GANES
FOCUSED VALUE FUND

APIR GCM0001AU | ARSN 117 119 712

JUNE 2025 QUARTER REPORT

Quarter Commentary

The fund recorded a positive quarter with the unit price up 7.5% while the market also rose 9.5% for the same period. For the past year the fund has delivered a return of -7.2%, underperforming the broader market return of 13.7% by 20.9%.

Over the longer term the fund has provided a return of 9.5% per annum for the past 20 years and 10.9% per annum since inception in 2002. The fund has outperformed the market by 1.7% per annum after all fees and expenses since inception. A $10,000 investment made at inception is now worth $103,852 against $73,990 for the ASX300 benchmark.

A strong rebound in Lovisa shares in recent weeks has contributed to a good quarter, while our overall negative returns for the year can be largely attributed to large falls by PWR Holdings and Reece during the year.

We added to our holding of Fiducian Group during the quarter which has led to it returning to the top 10 holdings for the first time in several years. We are no strangers to Fiducian having owned it since 2006. A more detailed explanation of the business is provided later in the update.

Due to price movements Redox and New Hope drop out of the top 10 and Cochlear returns. During the quarter Redox saw its share price fall more than 20% while Cochlear rose 15%.

Our cash weighting was 3.0% at the end of June.

A distribution of 22.03c per unit will be paid shortly to unitholders that have elected to receive their distribution in cash.

Performance as at 30 June 2025:

	Fund (net of fees)	ASX 300 Accum. Index
3 months	7.5%	9.5%
1 year	-7.2%	13.7%
3 years p.a.	13.4%	13.4%
5 years p.a.	11.9%	11.8%
10 years p.a.	9.6%	8.9%
20 years p.a.	9.5%	7.9%
Since Inception (p.a.)*	10.9%	9.2%
Value $10,000 invested since inception	$103,852	$73,990

*Inception date of Fund is 14/10/2002

Unit Prices as at 30 June 2025 (pre-distribution):

Entry Price	$4.5255
Unit Price	$4.5142
Exit Price	$4.5029

Top 10 Holdings:

Company	Code	Weight (%)
Lovisa	LOV	15.8
AUB Group	AUB	12.0
PWR Holdings	PWH	11.7
MFF Capital Investments	MFF	9.6
Eagers Automotive	APE	9.1
ARB Corporation	ARB	7.1
Dicker Data	DDR	5.1
Fiducian Group	FID	4.6
Reece Australia	REH	4.4
Cochlear	COH	3.8

Top 5 Sector Exposures:

Sector	Weight (%)
Consumer Discretionary	45.7
Financials	28.7
Industrials	8.1
Information Technology	7.3
Healthcare	3.8
Other (including Cash)	6.4

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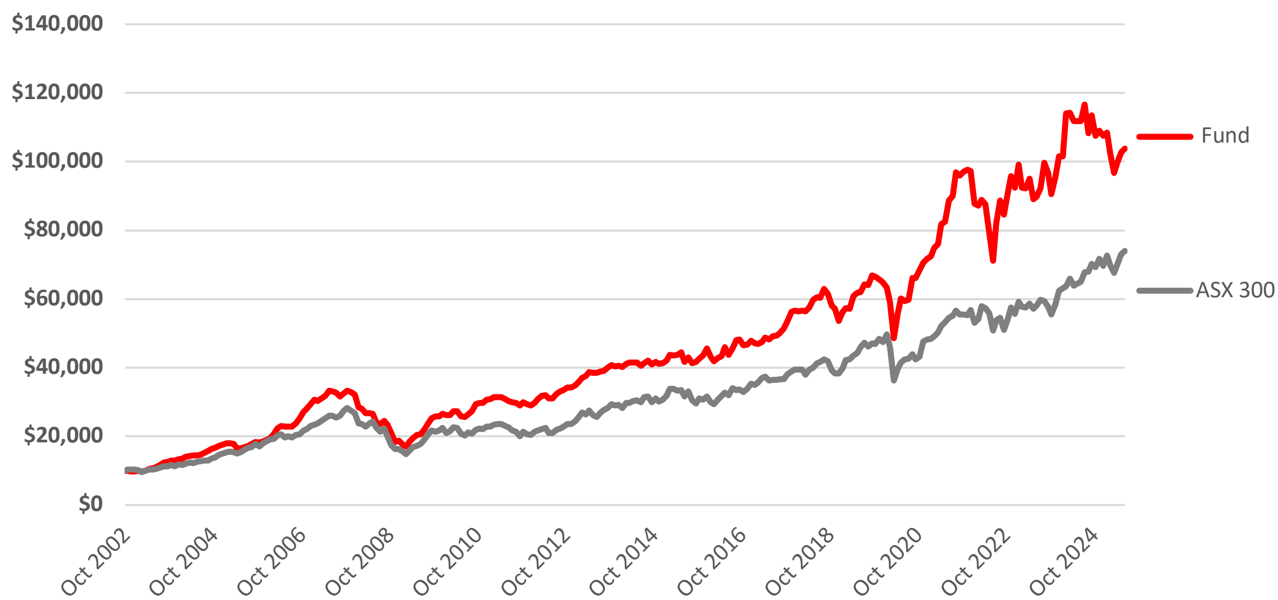
Fund Performance



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 main contributors to fund performance during the quarter were Lovisa, AUB Group, Eagers Automotive and Smartpay, while the main detractors were Redox and Reece.

After falling 20% during the March quarter, Lovisa then rose 32% during the June quarter to effectively end the year back where it started in July last year. If anyone could have predicted that they should buy a lotto ticket and let me know the numbers.

Redox and Reece both fell by nearly 25% during the quarter. Redox has not made any announcements but a broker has recently revised down their earnings estimates for the year. By contrast, Reece recently did announce that their full-year earnings will be lower than expected and tough trading conditions are continuing in their US operations. The shares were punished accordingly.

For the full year our biggest contributor was by far Eagers Automotive, followed by MFF Capital and AUB Group while the largest detractor by far was PWR Holdings followed by Reece.

We purchased Eagers Automotive approximately a year ago after it delivered a profit warning and the share price had fallen. We were fortunate to have funds from the Altium takeover to purchase a position significant enough to add to the portfolio performance. The shares have since risen 65% adding just over 3.5% to the fund performance for the year. On the flip side PWR Holdings has taken more than 5% off fund performance for the year.

Portfolio Update

Lovisa recently opened its new Jewells retailing concept in the UK with seven stores, including a flagship store in London. It's very early days but founder Brett Blundy believes the business is designed to be a global business. Jewells will sit under the Lovisa umbrella but as a stand-alone retail concept. There were also changes to the Board with former David Jones and Premier Investments CEO, Mark McInnes, joining the company as Executive Deputy Chairman. McInnes's vast retail experience will be handy with the company now operating more than 1,000 stores globally, and the Jewells brand starting up.

Eagers Automotive presented an optimistic outlook at their AGM in May. The company is aiming to add a further $1billion in sales for the current year and added that the company was trading slightly ahead of expectations for the year, although it will be a tale of two halves with the second half expected to be stronger than the first.

It also announced it had signed a revised agreement with BYD for their joint-venture in Australia. Only a year ago BYD sales were one of the reasons for their profit downgrade, but now BYD sales are going through the roof, so this should be a positive move.

On a cautionary note, the CEO stated they are also looking at opportunities to buy dealerships overseas, most likely in Canada. Overseas acquisitions don't excite me but mitigating this concern is that major shareholder, Nick Politis does have experience in running dealerships in the USA, so I guess it is watch this space for the moment.

Smartpay has entered into an agreement to be acquired by US based payments processor, Shift4 during the past month at NZ$1.20, approximately $1.11 per share. This is our third takeover offer in the past year, but unlike Altium and PSC Insurance which I was disappointed to see leave the portfolio we may be receiving a get-out-of-gaol card here.

Proposed Australian legislation to ban debit card surcharges, the company's main source of revenue, changes the Smartpay business model eliminating a big source of their revenue and profits. The news saw the share price plummet eliminating most of our gains since investing in 2020. I decided not to sell at the much lower price given this was only proposed legislation, we were facing an election in a few months, and the New Zealand business remained untouched by the legislation.

As fortune would have it only a few months later the company received a takeover proposal at more than double the price we could have sold at late last year. The current takeover offer is also nearly double our purchase price and hence our overall returns at the end of the day will end up being decent.

PWR Holdings run of bad luck continued with CEO and founder, Kees Weel, advising the board he needed to take medical leave to treat an acute medical condition. The timing was unfortunate with the company in the middle of relocating its factory. Matthew Bryson has taken over the role as interim CEO. Matthew is the Chief Technical Officer and has been with PWR for nearly 25 years, as well as being a major shareholder in his own right. We have met Matthew numerous times over the years, and I caught up with him after the announcement and feel confident the company is in good hands while we wait for the return of Kees.

Fiducian Group

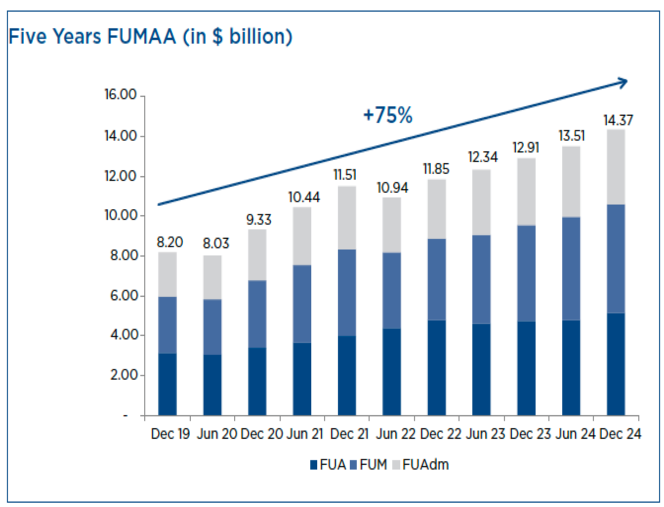
Fiducian Group has been in the portfolio since 2006 and re-entered the top 10 holdings during the quarter after adding to our holding after the company reported profits were up 26% on the prior year and the dividend was increased by 20%. Fiducian is a capital-light financial services business founded in 1996 by its Executive Chairman and largest shareholder, Indy Singh. It operates across the range of financial planning, funds management and platform administration, which means it earns fees from each of the various stages of managing its client’s assets.

It's a business model that has been very successful as shown in the table below.

	2010	2015	2020	2024
Share Price	**$1.23**	**$1.70**	**$5.00**	**$7.45**
Net profit (pre amortisation)	$4.1m	$5.7m	$12.7m	$17.7m
Earnings per share	**12.7c**	**18.6c**	**38.3c**	**56.3c**
Dividends per share	8.5c	10.0c	23.0c	39.3c
Shareholders’ Equity	$16.8m	$21.2m	$38.3m	$54.6m
Return on Equity	**24.4%**	**26.9%**	**33.2%**	**32.4%**

The company has mostly grown organically over the years, but it does also make small acquisitions of financial planning businesses on a regular but opportunistic basis. All its growth has been funded internally, having not raised any capital from shareholders for more than 20 years. And its high return on equity is achieved without the use of any debt. At the last balance date the company held $29 million in cash, against the $56 million of shareholders equity.

Funds under Management and Administration (FUMAA) is a key driver of profits and this has been growing steadily, reaching $14 billion in the latest half-year result. The company usually generates operating earnings of nearly 20 basis points, or 0.2%, on these funds so this graph provides a good visual representation of the progress of the business.



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Annual Returns update

As in previous years the table to the right highlights the annual returns for the fund over the past decade. Our rate of beating the market 60% of the time remains unchanged after the disappointing result for this year.

The broader market has delivered positive returns in 8 of the last 10 years, and both negative years were quite modest – including the 2020 Covid year. A large part of the market's recent strong performance can be attributed to the performance of the Commonwealth Bank, which was up 43% for the past year and 22% per annum for the past 5 years. I think it might be optimistic to think that this will be repeated over the next five years.

Financial Year	Fund Return	ASX300 Return	Difference
2016	4.8%	0.9%	**3.9%**
2017	12.5%	13.8%	**-1.3%**
2018	23.2%	13.2%	**10.0%**
2019	2.5%	11.4%	**-8.9%**
2020	-4.4%	-7.6%	**3.2%**
2021	49.5%	28.5%	**21.0%**
2022	-19.7%	-6.8%	**-12.9%**
2023	26.2%	14.4%	**11.8%**
2024	24.4%	11.9%	**12.5%**
2025	-7.2%	13.7%	**-20.9%**

Volatility

It's not unusual to have one of our investments fall 50% during any given year. An unexpected profit result, changes in their business environment or a sudden reversal of fortunes can all play their part. But most unusually we have had four of our top 10 holdings fall more than 50% during the year, and three of them, PWR Holdings, Reece and Redox, remain near their lows. These are four well-managed, well-established businesses operating in very diverse industries across different geographies, so it's ***very*** unusual in a year when the market has produced a positive return. And it's the reason the fund has just reported a negative return and underperformed the market, exactly the opposite of what we are trying to achieve.

I thought it might be interesting to frame one of the four companies, Lovisa, in terms of movement of market capitalisation rather than percentage terms so you can get an idea of the quantum of these movements.

Lovisa started the financial year with a market capitalisation of $3.5 billion. A few weeks later, after releasing their financial results during August, the company had risen to a market capitalisation of $4.1 billion. So, investors were happy to pay $600m more for the business than a few weeks prior.

Seven months later, after releasing their mid-year results and market uncertainty surrounding the tariffs being imposed by the US President, the market capitalisation fell nearly 50% to $2.2 billion. So some shareholders were now sellers of the business for $2 billion less than they had been happy to pay only a few months prior.

Three months later at the end of June the market capitalisation had climbed back to $3.4 billion. Again, in the space of a few weeks investors were now willing to pay $1.2 billion more than they were prepared to in April and effectively the same price as investors were paying a year ago.

Bear in mind that apart from the departure of the CEO who has been replaced, this was a very normal year for Lovisa. They opened a further 100 stores and their results were largely within expectations. **A movement of more than $2 billion in market capitalisation during the year is not reflective of the events within Lovisa, it is reflective of the thinking in the minds of shareholders.**

Having some investors happy to pay optimistic prices to buy into the business, and some other existing shareholders who at times sell their stake to you at depressed prices can be to our advantage, even though it can cause poor absolute and relative investment performance in the short-term.

As long as we are not forced sellers and have the temperament to not let the volatility cloud our judgment, volatility will add to our returns over the long-term, rather than detract from them. It just doesn't feel comfortable while it's occurring.

Finally, we currently own several companies that are selling at less than 10% off their 52-week lows. All things being equal this means the portfolio offers much better value today.

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