HMC Capital Partners Retail Fund I

QUARTERLY INVESTOR UPDATE – DECEMBER 2024

SUMMARY

- HMC Capital Partners Retail Fund 1 (the "Fund") reported a Net Asset Value (NAV) of $1.8655/unit at the end of December, up 18.1% for the quarter
- The Fund delivered a 55.9% net return over the 2024 calendar year, and has generated a 42.6% annualised return since inception to 31 December 2024[1], outperforming the S&P/ASX 300 Accumulation Index by 31.6% p.a.
- Despite the S&P / ASX300 Accumulation Index trading off 3.1% in December, equity markets had a strong 2024, with the index up 11.4% over the year
- The Underlying Fund continues to be invested in seven positions, with dry powder available to deploy into opportunities as they present themselves – we are excited about the potential to add value to existing and new investments in 2025

Key Fund Statistics[1]

NAV per unit	$1.8655 / unit
Entry price	$1.8711 / unit
Exit price	$1.8599 / unit
Inception Date	31 March 2023
Status	Open for investment
Aggregate Fund Size	$767m (inclusive of the Fund and the Underlying Fund)

Fees & expenses

Management Fees and Costs	1.50% of NAV[2]
Estimated Transaction Costs	0.09%[2]
Performance Fee	The Fund itself does not charge a Performance Fee. However, the Underlying Fund charges a Performance Fee of 20% of returns in excess of a hurdle return of 7% per annum of NAV, subject to a high-water mark, paid annually

Fund Performance (Net)[3]

%	3mth	6mth	1yr	2yr	Inception (annualised)	Inception (aggregate)
Net Return (%)	18.1%	36.9%	55.9%	n.a.	42.6%	86.6%

[1] Entry and Exit prices reflect the Net Unit Value as at 31 December 2024, reduced by the buy-sell spread (currently 0.30%).

[2] Based on the relevant fees and costs incurred during the financial year ended 30 June 2024. See the PDS for further details.

Contact Details

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

Website: www.hmccapital.com.au
Email: invest@hmccapital.com.au
Phone: 1300 466 326
How to Apply: Refer to the Financial Services Guide (FSG), Product Disclosure Statement (PDS) and Target Market Determination at https://www.hmccapital.com.au/investment-strategies/private-equity/hmc-capital-partners-retail-fund-i/

HMC Capital Partners Fund I

QUARTERLY INVESTOR UPDATE – DECEMBER 2024

SUMMARY

- HMC Capital Partners Fund 1 (the "Fund") reported a Net Asset Value (NAV) of $1.9891/unit[3] at the end of December, up 18.1% during the quarter
- The Fund delivered a 56.2% net return over the 2024 calendar year, and has generated a 34.2% annualised return since inception to 31 December 2024[1], outperforming the S&P/ASX 300 Accumulation Index by 23.2% p.a.
- Despite the S&P/ASX300 Accumulation Index trading off 3.1% in December, equity markets had a strong 2024, with the index up 11.4% over the year
- The Fund continues to be invested in seven positions, with dry powder available to deploy into opportunities as they present themselves – we are excited about the potential to add value to existing and new investments in 2025

Key Fund Statistics[4]

NAV	$1.9891 / unit
Entry price	$1.9951 / unit
Exit price	$1.9832 / 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 7% per annum of NAV, subject to a high-water mark paid annually

Fund Performance – 31 December 2024[1]

Returns (Net) (%)	Fund	vs Index[5]
3 months	**18.1%**	**+18.9%**
6 months	**37.1%**	**+30.1%**
12 months	**56.2%**	**+44.8%**
2 years (annualised)	**38.6%**	**+26.8%**
Since inception (annualised)	**34.2%**	**+23.2%**
Since inception (aggregate)	**98.9%**	**+71.2%**

Market Commentary and Outlook

Australian equity market strong, but volatile

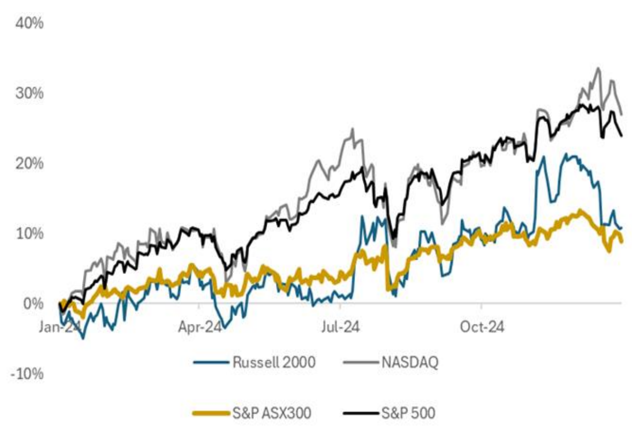
Australian equity markets hit record highs in early December, led by buoyant US equity markets supported by successive US interest rate-cuts, and a Trump election victory in November - as well as continuing momentum from earlier China stimulus in the prior quarter.

Despite this, the S&P / ASX300 Accumulation Index finished the quarter down -0.8%, with the market reversing its earlier gains over the month of December, largely due to US Federal Reserve commentary that indicated fewer rate cuts in 2025 than previously expected.

In the March quarter and beyond we expect Australian markets to experience volatility as investors digest a myriad of macro, political and company specific events including:

- US policy under the new Trump administration
- Chinese economic stimulus and growth
- the Australian federal election
- 1H25 financial reporting season

Year-to-date index returns (%)



Source: Bloomberg as at 31 December 2024

ASX 30 Day Interbank Cash Rate Futures Implied Yield Curve (%)

[3] All performance figures are quoted net of fees and costs. Figures may not sum exactly due to rounding. Inception date 31 August 2022. Performance is shown for informational purposes only. Past performance should not be taken as an indicator of future performance.
[4] Entry and Exit prices reflect the Net Unit Value as at 31 December 2024, adjusted by the buy-sell spread (currently 0.30%).
[5] Fund outperformance / underperformance (net of fees and costs) vs S&P / ASX 300 Accumulation Index.

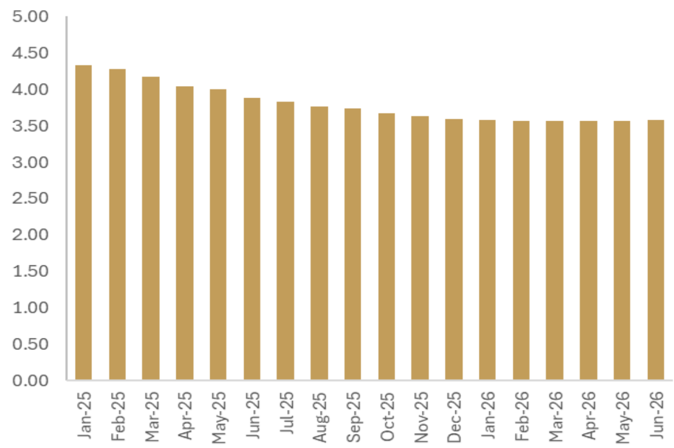
- Australian economic and CPI data, and a related decision on potential rate-cuts by the RBA in February.

Australian rate cuts on the agenda for 2025

Projections for 2025 from the US Federal Open Market Committee in December implied only -50bps of interest rate cuts – signalling a more cautious approach to US monetary policy easing than was previously expected. This cautionary policy is being driven by strong labour market data and persisting inflation.

Similar caution was echoed by the Bank of England, which paused rate-cuts in December alongside stronger UK inflation data. Conversely, steady rate-cuts by the European Central Bank are continuing as expected into 2025.

In Australia, inflation concerns continue to linger – with mixed views on whether the RBA will move to cut rates in February or May. Irrespective of the exact timing, the easing cycle is now firmly on the horizon and with our longer-term investment approach we are well placed to benefit.



Source: ASX, as at market close on 6 January 2025

What does this mean for the Fund?

The Fund remains firmly focused on delivering returns through adding value to our existing portfolio companies. We have a clearly identified runway for further upside in each our holdings through a range of short-to-medium catalysts that we will continue to assist our investee companies to deliver.

As we consider the global macro and political environment and the prospects for a volatile equity market in 2025, we remain nimble and are deliberately choosing to deploy available capital opportunistically, and only for the most compelling investment opportunities where we believe we can add value.

HMC Capital Partners Fund I

QUARTERLY INVESTOR UPDATE – DECEMBER 2024

Key investments update

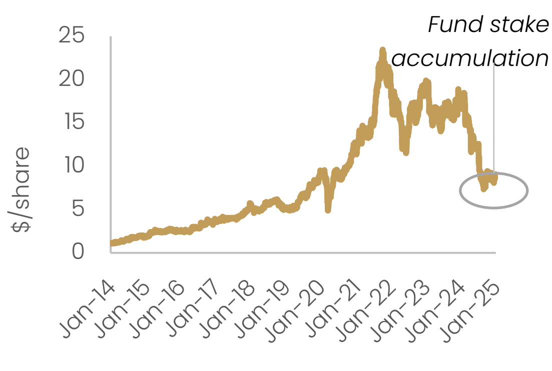
Lifestyle Communities

Lifestyle Communities (ASX: LIC) was our most recently disclosed investment in the Fund, and we currently hold a ~9% shareholding in the company.

About LIC

- ✓ LIC is one of Australia's largest owners and operators of land lease communities, a style of over-55's retirement living where the residents own their home but rent the site upon which the home sits from the community owner;
- ✓ With a focus on the Victorian market, LIC has 33 communities in planning, development or under management with a focus on Melbourne and Geelong's growth corridors;
- ✓ The only pure-play greenfield land lease developer listed on the ASX
- ✓ Long-term CEO and founder James Kelly recently announced his retirement, with the company currently undergoing a search for a replacement CEO. Chair David Blight is currently acting as Executive Chair until a new appointment is made

LIC share price performance



Source: IRESS

Key LIC investment highlights

- ✓ Exposed to strong demographic megatrends, with the number of Australians aged 65 and over expected to double over the next 40 years[6];
- ✓ Efficient land lease development model provides 100% capital recycling over a short period of time, with less development risk than multi-storey developments / Build-to-Rent;
- ✓ Established communities generate stable, growing annuity income streams – supported by the government pension and rental assistance;
- ✓ Attractive product for downsizers, with many advantages over freehold home ownership, including:
  - lower purchase price for a land lease home vs an equivalent freehold property in a similar location, releasing equity from the sale of the family home to fund retirement;
  - lifestyle proposition, with low maintenance, resort-style living and facilities, and a vibrant community; and
  - no stamp duty payable on acquisition of the home.

LIC challenges and opportunities

- ✓ In the near term, LIC is facing slowing settlements as a result of challenging property markets in Victoria due to additional property taxes resulting in surplus stock on market, the current restrictive interest rate environment and brand damage from negative media coverage in July 2024.
- ✓ While these challenges will take some time to work through, they are temporary, and we believe settlement rates will recover in time.
- ✓ In the meantime, the opportunity for an incoming CEO is to:
  - rebuild trust in the brand;
  - offer incoming residents the choice to opt into a Deferred Management Fee model or pay a higher price up front;
  - manage costs and capex to ensure the balance sheet remains sustainable.

Our investment in LIC, alongside our existing investment in Ingenia Communities, reflects our high conviction in the growth outlook and prospects for scale developers and owners of land lease communities in Australia.

[6] Australian Government Intergenerational Report 2023

Sigma Healthcare

Sigma traded up 82% during the quarter as the proposed merger with Chemist Warehouse Group (CWG) was de-risked. While the stock traded off its recent highs in late December on low volumes, it has rallied again during the first weeks of 2025 and closed on 10 Jan at $3.00/per share, near record highs.

The proposed transformational merger with CWG is nearing completion, with the ACCC confirming it would not oppose the transaction and key shareholder documents released during the quarter. The key final conditions to completion of the merger are the approval of the transaction by both CWG and Sigma shareholders, which is anticipated at meetings scheduled on 29 January 2025. Subject to shareholders voting in favour of the transaction, implementation is expected to occur on 12 February 2025.

We believe the strategic logic and value creation arising from a combination of Sigma and CWG is compelling and look forward to being a shareholder in the combined entity. Based on the Sigma closing price as at 31 December 2024 and our current Sigma shareholding, we will have a ~1% shareholding in the $30bn market capitalisation entity post completion. This implied market capitalisation places it within the top 25 companies on the ASX[7] and should position the company for inclusion in the key S&P/ASX 200 index in due course.

The prospects for growth and value creation in the merged entity are significant:

- ✓ Continued rollout of Chemist Warehouse Australian franchise network stores, with CWG reporting 12.7% growth in retail network sales over the period of 1 July 2024 to 31 October 2024 (vs the prior corresponding period);
- ✓ Leveraging the CWG team's market leading retailing expertise to drive growth in the complementary Amcal and Discount Drug Store brands;
- ✓ Offshore expansion via Chemist Warehouse's international network – which includes stores in Ireland, New Zealand and Dubai;
- ✓ Growth in online, private label, owned and exclusive brands, and ancillary franchise services;
- ✓ Cost synergies (estimated at $60m run-rate p.a.) from corporate, administrative and marketing cost rationalisation alongside supply chain optimisation from an integrated distribution network; and
- ✓ Strong value for money proposition in an environment of cost-of-living pressures underpinning the defensive nature of the business.

We are proud of HMC Capital's involvement in this complex and innovative transaction, and the significant value creation it has driven to date for both Fund investors and other Sigma shareholders.

Lendlease

Lendlease traded down 12.3% during the quarter, giving up some of the gains of the September quarter, with interest rate sensitive real estate stocks underperforming as expectations of rate cuts pushed out further into 2025. Notwithstanding the weaker share price performance, Lendlease has continued to execute on its turnaround strategy announced in May:

- ✓ $1.8bn of announced capital recycling initiatives, out of a target of $2.8bn for FY25
  - o Includes the sale of Communities, Life Science interest and Military Housing
  - o Further anticipated sales include TRX Retail assets in Malaysia, China Senior Living (Ardor Gardens) and Australian Retirement Living
- ✓ Total exit from offshore construction underway, with the sale of the US East Coast Construction operations completed and a binding agreement for the sale of UK Construction announced in early January 2025
- ✓ Up to $500m buyback to be launched "in the near-term", subject to having confidence that the business will be within target gearing range of 5 – 15% by the end of FY26
  - o Recent disclosure indicated Lendlease should be at the upper end of this gearing range by end of FY25

Newly appointed Chair John Gillam has confirmed he recognises the need for accelerated and intensified delivery of the strategy to protect and enhance returns. We continue to engage with the Board and management team and look forward to further progress on execution of the strategy.

Baby Bunting

[7] As at 31 December 2024

Baby Bunting traded down 6.9% during the quarter despite reaffirming FY25 guidance at the AGM in October. As part of the refreshed strategy announced in June 2024, the business has been making good progress in improving gross margin with Q1 FY25 gross margin of 40.3%, in excess of the full year target of 40%.

In late November, Chair Melanie Wilson announced she would step down after nine years on the Board, effective 18 February 2024. We are supportive of Board renewal, and believe refreshed leadership is essential as Baby Bunting progresses through this next phase of its growth. We look forward to working constructively with Chair-elect Stephen Roche to support management to deliver on the significant potential we see in the business.

With a number of positive catalysts on the horizon, we remain confident in the future value upside in Baby Bunting. These catalysts include:

- ✓ First of three refurbished stores, with a reimagined store experience, expected to launch by end of Q3 FY25;
- ✓ Commencement of the interest rate cutting cycle, expected sometime in the first half of CY25, which should provide relief to the consumer and support consumer discretionary stocks;
- ✓ Media business, which represents a new revenue stream and opportunity for Baby Bunting to monetise its digital and physical ecosystem, expected to be operational in Q3 FY25; and
- ✓ Further evidence of operational improvements to support recovery in EBITDA margin towards the 10% target.

GrainCorp

GrainCorp released FY24 results during the quarter in line with expectations, but has traded weaker subsequently, delivering a total return of -17.6% over the quarter. Commentary from GrainCorp around the outlook for FY25 was more muted than expected, with strong global crop production constraining margins. Notwithstanding the global supply backdrop, GrainCorp remains well placed for FY25:

- ✓ Core cash balance of $337m as at 30 September 2024;
- ✓ Strong winter harvest, with ABARES revised forecasts released in early December projecting a record crop in Queensland and the second highest production on record in NSW;
- ✓ Transformation program underway targeting $20 – 30m uplift in through-the-cycle EBITDA to $340 – 350m;
- ✓ Active pursuit of non-grain port earnings to grow margin and increase infrastructure utilisation; and
- ✓ Final payout under the crop production contract – with future upside uncapped, but downside protected.

GrainCorp has also continued to progress feasibility work on the potential crush facility to support a domestic biofuels supply chain, and received a $6.1m grant from the Australian Renewable Energy Agency in December to partially fund the study. Further progress in government policy to support a domestic Sustainable Aviation Fuel industry is required to underpin the economics of the project for GrainCorp – with any upside from this additional growth upside not yet reflected in the GrainCorp share price.

We remain attracted to the valuable port infrastructure held by GrainCorp and given the robust balance sheet and earnings outlook believe the company is well placed to pursue further capital management in FY25. The near-term catalyst for the stock will be the expected provision of guidance at the AGM in mid-February.

Fund Performance and Portfolio

The Fund returned 18.1% (net of fees[4]) during the quarter to 31 December 2024.

Since inception, the Fund has outperformed the S&P / ASX300 Accumulation Index by 23.2% p.a.

We continue to see further upside in each of our investments and the Fund is firmly focused on helping deliver our value creation strategies for our seven portfolio companies. We continue to monitor further additional investment opportunities as the portfolio builds out to our targeted 8 – 10 positions.

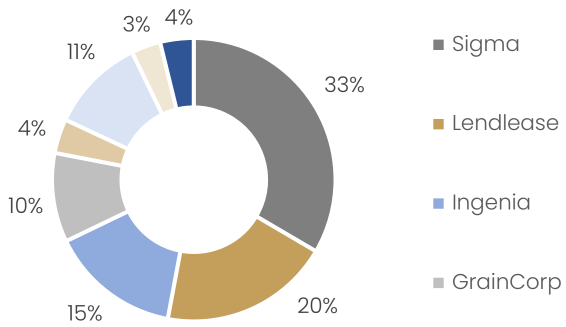
Portfolio composition as at 31 December 2024[3]

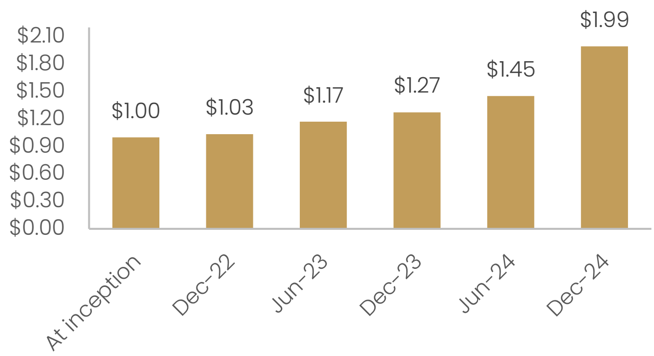
Fund Net Asset Value per unit since inception[4]

HMCapital

HMC Capital Partners Fund I

QUARTERLY INVESTOR UPDATE – DECEMBER 2024





3. Figures may not sum due to rounding
4. All performance figures are quoted net of fees, including performance fees which are accrued but unpaid as at 31 December 2024. Inception date 31 August 2022. Past performance should not be taken as an indicator of future performance.

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

Fund Open For Investment

The Fund remains open for investment on a monthly basis. Refer below for How to Invest or contact HMC Capital for further information.

HMCapital

HMC Capital Partners Fund I

QUARTERLY INVESTOR UPDATE – DECEMBER 2024

Website: www.hmccapital.com.au

Email: invest@hmccapital.com.au

Phone: 1300 466 326

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.