RYDER CAPITAL

Shareholder Letter

September 2023 Quarter End

Dear Fellow Shareholders,

This is our second bi-annual Ryder Capital Limited (Ryder or RYD) Shareholder letter covering the September quarter, supplementing the half year and full year reports.

September Quarter Activity

Ryder produced a positive pre-tax NTA return of +1.19% for the September quarter, outperforming both the Small Ordinaries Index which fell (1.94%) and the Emerging Companies Index which fell by (5.26%). Our share buyback remained active with ~218k shares purchased at an average price of $1.00. Shareholders should expect the buyback to continue where we see meaningful NTA accretion. On 5 September 2023 an increased, fully franked final dividend of 4.25 cents per share was paid to Shareholders.

We continue to refine our investment process while maintaining a lower risk appetite and higher conviction thresholds across the Portfolio. During the quarter we trimmed positions in SRG, IMD, CAJ, CCV, JAN, added to MAH, HHR, LDX and exited LGI and FCL. The net result was a quarter end cash balance of $10.5m representing a of decrease of 5% from 30 June 2023 after the payment of the full year final dividend in September of $3.5m. Future cash/term deposit returns will benefit from a negotiated increase in our bank deposit rates which took place during the quarter.

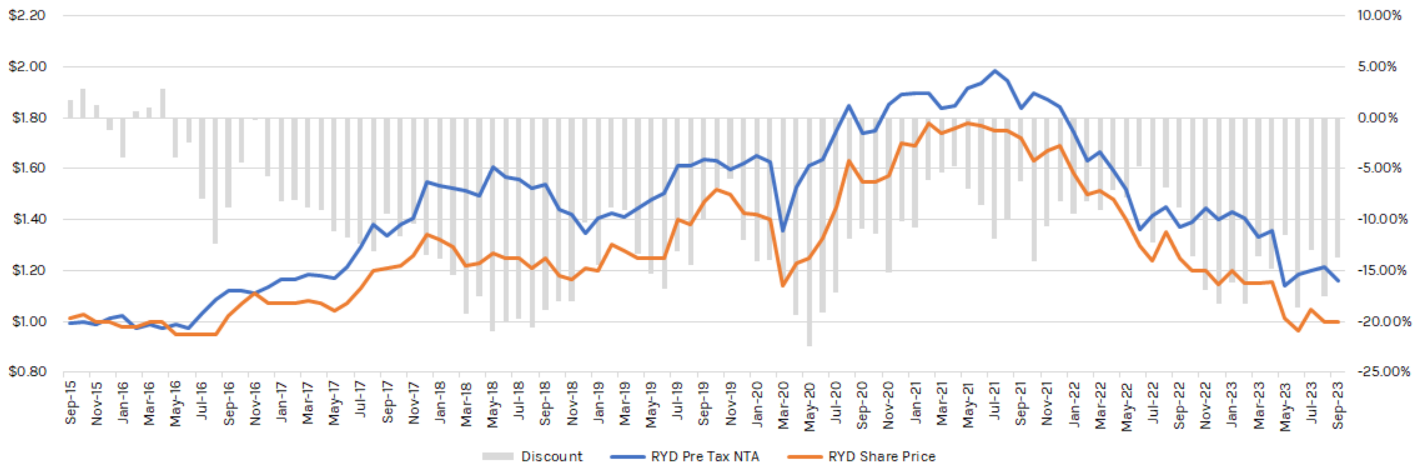
Other Portfolio activity during the quarter included a measured increase to our Portfolio insurance strategy implemented via a short position in SPI futures and a long holding in a leveraged short NASDAQ ETF product (SNAS.AU) which combined provide ~15-20% Portfolio insurance against negative market movements. During the quarter Directors continued to purchase RYD shares.

Liquidity & Discount to NTA Progress

We continue to work on improving liquidity in parallel with reducing the discount to NTA by increasing awareness of RYD through more regular Shareholder communication and capital management. That said, progress towards a measurable improvement for Shareholders must be supported by a sustained and meaningful improvement in investment performance. While we remain confident that we have begun to see improved relative investment performance, the current extremely negative market backdrop and relentless selling in small/micro-caps means we are working within a highly challenging operating environment where meaningful absolute investment returns are difficult to generate. In time we expect these headwinds will ease and eventually become tailwinds providing the environment for a period of strong relative and absolute performance.

For now, Ryder's share price discount to NTA has marginally improved since our last update and trades at a ~14% discount to pre-tax NTA as at quarter end.

Ryder Share Price Premium/(Discount) to NTA Since Inception



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Goals

As detailed in the first Shareholder letter, our goals are outlined below:

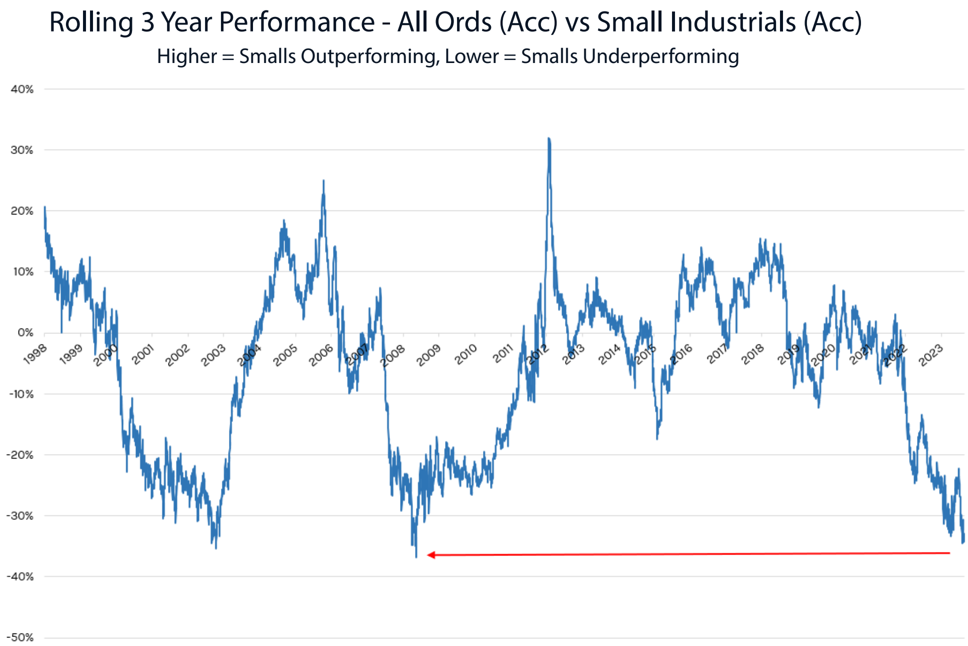
1. improving absolute and relative Portfolio performance;
2. increasing absolute NTA per share over the medium to longer term;
3. improving liquidity and closing the share price discount to NTA;
4. paying a steady to increasing fully franked dividend;
5. buying back RYD shares at meaningfully accretive levels, and
6. providing more regular communications directed at existing and prospective investors.

At this point in time our performance on goals 4 to 6 has improved, however we have work to do with regard to achieving goals 1 to 3.

Small Caps Underperformance

The chart of the rolling 3 year return of the Small Industrials versus the All Ords (excluding the small resources) below demonstrates the extreme performance dispersion between small cap and large cap industrials, with there being only two more extreme periods of underperformance in the 25 year sample – around the time of the 2008 GFC and after the Dotcom bubble.

We acknowledge that the underperformance could continue or even worsen further – noting the current market volatility and upward trajectory of the VIX. However, we know historically these prior periods of performance dispersion and extreme periods of fear have subsequently led to outsized returns. As we approach levels where there is substantial compensation in the form of meaningful discounts to intrinsic value, we expect that when the tide turns these discounts will close quickly, providing the opportunity for excellent investment returns.



Over the long-term earnings ultimately drive share prices and so the driver of Ryders future returns will be growth in Portfolio earnings and free cash flow. The Portfolio remains well positioned with high quality cash generative companies trading at substantial discounts to their intrinsic value providing us with a meaningful margin of safety. Our Portfolio companies have resilient business models, and we remain confident in their ability to withstand weaker economic conditions and continue to grow - further detail on key holdings is provided later in this letter.

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Performance

Our performance for the month and quarter end September 2023 is reported in our NTA announcement released alongside this letter. Our historical NTA's can be found on the ASX website and on our website.

The performance summary as at 30 September 2023 is as follows:

	3 Months (%)	6 Months (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception [3] (% p.a.)
RYD - Gross Portfolio Performance	1.57	-8.99	-8.95	-2.08	5.42	11.68
RYD - Pre-tax Undiluted NTA Return [1]	1.19	-9.70	-10.34	-4.51	2.34	7.92
RYD - Pre-tax NTA Return [2]	1.24	-9.78	-10.45	-8.45	-1.42	4.79
S&P ASX All Ordinaries Accumulation Index	-0.66	0.34	13.09	10.77	6.81	8.65
S&P ASX Small Ordinaries Accumulation Index	-1.94	-2.47	6.85	2.57	1.63	7.17
S&P / ASX Emerging Companies Accumulation Index	-5.26	-7.60	3.60	7.35	7.96	10.08
RYD Hurdle - RBA Cash Rate + 4.25%	2.04	4.04	7.76	5.65	5.46	5.61

Source: Bloomberg and Apex
1. Adjusted for the dilution of the exercised 26.7m RYDO options and 26.5m RYDOA options. Calculation of pre-tax NTA is prior to the provision and payment of tax.
2. Fully diluted for all options exercised since inception.
3. Inception Date is 22 September 2015.

Pre-tax NTA return was +1.19% for the quarter during what was a difficult period for markets. Whilst we underperformed our absolute benchmark of the RBA cash rate plus 4.5% for the quarter, the Portfolio has outperformed our relevant ASX comparator indices. This outperformance reinforces our confidence in the positioning of the Portfolio and its ability to generate improved returns.

Key Position Updates

BCI Minerals continues to progress the Mardie Salt and Sulphate of Potash Project with significant milestones achieved during the quarter. After releasing its updated base case cost to complete estimates in June following a ~12 month review, BCI have secured the total required project debt finance of $981m (based on the updated project economics). The debt package includes $490m from the Northern Australia Infrastructure Fund (NAIF), $160m from Export Finance Australia (EFA), $150m from Export Development Canada (EDC) and $181m from commercial banks. The substantial level of support from government debt providers highlights the strategic importance of the project which is projected to deliver $378m in steady state net cash flow p.a. (in real terms) over the ~60 year life of the project. BCI also announced it entered into a non-binding MoU with PT Mineral Industri Indonesia (MIND ID), an Indonesian sovereign entity for potential salt offtake of up to 1Mt p.a. and potential equity investment of up to $100m. The outlook for the salt market continues to improve driven by growing Asian demand.

After delivering a strong result in August, **Count** announced the acquisition of Diverger Ltd (ASX:DVR) for a total value of $45.3m using two thirds scrip and one third cash consideration via a Scheme of Arrangement. The acquisition offers significant synergy opportunities and will position Count for a material step change in its earnings growth trajectory. We expect the increased size of the merged company will attract a broader investor base which should assist in closing the large valuation gap between the current share price and the intrinsic value of Count.

Macmahon Holdings, our second largest position continues to trade at a steep discount to its intrinsic value and NTA per share of $0.278 despite a positive full-year result and strong outlook for FY24 that was materially above market consensus. The second half of FY23 saw strong margin performance and cash flow generation providing us with confidence in our expectations for FY24 of materially higher free cash flow generation, a higher return on capital and an increased dividend and ultimately market valuation and share price performance.

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As previously reported, **Updater** raised capital during a difficult period for loss making technologies companies. Updater remains focused on delivering Home Safe Connect for the US TRANSCOM Global Household Goods contract, while managing cash, reaching breakeven and pursuing a liquidity event as soon as markets are supportive.

Janison Education reported in line with market expectations with a free-cash flow breakeven result driven by operating leverage from strong revenue growth and minimal growth in operating expenses. We expect this growth trajectory to continue, driven by the Janison Solutions business which is underpinned by highly reputable key customers such as Cambridge Assessments and Oxford University Press. The company is well positioned to deliver a significant uplift in EBITDA over the next few years matched with cash flow generation.

SRG Global remains the largest position in the Portfolio and is fundamentally undervalued trading at sub 9x FY24 P/E with strong operational momentum supporting guidance of ~20% EBITDA growth. The integration of the ALS Asset Care business is progressing positively with the business performing well and winning contracts under SRG's ownership. With a strong broad based order book following a period of significant contract wins and a large proportion of earnings secured under long-term contracts, SRG is well positioned to continue to deliver meaningful earnings growth and a valuation re-rate which we expect to translate into strong share price performance.

Austin Engineering reported in line with their lowered FY23 earnings guidance following a disappointing downgrade in May as a result of a timing issue relating to a major customer contract which has since been resolved. The company continues to execute on its strategy to deliver improved margins through the restructuring of its Perth facility and increasing utilisation of its manufacturing facility in Batam, Indonesia while delivering on strategic growth opportunities particularly in the North American market. It is important to note that earnings are primarily tied to the production levels of its mining clients as opposed to the more cyclical and volatile exploration cycle positioning the business well despite a weakening macroeconomic outlook.

Outlook

Consistent with our previous outlook commentary in the FY23 Annual Report, we maintain a cautious outlook. As the economy continues to weaken, placing further pressure on corporate earnings and with inflationary pressures embedded for now, we do not to expect any near-term relief in the form of lower rates. In fact, we expect rates to remain 'higher for longer' which will continue to drive negative price action and market volatility.

This outlook is now more widely held than earlier in the year, accounting for much of the ongoing and widening underperformance of smaller companies (versus mid and large caps), both in Australia and abroad. As prices continue to factor in the deteriorating outlook, they will at some point price in the worst of outlooks and find a bottom. Of course timing this is not easy, however with some companies already trading at valuations providing more than sufficient compensation, timing becomes less relevant to us as this negative outlook is sufficiently, or in some cases more than priced in. This scenario will ultimately lead to positive performance as despite a weak near-term outlook, the market is very effective at looking forward through the short term and will begin to price an earnings recovery and a new growth cycle/more stimulatory rate environment.

We don't propose to know when we will get to the point when the economy/corporate earnings base out and so we continue to invest with caution in companies with solid balance sheets, that generate robust free cashflow and have resilient business models that can successfully trade through a weak economic environment/recession.

Tactically, we are actively managing Portfolio positions and raising cash where sensible, whilst maintaining an overall market insurance position of ~15-20% of the Portfolio. We look forward to providing a further update on Portfolio performance and the market outlook at our AGM in November.

Yours sincerely,

Peter Constable and David Bottomley

Portfolio Managers

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