

Fund Update

The Fund reported a Net Asset Value (NAV) of **\$1.9831/unit** at the end of February, down 3.70% during the month, marginally outperforming the S&P/ASX 300 Accumulation Index. The Fund has delivered a 42.9% annualised return since inception, outperforming the S&P/ASX 300 Accumulation Index by 32.4% p.a.

Entry price	\$1.9890 / unit ¹
Exit price	\$1.9772 / unit ¹

February was a choppy month for equity markets, with investors digesting results season and unpredictable policy announcements out of the Trump administration.

While the RBA's decision to cut interest rates by 0.25% early in the month provided some support to the ASX, investor confidence faded through the second half of February on the back of mixed economic data out of the US, evolving global trade policy and rising geopolitical tensions. Volatility around results announcements was high with the number of ASX 200 companies with 12-month forward consensus EPS downgrades (84) outnumbering companies with upgrades (70). Market multiples were elevated leading into reporting season, and any perception of a disappointment (whether in the result or outlook) resulted in significant share price weakness on the day.

The Underlying Fund continues to assess further investment opportunities, with volatility and a market pullback providing potentially interesting buying windows.

Key Investment Updates

February saw results announcements from Lendlease (-5.1%), Ingenia Communities (-1.6%), Lifestyle Communities (-18.9%) and Baby Bunting (-2.9%).

- Both Ingenia and Baby Bunting had provided trading updates in the lead up to reporting, so there were limited surprises in their results. We were pleased to see both businesses continuing to execute on their articulated strategies, with turnaround efforts starting to produce results
- Lifestyle Communities traded down significantly following release of its half year results, with the Victorian property market continuing to face challenges. The stock had rallied through January and leading into the result and the decisive steps taken to shore up the balance sheet, while necessary, were not enough to satisfy investors. We expect a continued rocky path for LIC over the near term, but retain conviction in the underlying megatrends supporting the land lease sector over the long term. We see a significant re-rate opportunity with multiple catalysts over the next 6-12 months in addition to an improving residential property market backdrop.
- Sigma (+2.4%) completed its merger with Chemist Warehouse during the month, with the next catalyst for the stock its anticipated inclusion in major equity indices in late March
- Lendlease's 1H FY25 result was consistent with company guidance (albeit at the low end of the 17-20 cps range) and the company reaffirmed full-year EPS guidance of 54-62 cents. The financial performance of the core business (excluding construction) was pleasing, and management is doing a good job executing the non-core asset sales required to de-lever the balance sheet, execute a buy-back and re-stock the Australian development pipeline. Understandably, the market is waiting to see further progress on asset sales.
- GrainCorp (-7.8%) provided FY25 guidance at its AGM mid-month which was below consensus expectations and the stock traded down as a result. The company has commenced a \$50m buyback and we believe there is more scope for capital management with the balance sheet in a strong position with core cast of \$337m as at 30 September 2024

We are pleased with the returns delivered to date and anticipate continued strong performance of our investee companies as the outcomes of our active engagement strategy continue to play out³. The Fund currently remains open for investment each month – existing investors can top-up via the Automic platform or please contact invest@hmccapital.com.au for further information.

¹ Entry and Exit prices reflect the Net Unit Value as at 28 February 2025, adjusted by the buy-sell spread (currently 0.30%)

Fund NAV per Unit²

\$	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2022	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2023	n/a	n/a	\$1.0000	\$1.0129	\$1.0069	\$1.1006	\$1.1243	\$1.0927	\$1.0065	\$0.8883	\$0.9689	\$1.1963
2024	\$1.2730	\$1.3296	\$1.4558	\$1.4060	\$1.3739	\$1.3623	\$1.4555	\$1.4709	\$1.5800	\$1.7505	\$2.0437	\$1.8655
2025	\$2.0593	\$1.9831										

Monthly Fund Returns (Net)³

%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2022	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2023	n/a	n/a	-	1.3%	(0.6%)	9.3%	2.2%	(2.8%)	(7.9%)	(11.7%)	9.1%	23.5%	19.6%
2024	6.4%	4.5%	9.5%	(3.4%)	(2.3%)	(0.8%)	6.8%	1.1%	7.4%	10.8%	16.7%	(8.7%)	55.9%
2025	10.4%	(3.7%)											6.3%

Fund Performance (Net)³

%	1mth	3mth	6mth	1yr	2yr	Inception (annualised)	Inception (aggregate)
Net Return (%)	(3.7%)	(3.0%)	34.8%	49.1%	n.a.	42.9%	98.3%

² As at month end.

³ All performance figures are quoted net of fees and costs. Figures may not sum exactly due to rounding. Inception date 27 March 2023. Performance is shown for informational purposes only. Past performance should not be taken as an indicator of future performance.

Fund Strategy

HMC Capital Partners Retail Fund 1 (**Fund**) (formerly called the HMC Capital High Conviction Alternatives Fund) is an Australian-domiciled open-ended unlisted fund providing exposure to a high-conviction investment strategy seeking to generate superior risk-adjusted returns via an investment in HMC Capital Partners Fund 1 (the **Underlying Fund**)⁴.

The Underlying Fund 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 Underlying Fund also has the flexibility to invest in private companies exposed to long term structural tailwinds.

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

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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/>

IMPORTANT NOTICE

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⁴ Distributions are not guaranteed, and the Fund investment strategy is focused on generating capital gains rather than regular income.