HMC Capital

HMC Capital Partners Retail Fund I

QUARTERLY INVESTOR UPDATE – SEPTEMBER 2024

SUMMARY

- HMC Capital Partners Retail Fund 1 (the "Fund") reported a Net Asset Value (NAV) of $1.5800/unit at the end of June, up 16.0% for the quarter
- The Fund has generated a 35.5% annualised return since inception, well above the S&P/ASX 300 accumulation index (+22.7% p.a.)
- The Fund invests substantially all of its assets in HMC Capital Partners Fund 1 (the "Underlying Fund") – the quarterly report of the Underlying Fund is appended to this report, providing information on the investment activities of the Underlying Fund
- Despite volatility in early August, equity markets showed continued strength ending the quarter at record highs
- The Underlying Fund is now invested in seven positions, and remains excited about the value upside opportunities on the horizon at each of its investee companies

Key Fund Statistics[1]

NAV per unit	$1.5800 / unit
Entry price	$1.5847 / unit
Exit price	$1.5753 / unit
Inception Date	31 March 2023
Status	Open for investment
Aggregate Fund Size	$645m (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]

%	1mth	3mth	6mth	1yr	2yr	Inception (annualised)	Inception (aggregate)
Net Return (%)	7.4%	16.0%	8.5%	57.0%	n.a.	35.5%	58.0%

Important Notice

As previously communicated, effective 25 September 2024 the HMC Capital High Conviction Alternatives Fund was renamed to the HMC Capital Partners Retail Fund 1 (the "Fund"). This does not impact your investment in the Fund and investors are not required to take any action as a result of this change.

Refer to the Investor Letter for further details.

[1] Entry and Exit prices reflect the Net Unit Value as at 30 September 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.

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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 1

QUARTERLY INVESTOR UPDATE – SEPTEMBER 2024

SUMMARY

- HMC Capital Partners Fund 1 (the "Fund") reported a Net Asset Value (NAV) of $1.6840/unit[1] at the end of September, up 16.0% during the quarter
- The Fund has generated a 28.4% annualised return since inception to 30 September 2024[1], outperforming the S&P/ASX 300 Accumulation Index by 15.5% p.a.
- Despite volatility in early August, equity markets showed continued strength ending the quarter at record highs
- The Fund is now invested in seven positions, and we remain excited about the value upside opportunities on the horizon at each of our investee companies
- Post month end the Sigma share price materially re-rated on the back of news relating to progress in the ACCC review process. The resultant uplift in the value our significant shareholding in Sigma is not reflected in the end of September NAV

Key Fund Statistics[2]

NAV	$1.6840 / unit
Entry price	$1.6891 / unit
Exit price	$1.6790 / 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 – 30 September 2024[1]

Returns (Net) (%)	Fund	vs Index[3]
1 month	**7.3%**	**+4.3%**
3 months	**16.0%**	**+8.2%**
6 months	**8.5%**	**+2.0%**
12 months	**57.1%**	**+35.4%**
Since inception (annualised)	**28.4%**	**+15.5%**
Since inception (aggregate)	**68.4%**	**+39.6%**

Market Commentary and Outlook

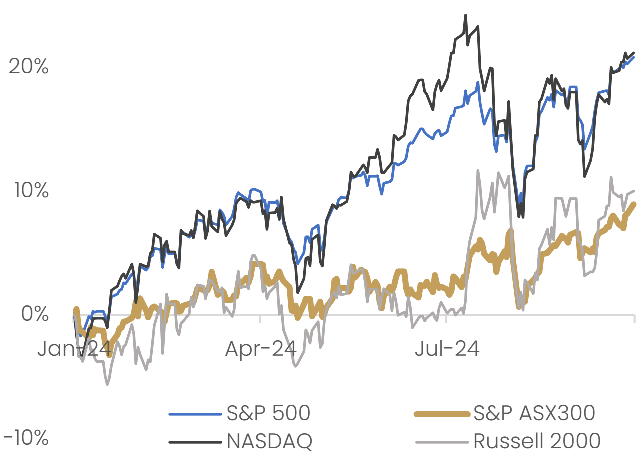
Australian equity market remains resilient

Despite the volatility in early August, triggered by the global Yen carry-trade sell-off and concerns around a weakening US economy, global equity markets recovered to end the quarter up. Investors hold renewed hope that the US Federal Reserve will successfully engineer a 'soft landing'.

In line with global equities, the S&P / ASX200 Index traded up 7.8%, finishing September at record highs, with mining stocks rallying late in the month on the back of China stimulus.

Looking ahead, while the broader equity market sentiment remains bullish, the lead up to the US election, geo-political tensions in the Middle East and macro-economic data indicating a slowing domestic economy could see volatility over the coming months.

Year-to-date index returns (%)



Source: Bloomberg as at 30 September 2024

[1] 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.

[2] Entry and Exit prices reflect the Net Unit Value as at 30 September 2024, 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.

HMCapital

HMC Capital Partners Fund 1

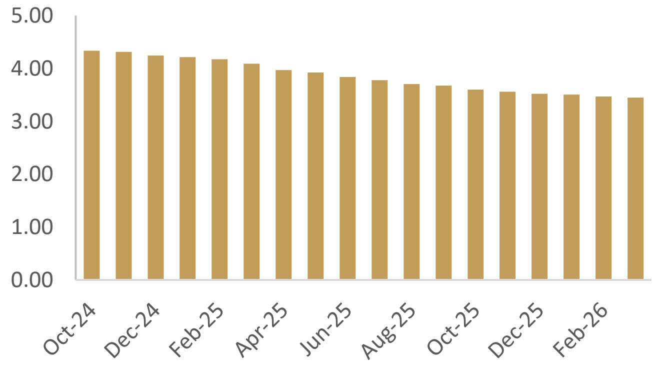
QUARTERLY INVESTOR UPDATE – SEPTEMBER 2024

Global central banks pivot gains pace

The US Federal Reserve's highly telegraphed rate cut in September followed earlier moves by the European Central Bank, Bank of Canada and Bank of England to commence the easing cycle. The 50pbs cut to interest rates surprised many in the market, with consensus expectations favouring a quarter-point cut. The market is anticipating a further 25bps cut in November.

Meanwhile, Australia continues to lag the US by c. six months, with no rate cuts expected in the near term. However, we remain confident that over a 6 – 12-month view domestic inflation and interest rates are likely to trend lower – and the Fund is well positioned for this eventuality.

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



Source: ASX, as at market close on 8 October 2024

What does this mean for the Fund?

The Fund remains firmly focused on delivering returns through adding value to our existing portfolio companies. Importantly, we continue to identify opportunities where companies are trading below long-term fundamental value across a range of sectors – and are positioned to take advantage of temporary dislocations as they present themselves.

The Fund has 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, and we continue to opportunistically deploy into our sixth and seventh high conviction investments.

Key investments update

The Investment Team has continued to actively engage with its investee companies, with positive progress across the portfolio during the quarter.

Sigma Healthcare

Sigma contributed positively during the quarter, returning 12.9% as market sentiment towards the proposed merger with Chemist Warehouse grew increasingly positive. Post quarter end, on 1st October 2024, the ACCC announced a public consultation process seeking feedback from stakeholders regarding a number of behavioural undertakings offered by Sigma to address concerns raised in the ACCC's statement of issues released in June 2024. Under the proposal, Sigma would undertake to:

1. not prevent or hinder franchisees who entered into their franchising arrangements prior to 1 January 2024 from terminating their franchise agreements with Sigma, for a period of three years. Sigma will waive its right to recover contributions Sigma has made under its franchise agreements and future fees payable to Sigma if these franchisees choose to terminate their agreements;
2. place restrictions on the collection, use and disclosure of confidential data and information from Sigma wholesale customers and franchisees for a period of three years; and
3. remain a participating pharmaceutical wholesaler under the Commonwealth Government's Community Service Obligation (CSO) arrangements for at least five years. The CSO arrangements contain service standards and compliance requirements for wholesaling of prescription medicines to all pharmacies.

Source: ACCC Announcement dated 1 October 2024

The proposed undertakings have been taken by the market as an indication that there is likely to be a path through the ACCC's concerns. The revised date for the ACCC decision is now 7th November 2024, with the merger expected to complete in Q1 CY25 should all approvals be received. The Sigma share price rallied hard on the announcement, closing at $2.00/share on 8 October 2024 – up 39% since 30 September 2024. The Fund elected to undertake a small selldown at these higher prices to further rebalance the portfolio and we continue to hold a significant 10.6% stake in Sigma.

During the quarter Sigma also announced half year results for the period ending 31 July 2024, posting strong revenue growth of 17.3% and normalised NPAT growth of +300%. Importantly, the new Chemist Warehouse supply contract took effect on 1 July 2024 and the transition was completed smoothly and without any operational issues. July distribution volumes increased 57% (post contract start), with delivery in full maintained at >99% and stock availability reaching 94.5%.

SIG half year results highlights

17.3% growth in normalised revenue[1]	2.4% increase in costs[1]
303.6% growth normalised NPAT[1]	Successfully commenced CWG supply contract with 57% outbound unit increase[2]

Source: Sigma Healthcare ASX announcement

1. Numbers have been normalised to remove the one-off costs relating to Chemist Warehouse merger proposal and new supply onboarding in the current year and discontinued hospitals business from the prior comparative period.
2. Refers to period from 1 July 2024 to 31 July 2024.

CWG full year results highlights

In compliance with Sigma's continuous disclosure obligations, the full year results also included summary information regarding Chemist Warehouse Group (CWG) full year FY24 performance for the twelve months to 30 June 2024. CWG posted strong performance, with Profit Before Tax up 33.7% on the back of total network sales up 14.1%

Total Network Sales $9.00bn, up 14.1% vs pcp	11% LFL sales growth in Australia
35 stores added to global network	$574m Statutory Profit Before Tax, up 33.7% vs pcp

Source: CWG disclosure in SIG ASX announcement

CWG indicated FY25 has started well, with positive network sales momentum and additional store openings in Australia and internationally. Importantly, CWG continues to be a beneficiary of the ongoing cost of living pressures with customers seeking greater value for money.

Lendlease

Lendlease contributed strongly to returns during the quarter, trading up 31.2% and closing the month at $7.10. As foreshadowed in the Fund's previous Quarterly Report, the share price has begun to re-rate as the market reacts positively to execution progress on the key strategies outlined in the May 2024 Strategy Update presentation. The strategy is largely in line with the white paper we released in August 2023, with Lendlease exiting poor performing offshore business, focusing on its higher ROE Australian business and returning more than $4.5 billion of capital to the balance sheet.

Lendlease delivered FY24 results during the quarter which were broadly in line with consensus, with the market reacting positively after its recent track record of significant earnings misses. Importantly, the execution of asset sales in line with the strategy is making positive progress, with the sale of US East Coast Construction and US Military Housing announced during the quarter, and Malaysia TRX, Australian Retirement Living and China Retirement Living processes appearing to be on track. In addition, on 26 September 2024 the ACCC announced it would not oppose the sale of Lendlease's 12 master-planned communities to the Stockland Supalai Residential Communities Partnership.

The Fund retains high conviction in this position and remains actively engaged with the company regarding the upcoming Board renewal process announced in May 2024.

Ingenia

Ingenia traded up 5.2% during the quarter after releasing strong full year results which exceeded market expectations and the full year guidance provided by the company. This is the first result delivered by new CEO John Carfi since commencing in April 2024, and the Fund is pleased with the strong incremental progress to date. Key highlights of the FY24 result include:

- FY24 settlement numbers of 462 (up 24% on FY23) was strong despite a softer economic environment and residential markets;
- Revenue of $472.3m, up 19.7% on FY23; and
- Underlying EBIT of $125.7m, up 17.0% on FY23.

Importantly, the results presentation outlined a clear strategy to "Accelerate transition from an aggregator of land and assets to operationally efficient developer and operator to unlock value and build scale". The company has also indicated it is exploring asset recycling opportunities and strategic partnerships for lower growth partnerships to fund growth in the higher growth parts of the business. This is consistent with the strategy HMCCP proposed to the company since accumulating a position, and the Fund is pleased with the company's continued progress towards greater operating efficiency, accountability and capital discipline. We continue to have very high conviction in the land lease sector, with strong tailwinds relating to Australia's aging population and housing affordability and availability challenges.

Baby Bunting

Baby Bunting also contributed positively during the quarter, returning 16.5% after delivering a FY24 result that provided positive progress updates on revenue and earnings trajectory. Key highlights of the FY24 result include:

- The first 7 weeks of trading for FY25 delivered 3.5% total sales growth and 2.0% comparable sales growth, a positive sign after successive periods of comparable sales growth decline;
- Clear progress on the gross margin expansion program that was outlined in the June investor day presentation, with trading in July 2024 delivering a 180bps margin improvement on prior corresponding period; and
- FY25 pro forma NPAT guidance of $9.5m to $12.5m (up from $3.7m in FY24).

While the Fund is pleased with the initial progress made on Baby Bunting's turnaround, we continue to believe the upside potential is significant and look forward to continuing our engagement with the business.

GrainCorp

GrainCorp continues to perform strongly for the Fund since acquisition, trading up a further 3.7% during the quarter. In September, ABARES released its second estimate for the FY25 east-coast winter crop, upgrading to 28.8mmt (versus the first estimate forecast at 27.1mmt) – this compares to the average crop year of ~20.0mmt. While there are a number of factors that influence GrainCorp's earnings in any given year, the size of the east-coast winter crop is a major driver of earnings upside given the significant amount of operating leverage in the business. Given the timing of the east coast winter crop harvest and GrainCorp's financial reporting year, the full extent of the upside from an outsized crop will not be reflected until full year results which are expected to be delivered in May 2025. We anticipate FY25 will see the final payout under the crop protection contract, with resultant upside from above average crop volumes fully accruing to GrainCorp shareholders – and the downside continuing to be protected in the event of future poor crop years.

During the quarter, GrainCorp also announced a three-way Memorandum of Understanding to explore the establishment of an integrated renewable fuels industry in Australia. As an initial priority under the MOU, Ampol and IFM will progress the feasibility assessment of a renewable fuels facility at Ampol's Lytton Refinery in Brisbane and work with GrainCorp to explore the supply of homegrown feedstocks, including additional crushing capacity to supply canola oil to the future plant. The Fund believes GrainCorp has significant optionality to leverage its unique footprint to play a critical role in the nascent biofuels industry – with this optionality not fully reflected in GrainCorp's current trading price.

Additional fund updates

The Fund is pleased to note it has commenced deployment into its sixth and seventh investments. These businesses present exciting value upside opportunities, and exhibit many of the characteristics we look for in our investee companies – being tangible asset backing, barriers to entry, structural growth tailwinds and strong underlying earnings quality.

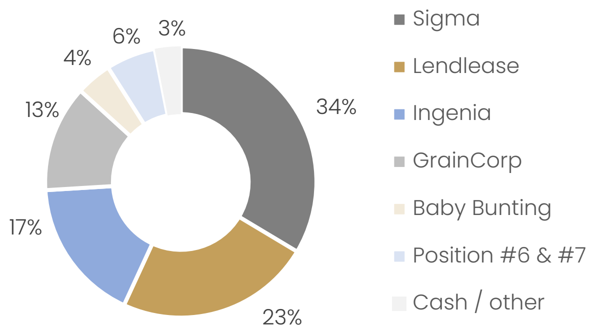
Fund Performance and Portfolio

The Fund returned 16.0% (net of fees3) during the quarter to 30 September 2024.

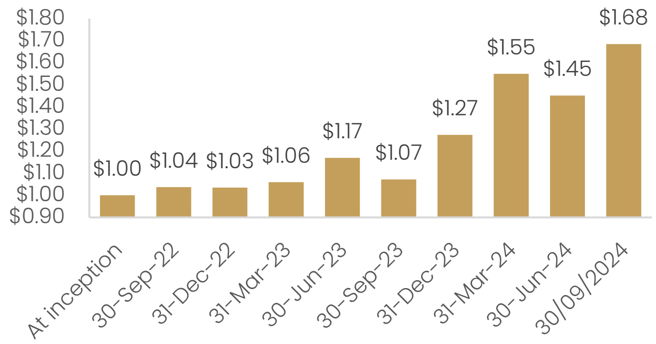
Since inception, the Fund has outperformed the S&P / ASX300 Accumulation Index by 15.5% p.a.

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 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 30 September 2024[3]



Fund Net Asset Value per unit since inception[4]



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 30 September 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.

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Managing Director, HMC Capital Partners

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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.

HMC Capital Partners Fund 1

QUARTERLY INVESTOR UPDATE – SEPTEMBER 2024

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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.