

# Blackwattle Mid Cap Quality Fund

October 2023



## About the Fund

The Blackwattle Mid Cap Quality fund is a concentrated yet diversified portfolio of some of the highest and most improving quality companies on the ASX. We believe that high quality companies have the potential to consistently outperform over the medium term, as their competitive advantages may allow for compounding shareholder returns through market cycles.

The fund is concentrated on the team's best ideas, driven by fundamental research to establish differentiated views on the outlook of company quality, valuation and earnings. The fund is targeting long term ownership of high-quality companies to generate a consistent outperformance profile, compounding shareholder returns through market cycles.

## Blackwattle Investment Partners

Blackwattle is a new generation, highly aligned, Australian investment manager investing in quality businesses and people.

### Alignment

Shared staff ownership, zero personal trading, profit and personal salary reinvestment, and most importantly significant personal investment alongside our clients.

Invest Better. Live Well.

### Quality

We aim to buy businesses that have a forward advantage, trustworthy aligned management, priced below intrinsic value.

### Trust

We believe that honesty and transparency builds trust with our clients, stakeholders, and community.

## Key Information

Fund Name	Blackwattle Mid Cap Quality Fund
Inception Date	August 2023
Typical number of stocks	20-35
Cash limit	10%
Cash Distributions	Semi Annually
Redemptions	Daily
Constrained Capacity	\$2.0b
Objective	The Fund aims to outperform the S&P/ASX300 Accumulation Index - S&P/ASX20 Accumulation Index (after fees and before taxes) over the long term.

## Portfolio Managers



### Tim Riordan CFA, FRM

15+ years' investment experience. 5 years as Head of Direct Equities at Aware Super and Lead PM of the Aware Super Mid Cap Industrial Fund. Was Co-Head of Research and Portfolio Manager at Altair Asset Management.



### Michael Teran CFA

12+ years' investment experience. Associate PM of the Aware Super Mid Cap Industrial Fund. Also Long-Short Equities Analyst at Point72 Asset Management in Hong Kong. And Equities Analyst at Colonial First State Global Asset Management (now First Sentier Investors).

## Fund Performance<sup>1</sup>

Blackwattle Mid Cap Quality Fund Performance (net of fees) as at 31 October 2023

	1 month	3 months	1 Year	2 Years p.a.	5 Years p.a.	10 Years p.a.	Inception p.a. <sup>2</sup>
Fund (Net)	-5.56%	-	-	-	-	-	-10.99%
Benchmark <sup>3</sup>	-5.42%	-	-	-	-	-	-9.61%
Active Return	-0.14%	-	-	-	-	-	-1.38%

<sup>1</sup> Returns are calculated after fees have been deducted and assume distributions have been reinvested. No allowance is made for tax when calculating these figures. Past performance is not a reliable indicator of future performance. Source: Apex.

<sup>2</sup> The inception date for the Fund is 8<sup>th</sup> August 2

<sup>3</sup> S&P/ASX300 Accumulation Index - S&P/ASX20 Accumulation Index

## Top 5 Holdings



## Market Commentary

The ASX300 ex-20 fell 5.4% in October while global markets were also weak with the S&P500 falling 2.2%. Financial markets in October fell for a 3<sup>rd</sup> straight month, continuing to be weighed down by rising bond yields and renewed conflict in the Middle East. On a sector basis, rate-sensitive cyclical exposures (e.g. Energy, Lithium, Consumer Discretionary) and leveraged exposures (e.g. REITs) led the declines, while defensive exposures held up (e.g. Gold, Utilities).

## Portfolio Commentary

The Blackwattle Mid Cap Quality portfolio tracked just below the weak market in October. The Blackwattle Mid Cap Quality portfolio is concentrated, which results in volatility month to month, however we have seen in the past that our quality focus drives fairly consistent alpha through market cycles. The portfolio is nearing a number of catalysts that will begin to flow through over the coming months, we look for incremental feedback to add to or reduce confidence in our theses, this helps us connect the short term with our longer-term focused research. Having established the portfolio in August the first batch of catalysts are now beginning to arrive in AGMs, investor days and September earnings updates, we look forward to reporting back over time as these flow through the portfolio.

## Outlook

October continued the recent weakness in financial assets, with the US 10-year bond yield hitting a new high of this cycle at 5.0%. Global markets were also roiled by conflict in the Middle East. Our quality focused portfolio has historically done well in weaker months (markets tend to gravitate to quality stocks), and whilst October was solid for the bulk of the portfolio, volatility held performance back somewhat.

We continued to take advantage of heightened volatility during the month, increasing exposure to our highest conviction names as several were sold down on no fundamental news. During October we exited 2 lower conviction names. The overall Quality Score of the portfolio improved further whilst risk/reward remains highly attractive.

This environment is conducive to actively managed portfolios with heightened volatility and highly varied operating conditions across and within industries providing opportunities in both loved and feared stocks. Whilst it can be frustrating to see high quality businesses sold down due to short term issues, we believe this is providing us with wonderful long term opportunities acquiring stakes in our most favoured businesses with excellent medium and long term prospects.

In team news, we are thrilled to welcome Peter Wilson to the team. Pete joins from Credit Suisse Equity Research, where we have gotten to know him over the last 9 years in his role as Director, Head of Utilities, Building materials and Steel research. We are lucky to have him join us and look forward to building the fund together.

Thank you for investing alongside us, Mike & Tim.

## How to Invest

To invest click on the link [www.blackwattlepartners.com/invest/](http://www.blackwattlepartners.com/invest/) or call 02 7208 9922.

## Contact Details

### Investor Services

Apex Fund Services

Ph: 1300 133 451

E: [registry@apexgroup.com](mailto:registry@apexgroup.com)

### Investment Enquiries

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