for our other funds are not yet available from the bank.

What are the advantages adding to your investment using BPAY®?

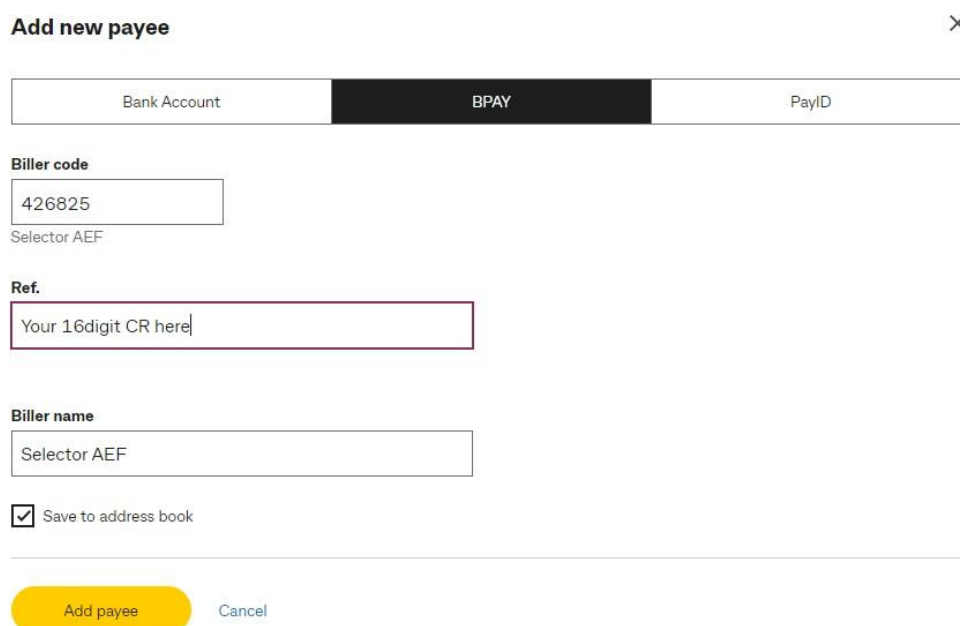
- BPAY® provides you with the flexibility to make regular recurring additions to your existing investment at the frequency and amount of your choosing (subject to a minimum of \$500 per transaction^).
- You do not need to send a written or online instruction to the Unit Registry when adding to your investment using BPAY® or when changing the amount and/or frequency of a recurring BPAY® payment.
- BPAY® payments generally clear overnight. Faster clearance times mean that units will be issued to you earlier.

How do I use BPAY® to add to my existing retail fund investment?

BPAY® is available as a method of payment in the online banking portals of most Australian financial institutions. If you are unable to locate BPAY® in your online banking portal, we recommend you contact your bank or financial institution to confirm you can use BPAY® to make a payment from your account.

Once you have logged in to your bank or financial institution's online banking portal, follow these steps to add to your existing retail fund investment:

1. Enter the Biller Code 426825 for the Selector Australian Equities Fund.



The screenshot shows a web form titled "Add new payee" with a close button (X) in the top right corner. Below the title is a horizontal bar with three tabs: "Bank Account", "BPAY" (which is highlighted in black), and "PayID". Under the "BPAY" tab, there are four input fields: "Biller code" containing "426825" with "Selector AEF" written below it; "Ref." containing "Your 16digit CR here"; "Biller name" containing "Selector AEF"; and a checkbox labeled "Save to address book" which is checked. At the bottom of the form are two buttons: a yellow "Add payee" button and a blue "Cancel" button.

2. Enter your unique 16-digit Customer Reference Number (CRN). You can find your CRN on correspondence from Apex, or on your online account details or by contacting Apex directly. This number identifies your investment and ensures your funds are added to your existing account.
3. Enter the amount you wish to invest. Please note that a minimum of \$500 applies to additional investments made by BPAY®.

4. Record your receipt number or save a copy of your BPAY® payment receipt as proof of payment. The Unit Registry will send you a transaction confirmation once units have been issued to you.

How do I make a regular recurring investment using BPAY®?

BPAY® allows you to schedule recurring payments at the frequency of your choice. Most Australian banks and financial institutions have a scheduling function as part of the BPAY® section on their online portals. An example of what a scheduling function looks like is as follows:

The screenshot shows a 'When' section with three tabs: 'Now', 'Later', and 'Set up regular payments' (which is highlighted in yellow). Below the tabs is a dropdown menu set to 'Monthly'. Under the 'Start' label, there is a date field showing '16/12/2019' with a calendar icon to its right. Under the 'End after' label, there are three options: 'Never' (highlighted in yellow), 'No. of payments', and 'Date'.

For more information

If you have any questions or require further information, please contact Apex on 1300 133 451 (for Australian investors), or +612 8259 8888 (for overseas investors) between 8.30am to 5:30pm (Sydney time) Monday to Friday.

COMPANY ENGAGEMENTS – DECEMBER 2023 QUARTER

Date	Company	Description
3-Oct	CPU	Computershare Sale of U.S. Mortgage Services Business
4-Oct	MVP	Medical Developments International Management Meeting
5-Oct	NAN	Nanosonics Management Meeting
5-Oct	NHF	nib holdings Management Meeting
10-Oct	WTC	WiseTech Global Barrenjoey Technology Forum
10-Oct	SEK	SEEK Barrenjoey Technology Forum
10-Oct	PME	Pro Medicus Barrenjoey Technology Forum
10-Oct	IRE	Iress Barrenjoey Technology Forum
10-Oct	MP1	Megaport Barrenjoey Technology Forum
10-Oct	PXA	PEXA Group Ltd Barrenjoey Technology Forum
10-Oct	DDR	Dicker Data Barrenjoey Technology Forum
11-Oct	CSL	CSL Annual General Meeting
11-Oct	PME	Pro Medicus Citi Management Meeting
11-Oct	DOM.LON	Domino's Pizza Group PLC Barrenjoey Management Meeting
12-Oct	MVP	Medical Developments International Management Meeting
12-Oct	FPH	Fisher & Paykel Healthcare Management Meeting
12-Oct	CAR	CAR Group Citi Management Meeting
12-Oct	COH	Cochlear Management Meeting
13-Oct	DMP	Domino's Pizza Enterprises Management Meeting
16-Oct	CSL	CSL Capital Markets Day
17-Oct	COH	Cochlear Annual General Meeting
18-Oct	REH	Reece Management Meeting
19-Oct	TLX	Telix Pharmaceuticals 3Q23 Results Call
19-Oct	ARB	ARB Corporation Annual General Meeting
20-Oct	CAR	CAR Group Management Meeting
23-Oct	JIN	Jumbo Interactive Management Meeting
24-Oct	BRG	Breville Management Meeting
25-Oct	TLX	Telix Pharmaceuticals GS Management Meeting
26-Oct	REH	Reece Annual General Meeting
26-Oct	RWC	Reliance Worldwide Annual General Meeting
27-Oct	RMD	ResMed 1Q24 Results Call
27-Oct	COH	Cochlear Capital Markets Day
27-Oct	MVP	Medical Developments International Annual General Meeting
27-Oct	CAR	CAR Group Annual General Meeting
31-Oct	PME	Pro Medicus GS Small/Mid Cap Healthcare Forum
1-Nov	SEK	SEEK Management Meeting
1-Nov	DMP	Domino's Pizza Enterprises Annual General Meeting
2-Nov	RMD	ResMed Management Meeting
3-Nov	NAN	Nanosonics Annual General Meeting
3-Nov	PNV	PolyNovo Annual General Meeting
6-Nov	CPU	Computershare Management Meeting

Date	Company	Description
8-Nov	JHX	James Hardie Industries 2Q24 Results Call
8-Nov	BRG	Breville Annual General Meeting
8-Nov	JHX	James Hardie Industries GS Management Meeting
9-Nov	JHX	James Hardie Industries Macquarie Management Meeting
9-Nov	JIN	Jumbo Interactive Annual General Meeting
10-Nov	REA	REA Group 1Q24 Results Call
10-Nov	NHF	nib holdings Annual General Meeting
10-Nov	ALL	Aristocrat Leisure UBS industry Insight Call
13-Nov	DMP	Domino's Pizza Enterprises Macquarie Management Meeting
13-Nov	FLT	Flight Centre Travel Group Management Meeting
13-Nov	SDR	SiteMinder UBS Australasia Conference
13-Nov	NXT	NEXT DC UBS Australasia Conference
13-Nov	HUB	HUB24 UBS Australasia Conference
13-Nov	WTC	WiseTech Global UBS Australasia Conference
13-Nov	REA	REA Group UBS Management Meeting
14-Nov	OFX	OFX Group 1H24 Results Call
14-Nov	BRG	Breville UBS Australasia Conference
14-Nov	IRE	Iress UBS Australasia Conference
14-Nov	TPW	Temple & Webster UBS Australasia Conference
14-Nov	RDX	Redox UBS Australasia Conference
14-Nov	IFM	Infomedia UBS Australasia Conference
14-Nov	IFM	Infomedia UBS Management Meeting
15-Nov	OFX	OFX Group Barrenjoey Management Meeting
15-Nov	CPU	Computershare Annual General Meeting
15-Nov	ALL	Aristocrat Leisure FY23 Results Call
15-Nov	CPU	Computershare Barrenjoey Management Meeting
15-Nov	SEK	SEEK Annual General Meeting
15-Nov	OFX	OFX Group Management Meeting
16-Nov	ALU	Altium Investor Day
16-Nov	REA	REA Group Annual General Meeting
16-Nov	ALU	Altium Annual General Meeting
17-Nov	RMD	ResMed Annual General Meeting
17-Nov	ALL	Aristocrat Leisure Management Meeting
20-Nov	PME	Pro Medicus Annual General Meeting
20-Nov	LNW	Light & Wonder Macquarie Management Meeting
21-Nov	TLX	Telix Pharmaceuticals Expert Forum Investor Call
21-Nov	TNE	TechnologyOne FY23 Results Call
21-Nov	PNV	PolyNovo India Site Visit
22-Nov	REA	REA Group India Site Visit
23-Nov	IFL	Insignia Financial Annual General Meeting
24-Nov	TNE	TechnologyOne GS Management Meeting
24-Nov	WTC	WiseTech Global Annual General Meeting
24-Nov	TNE	TechnologyOne Barrenjoey Management Meeting
27-Nov	TNE	TechnologyOne Management Meeting

Date	Company	Description
28-Nov	IFM	Infomedia Annual General Meeting
28-Nov	ARB	ARB Corporation TC Industry Expert Call
28-Nov	FCL	FINEOS Corporation Holdings Management Meeting
29-Nov	FPH	Fisher & Paykel Healthcare 1H24 Results Call
30-Nov	IRE	Iress Investor Update Conference Call
30-Nov	REA	REA Group Residential, Developer and Commercial Property Market Update
30-Nov	GTK	Gentrack Investor Strategy Day
5-Dec	ALL	Aristocrat Leisure ESG Investor Presentation
5-Dec	FPH	Fisher & Paykel Healthcare Management Meeting
5-Dec	FCL	FINEOS Corporation Holdings Annual General Meeting
11-Dec	NAN	Nanosonics Site Visit

Selector Funds Management Limited Disclaimer

The information contained in this document is general information only. This document has not been prepared taking into account any particular Investor's or class of Investors' investment objectives, financial situation or needs. The Directors and our associates take no responsibility for error or omission; however, all care is taken in preparing this document. The Directors and our associates do hold units in the fund and may hold investments in individual companies mentioned in this document. **SFM**