

MARCH 2026 QUARTER REPORT

Quarter Commentary

The fund recorded a negative quarter with the unit price down 12.4% while the market also fell 2.0% for the same period. For the past year the fund has delivered a return of 2.0%, underperforming the broader market return of 11.6% by 9.6%.

Over the longer term the fund has provided a return of 7.7% per annum for the past 20 years and 10.3% per annum since inception in 2002. The fund has outperformed the market by 1.3% per annum after all fees and expenses since inception. A \$10,000 investment made at inception is now worth \$98,578 against \$75,419 for the ASX300 benchmark.

The fund reported a negative quarter largely as a result of falls in three of our larger holdings, namely Lovisa, ARB Corporation and AUB Group. In the case of Lovisa and ARB corporation this was due to a weaker profit result than expected, while in the case of AUB Group it was because of fears of AI disrupting the business. A fear I believe that is out of proportion with the price movement.

Because of the fear of AI disrupting all in its wake, and the spike in oil prices following the attacks on Iran, news headlines have played a far greater influence on share price movements during the quarter than the underlying results of our businesses.

There were no changes to our top 10 holdings during the quarter. We added to our AUB holding and slightly trimmed PWR Holdings on valuation grounds.

The fund had a cash weighting of 7.0% at the end of March.

Performance as at 31 March 2026:

	Fund (net of fees)	ASX 300 Accum. Index
3 months	-12.4%	-2.0%
1 year	2.0%	11.6%
3 years p.a.	2.3%	9.4%
5 years p.a.	5.4%	8.5%
10 years p.a.	8.7%	9.4%
20 years p.a.	7.7%	6.8%
Since Inception (p.a.)*	10.3%	9.0%
Value \$10,000 invested since inception	\$98,578	\$75,419

*Inception date of Fund is 14/10/2002

Unit Prices as at 31 March 2026:

Entry Price	\$4.0504
Unit Price	\$4.0403
Exit Price	\$4.0302

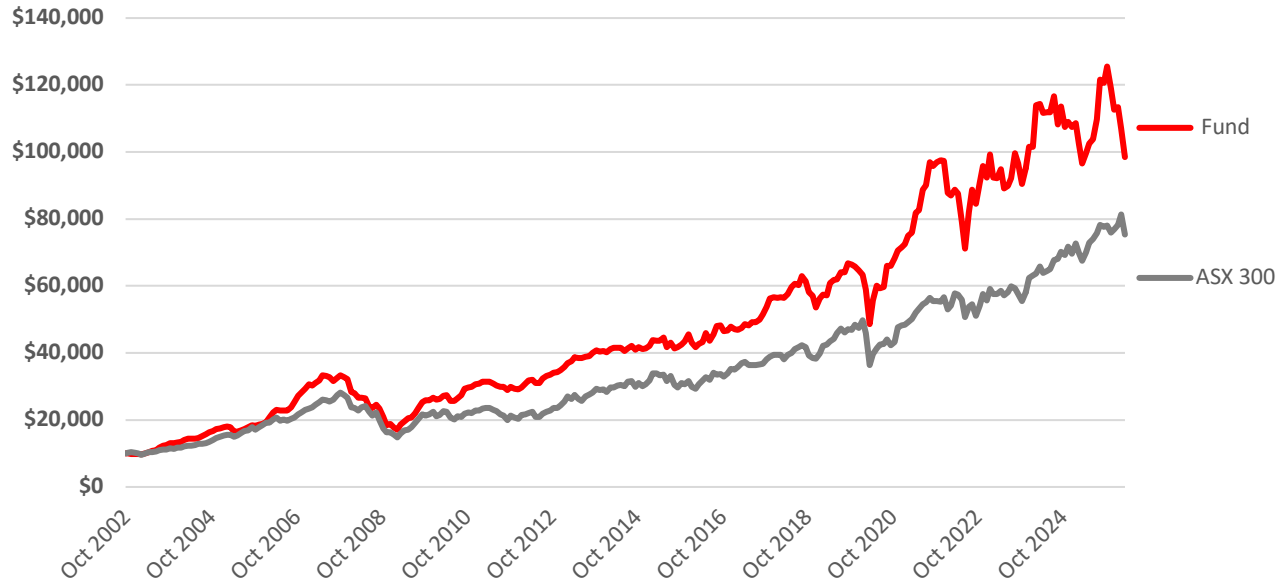
Top 10 Holdings:

Company	Code	Weight (%)
PWR Holdings	PWH	14.1
MFF Capital Investments	MFF	11.5
Lovisa	LOV	10.7
Eagers Automotive	APE	10.2
AUB Group	AUB	10.1
Redox	RDX	7.4
Dicker Data	DDR	6.2
Fiducian Group	FID	5.9
ARB Corporation	ARB	5.5
Bravura Solutions	BVS	3.2

Top 5 Sector Exposures:

Sector	Weight (%)
Consumer Discretionary	41.9
Financials	31.5
Information Technology	9.4
Industrials	8.0
Healthcare	2.2
Other (including Cash)	7.0

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

Very few of our larger holdings experienced positive returns for the quarter. The best performers were PWR Holdings and Redox which were both up 10%. The lengthy list of companies that detracted from our returns included the three previously mentioned holdings in Lovisa, ARB Corporation and AUB Group.

PWR Holdings reported a 28% increase in revenues and a 38% increase in profits which saw the share price rise 10% for the quarter. After last year's disappointing results there are signs the business has now recovered and can resume its growth trajectory, especially in its aerospace division.

Lovisa had the largest impact on performance as its share price fell 28% during the quarter. The price has halved from its highs of last year but despite this the shares are still only slightly down on this time last year.

ARB Corporation was the other large detractor when its shares fell 33% on the back of a weak profit result. Despite reporting similar revenues, its profit margins were crunched as the Australian dollar fell against the Thai baht leading to higher production costs and an 18% fall in profits.

Company Updates

Lovisa

The Lovisa store rollout continued during the last half with a net 64 new stores opened during the period. The United Kingdom, Germany, Canada and the USA being the main growth markets. Revenues were up 22% and underlying profit up 21% as well. But despite these headline numbers the share price was down significantly and as you can see in the chart below, they are back trading near where they were in 2021 and 2022. Why is that? Well, it's the use of 'underlying' profits to exclude the larger than expected losses of \$11.2m for the half-year incurred in their start-up brand Jewells that frightened investors.



Lovisa Holdings Limited (LOV) Stock Price

59.3% price return over 5.00 years - 9.8% CAGR

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	2015 (IPO)	2021	Jun 2025	Dec 2025
Revenue	\$134m	\$288m	\$798m	\$893m
Total Stores	239	544	1,031	1,095
International Stores	79	367	817	876

Jewells incurred \$11.2m in losses on \$2.5m of revenue from 6 stores in just six months. These are not numbers that will excite anyone. But from another perspective it is a reasonably small investment by a very successful retailing business to add another brand in an adjacent market without acquiring one. And the Lovisa founders have a great track record in founding new retail brands.

In effect the market is capitalising these losses as a permanent part of the business when management have at least three options for the future. Firstly, the brand gains traction and these losses diminish and turn into additional profits. Alternatively, if the brand is considered a failure within the next 12-18 months, then the current handful of stores in the UK could be closed and the losses discontinued. And lastly, and probably least likely, Jewells is the baby of Brett Blundy, the Chairman and founder of Lovisa, and he could acquire the business from Lovisa and house it within his personal retail empire, again eliminating the losses that Lovisa is currently bearing.

I believe the market is taking a very short-term view of the Jewells business, and it appears some of the Directors do too. Brett Blundy, who owns 39% of the company and has never bought or sold any shares since the company listed, bought \$6m worth of shares on-market during March. Two other directors also made more modest on-market purchases. That is a good sign of Blundy's confidence in the future of the business.

AUB Group

AUB reported a healthy profit result for the half-year. Underlying profits were up 13.9% on the back of a 6.6% increase in revenue, they increased their dividend by 8% on the previous year, and indicated profits are likely to be up more than 10% for the full year. However, the shares were sold down more than 20% during the quarter. The company was swept up in the fear that AI will allow customers to bypass brokers and navigate the process of buying insurance directly from underwriters.

While this is likely to happen for simple lines of insurance such as car insurance and home contents, it will be far more difficult when assessing specialised and complex risks for business owners, AUB's typical client. And for simpler risks AUB already has the Bizcover platform which reported that revenues were up 13% on the prior year and profits were up 23%. Bizcover only represents 10% of the overall profits of AUB but it is the most profitable part of the business with margins of 46%, up from 37% a few years ago. And it already uses AI within its business processes, so it's clear that AI also offers benefits, not just risks.

The company also announced the acquisition of Prestige for \$432m during the quarter. Prestige is a broking and underwriting agency business in the UK with net revenue of approximately \$100m and this will be their fourth acquisition in the UK in recent years.

It is hard to believe that only a few months ago the company received a takeover offer for \$45 per share, and after reporting an increase in profits, increasing their dividend, and predicting profit growth the share price is down nearly 50%.

Bravura Solutions

Despite exceeding market expectations when reporting an increase in profits and paying a special dividend, Bravura also fell more than 20% during the quarter around fears that AI disruption will also severely disrupt software providers. The argument being that what has been a high-margin proprietary business is set to become a low-margin commodity business as AI provides a cheaper source of code and can be undertaken from within the business.

The counterargument, admittedly offered by software company executives, is that there is far more to their businesses than just writing code, and not all businesses will be affected equally. So, it is possible there may be a bifurcation in the industry where some software businesses that only offer something generic and don't own their data will struggle, while software that is deeply embedded, in a highly regulated environment and providing the "source of truth" will survive and possibly thrive.

At this stage nearly every business is being treated as the former, whereas I would argue Bravura and its products form part of the latter. As I wrote in the last update, Bravura provides software to large multi-national corporations operating in a complex, highly regulated environment. The risks of writing your own software to reduce costs against the risk of being non-compliant for the various bodies and counter-parties they deal with seems an unattractive proposition to me.

The share price is not the valuation

The latest quarter has seen indiscriminate selling at times. Whether it was unexpected profit results, fears of war and recession, fears of AI, or just a general desire to reduce or avoid risk, many of our businesses have been on the receiving end of some savage price movements. We have seen this before and it appears increased volatility may be a feature of markets for the foreseeable future. But the underlying value of businesses rarely change at anywhere the same rate as the market, either up or down. Markets will always move further and faster than the underlying fundamentals of the businesses themselves and so these periods can offer an attractive opportunity to add businesses to the portfolio at value rarely seen.

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