

## SUMMARY

- HMC Capital Partners Fund I (the “Fund”) reported a Net Asset Value (NAV) of **\$1.3236/unit** at the end of September, generating 6.8% over the quarter and beating the S&P / ASX 300 by +1.9%.
- Equity markets trended higher through the quarter, with the S&P 500 up ~8% and the S&P/ASX 200 up ~5%, despite intermittent tariff-driven headline risk.
- Strong Fund performance during the August results season validated our differentiated investment approach, and was achieved while also building up a significant cash balance to take advantage of potential market disruption and buying opportunities.
- The Fund has generated a 29.6% annualised return, net of fees, since inception, outperforming the S&P/ASX300 Accumulation Index by 17.4%p.a. over the same period.

## Key Fund Statistics<sup>1</sup>

NAV	\$1.3236 / unit
Entry price	\$1.3276 / unit
Exit price	\$1.3196 / 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 – 30 September 2025<sup>1</sup>

Returns (Net) (%)	Fund	vs Index <sup>2</sup>
3 months	6.8%	+1.9%
6 months	8.7%	-6.2%
12 months	32.3%	+21.5%
2 years (annualised)	44.1%	+28.0%
3 years (annualised)	29.0%	+14.0%
Since inception (annualised)	29.6%	+17.4%
Since inception (aggregate)	122.7%	+80.1%

## Webinar | September 2025

Victoria Hardie, HMC Head of Private Equity, recently discussed the Fund’s investment strategy and key takeaways from the recent results season. To watch the webinar, please click [here](#).

## Market Commentary and Outlook

### Global Markets Rally on Easing, Australia Fundamental Economics Holds Steady

**Global backdrop:** Equities rose to record highs during the quarter, supported by central banks easing policy and AI optimism. In September the Fed delivered its first rate cut since December 2024 on the back of weaker labour market data, with Canada following, while the Bank of England held steady albeit flagged an easing bias. The S&P 500 is trading on 22x forward earnings (vs. 19x ASX200) well above long-term averages.

Underlying US economic data was, however, mixed. GDP growth and household spending were solid, yet consumer sentiment weakened. The labour market showed signs of

### LTM equity market returns (indexed)



Source: Bloomberg as at 02 October 2025

<sup>1</sup> Entry and Exit prices reflect the Net Unit Value as at 30 September 2025, adjusted by the buy-sell spread (currently 0.30%).

<sup>2</sup> Fund outperformance / underperformance (net of fees and costs) vs S&P / ASX 300 Accumulation Index.

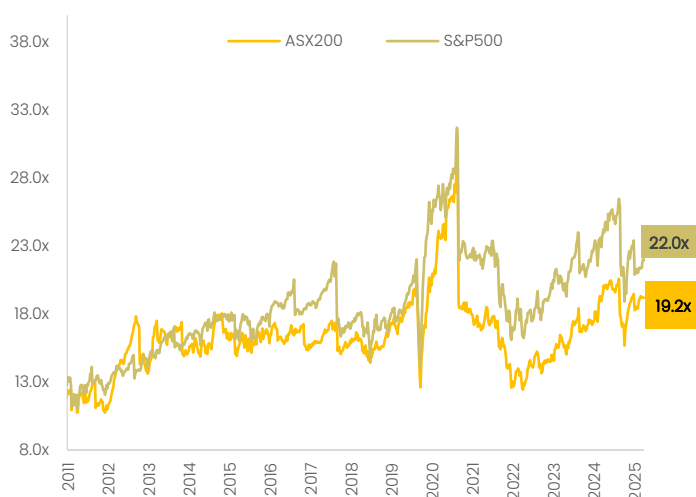
slowing, with payrolls missing expectations and unemployment rising to 4.3%. Alongside new tariffs including 100% duties on pharmaceuticals, 25% on heavy trucks, and 25% on furniture, the latest government shutdown over funding bill disagreements further added uncertainty to the global outlook and market volatility.

**Australia:** Australian equity markets gave away some of their July and August gains in September, but still ended the quarter up c.5%. Against a backdrop of favourable domestic economic data and sustained inflation, investors have pared back expectations of the pace and extent of interest rate cuts.

The RBA kept rates unchanged at 3.60% in September, and while inflation returned in the 2–3% target band, the Board noted that “inflation may be persistent in some areas”.

Private demand is recovering, the housing market is strengthening and labour market conditions remain stable, indicating the Australian economy is in relatively good shape compared to the uncertain global backdrop.

## Australia vs US Equity Valuations (forward PE)



Source: Bloomberg as at 02 October 2025

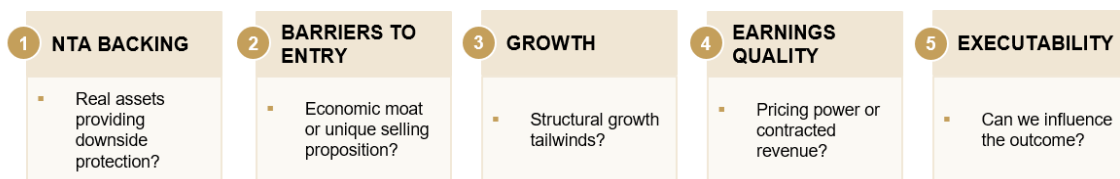
## The Fund continues to execute on its investment process

Ample global liquidity continues to sustain global equities at current elevated valuations. The Fed’s September cut has already fuelled markets, and investors are pricing 98% probability of a further cut in October and 90% probability of a third cut in December. While domestic markets have pared rate cut expectations, strong consumer demand and improving growth continue to support Australian equities.

With markets expensive relative to history and policy support largely priced in, we believe equity valuations leave little margin for error. Any negative surprises, whether macroeconomic factors or geopolitical events, have the potential to trigger a correction. Against this backdrop, the Fund is uniquely positioned to benefit:

- We continue to actively manage our existing positions, where we have made a meaningful impact on the strategic direction of a number of our portfolio companies. We anticipate further growth and upside to be delivered in our existing investments – with Fund performance having a low correlation to the broader Australian equity market, which is dominated by the banks and large miners;
- We continue to hold a significant cash balance, and are poised to take advantage of any disruption or volatility to either upweight our existing high conviction positions or make new investments where we see potential to positively influence and unlock significant value for our investors.
- While the market as a whole screens expensive, there remain interesting opportunities for investors who are willing to do the work to not only uncover ‘diamonds in the rough’ but have the capability and expertise to drive real change. Our disciplined and repeatable screening process positions us to continue to identify attractive targets and capitalise on undervalued situations – whether they are caused by management discount, conglomerate discount, cyclical factors or poor capital allocation.

### Fund’s consistent and repeatable investment screening process



## Key investments update

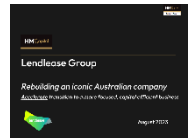
### Lendlease

Lendlease finished the quarter up 2.3%. The FY25 result in August was in line with guidance and reinforced progress on the simplification plan we have encouraged management to pursue. The share price reaction on the day of the result (+6.7%) reflected improving confidence in the turnaround.

We remain of the view that Lendlease is positioned for a re-rate:

- Further capital recycling (\$2.5bn executed to date and further sales in advanced stages) enabling the \$500m buyback (~13% of market cap);
- Replenishment of the Australian development pipeline (\$25bn of opportunities identified for the next 12 months, \$10bn targeted to convert);
- 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; and
- The stock continues to trade at a discount to NTA, with little recognition of the strength in its core Investments, Development and Construction businesses.

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



### Baby Bunting

Baby Bunting was a strong contributor to portfolio performance during the quarter, up ~68% following the release of its FY25 results in August. The results continue to reinforce the turnaround strategy we have supported, with gross margin reaching 40.2%, ahead of the 40% target.

While the share price has responded positively, we continue to see further upside. The refurbishment program is particularly encouraging, with the first three sites reporting average sales growth of ~28% vs the pcp and 10-15 more refurbishments targeted each year. Store rollout is also building momentum, with eight openings planned in FY26 (five large formats and three small format pilots). As the network expands and refurbished stores deliver stronger sales, we expect scale benefits to come through in the cost base, further supporting margin expansion. Gross margins should also continue to improve as renegotiated supplier agreements annualise, retail media grows, and the sales mix tilts further toward private label and exclusive products, particularly in the new formats.

We believe the market is underestimating the compounding effect of these drivers and the operating leverage as the store network grows. We see a path for Baby Bunting to return to ~10% EBITDA margins, a step-change in earnings power from the current ~5% base and expect this to drive further value creation and a meaningful re-rate.

See our [livewire article](#) for further insights on our Baby Bunting investment thesis.

## Lifestyle Communities

Lifestyle Communities (LIC) underperformed this quarter, down -18% following the negative outcome at the Victorian Civil and Administrative Tribunal (VCAT) in early July. In early September, LIC lodged an appeal with the Supreme Court of Victoria, with a decision expected to take 6–12 months.

Despite near-term challenges, we remain constructive on the outlook, supported by:

- Supportive macro drivers underscored by ageing downsizers and persistent housing undersupply;
- A clear plan to de-lever the balance sheet below \$360m by December 2025, supported by \$114m of contracted non-core land sales due to settle over FY26, materially reducing equity raise risk;
- Signs of stabilisation in new home settlements, with 35 already completed and 162 contracted in FY26. While still below the historical >300 average, volumes appear to be recovering from the FY25 trough against the backdrop of a recovering Victorian property market;
- Optionality from a favourable (albeit uncertain) outcome on the VCAT appeal; and
- Valuation support, with LIC still trading at a discount to NAV/share (ex-deferred tax losses).

Post quarter end, LIC provided a trading update which showed pleasing progress on degearing the balance sheet ahead of plan, and a stabilisation of sales and settlement rates. With continued focus on delivery, a new marketing campaign and supportive macro drivers, we see scope for the discount to narrow and will continue working with management and the Board to drive value creation.

## Ingenia Communities

Ingenia Communities ended the quarter broadly flat. The company delivered a solid FY25 result in August, exceeding EPS guidance and trading up 4% on the day, though the stock later eased back.

Our investment in Ingenia has been highly successful to date, generating an unlevered IRR for the Fund in excess of 20% as at 30 September 2025<sup>3</sup>. The Board and management refresh that we have supported during the period of our shareholding is now delivering, with a clear strategy being executed on with greater focus on operating efficiencies and financial returns.

We continue to see a strong outlook supported by demographic tailwinds, operating leverage, and a targeted 5-year settlements CAGR of 10–15%.

## GrainCorp

GrainCorp rose 16% over the quarter, supported by the September 2025 ABARES crop forecast update, which reinforced confidence in record crop volumes and provided greater visibility into FY26 earnings. Forecasts now point to a 30 million tonne ECA winter crop, 29% above the 10-year average. We view this as a key earnings catalyst that underpins stronger momentum into FY26, particularly as GrainCorp no longer needs to pay out under its Crop Production Contract.

The company's expanded \$75m buyback program (to March 2026) has seen ~\$15m executed to date, and we anticipate scope for further capital management as the FY26 outlook firms up.

In addition, the feasibility study by Ampol and its MOU partners Ampol and IFM Investors into development of a potential Sustainable Aviation Fuel supply chain gained support in September, with the announcement by the Australian government of a \$1.1bn incentive programme to develop renewable fuels using locally sourced agricultural and waste feedstocks. While this potential biofuels project is longer dated, it could provide further upside and revenue diversification for GrainCorp.

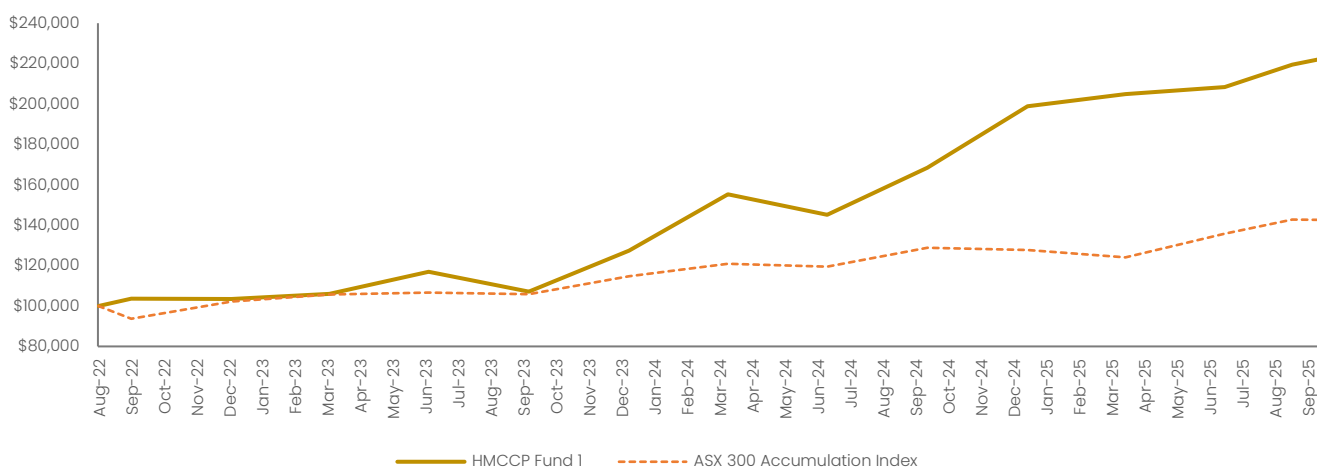
<sup>3</sup> IRR is unaudited and unrealised, excluding tax and any management or performance fees. Past performance is not a reliable indicator of future performance

## Fund Performance

The Fund returned 6.8% (net of fees) during the quarter to 30 September 2025, beating the S&P/ASX 300 index by +1.9%. Since inception, the Fund has delivered 29.6%p.a. net returns, outperforming the S&P / ASX300 Accumulation Index by +17.4% p.a.

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<sup>4</sup>



I 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**  
**Managing Director, HMC Capital Partners**



**Tim Koroknay**  
**Head of Wholesale**  
 tim.koroknay@hmccapital.com.au | +61 402 652 605

**Website:** [www.hmccapital.com.au](http://www.hmccapital.com.au)

**Email:** [invest@hmccapital.com.au](mailto:invest@hmccapital.com.au)

**Phone:** 1300 466 326

<sup>4</sup> 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

**How to Invest:** Refer to Information Memorandum at <https://www.hmccapital.com.au/our-funds/hmc-capital-partners-fund-i/>. If you are a Wholesale Client you may apply for Units at: <https://investor.automic.com.au/#/w/hmccp>. Existing investors can login to their Automic online investor portal at <https://investor.automic.com.au/> to access information on their holding, or to apply for additional units.

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