Ironbark
Investment Solutions

Ironbark Apis Global Small Companies Fund

Quarterly Report / As at 31 March 2026

Fund facts

Objective:
The Fund seeks to outperform the Benchmark (after management fees and costs but before performance fees) over the long term (typically 5 to 7 years).

Benchmark:
MSCI ACWI Small Cap Index AUD

APIR:
DAM7739AU

ARSN:
656 347 018

Inception date:
30 November 2022

Fund size:
$57.8m

Exit price:
$1.9258

Net performance (%)

	1 month	3 months	1 year	3 years (p.a.)	5 years (p.a.)	7 years (p.a.)	10 years (p.a.)	Since inception (p.a.)
Fund	**-4.25**	**10.63**	**67.59**	**24.28**	**N/A**	**N/A**	**N/A**	**22.19**
Benchmark	-4.41	-1.50	15.15	13.13	N/A	N/A	N/A	12.10
Active	*0.16*	*12.13*	*52.44*	*11.15*	*N/A*	*N/A*	*N/A*	*10.09*
Apis Composite[1]	**–**	**–**	**–**	**–**	**13.68**	**N/A**	**N/A**	**22.31**
Composite Benchmark[2]	–	–	–	–	8.40	N/A	N/A	9.51
Active	*–*	*–*	*–*	*–*	*5.27*	*N/A*	*N/A*	*12.80*

Top 5 holdings[3]

Stocks	Sector	Country
Celcuity	Healthcare	United States
Garrett Motion	Industrials	United States
Aris Mining	Materials	Canada
SSR Mining	Materials	United States
Soitec	Technology	France

1 To provide a longer-term view of the Fund's strategy, performance periods from 1 January 2020 to 30 November 2022 for the Apis Composite represent the net returns of the Apis Global Discovery Fund in USD terms, converted to AUD terms. The Apis Global Discovery Fund follows the same strategy as the Fund, the inception date of the Apis Global Discovery Fund was 1 January 2020. Performance periods from 1 December 2022 to month-to-date are the actual net returns of the Ironbark Apis Global Small Companies Fund. Source: Apis Capital Advisors, SSAL and Morningstar Direct.

2 Source: Morningstar Direct.

3 Allocations are based on the representative account for the Fund. Source: Apis Capital Advisors.

Past performance is not indicative of future performance. Net performance figures are calculated using exit prices, net of fees and reflect the annual reinvestment of distribution. Returns are rounded to two decimal places. Slight variations to actual calculations may occur. Significant investor activity can impact performance returns in a fund or of a class of a fund.

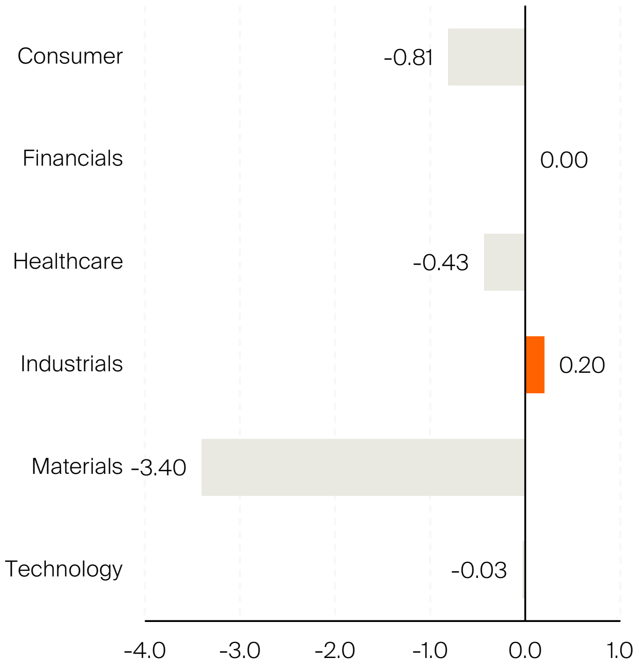
Sector allocation (%)[4]

Sector	Allocation
Consumer	2.88
Financials	0.00
Healthcare	13.25
Industrials	29.37
Materials	20.90
Technology	30.86

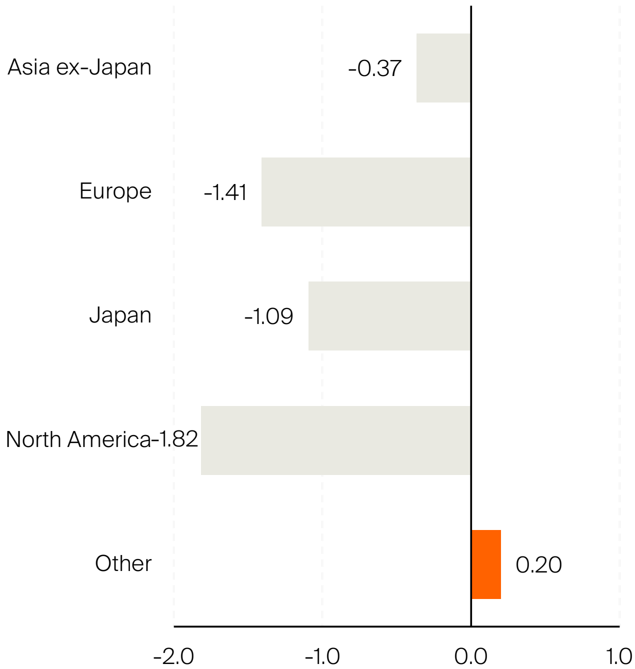
Regional allocation (%)[4]

Region	Allocation
Asia ex-Japan	30.54
Canada	9.59
Europe	25.90
Japan	7.22
United States	22.47
Other	1.53

1-month sector contribution (%)[5]



1-month regional contribution (%)[5]



[4] Totals may not equal due to rounding. Allocations are based on the representative account for the Fund. Source: Apis Capital Advisors.

[5] The contribution to returns data is based on the representative account for the Fund. Source: Apis Capital Advisors.

All currency references in the commentary below are in US dollar terms unless stated otherwise.

Investment manager commnentary

Performance review

The Ironbark Apis Global Small Companies Fund (the 'Fund') returned 10.63% (net) for the quarter, outperforming the MSCI ACWI Small Cap Index AUD return of -1.50% by 12.13% in Australian dollar terms.

Although weak markets dragged March returns lower, monthly performance for the Fund remained above benchmarks. When combined with strong returns in January and February as well, the Fund's returns were significantly higher than broader market indices for the quarter overall. It is particularly gratifying that the Fund has demonstrated consistent outperformance across market environments, generating strong results in both rising markets (January and February) and more challenging conditions such as March.

Long positions added over 17.0% (gross) during the quarter, with all regions contributing positively. Asia was the top performer (over 10.0%), followed by North America (~5.0%) and Europe (about 2.0%). From an industry perspective, technology has been the most notable contributor year-to-date, adding over 11.0%, while industrial/materials has posted sizable gains of more than 6.0%.

Performance review (continued)

The top long contributor for the quarter was Kioxia Holdings, adding 2.4%, and continued its torrid run from last year. Other memory-related names, such as FADU and Western Digital, brought the total contribution from the memory theme up to almost 6.0%. While the investment manager doesn't typically invest in large-cap companies, strong performance can occasionally drive a small-cap holding into that category.

In those cases, the investment manager remains invested only when they believe their edge persists which is how they've come to own some of these memory names despite their current size. Other notable winners highlighted below came from Korea: RFHIC and Vitzrocell, which align with the Fund's "Defense Tech" theme. The top detractor in the quarter was MannKind (down 0.60%), a position the investment manager exited due to concerns about losing an important customer.

While many names suffered in March, the Fund's Defense-related holdings which now account for almost 20% of the Fund held up well. In contrast, the Fund's gold-related positions underperformed. While this weakness was not surprising from a technical perspective, given their strong prior performance and susceptibility to profit-taking, the investment manager believes the fundamental outlook for gold has only improved with recent events. As a result, the investment manager has used the pullback to incrementally add to positions.

Portfolio outlook and positioning

Defense

Defense is one area the investment manager expects to remain a rich source of ideas for years to come. The investment manager's first significant exposure started with the war in Ukraine. That initial conviction has been bolstered by weakening NATO alliances, which are inspiring countries to finally meet their spending commitments. For obvious reasons, the investment manager expects countries in the Middle East to spend heavily on defense for years to come. Just as the "storage" theme might lead a large-cap fund to Samsung Electronics or Western Digital, the investment manager prefers to dig into supply chains to find hidden gems such as Furuya, FADU, or NHK Spring. Similarly, Defense offers its own set of "household" names, such as Rheinmetall or Renk in Europe, or Hanwha Aerospace in South Korea, but the investment manager's interest has shifted to sub-suppliers or "defense tech" companies that offer superior growth and lower valuations with meaningful discovery potential. The investment manager highlights a few of those names below.

Software

After a prolonged reset, the investment manager is currently investigating what may become a significant new theme in a corner of the market many investors have written off: software. It is a global sector that the investment manager has long admired SaaS revenue has compounded at an incredible ~20% for the last two decades but they historically struggled to get comfortable with the high valuations attached to loss-making businesses. After a prolonged downturn dubbed the "SaaSpocalypse," however, the investment manager thinks the market is painting the sector with too broad a brush when it comes to AI risk. High-quality names have been indiscriminately sold, resulting in some of the lowest valuations the investment manager has ever seen. Heated debates are underway over the level of impact AI will have on these businesses, and the investment manager views this as a contrarian opportunity a rich hunting ground is emerging globally as investors sell first and differentiate later.

While certain categories (e.g., basic workflow tools, low-end content generation, CRMs) are clearly vulnerable, many others are not only resilient but potentially strengthened by AI adoption. Software businesses that are deeply embedded in customer workflows those tied to regulated data, compliance, payments, or that require high accuracy and reliability tend to carry higher switching costs and face lower displacement risk. In many cases, AI acts as a feature enhancement rather than a substitute.

A useful illustration is a Japanese ERP company serving small businesses that the investment manager has followed for a long time. A few years ago, the stock was trading at 50x revenue, growing at approximately 40%, and losing significant money. Today, it trades at less than 2x revenue, is profitable, while still growing over 25% with a big TAM and rapidly expanding margins. The company has been aggressively integrating AI-enhanced features, creating even more value for its customers. These customers want a reliable system that has been battle-tested over the last 15 years with good customer service.

Despite the headlines, the global software sector continues to grow at a mid-teens rate, with leading companies generating gross margins of 70–80% and increasingly demonstrating strong free cash flow conversion as growth moderates. Many companies that spent years reinvesting heavily are now entering a phase of margin expansion, driving a shift from "growth at any cost" to more balanced, durable operating models.

The investment manager believes this combination of reset valuations, improving profitability, and selective AI resilience creates a compelling opportunity set for new investments. The investment manager's focus will be on businesses with mission-critical use cases, strong customer retention, and clear pricing power. The investment manager has already identified approximately 30 companies that they believe meet these criteria and are in the process of narrowing the list to our highest-conviction ideas.

Investment highlights

nLIGHT (US – $3.4 billion market cap)

nLIGHT designs and manufactures lasers components and systems and is going all-in on the surging anti-drone defense market following its exit from lower-growth industrial business. The company is currently involved in all the major government laser defense initiatives, including HELSI (a Department of War laser prototyping program) and DE M-SHORAD (the Army's short-range air defense prototype program), and is working on the US Golden Dome, Israel Iron Beam, and others. Management has highlighted a $ 2 billion opportunity pipeline, and they recently doubled their manufacturing capacity in anticipation of new government projects.

The investment manager expects nLIGHT to be a big winner when you consider the math of drone warfare: shooting down a cheap (~$30,000) drone like the Iranian Shahed costs between $500,000 and $5,000,000 per missile an economically untenable equation that cannot persist. Laser-based systems flip that math, however, and defense systems like nLight's are anticipated to have a cost-per-shot as low as $1. The US understands these economics and is throwing everything it can at the problem, while nLight has worked furiously the last few years to improve laser efficiency, reduce cost, and improve laser power dramatically toward a 1-megawatt goal.

What makes nLIGHT particularly interesting to the investment manager is how they actually build these things: its core differentiation lies in its ability to precisely combine multiple lasers into a single beam. Historically done with optics, the company uses a unique "coherent beam combined" architecture that precisely synchronises fiber lasers, producing much higher-power, more accurate lasers than previously thought possible. Further, nLIGHT is vertically integrated, with US-based manufacturing and ownership of a Gallium Arsenide (GaN) semiconductor fabrication facility in Washington (a key advantage/strategic asset). It has a long history of working with the government and prime defense contractors like Lockheed Martin, and in the investment manager's opinion, is extremely well-positioned as a potential acquisition candidate for a major defense prime.

While shares have begun to work (currently trading at about 11x EV/sales, largely driven by prototyping revenue), the investment manager thinks the market is meaningfully underestimating the magnitude and duration of the opportunity. As country defense systems shift away from traditional missile defense systems (a market of about $100 billion annually) toward directed energy solutions, nLIGHT appears positioned for sustained, multi-year growth.

Exail Technologies (France – EUR2.3 billion market cap)

What's happening in the air is also happening at sea naval warfare is going autonomous and Exail Technologies dominates the market. Exail was created in 2022 through the merger of ECA Group (a long-time leader in robotic mine removal) and iXblue (a high-end inertial navigation company). Both have deep roots in European defense but were subscale on their own. Together, they have formed a focused, vertically integrated company built for the next phase of warfare.

The new Exail is well-positioned to become a much larger defense company. They are the only full-range maritime drone supplier for mine hunting (think of Iran putting mines in the important Strait of Hormuz, which will need to be cleared) and securing critical infrastructure (e.g., subsea cables, chokepoints, ports). Their backlog has already grown by more than 50% year-over-year, and management is set to attack a growing list of tenders where Exail has a 95% win rate since 2019. Competitive intensity remains limited, reflecting the technical complexity and high barriers to entry in the marine sector.

Importantly, Exail isn't stopping at the sea. After years of refining its maritime systems, the company is now expanding into land-based defense. It recently signed a deal to provide Rheinmetall with navigation systems for 1,000 small, armored vehicles. Its inertial navigation technology enabling navigation without GPS and built around proprietary fiber-optic gyroscopes and vertically integrated manufacturing represents a core differentiator and key competitive advantage. Additionally, the company is also gaining traction in adjacent civil markets, from photonics to offshore surveying.

Despite these favorable dynamics, the market continues to value Exail more like a niche industrial company. At 18x EBITDA, with growth accelerating to over 20% and positive free cash flow, the investment manager believes this characterisation understates the company's positioning. In the investment manager's view, Exail is a dominant category leader poised to benefit from the automation of naval warfare – a structural shift that is just getting started.

Investment highlights (continued)

RFHIC (Korea – $1.6 billion market cap)

The investment manager's first met RFHIC more than a decade ago, but they initiated a position only recently, as it spans several dynamic areas they know very well: compound semiconductors, defense, and radar. Its core product is power amplifiers for radar and telecom using compound semiconductor chips. This has largely been driven by defense (radar is needed for guided missiles), which should account for about two-thirds of sales in 2026, with half for the export market. The company's roots are in telecom, where it was once heavily reliant on Huawei for sales, but now Ericsson is its key telecom customer. Today, the market for power amplifiers in telecom has tightened with the exit of a major competitor (NXP) and the gradual upturn in the end market. Large recent spectrum sales presage an acceleration in telecom investment, further spiced up by a recent satellite power amplifier win. In the commercial radar market, Raytheon recently won a multi-billion-dollar order to replace aging air traffic control (ATC) radar in the US and subcontracted the power amplifier portion to RFHIC. Readers may be shocked to learn that these ATC radars were previously powered by tubes, a technology from 50+ years ago. Tubes have historically been favored for their ability to handle massive power surges and heat. Only recently have semiconductors, using compounds such as Gallium Arsenide (GaN), been able to match this performance. RFHIC was chosen by Raytheon to supply the power amplifiers for this project, and it received its first $33 million order in the fourth quarter of 2025 (a striking illustration of a tiny Korean tech company supplying a mission-critical component for a giant US aerospace and defense company).

Finally, the defense business has been very strong and is currently driving most of this year's growth. RFHIC provides the power amplifiers used by LIG Nex1, Korea's leading guided missile manufacturer. It is widely believed to be the only realistic near-term alternative to the Patriot missile system for Middle East buyers. An article published in The New York Times in early April highlighted LIG Nex1's performance during the recent conflict, during which it intercepted 29 of 30 incoming drones/missiles. Most notably, LIG Nex1's system costs roughly one-quarter as much as the Patriot system and offers dramatically shorter delivery lead times.

In each case, the power amplifier is an absolutely critical component of the system with zero tolerance for failure. Adding further potential to the stock has been a recent uptick in component sales to Lumentum via RFHIC's listed subsidiary (RF Materials), benefiting from a shift towards optical connections in AI data centers.

Valuation is rich at 40x next year's Street estimates, but the investment manager thinks earnings could see significant upward revisions on the back of defense and air traffic control orders alone. The company is still quite small, with just under $200 million in sales, yet it has significant growth potential as the only provider of this critical component in Korea.

Vitzrocell (South Korea – $1.2 billion market cap)

Vitzrocell is a Korean specialty battery maker with leading positions across three growing end markets smart grids, defense, and oil & gas. The company produces lithium primary batteries: long-life, single-use cells designed for applications where recharging is impossible, such as underground gas meters, missile fuses, and deep-sea drilling equipment. Vitzrocell has been quietly compounding over time, delivering approximately 11% annual revenue growth over the past decade, accelerating to about 17% over the last five years as defense and oil & gas have become meaningful contributors. Today, the company ranks as the number 1 global supplier of smart meter batteries (30%+ share in North America and Europe), number 2 in high-temperature oil & gas batteries (30–40% operating margins) and holds a near-monopoly on supplying batteries to the Korean military.

The defense segment represents the most interesting part of the story. Vitzrocell supplies batteries for electronic fuzes in artillery shells and guided munitions components that are increasingly critical as militaries transition from mechanical to electronic detonation systems. For example, every rocket in Hanwha's Chunmoo launcher needs a Vitzrocell battery. Defense battery revenue has grown from KRW 1.6 billion in 2021 to approximately KRW 37 billion in 2025, implying a nearly 120% CAGR, fueled by Korea's defense export boom and expanding relationships with customers such as India's Bharat Electronics, as well as partners in Turkey, Israel, and the Middle East. The segment now accounts for roughly 15% of total revenue, up from nearly zero five years ago, and the investment manager believes this reflects the early stages of a sustained multi-year ramp rather than a one-time surge.

The company's other business segments continue to perform steadily. The smart grid segment, which represents more than half of total revenue, is a durable mid-to-high-single-digit grower with significant runway, as global water and gas meter penetration remains below 20%. Notably, Xylem representing about 40% of segment revenue recently signed its largest-ever contract to date with Vitzrocell (KRW 180 billion over three years, up 28% from the prior agreement). In oil & gas, the acquisition of Canada-based Innova Power Solutions has strengthened Vitzrocell's vertical integration, enabling a full cell-to-pack offering and positioning the company to potentially surpass Ultralife as the global market leader. The segment grew 20% organically in 2025 and is expected to sustain mid-teens growth, supported by increasing industry capex.

Investment highlights (continued)

Despite these strong fundamentals, valuation remains reasonable. At approximately 20x forward earnings, the stock has re-rated from about 11x mid-2025 but still appears undemanding relative to peers. Ultralife, for example, trades at approximately 8x earnings but delivers only mid-single-digit growth, 6% margins, and carries net debt. In contrast, Vitzrocell combines higher growth, substantially stronger margins, and a net cash position of about KRW 140 billion. Meanwhile, Korean defense names trade at 30–40x with similar top-line growth. The investment manager believes the market continues to view Vitzrocell as a steady industrial compounder, underappreciating the accelerating defense exposure layered on top of two stable, compounding businesses, suggesting there is further room for a re-rating and multiple expansion.

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