

Annual Letter - 19 December 2023

Dear Shareholder,

As we reach the end of 2023, our inaugural year, I want to thank you for your continued support and the trust that you place in us at Blackwattle. We are privileged to represent your capital, which we continuously strive to protect and grow.

Reflection and Alignment

It is not often in life that you have the opportunity to start a business, 2023 was that year for us all at Blackwattle Investment Partners [Blackwattle].

Ten of us, partners together, took the step to create Blackwattle. We did so, because we hold the fundamental belief that the investment management industry needed to be better.

Blackwattle was designed to be better.

Inspired by Charlie Munger's wisdom, "show me the incentive, and I will show you the outcome", the heart of our business is alignment and personal investment. We fundamentally believe that alignment drives better outcomes for all. At Blackwattle, we strive to be the most aligned investment management company in Australia.

We will always invest our own money alongside our investors, ensuring our interests are perpetually linked.

Personally, over 95% of my own wealth is invested into Blackwattle and its portfolios. My family doesn't own any other investment assets, no real-estate, shares, or bonds. In fact, other than a small amount of cash for living purposes, we are completely, only, invested in Blackwattle.

As investors, you can be sure that my own interests align unequivocally with your own.

Extending this thematic, I highlight that our CEO, and every investment and executive team member at Blackwattle has committed significant personal capital to our business and portfolios.

The Blackwattle Design

Blackwattle was designed to lead the way in accountably, client engagement, fee transparency, fund design, and personal alignment. We will always constrain the capacity of our Funds to preserve and preference performance. We have installed best-in-class operations, risk, and governance capabilities. And we will never allow personal trading (which is both a distraction and conflict).

We hold the fundamental belief that it is impossible to forecast financial markets accurately and repeatedly. We remind ourselves that:

"It is tough to make predictions, especially about the future." - Yogi Berra

We know the limits of our capability, and we simply do not attempt to forecast the future (to forecast the unforecastable).

Rather at Blackwattle our investment focus is on **business quality**. We seek to invest in businesses with a) a clear forward advantage b) that are managed by honest, aligned people, and c) that are trading at, or below, intrinsic value.

We strive to buy businesses that will be stronger tomorrow than they are today.

We believe that good and great businesses strengthen through market cycles, and moreover shine during periods of economic uncertainty or instability. These businesses have the ability to compound their advantage, the ability to compound returns.

We believe that great businesses, if purchased at the right price, can deliver very significant long-term wealth creation.

The 2023 Year - Foundations

Our foundations were set in 2023, the foundations that will underpin the future success of our portfolios and business.

As I reflect on all that we have achieved together, I am thankful.

Our team has committed so much to Blackwattle. To them: thank you for enthusiasm, energy, deep thought, long hours, drive, hustle, and humility. Most importantly, thank you for the time spent away from family.

Quarter 1: Establishment was the focus of Q1 2023. Blackwattle was capitalised with support from an outstanding investor base, including many families and friends. Thank you to every shareholder for the trust you place in us.

Key achievements in the quarter include:

- Our 1st employee that started on the 17th of January 2023.
- Our 1st Board meeting in February 2023.
- Securement of our 1st office: Ground Floor, 117 Clarence St, Sydney NSW 2000.
- Establishment of IT, Trustee, Administration, Custody, Registry, Trading and Compliance systems.
- Establishment of excellent ESG and Investment Review Councils.
- Our AFSL (financial services licence) submission.
- At this point in time, we are 5 employees.

Quarter 2: The public launch of Blackwattle was the focus of Q2 2023.

Key achievements in the quarter include:

- The recruitment of our outstanding Head of Distribution, Maggie Mills.
- The completion of our brand design.



- Seed capital raising for our ASX portfolios.
- Hosting our first webinar series with 250+ registered attendees.
- AFSL approval (thank you for all involved, this was an exceptional outcome in less than 3 months).

- Our public launch.
- Our website went live: www.blackwattlepartners.com
- Our LinkedIn Page went live: www.linkedin.com/company/blackwattlepartners/
- At this point in time, we are 10 employees.

Quarter 3: The establishment of 4 ASX portfolios was the focus of Q3 2023.

Key achievements in the quarter include:

- The addition of our excellent Operations and Client Service Specialist, Cherish Beardmore.
- The completion of our portfolio SEED raising, with line of sight to +\$65m FUM.
- The successful launch of our first 4 portfolios, our Blackwattle Small Cap Quality, Mid Cap Quality, Large Cap Quality and Long-Short 130/30 Quality Funds.
- At this point in time, we have 4 portfolios and we are 11 employees.

Quarter 4: Blackwattle agreed to take over the management of the Watermark Absolute Return Fund in Q4 2023. The Fund has changed name and focus, becoming Blackwattle's 5th domestic portfolio, our Small Cap Long-Short Quality Fund.

Key achievements in the quarter include:

- The addition of Peter Wilson and Andy Chuk, two outstanding Senior Investment Analysts.
- Blackwattle's inaugural 'Family Day', a Saturday afternoon spent together with our staff and their families.
- The completion of a full day portfolio (x4) risk review by Blackwattle's ESG and Investment Review Councils.
- The inclusion of our Funds on the Netwealth and BT platforms.
- The expansion of Blackwattle into Melbourne, with the hiring of a Senior Distribution Director and the securing of our 2nd office, in Melbourne.
- We now have 5 portfolios live, and we are 13 employees.

Blackwattle's foundation year was by many measures, successful. However, 2023 merely represents the first steps in a multi-decade long journey.

We have only just begun.

From here our job is clear, to protect and grow the capital that we represent. As one team, partners together, we collectively strive to deliver outstanding results for years to come.

Performance

Our primary goal as a business is to protect and grow capital (our own and our investors, together). Investment performance is paramount.

We will make mistakes and missteps. But rather than hide from our mistakes, as an investment team we strive to learn from them. This is one of our unwavering commitments.

In 2023, we made mistakes (as we will every year). Investments in our Funds that detracted the most performance were: Latin Resources (-0.56%), Carnaby Resources (-0.30%), Xero (-0.79%), Resmed (-0.75% Mid Cap Quality Fund), Resmed (-0.33% Large Cap Quality Fund) and Coles Group (-0.32%).

As an investment team we have learned that colligate debate, knowledge sharing, and internal performance reviews, aid our decision making and improve investment outcomes. These practices have been built into our investment process for 2024 and beyond.

Whilst we made mistakes, we had investments in great businesses that underpinned positive performance. This includes investments in: Ramelius Resources (+0.55%), Stanmore (0.54%), Neuren Pharmaceuticals (1.51%), Light and Wonder (1.07%), Deterra Royalties (0.24%) and News Corp (0.20%).

Our first four portfolios have now been investing for ~4 months, this is not a suitable time period to judge long-term performance. But pleasingly, three of our four ASX Funds have outperformed their respective benchmarks since inception¹.

These results are credit to the entire Blackwattle team. Specific thanks must go to our outstanding investment team including: Robert Hawkesford, Daniel Broeren, Andy Chuck, Tim Riordan, Michael Teran, Peter Wilson, Ray David and Joseph Koh.

Gratitude and Thanks

The number of people to thank is extensive. Without doubt, Blackwattle is here today thanks to the support of many.

First and foremost, thank you to every shareholder and client for trust you place us. We are privileged to represent your capital.

Thank you to our amazing Board of Directors John Churchill, Matt Dell, Matthew Lawrance and Nerida Hall for your guidance and for continuously pushing our team to be better. Thank you to our CEO Jarred Rubin for his personal counsel, and for helping us overcome every challenge. Thank you to Maggie Mills for spearheading our client engagement. Thank you to Cherish Beardmore for completing tasks before we even know they require completion. Thank you to our outstanding investment team, Rob Hawkesford, Dan Broeren, Andy Chuk, Tim Riordan, Michael Teran, Peter Wilson, Ray David, and Joe Koh, for your unrelating focus on performance. Thank you to our ESG and Investment Review Council members for your time and counsel. Thank you to our key partners at Avary Creative, EQT, APEX, Refinitiv, Bloomberg, Focus Funds, Hamilton Locke, PMC Legal, King Irving, SW Accountants and Advisors, EY, Harvis, Ningaloo Capital, Salesforce, Out In The Clouds, Third Bridge, VTS IT and Ownership Matters. Thank you to our key brokers and research advisors, your early support greatly aids our business, and this will not be forgotten.

Finally, to our families, thank you for your unwavering support. In closing, I would like to re-iterate the commitments that we have made to our investors:

- We will always commit our own capital alongside your own.
- We will never allow personal trading.
- We will always constrain the capacity of our Funds.
- We will learn and improve from our mistakes.
- We will act with transparency.
- We will do what we believe is right.

¹ Inception is 8-Aug-2023: Mid Cap Quality Fund, Large Cap Quality Fund, Long-Short 130/30 Fund. Inception is 12-Sep-2023: Small Cap Quality Fund.

Season's Greetings, and the warmest wishes to you and your families for a safe and happy holiday season.

Kind regards,



Michael Skinner
Managing Director, Chief Investment Officer, and Partner
+ The Entire Blackwattle Team

P.S Our summer reading recommendation is 'Legacy: What the All Blacks Can Teach Us About the Business of Life' by James Kerr. Our entire team will be reading it.

The book's insights into team culture and leadership are as applicable to business as they are to sport. It is excellent.