

Greencape High Conviction Fund

Quarterly report - June 2025

Performance #	Quarter %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	15 years % p.a.	Inception % p.a.
Fund return	5.45	7.96	12.37	10.78	9.53	9.92	9.46
Growth return	0.88	2.60	6.14	2.77	2.40	2.89	2.61
Distribution return	4.58	5.36	6.23	8.01	7.13	7.03	6.85
S&P/ASX 200 Accumulation Index	9.50	13.81	13.56	11.85	8.86	9.14	7.26
Active return [^]	-4.05	-5.85	-1.18	-1.07	0.67	0.79	2.21

Past performance is not a reliable indicator of future performance.

Performance figures are calculated after fees have been deducted and assume distributions have been reinvested. No allowance is made for tax when calculating these figures.

[^] Numbers may not add due to rounding

Investment objective

The Fund aims to outperform its benchmark over rolling three-year periods.

Responsible entity

Fidante Partners Limited

Investment manager

Greencape Capital Pty Ltd

Investment strategy

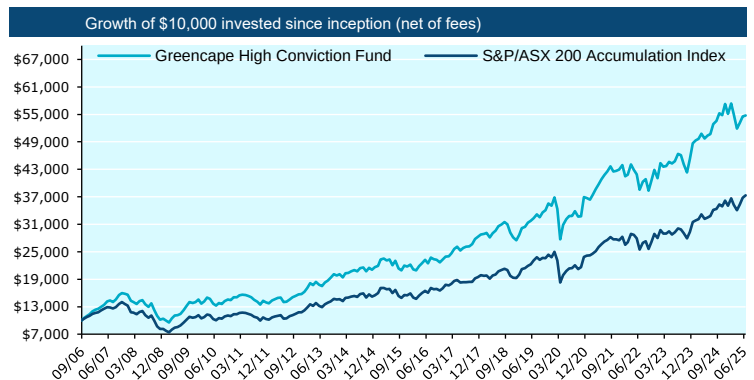
Greencape is an active, 'bottom-up' stock picker. Whilst Greencape does not target any specific investment style and will invest in stocks displaying 'value' and 'growth' characteristics, its focus on a company's qualitative attributes will generally lead to 'growth' oriented portfolios. This is an outcome of its bottom-up process. As such, Greencape's investment style may be classified as 'growth at a reasonable price'.

Distribution frequency

Quarterly

Suggested minimum investment timeframe

At least five years



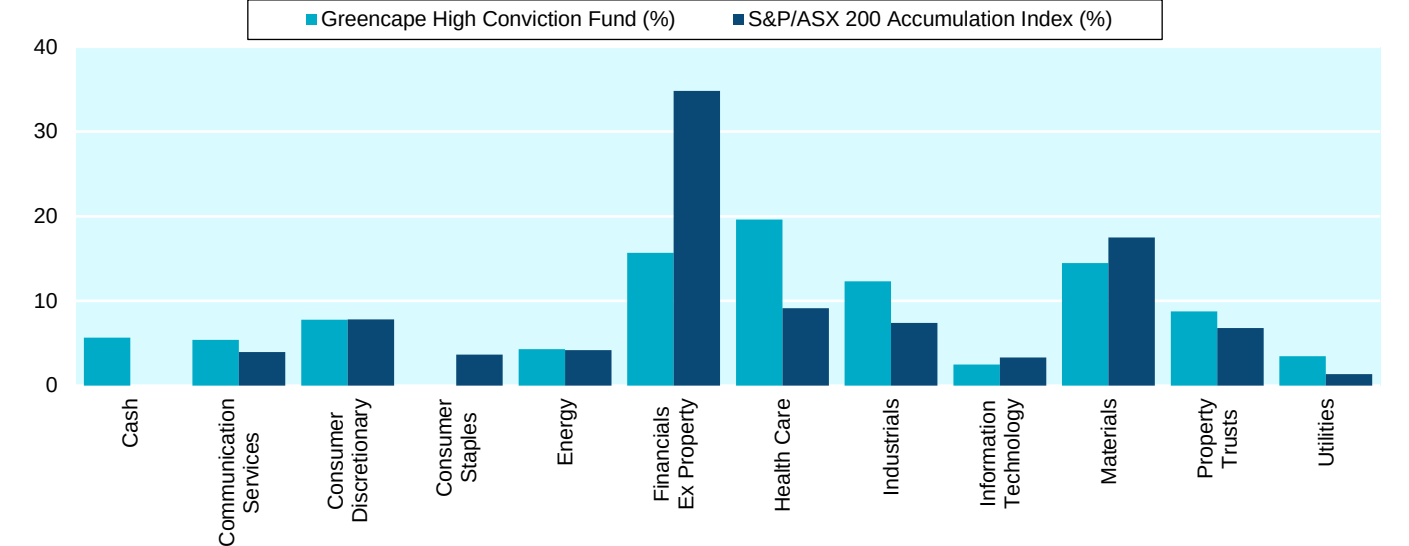
Asset allocation	Actual %	Range %
Security	94.34	85-100
Cash	5.66	0-15

Fund facts	
Inception date	11 September 2006
APIR code	HOW0035AU

Fees	
Entry fee	Nil
2022-2023 ICR	0.90%
Management fee	0.90% p.a.
Performance fee	15% of the Fund's daily return (after fees and expenses and after adding back any distributions paid) above the Fund's Performance Benchmark (the daily return of S&P/ASX 200 Accumulation Index).
Buy/sell spread	+0.20% / -0.20%

Data Source: Fidante Partners Limited, 30 June 2025.

Sector exposure as at 30 June 2025



Data Source: Fidante Partners Limited, 30 June 2025.

Fund performance summary

The S&P/ASX 200 Accumulation Index returned +9.50% for the quarter. The fund underperformed the market and delivered a +5.45% return over the quarter.

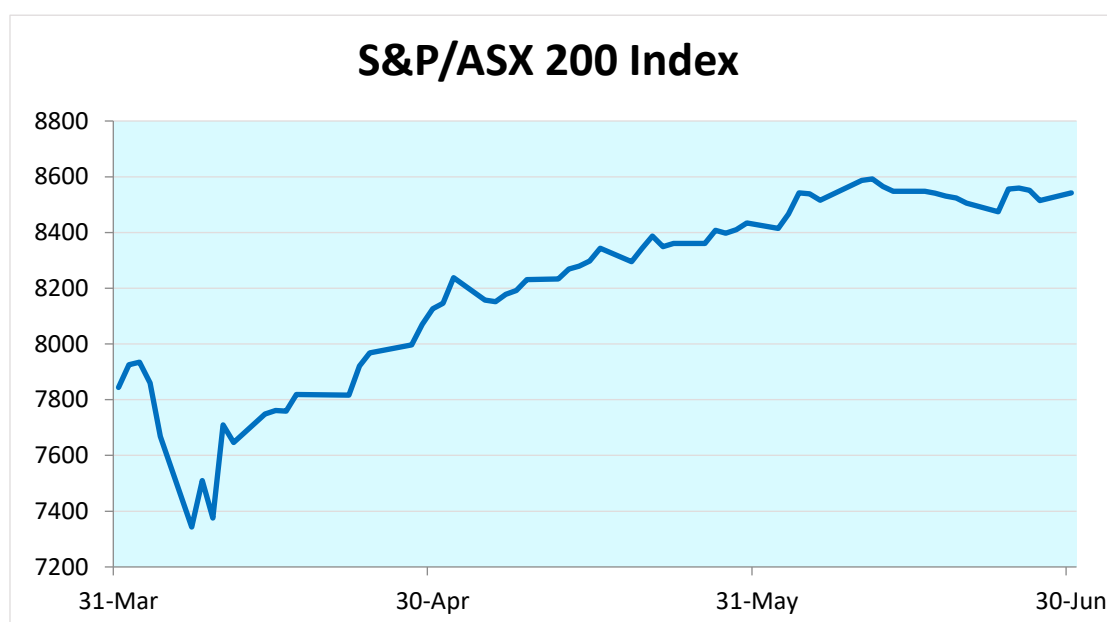
Market overview

The Australian equity market delivered a strong rebound in Q2, with the ASX200 Accumulation Index rising 9.5%, underpinned by strength in growth and financial stocks. This was despite the market initially falling ~6% in the first week of April after the extent of Tariff rates announced on Trump's "Liberation Day" shocked markets, particularly in the US. Markets then recovered throughout the remainder of the quarter.

Whilst our investment return was positive in absolute terms for the quarter our portfolios underperformed the market. The majority of this was due to a combination of the following 3 factors. The largest was our overweight position in Healthcare where negative tariff sentiment continued to weigh on stocks we own. Our overweight position in IDP Education (IEL) was hit hard following an unexpected downgrade. And our underweight positions in expensive defensives such as CBA, Telstra (TLS) and Wesfarmers (WES) continued to be performance drags as their P/E multiples expanded further.

"The word tariff is the most beautiful word in the dictionary." — President Donald Trump, April 2, 2025

S&P/ASX 200 Index



Source: IRESS

Investor appetite was buoyed by the resolution of near-term trade concerns between the US and China, a ceasefire in the Middle East, and a resumption of AI enthusiasm following weakness earlier in the year. As fears of a global recession subsided, equity markets climbed a wall of worry, aided by central banks retaining optionality on further rate cuts and resilient corporate earnings.

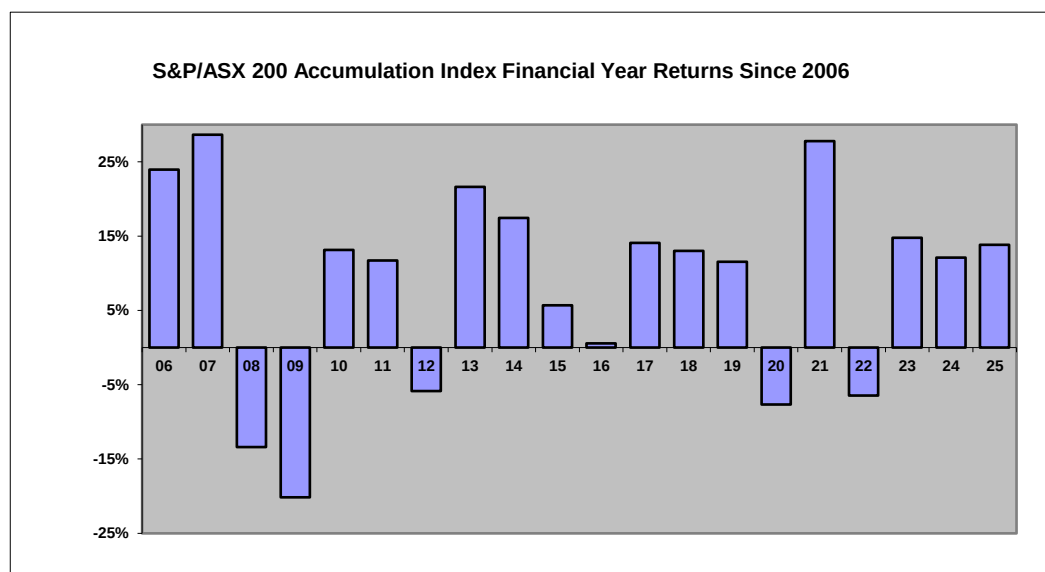
In Australia, the market posted three consecutive monthly gains. Volatility persisted through the quarter, but optimism grew as the economy appeared to weather earlier shocks. The RBA's May decision to keep rates on hold was widely expected, though the Board retained a dovish tone. Economic data showed signs of slowing—most notably in jobs and inflation—supporting the case for further monetary easing in the second half.

Globally, markets were dominated by geopolitical developments and a reassessment of the impact of protectionist trade policies. Trump's newly installed administration moderated its stance after early provocations, including a brief imposition of tariffs on key trading partners. Markets found relief in a 90-day tariff truce between the US and China, with risk assets rallying accordingly.

AI-related equities recovered sharply in the quarter, with the release of stronger-than-expected earnings from several tech heavyweights in the US driving sentiment higher. Semiconductors and software companies led gains, helping Australia's tech sector to recoup losses from the prior quarter. Energy stocks also saw a sharp resurgence, particularly in uranium and oil, supported by supply-side disruptions and a geopolitical risk premium.

The FY25 year closed out the market's 3rd consecutive year of low double digit returns as shown in the chart below.

"We're celebrating the biggest bill of its kind ever signed and it's going to make this country into a rocket ship." — President Donald Trump, July 3, 2025



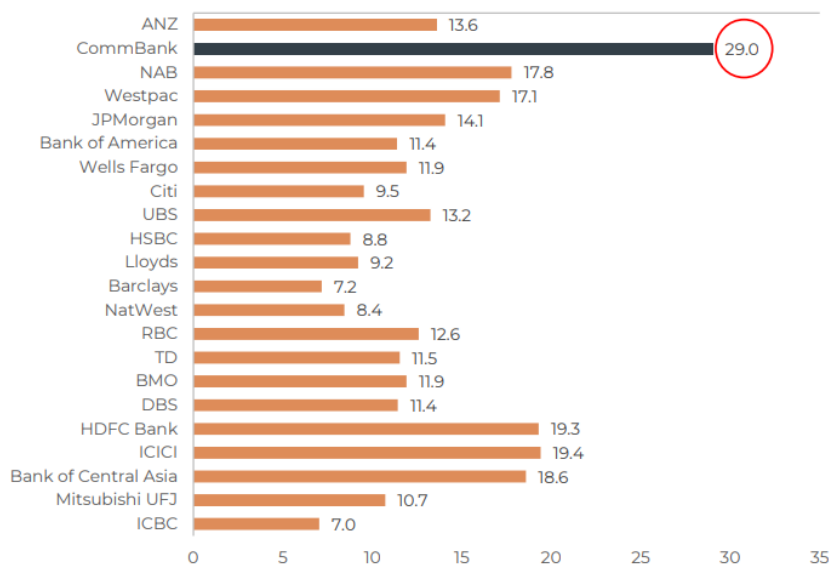
The performance by sector for the quarter is summarised below.

	QUARTER	YEAR
ASX200 Accumulation Index	9.5%	13.8%
Best Performing Sectors		
Information Technology	28.4%	24.2%
Financials ex Property Trusts	15.8%	34.3%
Telecom	14.1%	27.8%
Worst Performing Sectors		
Materials	-0.7%	-2.3%
Utilities	2.0%	4.6%
Healthcare	2.7%	-4.6%

Information Technology staged a powerful recovery in Q2, reversing its Q1 losses to become the standout performer. A renewed surge in investor interest around AI and semiconductors drove gains, with names such as Life360 (360) and Wisetech (WTC) significantly outperforming. WTC's Q2 strength came despite corporate governance noise in Q1, as M&A activity and positive sentiment in global tech lifted the sector broadly.

Financials delivered strong quarterly performance, buoyed by the large banks. CBA made headlines as the first ASX-listed company to surpass a \$300 billion market cap with its P/E ratio re-rating from < 20x to close to 30x (see chart below) over the last 18 months and now making up ~ 12% of the equity market indices. Improved investor confidence and supportive macro data contributed to sector-wide gains, while ZIP was a notable standout, surging on upgraded EBITDA guidance.

Figure 36 - Global Peer Bank PE (x)



Source: Company data, FactSet, Barrenjoey Research

Telecommunications (largely Telstra) continued its steady climb, supported by resilient earnings and the sector's perceived defensiveness amidst global uncertainty. Its year-to-date performance now exceeds +28%.

Materials was the only sector to post negative returns for the quarter. Gold miners rose early in the quarter but then gave back their gains as the quarter progressed.

Utilities underperformed again, delivering only modest gains. As a traditional bond proxy, the sector faced headwinds amid elevated long-end bond yields and limited earnings momentum.

Healthcare remained a relative laggard. Although the sector posted a small quarterly gain, year-to-date performance remains in the red. Lingering uncertainty over the US administration's 'Make America Healthy Again' agenda and negative earnings revisions for companies such as CSL continued to weigh on sentiment.

Offshore Snippets

During the quarter, we travelled to the US, the UK and broader Europe. Some of the observations we found interesting are below:

- In the US in early May it was apparent how rattled and uncertain Corporates appeared to be following the initial tariffs announcement. In fact, we found ourselves receiving apologies on behalf of their country for the impact the Trump administration was having on the rest of the world!
- The US Consumer remained resilient despite the Tariff uncertainty. For example, US Casinos gaming revenue growth remains at low single digits, with the only negative cited by casino operators being shorter visibility on forward hotel bookings.
- Both Aristocrat (ALL) and Light & Wonder (LNW) continue to demonstrate steady market share gains within US Casinos, despite them both currently being locked in a legal dispute with each other!
- The US is increasingly becoming aware of its disadvantage relative to China in the supply of rare earth minerals, particularly for their Defence industry. Despite a push on making permitting easier, the US is not an easy country to mine in, hence we expect they'll continue to be reliant on foreign suppliers such as Lynas (LYC).

- US Energy Transition funding under Biden's Inflation Reduction Act (IRA) is being unwound across the board. Decarbonisation has clearly fallen down the list of priorities for the Federal Administration.
- European Datacentre demand is accelerating given the push into AI, somewhat playing catch-up to the US which has led the charge to date. We believe Goldman Sachs (GS) is well placed to benefit from this trend.
- The UK new housing and construction market has an improved outlook. Government initiatives are supportive of new supply, assisting in addressing the significant shortage of housing. Despite this, UK homebuilders and Building Material providers remain cautious, given the history of 'false dawns' in the industry.

Genesis Minerals (GMD)

Whilst we do not profess an ability to predict the future direction of the gold price, we do have sympathy for the rationale that it could move higher still over time with supporting factors being spiralling US government debt and elevated geopolitical uncertainty. That's not to say that the gold price equally couldn't see a correction after the strong run it's had in the first half of 2025. Rather than try and predict the gold price, and hence whether now is a good time to own gold mining companies, we prefer to focus on gold miners with management teams that we think can create shareholder value above and beyond the gold price trajectory over time. As a backdrop, gold miners currently make up ~ 3.5% of the market.

"Gold is a real asset class. It's no longer for lunatic survivalists and wild speculators." — Jeffrey Gundlach, CEO of DoubleLine Capital, 11 June 2025

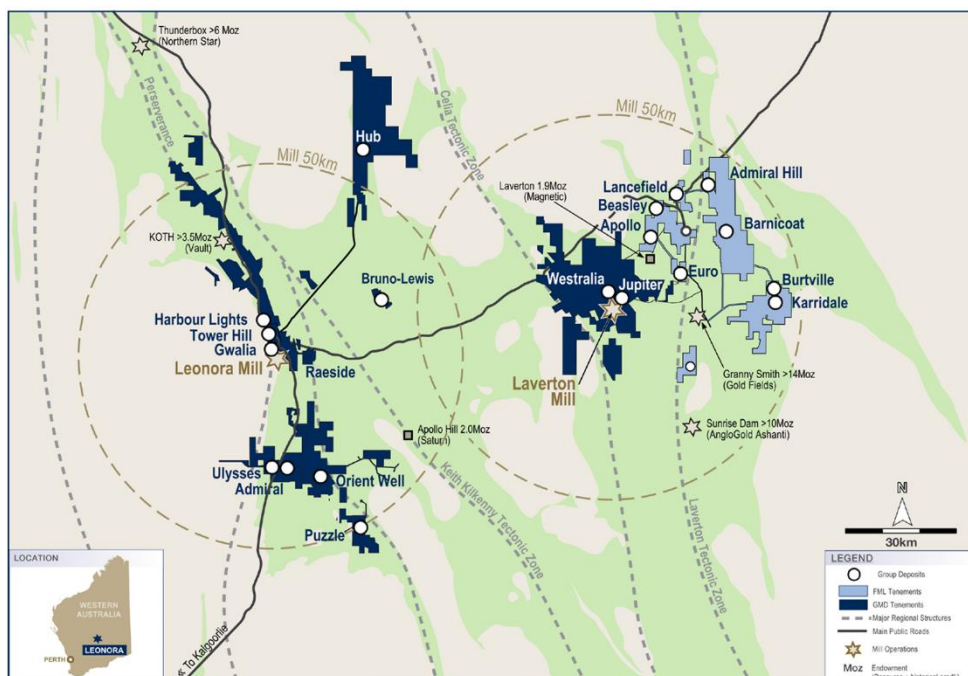
Backing a Proven Leader

Our decision to invest in GMD is underpinned by our confidence in Raleigh Finlayson who became the Managing Director of GMD in 2022, and whose track record speaks for itself. During his 14-year stint as CEO of Saracen, Raleigh oversaw a transformation that saw the company grow from a ~ \$100m explorer into a A\$6 billion producer, culminating in its merger with Northern Star Resources in 2020.

In looking to replicate the success he had at Saracen and by all accounts being a great person to work for, Raleigh has been able to attract a strong team of operational managers, many of whom worked with him previously with him at Saracen and Northern Star. This depth of experience across both open pit and underground mining has allowed GMD to acquire gold mines such as Gwalia and add-value by improving how mining operations are carried out.

The GMD strategy of being solely focused on the prolific Leonora and Laverton Goldfields region in Western Australia is a key attraction. Having assets in close proximity gives operational flexibility and allows for greater senior management oversight when compared to listed peers such as Northern Star and Evolution which have assets in Alaska and Canada respectively. It helps too that Leonora was where Raleigh was born and raised, with many close personal relationships in the region that we witnessed on a site visit. We've also been impressed by Raleigh's approach to personally leading the engagement with the local indigenous community which we understand has played a large part in building their trust in the mining projects.

Map showing GMD's mining leases and processing mills below:



Source: ASX, 10/06/25

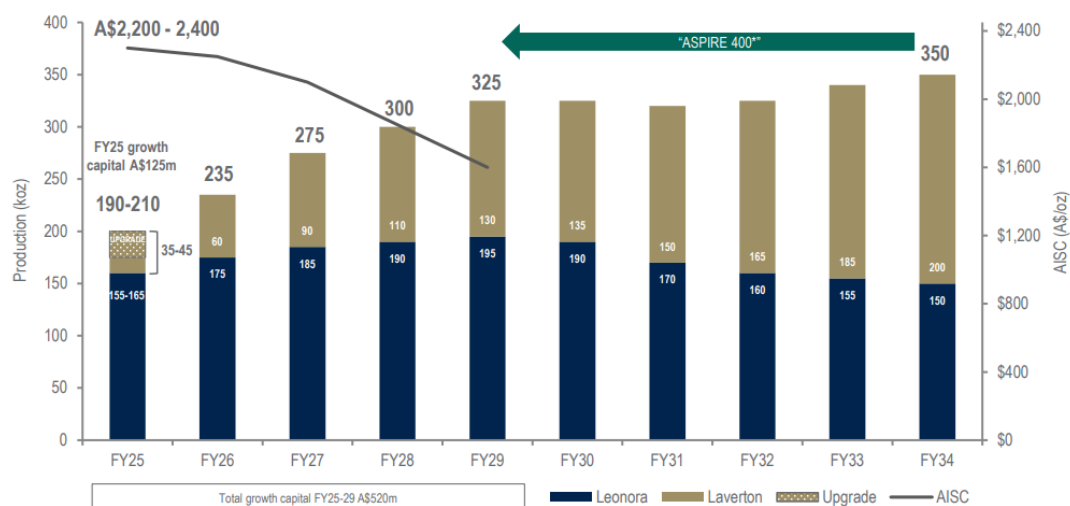
Pathway to 450koz+ Production

In March 2024 GMD outlined a credible, fully funded five-year strategy to grow group production from ~130koz in FY24 to beyond 300kozpa by FY28. The growth is driven by a dual-hub strategy (processing mills in Leonora and Laverton) with the company having acquired and consolidated high-grade assets surrounding both Mills.

The 300kozpa target was described at the time by Raleigh as their "base plan" and was soon followed in May 2024 by their ASPIRE 400 strategy - with the target to reach 350kozpa by 2034, and the "aspiration" to exceed that target and reach ~ 400kozpa at an unspecified time. The company chart below shows these targets.

More ounces and less cost, year-on-year:

Genesis group production and cost outlook^{1,2,3}



On track to meet UPGRADED FY25 GUIDANCE; UPDATED FY26 GUIDANCE anticipated September quarter 2025

Source: ASX, 10/06/25

Key components of this growth plan include:

- "Long ore" - This was the title of a recent Genesis presentation. Their resource base now exceeds 15 million ounces (Moz), with over 3.7Moz in reserves across many separate deposits.
- Leonora Mill - The Gwalia underground mine is expected to remain the cornerstone of Leonora production, producing up to 180kozpa. Ulysses adds supplemental high-grade underground ore.
- Reactivation of the Laverton Mill - Restarting this mill using ore from Jupiter and the Bruno-Lewis complex underpinned the initial production at Laverton, before Tower Hill was planned to become the key source of scale.
- Mill expansions - Management are currently considering expanding both mills. We expect this will allow switching the planned Tower Hill ore from the Laverton Mill to the Leonora Mill which is closer and hence reduces transport costs by ~ \$40m p.a. The acquisition of additional deposits close to the Laverton Mill has also helped facilitate this.
- One operating centre approach - The proximity of deposits gives management the ability to operate the region as one centre. This allows GMD to make optimal mining choices for each deposit vs what often happens where individual mines are "squeezed" beyond what's optimal to meet production targets. It also gives flexibility on which ore tonnes get processed at each mill at any given time.
- Extensive use of stockpiles further adds to management's flexibility on being able to optimise which grade ores get processed when, and adds downside protection to production volumes if/when there are mining issues at any of the deposits.

In assessing this strategy a few things stand out to us:

1. Optionality - There are multiple ways management can reach their production targets. These options evolve over time as management works their way through studies on the various deposits they hold.
2. Conservatism - the degree of conservatism that management bakes into their published targets is somewhat of a rarity in our experience following the mining industry. With the extent of resources the company has and the current gold price generating significantly higher free cash flows, we expect GMD will be able expand its processing mills more/faster than originally planned, lifting production capacity closer to ~ 450kozpa.
3. Growth discipline - Raleigh talks about "earning the right to grow" by continuing to demonstrate improving production costs and building their cash holding. This puts GMD in strong financial position to manage through any potential gold price downturn and take advantage of lower priced acquisitions at such a time.
4. Lower costs - Contrary to the recent industry norm of ongoing inflationary pressures driving up operating costs, GMD is forecasting all-in-sustaining-costs (AISC) falling from ~ \$2,300 per ounce currently to ~ \$1,600 in FY30. The lower costs are driven by both greater scale economies at the processing Mills as well as switching out lower grade ore for higher grades as further deposits are found and opened up (e.g. Tower Hill). We note GMD is not immune from industry cost pressures so there is risk to this forecast, but we take some comfort in management's inherent conservatism and that the broker consensus forecast is sitting ~ 25% above this number at ~ \$2,000 per ounce.

GMD concluding thoughts

Whilst the GMD share price has had a significant run (+ 144% in FY25!), the gold price was up > 40% during that time. This gives the company an obvious boost to revenue and margins (particularly with declining cost profile) but also gives them a lot more cash a lot faster than their original 5-year plan had budgeted for. We think this is an additional key enabler of accelerating the growth strategy which we think still has the potential to positively surprise the market in the future.

Whilst we factor into our position size the unpredictability of the single biggest driver of the share price near term, i.e. the gold price!, we still think of the GMD business model and management team as a core portfolio holding. With limited other gold mining stock holdings at the time of writing, we are currently in a small underweight gold miner position relative to the Index. This approach allows us to hold a business we like and think should continue to outperform its gold mining peers, whilst not leaving us too exposed if the gold price pulls back suddenly after its strong run.

Outlook

The most used adjective to describe markets we see is “uncertain”. But despite this uncertainty, markets are at or near record highs. Greencape’s research highlights caution over the US consumer (coming tariff impacts), a stable Australian consumer, China hanging in there, Europe patchy but generally improving off a low base, and emerging markets remaining nervous from Trump tariff impacts.

Looking forward, we are preparing for some sector rotation as expensive momentum winners (eg banks, tech, gold) provide the temptation for profit taking to fund buying in rebased defensive sectors such as healthcare. Greencape have focussed on getting our market milestone scores correct, as surprises positive or negative are amplified. This shorter-term focus by the market, is expected, once again, to create opportunities to buy mispriced high-quality companies which are well managed.

“Tariffs are beginning to influence prices, but more time is needed to assess such impacts.— Jerome Powell, June 24, 2025

“Trade tensions and heightened uncertainty cloud the outlook for growth and inflation and risk exposing deeper fault lines in the global economy and financial system.” — Bank for International Settlements, June 29, 2025

More information

To find out more about investing with Greencape, please contact:

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Email Greencape at: **bdm@greencapital.com.au**

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