# Blackwattle Mid Cap Quality Fund

November 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 30 November 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)	8.26%	-3.50%	-	-	-	-	-3.64%
Benchmark <sup>3</sup>	5.51%	-4.57%	-	-	-	-	-4.63%
Active Return	2.75%	1.07%	-	-	-	-	0.99%

<sup>&</sup>lt;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.

 $<sup>^{\</sup>rm 2}$  The inception date for the Fund is  $8^{\rm th}$  August 2023

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

#### **Top 5 Holdings**











# **Market Commentary**

The ASX300 ex-20 rebounded 5.5% in November while global markets were also strong with the S&P500 rising 8.5%. Global equity markets staged a significant rebound after entering correction territory in late October. This was primarily driven by relief in bond markets, with the US 10-year bond yield falling to a more manageable 4.3% after reaching 5.0% in October. The best performing sectors were yield sensitive sectors of Real Estate and Healthcare, which both underperformed in September and October.

#### Portfolio Commentary

The Blackwattle Mid Cap Quality portfolio had a strong month in November. Catalysts during the month for a significant portion of our portfolio were on balance positive for our companies. 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 consistent alpha through market cycles.

#### Outlook

November was a very strong month for financial assets, as markets rebounded from a correction in September and October. Global bond yields have retraced to more manageable levels in line with a softening in CPI readings and fading concerns about the US fiscal position. While the portfolio has been built bottom-up on high conviction stock calls, we have been vigilant about remaining appropriately diversified, so we find it encouraging that the portfolio has managed well through the recent correction and subsequent rebound.

We were looking forward to November due to a significant number of catalysts in the form of results, AGMs, investor days and trading updates. November did not disappoint, of our portfolio companies providing updates, the majority were ahead of market expectations. This was yet another reminder that investing in high quality businesses provides upside skew to financial results, as these businesses are best placed to take advantage of most economic conditions. Stock selection was over two thirds of the portfolio attribution, validating both the high conviction stock picking and solid portfolio management of a well-diversified portfolio.

This environment remains conducive to actively managed portfolios. During November we were presented with an opportunity to high grade the portfolio adding a new stock which although cyclical, is a high-quality market leader with a significant growth runway. This aligns with our goal to improve the overall Quality Score of the portfolio whilst maintaining highly attractive risk/reward.

Thank you for investing alongside us, Mike & Tim.

# **How to Invest**

To invest click on the link <u>www.blackwattlepartners.com/invest/</u> or call 02 7208 9922.

# **Contact Details**

Investor Services

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