ICE Fund

31 March 2026

ICE Fund — Quarterly Update

Headlines during the quarter were dominated by the Middle East Conflict, concerns around inflation/interest rates and growing debate around the disruptive potential of AI across industries and workforces. This noise, which adversely impacted returns, overshadowed what was, at the company level for our portfolio holdings, **one of the most consistent reporting seasons we have witnessed in over 20 years of managing the ICE Fund.**

The Disconnect Is the Opportunity

In many instances for the ICE portfolio companies, February profit results delivered higher profit growth while share prices moved lower for the quarter. That divergence - between robust underlying earnings and weaker short-term share price performance - is uncomfortable in the short term, but it is also has the potential to see significant upside. Given that, we should be able to point to a series of portfolio investments that we assess to have substantial upside – and we illustrate a number of these on page three.

In short, and in our opinion, looking at the portfolio, we see a range of quality companies whose share prices have been unjustifiably depressed in the short term by the actions of stock market participants that have let fear cloud their judgement. Our research drives us to conclude this is absolutely the wrong time to change tack and have used this opportunity to add to a substantial number of the Fund's investments.

Key Facts

Investment sub-manager	ICE Investors Pty Limited
Inception date	13 Feb 2006
Distributions	Semi-annual
Buy/sell spread	+0.30%/-0.30%
Minimum initial investment	$20,000
Base currency	AUD
APIR	ETL0062AU
Management fees[1]	1.180%
Performance fees[2]	15.375%
mFund code	SHF02
Domicile	Australia
	Unit price
Application	1.8672
Net Asset Value	1.8616
Withdrawal	1.8560
	Distributions (cpu)
31-Dec-23	1.5449
30-June-24	1.2981
31-Dec-24	1.32
30-June-25	2.10

[1] *Includes estimated GST payable, after taking into account Reduced Input Tax Credits ("RITC").*

[2] *A performance fee of 15.375% (inclusive of GST and an estimate of RITC) of any performance in excess of the performance hurdle (the daily percentage movement in the S&P/ASX 300 Accumulation Index plus 1.20% p.a. calculated on a daily basis gross of fees) may also be payable.*

ICE performance

Performance[3]	1 m (%)	3 m (%)	1 yr (%)	3 yrs (% p.a.)	5 yrs (% p.a.)	10 yrs (% p.a.)	15 yrs (% pa)	Inception (% pa)
Total net return	**-10.21**	**-16.98**	**-12.04**	**3.44**	**0.04**	**4.12**	**7.54**	**8.22**
S&P/ASX Small Cap Industrial	-8.44	-14.32	-0.85	4.73	0.04	4.72	5.73	3.92
S&P/ASX 300 Accum Industrials	-6.84	-5.82	1.87	9.21	6.95	7.70	9.05	6.98
S&P/ASX300 Accum. Index	-7.30	-2.04	11.59	9.43	8.46	9.39	8.06	7.04

[3]*Total Net Return is the Fund return after the deduction of ongoing fees and expenses and assumes the reinvestment of all distributions. Includes estimated GST payable, after taking into account Reduced Input Tax Credits ("RITC"). The Fund does not track a benchmark, indices shown are provided for market context only. Performance fees (if applicable) are calculated relative to the S&P/ASX300 Accumulation Index. Past performance is not a reliable indicator of future performance.*

Top 5 Holdings*

AUB Group Ltd
Car Group Ltd
IRESS
Light & Wonder Inc
Steadfast Group Ltd

**Top 5 holdings represent 23.44% of the total fund. In alphabetical order.*

Market Cap Analysis	
$10b	13%
$5b - $10b	22%
$2b - $5b	21%
$1b - $2b	21%
$500m - $1b	13%
$100m - $500m	8%
<$100m	0%
Cash	3%

Co. Weight	No. of stocks
4.0%	4
3.0%	13
2.0%	10
1.5%	5
1.0%	11

Growth Maturity	
Peak Cashflow	29%
Growth	65%
Establish	3%
Cash	3%
Total	100%

Investment Objective

To deliver superior medium to long term returns by investing in ASX & NZX listed companies which possess a durable competitive advantage by owning or operating assets that are difficult to replicate.

Investments Held

A portfolio of approximately 30-50 predominantly ASX listed securities (a minimum of 15 and generally no more than 80).

ICE Investment Team

Callum Burns, Portfolio Manager
Roger Walling, Portfolio Manager
Roman Aliev, Senior Investment Analyst

For more information visit the **Fund webpage**

Some Examples of where we see Compelling Value

We see the ICE Fund as having multiple businesses with **large, clearly identifiable upside from current prices.** A few highlights:

- **Baby Bunting (BBN)** — the clear category killer in baby retail, undergoing an impressive transformation under CEO Mark Teperson. Changes to store layout, customer experience, product ranging and procurement have delivered outstanding results, and a strengthening Australian dollar provides a helpful near-term tailwind.
- **AUB Group / Steadfast (AUB/SDF)** — high quality insurance brokers with a deeply loyal SME customer base. The AI disruption concerns that weighed on the sector during the quarter are, in our view, totally misplaced for this part of the market – which is about providing a customised, trusted and totally accurate solution for SME 's.
- **Arena REIT (ARF)** — a high-quality childcare property owner with long-dated CPI-linked leases, low debt, fully hedged interest rates and well-located assets that would take many years to replicate. **Management have been buying stock on market — a signal we take seriously.**
- **Light & Wonder (LNW)** — delivered a solid February profit result and reaffirmed longer-term targets. January's settlement of a long-running IP dispute with its key competitor was, in our view, **a meaningful de-risking of the business that the market has been slow to appreciate.**
- **Macquarie Technology (MAQ)** provides data centres, cloud services and government-grade security for mission-critical technology requirements. As global demand for data centre capacity intensifies — driven by cloud adoption, enterprise digitisation and the explosive growth of AI — **MAQ holds a rare and timely advantage: powered, available capacity ready to deploy in North Sydney. It is an infrastructure business exceptionally well positioned for the world we are moving into.**

How Are We Responding?

- We are using this period constructively. Throughout the quarter we added to a number of existing holdings where we see compelling valuations and attractive long-term returns — including AUB Group (AUB), Light & Wonder (LNW) and IRESS (IRE). We also took the opportunity to initiate several new positions, which we will discuss in due course.

- The market-wide sell-off in global insurance brokers is a good illustration of the opportunity we are seeing. Concerns around AI disruption in a niche segment of commoditised personal lines insurance triggered broad weakness across the sector. Given the **limited relevance of this dynamic to AUB's core SME-focused earnings** — where customers rely on independent, regulated advice for genuinely complex insurance needs — we viewed the reaction as unjustified and added to our investment here.

- To be clear on our view of AI more broadly: **we are believers in its productivity potential, and we are active users ourselves.** We do see genuine threats and opportunities emerging across various industries. But we are equally focused on distinguishing real disruption risk from market overreaction — and in the case of SME insurance broking, we simply don't see the threat.

Where to from here?

- We are highly constructive on the portfolio from here. The underlying businesses are performing well, valuations are attractive, and the historical pattern of recovery from periods like this one is both clear and encouraging. **We see the current environment as a compelling opportunity** — and we are positioned accordingly.

March Quarter — ICE Portfolio Company Results

The portfolio performance numbers were -16.9% for the quarter. While the Fund is benchmark unaware, we note the S&P Small Cap Industrials returned -14.3% over the same period. We are not dismissive of this result — but we are highly convicted that it reflects **market sentiment rather than business fundamentals.**

Against this backdrop, the February reporting season was genuinely encouraging. Portfolio companies delivered largely consistent profit growth, in the vast majority of instance either inline or above our expectations. **As a collective, it was as consistent a reporting season as we have seen across our companies for many years.**

Quarterly Monthly Performance Commentary

As described, the vast bulk of the ICE Fund's holdings delivered very solid profit results across the February reporting period, in line with or above our expectations for the period. Key portfolio **contributors** were as follows: -

- New Zealand (NZ) listed Port of Tauranga **(POT.NZ)** is the country's largest deepwater port, located in good proximity to key agricultural land and accounting for 1/3 of tonnage and cargo value across all NZ seaports. The physical asset and associated infrastructure make POT a critical piece of NZ infrastructure. POT delivered another strong profit result in February, growing profits by 16% for the period, on the back of efficiency gains, scale and most importantly pricing power. With capacity constraints across its competitor Port of Auckland, POT is able to price its services to shipping customers accordingly.

  POT also own stakes in other smaller infrastructure and port related assets in the vicinity of Tauranga which offer meaningful, long dated growth options.

- Another New Zealand-listed holding, **Skellerup (SKL.NZ),** made a solid contribution to portfolio returns in February. The company designs, manufactures and distributes specialised precision-engineered components across a diverse range of industries globally, serving customers in dairy, drinking and wastewater, construction, sports and leisure, automotive, mining and medical sectors. Customer relationships tend to be highly durable, as Skellerup's components are mission-critical in nature and the company is deeply integrated into its customers' research and development processes. Its broad technical expertise spans materials blending, safety standards and product performance across multiple industries and represents a meaningful competitive advantage.

  SKL posted a standout 20% profit jump in February, fuelled by new product launches and fresh customer wins — particularly across its agriculture segment. Notably, this was achieved in spite of US tariff headwinds, underscoring the underlying resilience of the business.

- **GQG Partners (GQG) -** listed global fund manager GQG made a positive contribution to the ICE portfolio returns. Following a period of challenging returns and alpha, the Fund manager's own performance has improved in recent months. Led by co-founder Rajiv Jain and an impressive multi-decade track record of the investment team, we believe the businesses distribution capability is a key moat. GQG has an extensive global distribution capability covering an extraordinary breadth of consultant ratings and relationships. The power of these difficult-to-replicate assets has supported growth in FUM over time and is currently supporting a more challenging period on the performance front.

  GQG have stuck to their process, and we have seen their numbers coming back over the last six months.

- Recently listed IPO **(Koala Company, KOA)** made a positive contribution to the ICE Fund during March. Established in 2015 and now founder led, KOA is a unique retailer, offering premium, direct-to-consumer furniture products. Koala designs all products in-house, sells primarily online, and operates across Australia, Japan, the US and the UK. The core category is sitting furniture — sofas, sofa beds and armchairs — supported by mattresses and a curated homeware range. A capital-light model with outsourced manufacturing and logistics, giving the company end-to-end control over design, brand and customer experience without the burden of expensive fixed costs. KOA's products are engineered for fulfilment efficiency – easy to deliver and assemble – tailor made for online sales and distribution. The market share opportunity in these countries is immense.

Light & Wonder (LNW) was a key detractor – this was despite strong profit results in February in line with expectations, reiteration of future profit targets and resolution of an Intellectual Property (IP) issue with a competitor during the quarter that has been an overhang on the business and share price.

The share price has been weak on the back of concerns that AI may enable startups to compete in their segment. Due to regulatory and licensing requirements we don't see this happening. We see LNW as being a beneficiary of AI on the basis of efficiencies that can be delivered within its own business.

In our view, the market is materially undervaluing a business that combines strong earnings momentum, a now-clean legal slate, and a proven management team with a credible and well-defined path to its 2028 objectives. The pieces are in place.

Quarterly Portfolio Activity

We took profits in several of our key holdings early in the quarter, including MA Financial (MAF), SRG Global (SRG), Port of Tauranga (POT.NZ) and ResMed (RMD).

We added to several existing holdings, particularly those names we considered to be unfairly dealt with on potential AI concerns. These included AUB, LNW and IRESS (IRE).

The war driven volatility and draw down in small cap stocks has also created opportunity. We have begun building positions in several new names and will update our investors once our buying is complete.

As discussed earlier we did participate in the IPO of The Koala Company (KOA) – a founder led, unique retail business that offers premium, direct-to-consumer furniture products, predominantly online.

ICE Fund Overview

Our overall goal is to invest (at sensible prices) in companies with a sustainable competitive edge.

This is the focus because these companies deliver more certain earnings growth.

We go through the following steps for each company that is considered for investment:

1. *Find assets that are difficult to replicate e.g. licenses, patents, brands, captive client base.*
2. *Ensure the company has an entrenched market position for its products/services = hard for competitors to take revenues. If steps 1 & 2 are achieved, then we have a company that should deliver higher & more certain earnings growth over the cycle.*
3. *Ensure we are buying the shares at a price will deliver a high internal rate of return to us as the investor. This ensures higher and more certain earnings growth translates into superior share market performance over time.*

Evidence of the more certain earnings growth has been proven over the course of more than a decade.

The earnings of the median company in the ICE portfolio have averaged +10% pa (FY09 to FY24) which compares favourably to the Industrials market which struggled to grow over the same time period.

The end result is a focus on companies with:

- *Organic growth opportunities that are not overly impacted by fluctuations in the economy.*
- *Appropriate debt levels.*
- *Strong cash generation.*

Awards

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* Morningstar Awards 2016©. Morningstar, Inc. All Rights Reserved. Finalist: Domestic Equities – Small Caps
** Morningstar Awards 2015©. Morningstar, Inc. All Rights Reserved. Winner: Fund Manager of the Year 2015 - Small Caps Category, Australia.

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