GANES
FOCUSED VALUE FUND

APIR GCM0001AU | ARSN 117 119 712

SEPTEMBER 2026 QUARTER REPORT

Quarter Commentary

The fund recorded a positive quarter with the unit price up 8.3% while the market also rose 1.3% for the same period. For the past year the fund has delivered a negative return of -6.2%, underperforming the broader market return of 2.4% by 8.6%.

Over the longer term the fund has provided a return of 7.8% per annum for the past 20 years and 10.7% per annum since inception in 2002. The fund has outperformed the market by 1.6% per annum after all fees and expenses since inception. A $10,000 investment made at inception is now worth $113,219 against $79,534 for the ASX300 benchmark.

The fund enjoyed a relatively positive reporting season with several businesses reporting strong results. Dicker Data was the standout, although Bravura Solutions and PWR Holdings also reported stronger than expected results.

Our negative return for the past year is largely due to our consumer facing businesses. Lovisa, ARB Corporation and Eagers Automotive are all down significantly over the past year.

Increased volatility seems to be a feature of markets in recent years and masks a bifurcation in underlying portfolio performance. We have had some stocks fall more than 50% over the past year, and on the positive side two of our larger holdings are up more than 50%. Not one company in the portfolio has produced a result similar to our one -year return.

There were no changes to our top 10 holdings, although price movements have led to Dicker Data and Bravura Solutions moving higher in the portfolio.

The fund had a cash weighting of 2.0% at the end of the quarter.

Performance as at 30 September 2026:

	Fund (net of fees)	ASX 300 Accum. Index
3 months	8.3%	1.3%
1 year	-6.2%	2.4%
3 years p.a.	5.4%	11.3%
5 years p.a.	3.4%	7.5%
10 years p.a.	8.9%	9.0%
20 years p.a.	7.8%	7.0%
Since Inception (p.a.)*	10.7%	9.0%
Value $10,000 invested since inception	$113,219	$79,534

*Inception date of Fund is 14/10/2002

Unit Prices as at 30 September 2026:

Entry Price	$3.9660
Unit Price	$3.9561
Exit Price	$3.9462

Top 10 Holdings:

Company	Code	Weight (%)
PWR Holdings	PWH	14.6
Lovisa	LOV	11.7
AUB Group	AUB	10.5
Dicker Data	DDR	10.3
MFF Capital Investments	MFF	10.1
Eagers Automotive	APE	7.9
Redox	RDX	7.4
Bravura Solutions	BVS	6.8
Fiducian Group	FID	5.1
ARB Corporation	ARB	4.6

Top 5 Sector Exposures:

Sector	Weight (%)
Consumer Discretionary	39.5
Financials	31.6
Information Technology	17.1
Industrials	8.0
Healthcare	1.7
Other (including Cash)	2.1

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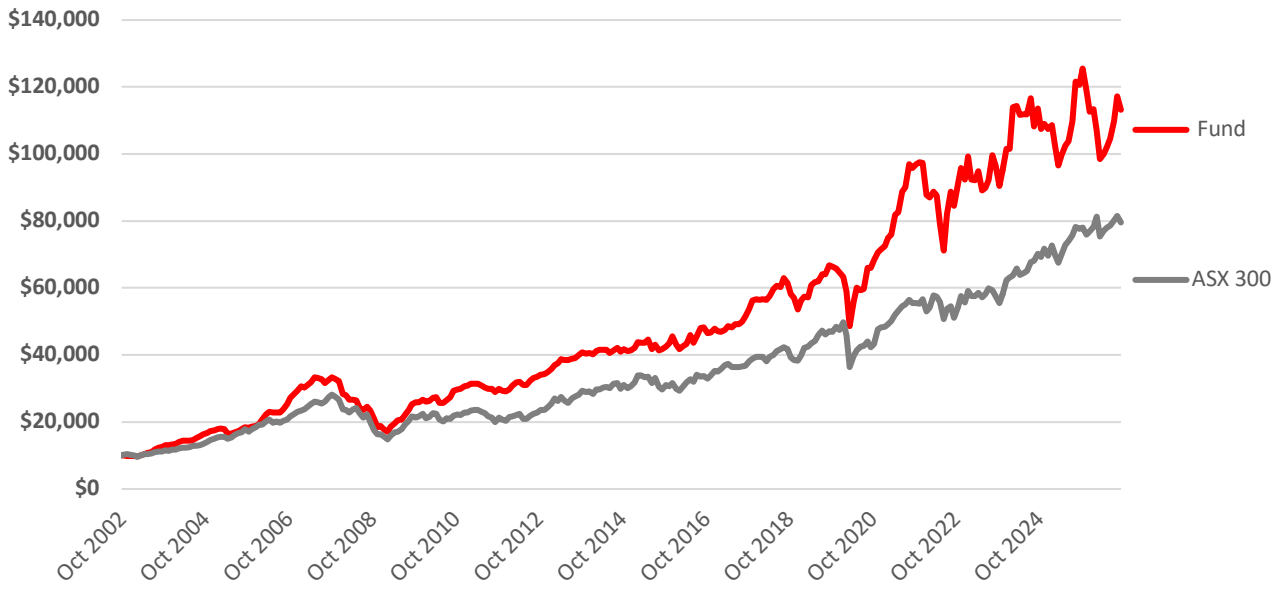
Fund Performance



While the table on the first page shows the performance of the fund over various time frames the graph above provides a visual representation of the fund against the ASX300 Accumulation Index benchmark since inception highlighting the benefits that accrue to compounding over the long term.

Portfolio Performance

The fund enjoyed some strong performers during the quarter with Bravura Solutions, PWR Holdings, Dicker Data and Cuscal all posting solid gains.

Bravura Solutions rose more than 60% during the quarter despite a result that had been well flagged to the market. Due to its weighting PWR Holdings was our largest contributor to fund performance as it rose 23% during the quarter as profits have started to return to their previous levels now the well documented relocation of their factory has been completed.

Our largest detractors to performance for the quarter came from Eagers Automotive and Redox which were both down 12% for the quarter, despite both reporting solid financial results. Redox revenues were up 6%, and profits rose 19% for the full year, and in a positive sign, a handful of directors also added to their holdings post the result.

Company Results

PWR Holdings

PWR Holdings appears to have put the cost of relocating its main factory behind it and delivered a strong result for the full year. Revenues were up 31% to $170m and profits were up 83% to $17.9m. There is still a way to go until the business is back delivering the sorts of results it was prior to the shift, but this was a big, and reassuring, step in the right direction.

Formula 1 regulatory changes for the teams led to a 45% growth in motorsports, and the other positive was the continuing momentum in Aerospace and Defence with its revenue up 30% for the year. Aerospace still remains only 20% of the business but it has grown more than seven-fold in revenue in the past five years. And it's the part of the business with the potential to be many times its current size as it broadens its business across three end markets, namely Defence, Commercial Aerospace and MRO.

The recent move into maintenance, repair and overhaul (MRO) sector of the aerospace industry presents an attractive opportunity for the company. In this sector the company reverse engineer critical parts in aerospace and then integrate these parts into maintenance cycles for the aircraft and military clients. This work is annuity-style contracts delivering a stable, recurring revenue stream regardless of economic conditions, and importantly less volatile than OEM contracts.

This work has already commenced at a small scale and they now have 12 parts in production, up from just 2 last year, and with potentially hundreds in the pipeline.

The other interesting aspect to the latest results was the announcement the company will open a new plant in Poland during the coming year. The plant will be built up over the next four years, and the company says it brings it closer to its European clients and access to its supply chain sources.

The company has added $50m in shareholders equity to its balance sheet over the past five years by retaining profits and we are yet to see any return on this, but if they can produce returns similar to those of the past the business should be earning upwards of $30m per annum in the near future.

Bravura Solutions

Bravura delivered one of the strongest results of reporting seasons for the portfolio. Revenue was up 10% but the continued reduction in operating costs led to a 76% increase in EBITDA which was at the high end of forecasts and allowed the company to pay a special dividend to shareholders.

It has been the best of both worlds for the past couple of years for Bravura with revenue growing steadily and operating expenses declining following a change of management.

Pulling costs out of a business can only continue for so long, and with only modest revenue growth it is inevitable the current rate of profit growth will slow. But the company appears to recognise this and is laying the groundwork for its next phase.

The company has appointed a new CEO this year who will be based in London, and he is tasked with attracting new clients. The company also recently listed its shares on the London Stock Exchange Alternative Investment Market (AIM). This means the company could issue capital in Europe and undertake bolt-on acquisitions to bolster its product offering should they appear.

The company also recently appointed two new directors who have a lot of experience with acquisitions also providing a hint as to where they may be heading.

Lovisa

Lovisa is emblematic of our investment strategy of buying good companies and holding for the long term, but also highlights the tolerance and patience required to withstand the pain of large falls in the share price from time to time.

As the table below shows Lovisa has grown more than six-fold in the past decade and has achieved this without raising any capital from shareholders. However, despite this the shares are down 35% for the past year and Lovisa was easily the largest reason for our negative return for the past year.

	2016	**2021**	**2026**
Revenue	$153m	$288m	$939m
Net profit	$16.5m	$27.7m	$95.5m
Earnings per share	**15.7c**	**25.8c**	**86.3c**
Dividends per share	8.7c	38.0c	86.0c
Total Stores	250	544	1,136
International Stores	**88**	**367**	**919**
% of store network	**35%**	**67%**	**80%**

The headline numbers for the latest year were positive with revenue up 17%, profits and dividends were up more than 10% and 160 new stores were opened. And perhaps more impressively the gross profit margin increased again. Over the past five years this has improved from 77% to 82%.

One of the most impressive features of the business is its return on assets. Its ability to generate high returns on capital from its small store footprint and high gross profit margins are outstanding. In the latest results it reported an Earnings Before Interest and Tax of $158m which only required $340m of assets to generate, a return of 46%. A gross profit margin similar to that of luxury brands, and a high return on assets, is why this business can grow quickly without asking shareholders to fund it. And unless that changes the business should continue to grow nicely.

Recent negative comments have focused on the challenges of the local economy, the emergence of a local competitor, falling same-store sales in the Australian business in the latest result, and the failure of management to provide predictions for new store openings. But what gets overlooked in all of this is that today Lovisa is largely an international retailer with only 20% of its business still in Australia, and this percentage is declining. In Lovisa we own an international business that just happens to be founded and listed in Australia.

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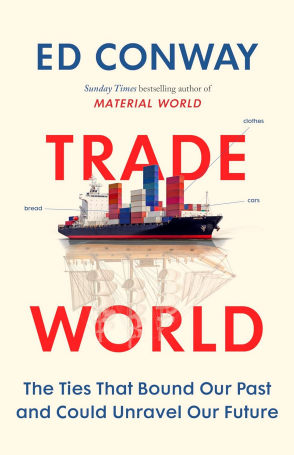
Steadfast

I mentioned in the last update that Steadfast had received a takeover offer at a price 50% above the previous trading price. The acquirer is a consortium that included private equity and given our recent experience with the AUB offer falling over I wasn't confident this would proceed. However, the deal now looks almost certain to proceed and will go to a vote of shareholders in November with finalisation likely before the end of the year.

Of the three insurance brokers we had owned, AUB Group is the only one remaining with PSC Insurance and now Steadfast falling into foreign hands.

Trade World

This time last year I wrote about the excellent book, **Material World** by Ed Conway. And now Ed Conway has delivered his latest work, **Trade World**, and it's just as good.



In his previous book Conway focused on the raw materials considered essential to keep the world functioning. In this book he traces the production of three products, namely bread, clothing and cars, and how these products go from raw materials to the finished product we buy. As a shareholder in Eagers and Lovisa the sections on clothing and cars were particularly fascinating.

The book goes into the history of each product and moves right through to recent events such as the closing of the Strait of Hormuz and highlights the interconnectedness of the current world. It also describes why consumer prices have become so much cheaper but equally the fragility that comes with these benefits.

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The Fund(s) Target Market Determination can be found at https://fundhost.com.au/Ganes-Focused-Value-Fund-TMD.pdf

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