HMC Capital Partners Fund I

QUARTERLY INVESTOR UPDATE – DECEMBER 2025

SUMMARY

- HMC Capital Partners Fund 1 (the "Fund") reported a net asset value ("NAV") of **$1.2020/unit** at the end of December, falling by **~9.2%** over the quarter.
- The S&P/ASX200 was down 1.5% for the quarter, with the headline masking a significant divergence between sectors. The Resources sector rallied 11.3% while the S&P/ASX200 Index ex Resources was down 6.4%.
- With no Resources exposure in the portfolio (a function of the Fund's investment mandate), Fund performance was adversely impacted by the rotation out of non-Resources names, exacerbated by increased short-term interest rate uncertainty towards the end of the quarter.
- Whilst this is a disappointing end to the year, we continue to see meaningful upside to each of our portfolio companies. The Fund remains firmly focused on unlocking this value and delivering returns by helping our portfolio companies execute value enhancing strategies with each of our holdings having a range of short-to-medium term catalysts.
- The fund took advantage of volatility by adding to our high conviction position in LIC (discussed below) and continues to hold a **~$140m** cash balance leaving us well positioned to continue taking advantage of further volatility by deploying into existing high conviction positions or new opportunities as they emerge.
- Despite the recent weakness, the Fund has generated a **23.5%** annualised return, net of fees, since inception, outperforming the S&P/ASX 300 accumulation index by **12.6% p.a.** over the same period.
- An initial $1.00 investment would now be worth $2.02[1], reflecting the strength of our highly engaged, active investment approach.

Key Fund Statistics[2]

NAV	**$1.2020 / unit**
Entry price	$1.2056 / unit
Exit price	$1.1984 / unit
Inception Date	31 August 2022
Status	Open for investment
Management Fee	1.00% of NAV
Performance Fee	20% of returns in excess of a hurdle return of 9% per annum of NAV, subject to a high-water mark paid annually

Fund Performance – 31 December 2025[1]

Returns (Net) (%)	Fund	vs. Index[3]
3 months	(9.2%)	(8.3%)
6 months	(3.0%)	(7.0%)
12 months	1.7%	(9.0%)
2 years (annualised)	26.0%	12.3%
3 years (annualised)	25.0%	11.5%
Since inception (annualised)	23.5%	12.6%
Since inception (aggregate)	102.2%	60.9%

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Market Commentary and Outlook

Increased confidence of further easing supported US equity markets, while Australian markets underperformed as rate expectations rebased

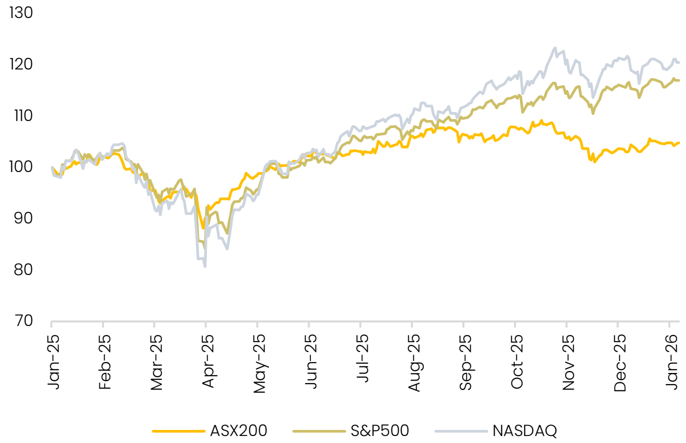
US equities continued their upwards momentum during the quarter, resetting all-time highs, supported by lower policy rates following the Fed's 25bps December rate cut. November US CPI fell to 2.7% in November vs. expectations of 3.1% and paired with US unemployment rising to a four-year high of 4.6% in November (from 4.4%), has seen confidence build for further federal funds rate reductions through 2026.

Domestically, the RBA held the cash rate at 3.6% in December, flagging uncertainty in the next move. Whilst inflation has slowed, it remains stubbornly above target largely driven by housing and labour costs (after adjusting for the rolling-off of electricity rebates) with the labour market remaining tight, albeit continuing to show signs of a gradual easing. With further signs of a pickup in private sector demand, the RBA flagged risks to inflation and signalled that the next move in interests rates could be upwards following three cuts in 2025. The hawkish tilt is a stark contrast to the US during the quarter and solidified a reset in market expectations, which are now pricing between one to two rate hikes during 2026.

Despite elevated levels of uncertainty both domestically and globally, and the S&P/ASX200 Accumulation Index retracing its October highs by 3.6% by year-end, Australian equities continue to trade near record levels, with valuations ~18x 12-month forward earnings, above the long-term average of approximately ~15x. That said, we are beginning to see more bifurcation with the ASX200 ex Resources down 6.4% during the quarter, largely offset by a 11.3% rally in the Resources sector.

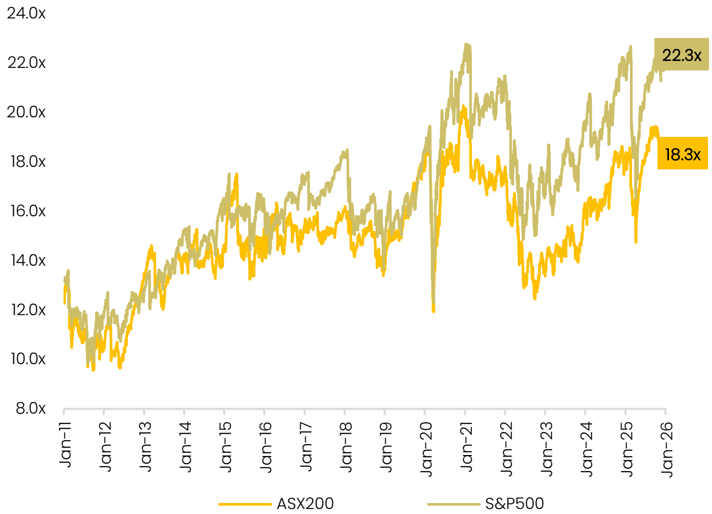
We expect market conditions into early 2026 to remain volatile dominated by the release of economic data, monetary policy decisions and the 1H26 reporting season in February. In this environment, we continue to hold a meaningful cash balance to preserve flexibility, positioning us to deploy into high conviction opportunities as they arise (similar to Berkshire, who we note is currently holding ~30% cash, and has historically used this to take advantage of market volatility).

LTM equity market returns (indexed)



Source: Bloomberg as of 09 January 2026

Australia vs. US Equity Valuations (forward PE)



Source: Bloomberg as of 09 January 2026

[1] Performance net of fees and costs, and assuming distributions are reinvested. Inception date 31 August 2022. Past performance should not be taken as an indicator of future performance.

[2] Entry and Exit prices reflect the Net Unit Value as of 31 December 2025, adjusted by the buy-sell spread (currently 0.30%).

[3] Fund outperformance / underperformance (net of fees and costs) vs. S&P / ASX 300 Accumulation Index.

HMC Capital Partners Fund I

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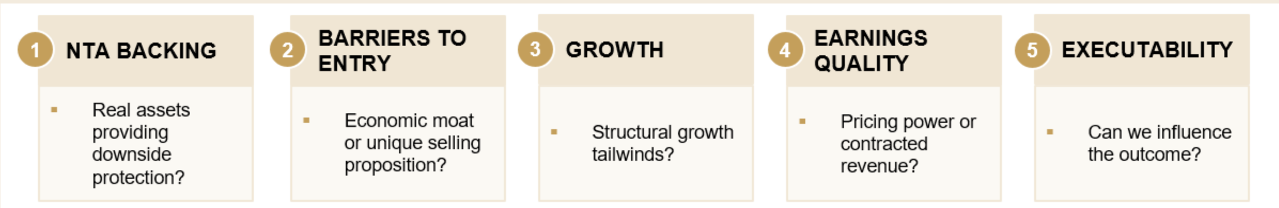
The Fund continues to execute on its investment process

With valuations high relative to history, we believe equity markets leave little margin for error. In this environment, any negative surprises, whether macroeconomic or geopolitical, are increasingly likely to prompt a period of elevated market volatility. Against this backdrop, the Fund is well positioned:

- We continue to actively manage our existing investments, where we have had a tangible impact on the strategic direction of several portfolio companies. We see further scope for growth and value creation within the current portfolio, with Fund performance exhibiting low correlation to the broader Australian equity market, which remains heavily weighted to banks and large miners.
- We maintain a meaningful cash balance and are well placed to take advantage of periods of disruption or volatility, either by increasing exposure to high conviction holdings or investing in new opportunities where we believe we can influence outcomes and unlock value.
- While the broader market appears expensive, we continue to see pockets of opportunity for investors prepared to do the work. Our disciplined and repeatable approach allows us to identify situations where value can be created through improved management, simplified structures, cyclical recovery or better capital allocation.

Fund's consistent and repeatable investment screening process:



Key investments update

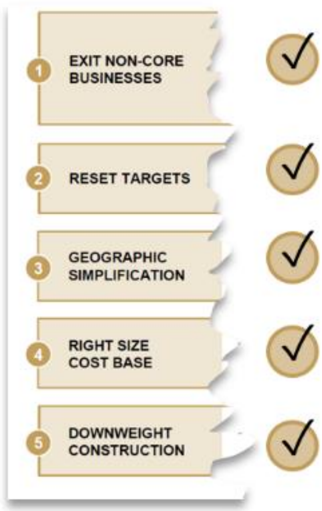
Lendlease

Lendlease traded down over the quarter (ASX: LLC -5.5%), with interest rate dynamics continuing to weigh on rate-sensitive real estate stocks. Towards the end of the quarter, LLC announced progress on the $2bn of planned capital recycling during FY26 with a binding agreement exchanged for the ~$400m sell down of The Exchange TRX retail mall, a full divestment of LLC's 60% interest in the adjacent office tower in Malaysia and affirmation that the sale of their ~25% remaining stake in the Keyton retirement business is progressing with exclusive negotiations underway.

Whilst gearing is expected to be elevated at the 1H FY26 result (a function of transaction timing), the ~$1bn in proceeds from settlement of the TRX and Keyton selldowns, in addition to ~$300m in proceeds from settlement of the Crown Estates transaction, and a further $1bn of capital recycling initiatives underway, provide a clear line of sight to significantly reduced gearing and commencement of the up to ~$500m buyback during 2H FY26. We see this as a key catalyst for a re-rate of LLC.

In late December, LLC announced it had secured a $2.2bn prime over station office development in Hunter Street, Sydney, a project that is targeted to commence in FY27 and complete in 2032. In conjunction with the luxury residential development site at 175 Liverpool Street secured in July and large developments at One Circular Quay and Comcentre in Singapore currently underway, the win adds to the medium-term earnings visibility in the development segment.

The recommendations in our Lendlease white paper from August 2023 are being executed on…



Despite progress on execution across the simplification strategy, the stock has continued to drift and trades at a ~30% discount to NTA, implying limited value being attributed to the Group's core operating businesses.

We continue to engage with the Board and management team and look forward to further progress on execution of the strategy. We remain of the view that Lendlease is well positioned for a re-rate, as further progress is made on the simplification strategy, including:

- Further capital recycling enabling the $500m buyback (~14% of the market cap);
- Continued replenishment of the Australian development pipeline ($25bn of opportunities identified for the next 12 months, $10bn targeted to convert);
- Return to historical double digit ROIC performance in the development segment from FY27 driven by settlements of One Circular Quay and Vic Harbour residential projects; and
- Growth in new investment mandates, with ~$4bn of new FUM already underway through its international platform, alongside the UK Crown Estate JV providing optionality over a further ~$24bn pipeline across build to-rent, life sciences and sustainable office.

Baby Bunting

Baby Bunting (ASX BBN: -17.4%) reaffirmed FY26 NPAT guidance ($17-20m) during the quarter as part of their AGM update. The business continues to execute well against the refreshed strategy announced in June 2024, maintaining positive trading momentum:

- Comparable sales (adjusted for refurbishment closures) up +5.6% YTD;
- Gross margin continued to improve to ~40.6%, up from 40.2% at the FY25 result; and
- First 3 Refurbished Store of the Future sites are delivering ~30% sales uplifts, well ahead of initial expectations.

We view the AGM update as reinforcing our turnaround thesis, with tangible progress across comparable sales, margins and store productivity. Despite ongoing macro driven volatility, particularly around interest rates and the flow on effect to consumer confidence, we remain focused on the improving fundamentals of the business and continue to engage with management to deliver on the significant upside we see through execution of the refreshed strategy:

- Continued rollout of the Store of the Future refurbishment program across the network (targeting 15-25% sales uplift);
- Expansion of the store network, with the potential to double the store network over time with long term plans for ~80 additional stores (40 large format and up to 40 small format stores subject to pilot site results);
- Operating leverage as scale builds across the network;
- Growth in the retail media business; and
- Positive earnings contribution from New Zealand from FY27.

Lifestyle Communities

Lifestyle Communities (ASX: LIC -12.0%) provided an update at their AGM, building on the steady start to FY26 reported in the Q1 trading update released in October. The business has now completed 93 settlements year-to-date, and the updated contract position (150 available for settlement) implies ~30 additional potential FY26 settlements versus the October update. Inventory continues to trend lower (202 unsold homes as of Nov-25, down 14 from October), which combined with the completion of its non-core land divestments, has resulted in a material improvement in the net debt position ($338.3m, down from $460.5m as of 30-Jun-25. Separately, in late December, LIC refinanced its debt facilities, securing a $300m note purchase and a $125m revolving bank facility. The refinancing extends debt tenor and resets the ICR covenant to nil through 30-Jun-28).

LIC also announced it will offer all existing homeowners the option to transition to the new DMF model once the VCAT appeal is determined, irrespective of the appeal outcome. We view this as a logical step that increases transparency and strengthens the brand and reputation of Lifestyle Communities following a challenging period.

We remain constructive on the outlook, supported by:

- Structural tailwinds from the ageing population, baby boomer downsizing and persistent housing undersupply;
- Continued balance sheet de-leveraging following non-core land divestments;
- Improving visibility on FY26 settlements as inventory declines;

- Optionality from the VCAT appeal, which remains a key swing factor; and
- LIC trading at a ~16% discount to NTA per share (ex-deferred tax) vs. peers trading at a substantial premium (ASX: INA ~+32% to NTA, ASX: GLF ~+103% to NTA).

We saw the price weakness during the quarter as an opportunity to add to our position, increasing our holding to 10.4%. Following month-end, the stock has traded well, up 14.7% month-to-date as at close on 12 January 2026.

Ingenia

Ingenia Communities (ASX: INA -5.0%) affirmed solid FY26 momentum at its AGM, reiterating guidance for 10–15% EBIT growth and underlying EPS of 32.5–34.0 cents. With the Board and management refresh that we have supported during the period of our shareholding delivering, we continue to see a strong outlook supported by:

- Structural tailwinds from the ageing population, baby boomer downsizing and persistent housing undersupply;
- Accelerating land lease development activity, with new community commencements (7 planned for FY26) supporting a targeted 5-year settlements CAGR of 10–15%; and
- Operating leverage and improved efficiency driving development returns.

Our holdings in Ingenia Communities alongside Lifestyle Communities, reflect our conviction in the attractive long-term fundamentals of Australia's land lease community sector.

GrainCorp

GrainCorp (ASX: GNC -17.6%, incl. div) was a negative contributor over the quarter following the release of FY25 results and a subsequent trading update in mid-December. The trading update highlighted continued margin pressure and a softer volume outlook for FY26 with management's preliminary estimate for FY26 receival volumes of 11.0–12.0mt. This represents a material decline from the 13.3mt received in FY25, despite continued strong crop conditions, with signs that low grain prices are leading domestic farmers to hold volumes from the market.

GrainCorp also announced the sale of its GrainsConnect Canada joint venture following a strategic review of underperforming assets and $52m of operating losses in this business over the past three years. The transaction values GrainsConnect at C$150m on a cash-free, debt-free basis, with GrainCorp expecting to recognise a loss on sale of approximately $5-10m.

We had previously reduced our holding in GrainCorp which mitigated the impact of the share price decline on the Fund's performance. The next catalyst for the stock is expected to be the provision of guidance at the AGM in mid-February.

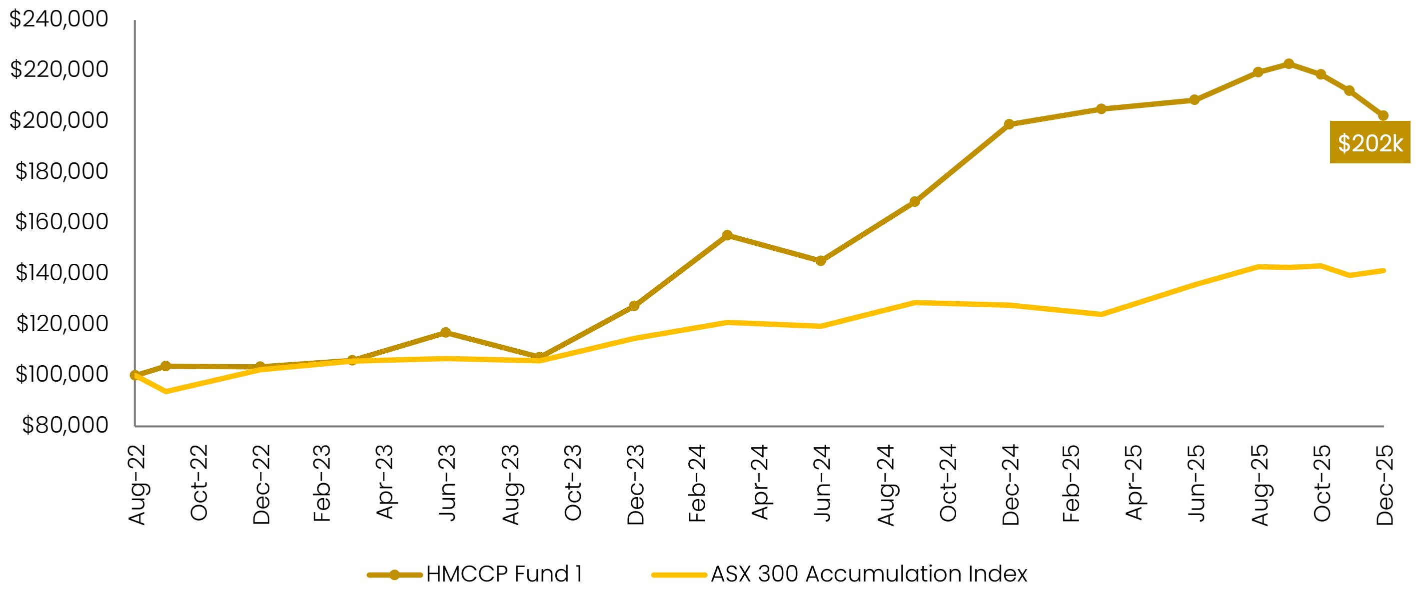
Fund Performance

The Fund returned -9.2% (net of fees) during the quarter to 31 December 2025. With resources and commodities stocks sitting outside the Fund's investment mandate, the 11.3% rally in the Resources sector during the quarter resulted in the Fund underperforming the S&P/ASX 300 index by 8.3%.

Since inception, the Fund has delivered 23.5% p.a. net returns, outperforming the S&P/ASX300 Accumulation Index by +12.6% p.a.

While recent performance has been disappointing, the Fund remains firmly focused on delivering returns by helping our portfolio companies execute value enhancing strategies. Each our holdings have a range of short-to-medium catalysts with the potential to deliver meaningful upside for the Fund. In the context of a volatile macro driven market environment, our track record of unlocking "trapped value" in our portfolio companies remains compelling.

Value of $100k invested at inception[3]



We look forward to providing further updates on the Fund's performance and our investments as we continue to assess the evolving investment landscape, work proactively with our investee companies and selectively deploy the Fund's capital.

Victoria Hardie
Head of Private Equity, HMC Capital

Joshua Gal
Portfolio Manager, HMC Capital Partners

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