

SUMMARY

- HMC Capital Partners Fund 1 (the “Fund”) reported a Net Asset Value (“NAV”) of \$0.8522/unit at the end of March, falling by ~29.1% over the quarter. The Fund’s sector exposures in Real Estate and Consumer Discretionary were amongst the hardest hit as the market reassessed the macroeconomic outlook following two consecutive cash rate increases, compounded by the conflict in the Middle East.
- We recognise this is a disappointing outcome for investors and as the largest unitholder in the Fund, HMC is highly focused on driving portfolio performance by helping our portfolio companies execute on longer-term, value enhancing strategies as they navigate this period of macroeconomic uncertainty
- Despite the recent performance, the Fund has generated a 10.6% annualised return, net of fees, since inception, outperforming the S&P/ASX 300 accumulation index by 1.1% p.a. over the same period.
- During the quarter, the Fund elected to further upweight cash given the near-term outlook, and focus on our highest conviction positions in Lendlease, Ingenia and Baby Bunting. Each of these positions have clear value enhancing strategies we believe will realise significant upside over time.
- With approximately \$100 million of cash and no drawn debt, the Fund is well positioned to act opportunistically as valuations reset, either by increasing exposure to our highest conviction positions or selectively deploying capital into new dislocated opportunities.

Key Fund Statistics²

NAV	\$0.8522 / unit
Entry price	\$0.8548 / unit
Exit price	\$0.8497 / 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 March 2026¹

Returns (Net) (%)	Fund	vs. Index ²
1 month	(16.3%)	(9.0%)
3 months	(29.1%)	(27.1%)
6 months	(35.6%)	(32.7%)
12 months	(30.0%)	(41.6%)
2 years (annualised)	(3.9%)	(15.2%)
3 years (annualised)	10.6%	(1.2%)
Since inception (annualised)	10.6%	1.1%
Since inception (aggregate)	43.4%	4.9%

Market Commentary and Outlook

The S&P/ASX 200 declined 2.7% over the quarter (and approximately 7.8% in March). Consistent with the past six months, this headline result masks a pronounced divergence in performance across sectors. The Energy sector was a clear standout, rising ~35% over the quarter as oil prices increased from ~US\$70/bbl at the start of the period to a peak of circa US\$120/bbl. This move was driven by the escalating Middle East conflict and the partial closure of the Strait of Hormuz, through which close to 20% of global oil and gas supply is transported.

¹Performance 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.

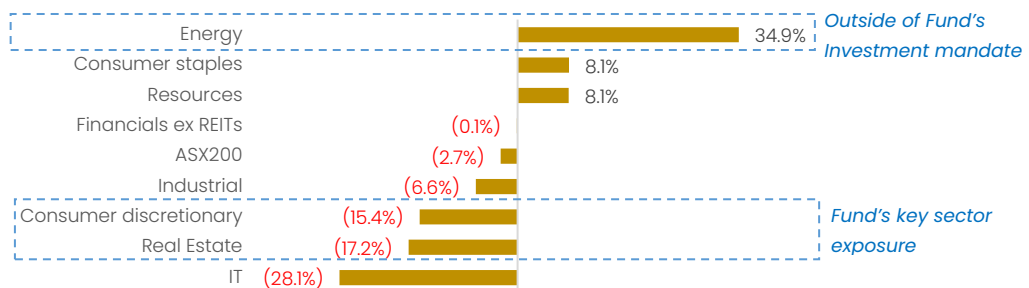
²Entry and Exit prices reflect the Net Unit Value as of 31 March 2026, adjusted by the buy-sell spread (currently 0.30%).

Outside Energy, capital rotated into Consumer Staples and Materials, sectors perceived to offer relative safety amid heightened global uncertainty. These inflows were funded by a sharp and broad-based selloff across the remainder of the market, with more than 50 stocks declining by over 15% during March alone, a dynamic not seen since the onset of the COVID-19 pandemic in early 2020.

Technology was the weakest performing sector, falling approximately 28% over the quarter as concerns continued to build around the long-term impact of AI on the sustainability of business models. Consumer Discretionary and Real Estate, the Fund’s two largest sector exposures, also underperformed, declining 15% and 17% respectively. This weakness followed consecutive cash rate increases by the RBA in February and March aimed at addressing persistent domestic inflation. In our view, the quarter was characterised more by indiscriminate risk-off positioning than a deterioration in the underlying fundamentals of our portfolio companies.

Following quarter-end, a two-week ceasefire was announced in the Middle East. While the situation remains highly uncertainty, progression into a more durable peace arrangement could lead to a meaningful easing in global energy prices and a reversal of the inflation expectations that characterised March.

Sector performance over the quarter³



Fund Positioning

The Fund remains positioned around a deliberately concentrated portfolio of high-conviction investments, reflecting our decision to focus capital and effort where we see the most compelling long-term risk-adjusted return opportunities and the ability to add value through our unique active approach. This strategy is underpinned by deep fundamental research, an emphasis on underlying business quality and asset backing, and a willingness to take differentiated positions where we believe the market is overly discounting long-term value.

Importantly, this is a long-term strategy. As a result, portfolio concentration and the timing of market recognition may lead to periods of heightened month-to-month or quarter-to-quarter NAV volatility. We do not manage the Fund with a view to smoothing short-term performance outcomes. Instead, our focus remains on compounding capital over the cycle as our investment theses play out. This may be uncomfortable over the short term, as investors experience periods where underlying progress is not immediately reflected in short-term NAV movements, however we remain confident that the strategy can deliver strong performance over a longer time frame.

Following a review of the portfolio during the quarter, we decided to focus on our highest conviction investments – being Lendlease, Baby Bunting and Ingenia Communities. As a result, the Fund exited from our investment in Lifestyle Communities, selling the bulk of our stake at an 8.2% premium to the prior closing price. The Fund now sits on a substantial cash balance of approximately \$100 million and with no drawn debt, leaving it well positioned to capitalise on ongoing market volatility or cyclical weakness.

³Source: IRESS

Key investments update

Lendlease

Lendlease (ASX LLC: -36.7% over the quarter) was the key drag on Fund performance during the quarter. It currently trades at a ~40%+ discount to NTA, with market attention focused almost entirely on the exit of the non-core CRU segment, despite continued momentum and improving outlook in its core Investments, Development and Construction (IDC) businesses.

Lendlease's 1H26 results showed positive progress in IDC, with Construction recovering from cyclical lows and the Development business showing strong progress towards restocking the Australian pipeline. Core IDC guidance of 28-34cps for FY26 was reaffirmed.

However, despite line of sight to improved ROE performance in IDC from FY27, the non-core CRU segment remains a distraction given \$3.8bn of remaining CRU capital and associated operating costs are a significant drag on group returns and cash flow. This, and the resignation of both the CEO and CFO during the quarter, continues to weigh heavily on the LLC share price.

Exit from the CRU has taken longer than we and the market would have liked. We continue to monitor progress closely here with ~\$700m of contracted CRU sales (Crown Estates and TRX) announced but not yet settled and a further \$1.5bn targeted for recycling in the 2H including >\$500m now in exclusive negotiations.

We continue to engage with management and the Board of LLC on ways to unlock the value we see in the core IDC business and maintain our view that Lendlease is positioned for a meaningful re-rate as:

- CRU capital is recycled allowing balance sheet de-risking and CRU operating costs removal. Management is targeting a further \$1.5bn of CRU capital recycling to be announced in the 2H;
- Continued replenishment of the Australian development pipeline (\$13.6bn secured as of 1H26, with a further \$5.3bn+ targeted for origination in the second half);
- Growth in new investment mandates (with a ~\$24bn pipeline across build to-rent, life sciences and sustainable office) and progress made in the first half on a new ~\$775m US credit partnership and documentation being finalised on a \$1.2bn Japan value add mandate; and
- 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.

We believe appointment of a strong external candidate in the CEO seat will be a key catalyst to a recovery in the stock.

Baby Bunting

Despite a significant retracement in the share price over the quarter (ASX BBN: -45.3%) which was driven by the external macro and market factors articulated above, Baby Bunting continues to execute on its articulated turnaround strategy. The stock closed up 8.6% on the day of its first half FY26 results after demonstrating continued progress on the turnaround. Gross margin expanded to 41.0% in 1H26 (+124bps vs. pcp) and management continues to target ~42% by FY27 driven by structural improvements across the network, including refurbishments, renegotiated trading terms, and growth in higher-margin Retail Media and Private Label.

Store refurbishments continue to validate the improvement opportunity across the existing network with refurbished stores delivering ~25% sales uplifts to date (top end of target range), with nine stores now trading and six more planned in 2H26. The store rollout opportunity remains on track with disciplined execution seeing five new stores opened in 1H26 and two more planned in 2H. Small format pilots are in the optimisation phase, with management prioritising improvements in foot traffic and productivity in the three pilots launched during the first half before further rollout is considered.

Post the retracement, BBN is now trading at ~5x EBITDA compared to an average of ~10x since IPO back in 2015. Notwithstanding near-term headwinds with potential supply chain cost inflation and weakened consumer sentiment, we continue to see a credible pathway to further improvement in margins and earnings and view the results as validation of the turnaround thesis.

As the scaled market leader in baby and maternity, Baby Bunting is better placed than many independent competitors to withstand and even benefit from a consumer slowdown. Its existing exclusive relationships and private label offering can help protect margin while competitors are forced to aggressively discount. Meanwhile weaker players may be forced to exit the market and Baby Bunting's unique position may allow it to negotiate further exclusive supply arrangements and trading terms from a position of strength, and strategically reinvest in marketing.

We look forward to continuing to engage with management as they execute on:

- Accelerating the Store of the Future refurbishments;
- Disciplined large and small format network expansion;
- Driving operating leverage as the network scales;
- Grow the higher margin Retail Media platform; and
- Transitioning NZ to earnings breakeven in FY27.

Ingenia

We continue to have high conviction in the long term prospects for Ingenia (ASX: INA), with the business representing a rare combination of visible earnings growth, asset backing and exposure to favourable demographic trends that are largely independent of shorter-term economic cycles.

Similar to BBN, Ingenia experienced a material de-rate over the quarter (-23.0%) despite delivering solid 1H26 results and affirming guidance at the top end of the previously announced range. Group EBIT came in at \$85.0m, EPS at 15.2c and NTA grew to \$4.10/sh, all exceeding consensus expectations whilst gearing remained well within managements target range at ~31%. The 1H26 result reinforced continued operational delivery.

We are particularly pleased to see a growing and robust development pipeline with 16 projects under development and close to 5,000 potential new sites, underpinning a multi-year opportunity to continue to scale the value creating development business supported by structural megatrends in an ageing population and baby boomer downsizing.

The broader macro uncertainty and concerns around the impact of rising interest rates on INA's short term sales rates and margins has seen the stock re-trace back to NTA, a level last seen at points through the tightening cycle in 2022 / 2023. These levels proved to be a compelling buying opportunity as the outlook for inflation and interest rates stabilised.

We maintain our conviction in the business' long-term fundamentals with clear visibility towards INA delivering their 10-15% p.a. five-year settlement growth target.

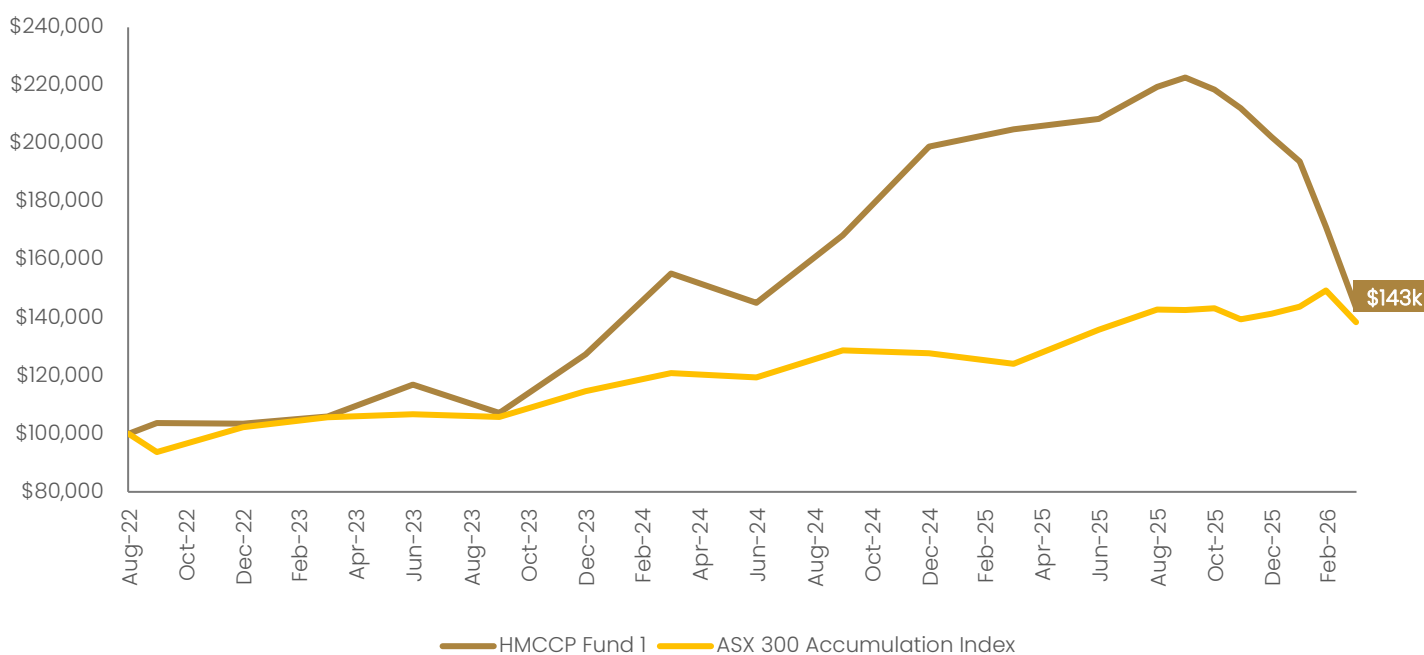
Fund Performance

While the March quarter saw a sharp drawdown driven by sector-wide dislocation, the Fund’s long-term performance since inception remains strong. The Fund returned -29.1% (net of fees) during the quarter to 31 March 2026, underperforming the S&P/ASX 300 index by ~27.1%.

Since inception, the Fund has delivered an annualised net return of 10.6% p.a., outperforming the S&P/ASX300 Accumulation Index by +1.1 p.a.

Each our holdings have a range of short-to-medium catalysts with the potential to deliver meaningful upside for the Fund. In this environment, our track record of unlocking “trapped value” through active engagement and disciplined capital allocation remains a key differentiator.

Value of \$100k invested at inception¹



Fund Strategy

HMC Capital Partners Fund I (Fund) is an Australian-domiciled open-ended unlisted fund providing exposure to a high-conviction investment strategy seeking to generate superior risk-adjusted returns.

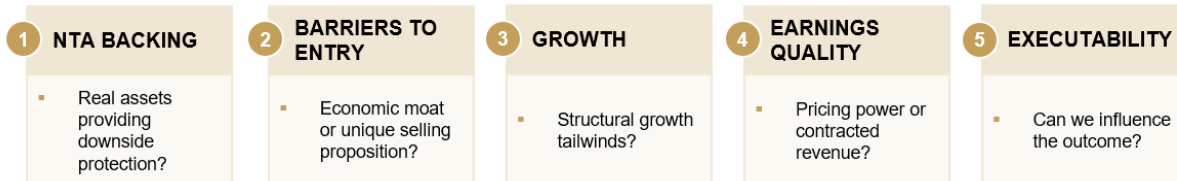
The Manager primarily invests across a concentrated portfolio of high-conviction stakes in listed Australian and New Zealand companies with real asset backing where there is potential to unlock ‘trapped’ value through improved capital allocation and portfolio management. The Manager also has the flexibility to invest in private companies exposed to long term structural tailwinds.

Our Disciplined Investment Process

The rigorous investment process we have undertaken over the past three years has proven effective – as evidenced by our successful investments and positive turnarounds at Sigma Healthcare, Ingenia Communities and Baby Bunting. We continue to see uncertainty and volatility as an opportunity.

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



The Fund has a limited quarterly withdrawal facility. Withdrawals are limited to the terms detailed in the Information Memorandum and the HMC website. The ability of the Fund to offer quarterly withdrawals is not guaranteed.

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.



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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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