

Greencape High Conviction Fund

Quarterly report - June 2026

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	2.25	-1.74	6.29	5.18	9.13	8.85	8.87
Growth return	-4.04	-9.24	0.03	-2.34	1.66	1.57	1.98
Distribution return	6.29	7.50	6.26	7.52	7.48	7.28	6.89
S&P/ASX 200 Accumulation Index	4.05	6.11	10.62	7.77	9.45	8.76	7.20
Active return [^]	-1.80	-7.85	-4.33	-2.59	-0.32	0.09	1.67

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

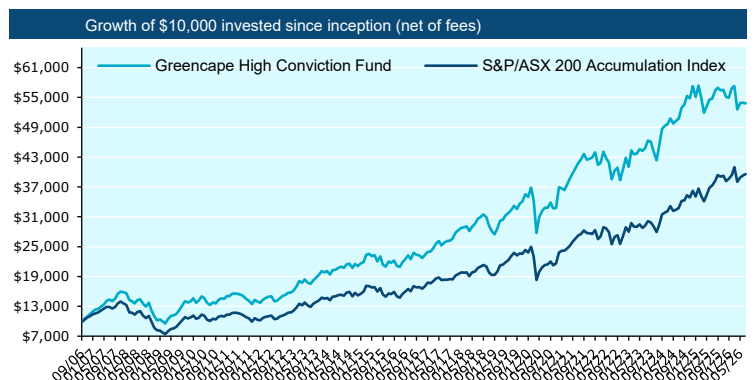
Greencape is an active, 'bottom-up' stock picker. Whilst Greencape does not target any specific investment style and will invest in stocks displaying 'value' and 'growth' characteristics, its focus on a company's qualitative attributes will generally lead to 'growth' oriented portfolios. This is an outcome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



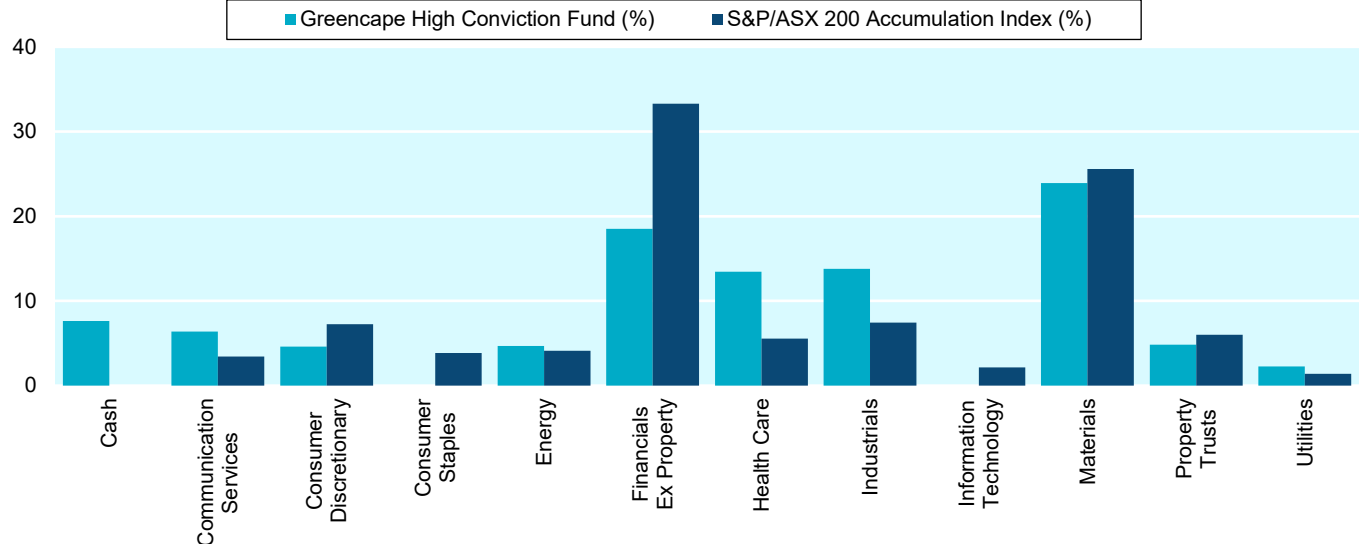
Asset allocation	Actual %	Range %
Security	92.35	85-100
Cash	7.65	0-15

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 2026.

Sector exposure as at 30 June 2026



Data Source: Fidante Partners Limited, 30 June 2026.

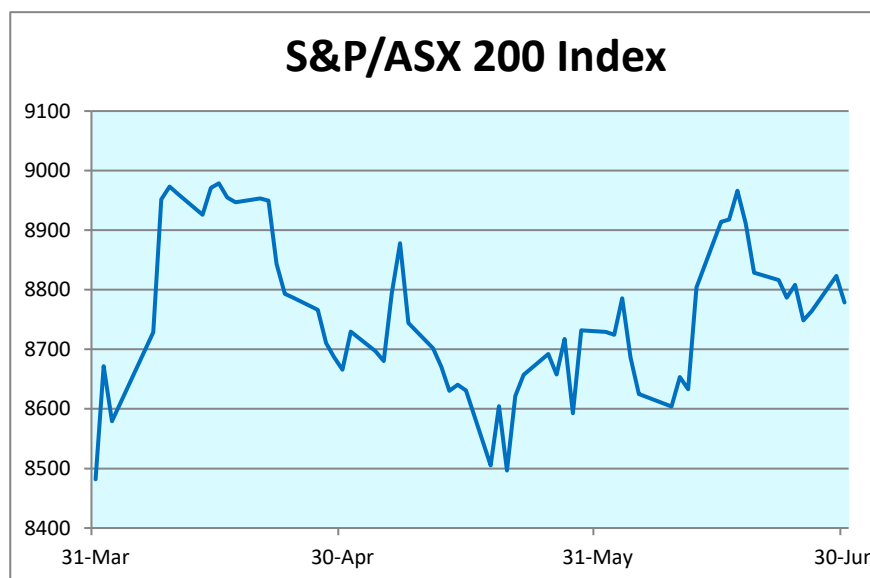
Fund performance summary

The S&P/ASX 200 Accumulation Index returned +4.05% for the quarter. The fund underperformed the market and delivered a +2.25% return over the quarter.

Market overview

The quarter was defined by the war in Iran and, ultimately, its supposed resolution. Whilst the market recovered most of the drawdown suffered because of the war, it failed to reclaim the record high reached in March, with the index posting its lowest financial year return since 2022. The mid-single-digit return posted during the quarter is respectable in isolation; however, it was far behind global indices, which posted mid-teens gains buoyed by the AI trade. Locally, the Federal Budget handed down in May caused widespread consternation, coinciding with another interest rate hike from the RBA.

S&P/ASX 200 Index



Source: IRESS

The RBA delivered its third hike of the year in May, lifting the cash rate 25 basis points to 4.35% and fully unwinding the three cuts of 2025. The Board flagged that higher fuel prices were adding to inflation, with indications of second-round effects on prices for goods and services more broadly, which layered on top of the capacity pressures already evident at the start of the year. Monthly CPI peaked at 4.6% in March, the highest since September 2023, as petrol prices surged 33% in a single month, before the halving of the fuel excise from 1 April helped the headline rate ease back to 4.0% by May. More concerning for the Board, the trimmed mean ground steadily higher over the quarter to 3.6%, its highest level since September 2024, confirming that the inflation problem extends well beyond the bowser. The RBA paused in June but retained a clear hawkish bias, with the minutes noting that further tightening remains possible.

The May Federal Budget added to the noise, with the Government pairing personal income tax cuts and a temporary halving of the fuel excise with contentious structural tax reform. Chief among the reforms were the restriction of negative gearing on established dwellings from Budget night and the replacement of the 50% CGT discount with indexation and a minimum tax on capital gains from July 2027. The measures drew a strong reaction from investors and the property industry alike, and while existing arrangements were grandfathered from the outset, the Government gave ground on the edges in late June to secure Senate passage, broadening small business CGT concessions and committing to protect grandfathered status on death and divorce.

"All this economic uncertainty and volatility is a reason for more reform, not less."
Jim Chalmers,
 Treasurer of
 Australia,
 19/03/2026

"A whole civilization will die tonight, never to be brought back again." **Donald Trump,** President of the USA,
 07/04/2026

In the US, the focus was on the incoming Fed Chair, Kevin Warsh. Confirmed following his April Senate hearing, Warsh presided over his first FOMC meeting in June, holding the funds rate at 3.50-3.75% but delivering a distinctly hawkish message. The policy statement was rewritten from top to bottom, stripped of forward guidance, and Warsh declined to submit his own dot to the projections, though nine of eighteen officials pencilled in at least one hike this year. With headline CPI running at 4.2% in May, a three-year high driven largely by the war-induced energy shock, expectations shifted. US rates markets moved from pricing two cuts at the end of February to fully pricing a hike by October, a dramatic repricing in the space of a few months, and one that lifted the US dollar and sent the yen to a 40-year low. None of this troubled equities, however, as the S&P 500 returned 15% for the quarter and the Nasdaq 21%, the best quarterly performances for both since 2020, with leadership within the AI trade rotating from the hyperscalers towards semiconductor and memory names.

Local sector performance was dispersed, with the quarter defined by rotation. Previous laggards such as Consumer Discretionary and Information Technology staged strong recoveries, whilst Energy and Utilities, which had performed well over the year, ceded ground as the oil price retraced and bond yields repriced.

	QUARTER	YEAR
ASX200 Accumulation Index	4.0%	6.1%
Best Performing Sectors		
Consumer Discretionary	19.0%	-1.2%
Information Technology	10.3%	-37.0%
Property Trusts	9.7%	-2.2%
Worst Performing Sectors		
Energy	-16.5%	14.5%
Utilities	-6.6%	11.9%
Healthcare	-6.0%	-36.1%

Source: IRESS

Consumer Discretionary staged a strong recovery in the June quarter, reversing much of the damage done over the preceding six months as the market unwound its worst fears on the consumer. The sector rallied as headline inflation rolled over from its March peak and the RBA moved to the sidelines, while the resolution of the Iran conflict removed the tail risk of a sustained fuel price shock to household budgets. Aristocrat was a standout, surging 12% on its May result and continuing its steady march of share gains in US land-based gaming.

Having been sold off aggressively on AI disruption fears, the Tech sector rallied 17% as the global AI trade reasserted itself. The recovery accelerated into financial year end following the US-Iran agreement, with Life360 gaining 35% over the final month alongside strong moves in other laggards such as WiseTech, Xero and SiteMinder. The sector nevertheless remains down more than a third over the financial year, with many of its constituents finishing FY26 among the worst performers in the index.

Energy was the worst-performing sector as the war premium built into oil prices over the first quarter unwound. Brent, which had peaked near \$120 a barrel, retraced to pre-war levels once the Islamabad Memorandum was signed in June, with WTI finishing the quarter below \$70, having lost more than 20% in June alone. The refiners gave back a portion of their prior quarter gains as regional refining margins normalised, while Worley fell heavily after doubling its estimate of the Middle East disruption impact on FY26 earnings to \$60 million.

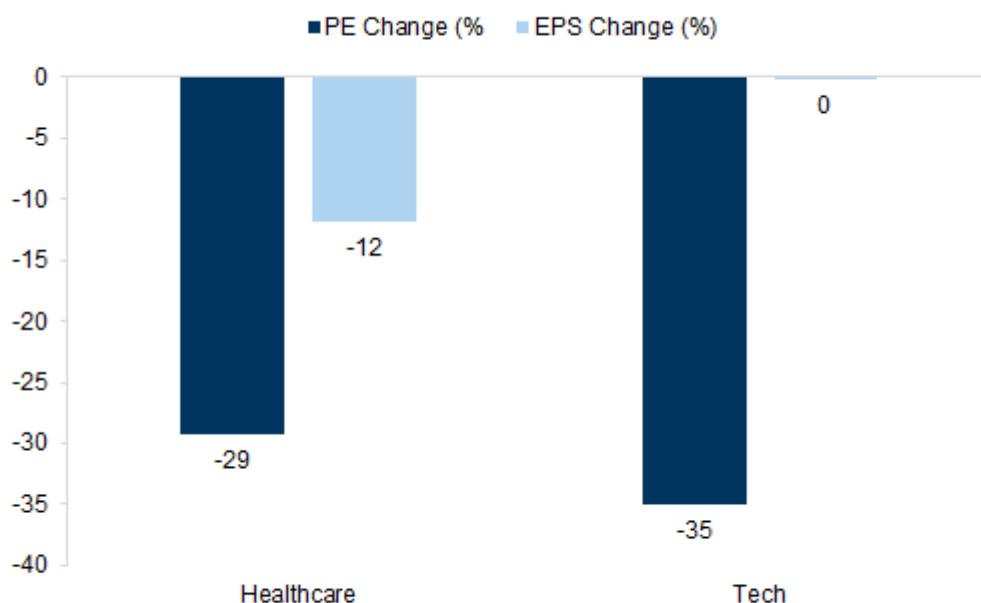
Healthcare extended what has been a torrid stretch, with the sector now down 36% over the year. The global rotation away from the sector showed little sign of abating for much of the quarter, with the CSL and Cochlear de-ratings continuing apace. The two names finished FY26 down 50% and 58% respectively, both ranking among the index's biggest detractors, with CSL's May guidance cut and \$5 billion impairment and Cochlear's April downgrade, its worst single-day selloff on record, ensuring neither found a floor until late in the period.

"We've missed (on inflation) for five years and we're going to fix that."
Kevin Warsh, Chair of the Federal Reserve,
17/06/2026

"This is the infrastructure that creates a path to a space economy – think orbital data centres, think space tourism, think microgravity manufacturing. I read that SpaceX could be the company that owns the 'entry toll' for these markets, an effective 'AWS, but for civilisation.'"
Bobby Molavi, Partner at Goldman Sachs,
16/06/2026

"Ships of the World, start your engines. Let the oil flow!"
Donald Trump, President of the USA,
15/06/2026

Whilst earnings downgrades contributed to the Healthcare sector weakness, the Tech sector move was entirely driven by a de-rate in multiples.



Source: Goldman Sachs

Offshore Trips

During the quarter we travelled to the US three times, the UK twice, and continental Europe once.

US observations:

- Contacts in San Francisco were consistent in their view that agentic AI has reached a tipping point, with a corresponding step change in compute demand to follow. One AI expert offered an interesting vision of the end state for knowledge work, in which rather than navigating multiple systems directly, workers will interact with a single AI agent holding universal context across everything they can access.
- The data centre pipeline is large, but power is the binding constraint, with grid interconnection delays of 2-3 years the key bottleneck (ahead of gas turbines and transformers), forcing DCs off-grid despite a clear preference to be on-grid. Texas alone has 450GW of DC applications against 150GW of installed capacity.
- Batteries are the fastest unlock, both in lifting grid utilisation from its current 40-50% by shifting peak load, and as mandated infrastructure between grid and DC for voltage management and backup.

UK/Europe observations:

- Power and grid availability remain the defining constraints on European data centre development and are worsening rather than easing, with grid connection timelines extending out to as much as 10 years in some markets, supply chain lead times doubling over the past year, and labour and local community opposition adding further layers of delay. In response, development is shifting to tier 2 and 3 locations, and behind-the-meter power solutions are gaining traction.
- Demand shows no sign of slowing and is arguably inflecting in Europe, with sovereign AI (driven by data residency rules, the EU AI Act and strategic autonomy) shaping up as the next big wave. Against supply which is structurally constrained, the economics for incumbents are improving. Build costs, rents and yields on cost are all heading higher, and no one in the channel sees development costs flattening.

"This was an extraordinary quarter. Demand has gone parabolic. The reason is simple: Agentic AI has arrived." Jensen Huang, CEO of Nvidia, 20/05/2026

"Electricians, plumbers, iron workers, technicians, builders — this is your time." Jensen Huang, CEO of Nvidia, 10/05/2026

- The coming step change in power density over the next two to three years is a structural shift that favours the largest, most integrated supply chain players, who alone have the scale, R&D and chipmaker alignment to deliver the orchestrated power, thermal and liquid cooling solutions the industry will require. This advantage is only just emerging and is yet to be reflected in market expectations.
- The UK domestic economy is in a deep malaise. Builders who were cautiously optimistic a year ago are now openly depressed, with no summer recovery in sight after six false dawns, and the rate outlook has flipped from three cuts to three hikes on the back of war-driven inflation. Sentiment is at capitulation levels even though the structural fundamentals (chronic housing undersupply, ageing stock, immigration) remain intact, which is often the setup for recovery, albeit with political uncertainty adding another layer of caution.

Brambles

Brambles Limited (ASX: BXB) is a global supply chain logistics company best known for its CHEP brand, which operates the world's largest pallet pooling network. Rather than selling pallets outright, Brambles runs a 'share and reuse' model, owning a pool of pallets that it leases to customers across the supply chain, typically manufacturers, who use them to move goods to retailers. Brambles then recovers, inspects, repairs and recirculates the assets back into the pool. This pooling model is structurally more capital and resource efficient than a buy-and-discard alternative, underpinning both sustainability and a recurring revenue business model with high barriers to entry, given the scale of the pooled asset base and the reverse logistics network required to service it. The company is also pursuing a broader digitisation agenda across its operations and asset tracking, which sits alongside its margin and return on capital invested (ROCI) initiatives.

Greencape has owned Brambles in various weights throughout our history, and we have taken advantage of recent share price weakness to increase our position, as we believe the market has harshly capitalised issues that should prove relatively short term in nature.

In May, Brambles downgraded its FY26 guidance, reducing constant-currency underlying profit growth expectations to 3-5% from 8-11%, with sales revenue growth trimmed to 2-3% from 3-4%. The revision reflects an estimated US\$60 million earnings impact from repair capacity constraints across parts of the company's US subcontracted service centre network, with two subcontractors exiting. The market reaction was severe, with the share price falling approximately 20% on the day of the announcement and around 27% over the course of May.

We viewed the downgrade as predominantly operational, and therefore temporary, rather than structural. The underlying driver was a deliberate quality investment rather than a deterioration in end-market demand. Brambles has been progressively raising repair quality standards to keep CHEP pallets compatible with increasingly automated customer supply chains, and this planned initiative coincided with unplanned subcontractor attrition and labour tightness. Management noted that organic growth would have been positive year on year absent the service centre disruption, supporting the view that underlying volume demand remains intact. The company also launched a fresh US\$400 million buyback alongside the downgrade and reaffirmed its FY28 target of at least 3 percentage points of margin expansion versus the FY24 baseline, which demonstrates management's confidence in the long term outlook for the business despite these short term issues.

We looked back at Brambles' prior major downgrade in early 2017, which prompted a similarly harsh share price reaction. The issues then were more market driven, with US retailer destocking reducing pallet demand and delaying new business wins. Whereas the May 2026 downgrade merely trimmed full-year earnings growth, the 2017 downgrade wiped out all profit growth against prior guidance of 10% at the midpoint. It also coincided with a leadership change, with the outgoing management team having reiterated earnings guidance as recently as two months earlier. Despite the multitude of both bottom-up and top-down issues, the stock's forward PE only fell to 19x after the negative earnings revisions. This time, normalising for the temporary disruption costs, the stock fell to less than 15x, which we viewed as a significant overreaction, and we took the opportunity to increase our weight. The multiple has since recovered slightly to around 17x, which we still view as attractive.

"We've got a softening economy, so we're seeing a softening labour market." Andrew Bailey, Governor of the Bank of England, 01/07/2026

"If we can serialize a pool, we will get much better insight, and no one else will be able to do it. And if they can do it, we're three or four times the size, so our insights will be much better." Graham Chipchase, CEO of Brambles, 12/09/2024

"If we can get this right, we're going to build a very, very deep competitive moat." Graham Chipchase, CEO of Brambles, 12/09/2024

In the wake of the downgrade, there has been considerable debate about what automation means for CHEP. Our view is that automation is a structural positive for the business. Autonomous supply chains require consistent pallet quality, which fragmented whitewood pallets (still around 50% of the market) cannot provide at scale. While repair costs per pallet are likely to be structurally higher in an automated world, the offsetting factor is a lower repair rate, as autonomous vehicles damage pallets less frequently than manually operated forklifts.

Brambles is also partway through digitising the pallet pool. The company first laid out the Serialisation+ value case at a high level at its 2024 Investor Day, building on a proof of concept in Chile where the entire existing pool of approximately 2.6 million pallets was retrofitted with QR tags rather than waiting for new production to cycle through, since the program's benefits only materialise once a market's whole pool carries a unique ID. The core benefit of the program is recovery, as unique identification allows Brambles to track and recover pallets it would otherwise lose to leakage or unauthorised reuse. This directly targets the uncompensated pallet loss line, which management has already guided down materially (around 40-50 points indexed to the FY21 baseline by end-FY28), alongside IPEP (Irrecoverable Pooling Equipment Provision) falling to roughly 2% of sales from around 3%. The customer-facing benefit is the 'Effortless Service Offer', which removes the need for customers to manually declare pallet volumes and replaces that friction with automated reconciliation. The associated audits are a major point of contention when we speak to CHEP customers, and improving the process has the potential to greatly strengthen those relationships. The program was live in Chile by the 1H26 result, where it had already driven five new customer conversions and two-lane expansions, and cut customer transactional queries by a third. Operational testing continues in North America and the UK.

Whilst initial disclosure around Serialisation+ has been encouraging, it remains limited, and we believe further clarity from Brambles on the digital opportunity is a key Market Milestone catalyst over the next 12 months. The market currently ascribes little value to the program, largely reflecting the sparse detail provided to date. The economics can nonetheless clear the targeted 15% ROIC hurdle on plausible assumptions, even in a market the size of the US. A tagging mix might comprise 1% of the pool on active RFID at around \$50 per device, with the remaining 99% on battery-free tags at \$1 or less. Across a US pool of roughly 100 million pallets, this implies tag spend of approximately \$150 million, plus a further \$50 million of reading infrastructure, for total US investment of around \$200 million. The returns accrue from several sources, including dynamic pricing, fewer transport legs, lower plant costs from restricting bad-customer access, and reduced loss rates. Against a \$200 million outlay, a 15% return requires around \$30 million per annum of benefit. That equates to a price uplift of roughly 100 basis points on the US business, or the recovery of some 1.2 million pallets per annum at a unit cost of \$25. Notably, this excludes any accelerated new business wins from better visibility over the pool, or any ancillary revenue from supply chain insights such as temperature, vibration and dwell time. On any of these pathways, we see Serialisation+ as materially value accretive.

We therefore view the current dislocation in the share price as a rare opportunity to acquire a dominant pallet pooling franchise at a compelling valuation, with Serialisation+ offering optionality that, in our view, is not reflected in the current price.

Outlook

The June quarter's combination of resolved conflict, hawkish central banks and structural tax reform leaves a complicated backdrop for the year ahead, and our focus is on the second-order effects for the portfolio.

For the major banks, the Budget's property tax changes alongside renewed rate pressure pose a risk to housing credit growth, the key support to earnings resilience in recent periods, while falling housing prices and the CGT changes risk adding a wealth effect headwind to future consumption. We remain vigilant here given early signs of credit deterioration, with stress emerging in SME credit and channel checks pointing to cautious demand following the Federal Budget.

Set against the domestic caution, the US corporate backdrop remains remarkably strong. The AI-driven capex cycle continues to accelerate, with hyperscale data centre investment underpinning demand across semiconductors, memory and power infrastructure. FactSet consensus for S&P 500 June quarter earnings growth rose to 23%, alongside the strongest revenue growth since 2022. We remain focused on AI across industries as both an opportunity and a threat, recognising the disruption and opportunity set will only broaden from here.

"As one of the major friction points in our traditional pooling model, this result gives us comfort about the improved customer value proposition that Serialisation+ enables." Graham Chipchase, CEO of Brambles, 19/02/2026

"The data contained in the pallet could become the digital passport of global supply networks, a way for customers to carry information, not only goods." Helen Lane, Chief Digital and Strategy Officer of Brambles, 12/09/2024

The dispersion observed through the quarter, with sharp share price responses to surprises in both directions, continues to create opportunities to buy well-managed, high-quality companies that have been mispriced. Performance in the ASX has also been exceptionally narrow, with resources effectively carrying the index. Materials returned over 50% in FY26 while former darlings in Technology and Healthcare de-rated sharply, often with little regard for differentiation within those sectors. Market structure is amplifying both dynamics. Valuation-insensitive passive and ETF capital concentrates automatically in the largest index weights, reducing the pool of price-sensitive buyers when companies disappoint, while multi-strategy and quantitative funds focused on short-term momentum crowd into winning trades and de-gross rapidly when positions turn, extending moves beyond fundamentals. We are not ignoring these market dynamics. Where they align with our Market Milestones and valuation scores, we are patiently looking to take advantage of the extended moves they create. These dynamics widen the gap between price and value, providing us with unique opportunities to position portfolios for when the market tilts back towards fundamental value drivers. Notably, we continue to focus on highly rated management teams that allocate capital well across cycles and expect this to be well rewarded over time.

“Understanding today’s market requires more than forecasting economic growth, inflation, or earnings. It requires understanding the structural forces that increasingly drive market behaviour.” Scott Rubner, Head of Equity and Equity Derivatives Strategy at Citadel Securities, 30/06/2026

More information

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