LHC CAPITAL
HIGH CONVICTION FUND

Quarterly Report – June 2026

16 July 2026

Dear Co-Investors,

The LHC Capital High Conviction Fund ("Fund") returned 4.8% net of fees for the fourth quarter of fiscal year 2026.

	Quarter Return	Calendar YTD	Financial YTD	Annualised Return Since Inception***	Annualised Volatility Since Inception	Cumulative Return Since Inception***
LHC High Conviction Fund*	4.8%	-20.2%	-23.8%	10.8%	16.1%	375.2%
S&P ASX 200 AI**	4.1%	2.4%	6.1%	8.4%	13.1%	239.2%
S&P ASX Small Ords AI**	3.3%	-7.9%	8.1%	4.4%	16.6%	93.0%

* net of all costs and fees ** AI = Accumulation Index *** assumes reinvestment of HCF / Coinvest Strategy distributions

The principal positive contributors during the quarter were the Fund's long positions in **Pro Medicus**, **Life360** and **TechnologyOne,** together with a trading short position in a basket of energy equities. The principal detractors from the Fund's performance were the Fund's long positions in **MA Financial**, **WiseTech Global** and **HUB24**.

Volatility, Divergence and Opportunity

The June quarter followed one of the most difficult periods for capital-light growth equities in recent memory. During the March quarter, software, quality and other long-duration businesses were sold heavily as investors reassessed their terminal values in response to the rapid advancement and adoption of artificial intelligence (AI) coding tools. This occurred alongside heightened geopolitical uncertainty, volatile energy markets and a broader retreat from risk.

Some of these movements began to reverse during the June quarter. However, the recovery was neither uniform nor indiscriminate. Instead, markets became more selective, producing considerable share-price divergence between companies and, at times, between businesses with similar operating and profitability characteristics.

Within the Fund's long portfolio, Pro Medicus, Life360 and TechnologyOne generated total shareholder returns of 74.0%, 42.2% and 10.1%, respectively, over the quarter. By contrast, MA Financial, WiseTech Global, HUB24 and REA Group declined by 15.5%, 13.2%, 11.5% and 11.0%. This represents one of the widest dispersions in quarterly share-price performance across the Fund's core portfolio that we can recall since inception.

The scale of these movements demonstrates that short-term share-price volatility can significantly exceed changes in underlying business value. Pro Medicus's underlying business value did not increase by 74% in three months, just as the companies that declined did not necessarily experience an equivalent deterioration in their long-term earnings power.

This distinction is central to our investment approach. A falling share price is not, by itself, an opportunity. It may reflect weakening competitive advantages, excessive leverage or a genuine reduction in future cash flows. However, where a durable franchise continues to grow revenue, earnings and free cash flow while its share price declines, the relationship between price and value improves.

These opportunities are particularly attractive when a business provides a mission-critical product or service, benefits from high customer retention and meaningful switching costs, maintains a strong balance sheet and can reinvest capital at attractive rates. During dislocated markets, broader narratives and investor flows can temporarily obscure these attributes, allowing patient investors to purchase growing streams of future cash flow at more attractive prices.

Despite their strong quarterly returns, Pro Medicus, Life360 and TechnologyOne remain materially below their previous share-price highs. More importantly, each company has continued to grow revenue, profits or free cash flow since those highs. We believe the combination of improving operating performance and lower valuations provides a more favourable starting point for prospective returns.

The durability of each company's earnings and free cash flow through the current period of technological change will be crucial to long-term investment performance. As we wrote last quarter, not all businesses are created equal. We believe companies with mission-critical products, proprietary data, deep workflow integration and growing free cash flow are best positioned to navigate—and in some cases benefit from—the adoption of AI. Companies able to demonstrate that AI strengthens their products, improves customer outcomes or expands margins should increasingly be differentiated from those facing genuine disruption.

The June quarter falls outside the principal Australian reporting periods and therefore typically contains less company-specific news. Against this backdrop, the Fund's strongest performers were those that provided fresh evidence of operating progress through financial results, contract wins or improved guidance. Pro Medicus, Life360 and TechnologyOne each did so during the quarter, as discussed below.

Pro Medicus (ASX:PME)

Pro Medicus enjoyed an exceptionally strong quarter, announcing six Visage customer contracts with a combined minimum value of $210 million and terms of between five and seven years. These comprised three new customers and three renewals. Each renewal included higher prices, increased minimum commitments and the adoption of additional Visage products, including Workflow and Cardiology. Shares rose 74.0% over the quarter but remain materially below the highs reached last year.

The largest new contract was a seven-year, $90 million agreement with Beth Israel Lahey Health, one of the largest health systems in Massachusetts. The customer selected the full Visage platform, including Viewer, Workflow and Archive, to be deployed in the cloud across its enterprise. The company also secured the University of Maryland Medical System and TidalHealth as new customers, with the latter adopting the full platform together with Visage Cardiology. These wins continue the company's progression from supplying a best-in-class diagnostic viewer to becoming the core enterprise imaging platform for large health systems.

The renewal activity was equally important. Northwestern Medicine, Allegheny Health Network and The Ohio State University Wexner Medical Center each renewed for a further five years. Despite broader uncertainty surrounding AI, these customers did not seek shorter terms or reduced commitments. Instead, they agreed to higher transaction prices and minimum volumes. Allegheny and Ohio State also expanded their use of Visage by adding Workflow, while Ohio State added Cardiology. In our view, this behaviour provides compelling evidence of the product's value, customer satisfaction and increasing integration within critical clinical workflows.

These developments are particularly relevant to the debate surrounding whether AI will disrupt medical imaging software. AI algorithms may increasingly assist radiologists in detecting disease and improving reporting productivity; however, they do not replace the infrastructure required to store, retrieve, display and distribute diagnostic images across a health system. Nor do they independently provide the workflow, security, governance and electronic medical record integration required in a clinical environment. As the number of available algorithms grows, hospitals are likely to place greater value on a modern platform capable of integrating and presenting those outputs within the radiologist's existing workflow.

Pro Medicus is positioning Visage to perform this role. During the quarter, the company entered into a proposed financing and reseller arrangement with EchoIQ, whose algorithms seek to identify aortic stenosis and heart failure. This complements internally developed tools and algorithms co-developed with clinical partners, allowing Pro Medicus to curate AI capabilities rather than relying upon any single model. The early adoption of Cardiology by both new and existing customers also creates an additional pathway through which these capabilities may be commercialised.

It remains too early to determine how much direct revenue Pro Medicus will earn from AI products. Nevertheless, the evidence from customer behaviour is increasingly difficult to reconcile with the market narrative that AI may make Visage obsolete. Customers are signing longer contracts, accepting higher prices, increasing minimum commitments and consolidating more of their imaging infrastructure onto the platform. We believe AI is more likely to increase the strategic importance of Visage than diminish it. It should improve the productivity of both Pro Medicus's customers and its own development team, while accelerating the company's opportunity to become the enterprise operating platform for medical imaging.

TechnologyOne (ASX:TNE)

During the quarter, TechnologyOne reported record first-half profit, total revenue and annual recurring revenue (ARR) for the 17th consecutive year. The result was supported by continued adoption of SaaS+, the launch of new AI products and zero customer churn. Shares increased by 10.1% over the period.

ARR increased by 17% to $598 million, while total revenue grew by 11% and profit before tax increased by 9%. The comparatively modest increase in reported profit reflected deliberate investment in the company's large customer Showcase event, continued development of SaaS+ and adverse currency movements. Adjusting for these factors, the underlying business continued to demonstrate strong operating leverage, with management reaffirming its expectation for full-year profit growth of 18–20% and a further expansion in profit margins.

The result also provided encouraging early evidence that AI is likely to strengthen, rather than cannibalise, TechnologyOne's competitive position. Its new AI product, Plus, sits above the company's enterprise software and allows customers to interact with data across finance, payroll, human resources, asset management and other operational systems. Importantly, the usefulness of Plus increases as customers adopt more TechnologyOne products and consolidate more of their organisational data within the platform.

This dynamic is already influencing customer behaviour. Management indicated that most early Plus transactions have included the purchase of additional TechnologyOne modules or the replacement of third-party systems. One university customer purchased the company's entire education software suite under a ten-year agreement to provide Plus with access to a broader and more complete set of enterprise data. Rather than replacing the company's core software, AI is therefore helping TechnologyOne sell more products, deepen its integration with customers and extend the duration of those relationships.

TechnologyOne is also charging customers for AI consumption, creating a new source of recurring revenue above its existing subscription fees. Early customer usage has reportedly been materially greater than the company initially anticipated, reflecting the substantial productivity benefits available from automating repetitive administrative tasks. While the products remain at an early stage, the initial response supports management's view that AI can increase average revenue per customer while further improving retention and product adoption.

Management remained confident in the company's outlook, supported by record first-half additions to ARR, a strong pipeline across Australia and the United Kingdom, and low penetration of its core vertical markets. TechnologyOne now has several complementary growth drivers: new customer wins, increased product adoption by existing customers, SaaS+, international expansion and emerging AI consumption revenue. Together, these reinforce our view that the company remains well positioned to sustain attractive recurring-revenue growth while expanding margins over time.

Life360 (NASDAQ:LIF / ASX:360)

Life360 released a very strong first-quarter result, reporting record paying circles, global net additions, subscription revenue, annualised monthly revenue and advertising revenue. The company also announced a multi-year on-market share buyback of up to US$225 million, principally to offset dilution from stock-based compensation. The market responded positively to the company's progress, with the shares increasing 42.2% during the quarter.

Life360's core family subscription business continues to perform strongly, with subscription revenue increasing 32%. Growth was driven by a 7% increase in average revenue per subscription and record net subscriber additions of more than 200,000 during the quarter. Paying circles grew materially faster than the overall user base, demonstrating improving conversion of free users into paid subscribers. The strength of the subscription business allowed management to again upgrade guidance, with full-year revenue now expected to be US$650–685 million and adjusted EBITDA of US$130–140 million.

Life360's relatively new advertising business is also emerging as a meaningful second earnings engine. Advertising revenue increased more than fourfold to almost US$20 million following the acquisition of Nativo. Life360's large free-user base has historically served primarily as a funnel into paid subscriptions; the ability to monetise these users through advertising materially increases the economic value of the network. Nativo also extends Life360's advertising capabilities beyond its own app, allowing the company to combine its differentiated family and location insights with inventory across the broader digital ecosystem.

Life360 also announced an integration with Uber that allows families to organise and monitor Uber Family rides through the Life360 app. While unlikely to be financially material in the near term, the partnership illustrates the company's broader ambition to evolve from a location-sharing application into the central digital platform through which families coordinate their daily lives.

Life360's investment case continues to rest on the unusual combination of a large and rapidly growing consumer network, improving subscription monetisation and an emerging advertising business. The first quarter result provided further evidence that these growth engines can operate concurrently.

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As always, thank you for your ongoing trust and support and for investing your capital alongside ours. We look forward to keeping you updated on the Fund's progress.

Stephen Aboud	Marcus Hughes
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