

July 2024

About the Fund

The Blackwattle Global Quality Fund is a high conviction long only fund that aims to provide exposure to the highest quality companies in the world, trading at attractive valuations. The fund adopts an 'All-weather Quality' approach for investing.

Our approach recognises a company's persistent competitive edge and the durability of earnings power allowing for the compounding of capital over the business cycle.

Risk is managed through portfolio and stock exposure limits and process discipline.

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.

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 Global Quality Fund
Inception Date	May 2024
Typical number of stocks	20-35
Cash limit	10%
Cash Distributions	Semi Annually
Redemptions	Daily
Constrained Capacity	\$10bn
Objective	The Fund aims to outperform the MSCI AC Net World (after fees and before taxes) over the long term. To deliver performance of 8-12% p.a over the long-term.

Investment Team



Sunny Bangia

18+ years' investment experience. Previously Co-Founder and Portfolio Manager of Antipodes Partners, and Co-Portfolio Manager of Antipodes Global funds and lead Portfolio Manager of Antipodes Asia Fund.



Edward Li

8+ years' investment experience. Previously Investment Analyst at Antipodes Partners (Global Strategies). Investment Associate at Colinton Capital Partners and Investment Banking Analyst at Macquarie Capital



Nicholas Tan

13+ years' investment experience. Previously Senior Investment Analyst at Antipodes Partners (Global and Emerging Markets) and at Platinum Asset Management

Fund Performance¹

Blackwattle Global Quality Fund Performance (net of fees) as at 31 July 2024

	1 month	3 months	6 months	2 Years p.a.	5 Years p.a.	10 Years p.a.	Inception p.a. ²
Fund (Net)	3.08%	-	-	-	-	-	9.29%
Benchmark ³	3.92%	-	-	-	-	-	7.77%
Active Return	-0.84%	-	-	-	-	-	1.52%

¹ 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.

² The inception date for the Fund is 2 May 2024

³ MSCI AC Net World (AUD)

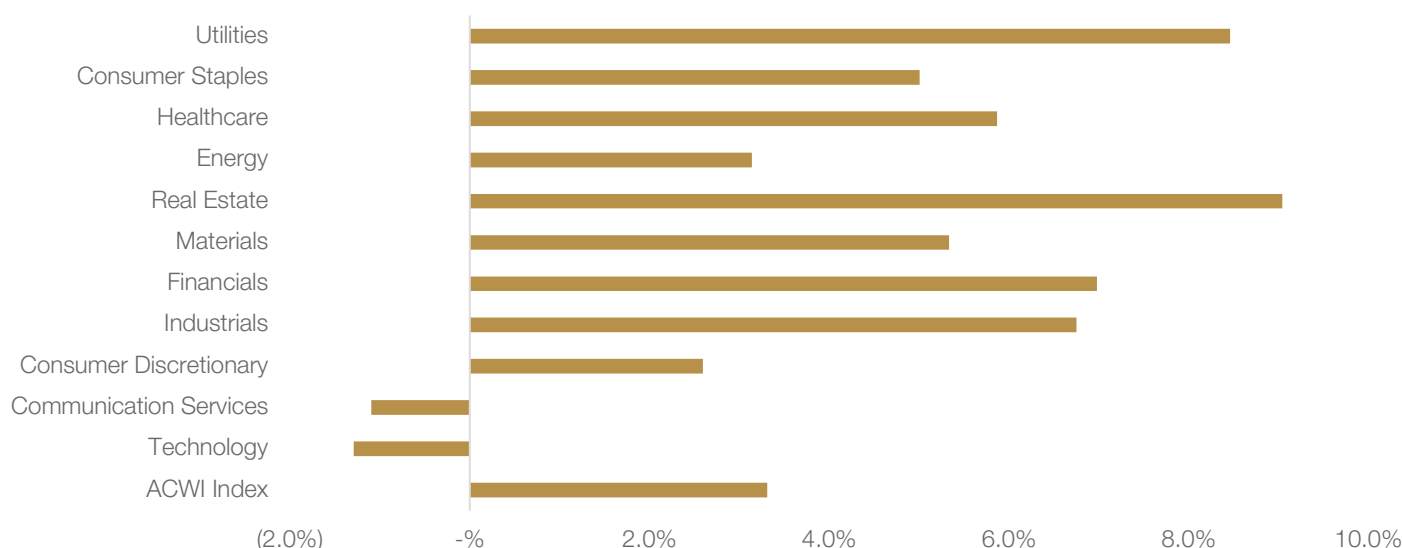
Top 5 Holdings



Market Commentary

The MSCI AC World Index (AUD) was up 3.92% in July, primarily led by some breadth coming into the market with Real estate & Utilities outperforming. Signs of inflation being contained and Federal reserve rate cutting cycle confirmed caused an imminent market rotation, while YTD leaders reversed a portion of their gains notably Technology & Communication Services.

MSCI ACWI 1 month returns (AUD) (%)



Portfolio Commentary

The Blackwattle Global Quality portfolio underperformed the MSCI AC World Index (AUD) by (0.84%) during the month.

Key Contributor – Hemnet

Hemnet, the dominant property classifieds portal in Sweden, reported robust results this quarter. Net sales increased by 51% while EBITDA increased 54%. ARPL, average revenue per listing, increased 52%, surpassing market expectations. The Swedish housing market is recovering, aided by the latest Riksbank rate cut, though housing prices remain 12% below 2022 highs. Low housing turnover also indicates potential for increased transaction volumes.

There remains a good runway of growth as Hemnet's monetisation is still low compared to global peers. In May, Hemnet launched a new digital publication workflow for agents and sellers encouraged more uptake in high margin value-added services. We see further upside from the updated commission share model introduced in July, which incentivises agents to upsell further.

Key Detractor – ASML

ASML, the world's leading lithography equipment manufacturer, reported robust results this quarter. The company achieved net system bookings of €5.6 billion, resulting in a total backlog of €59 billion, surpassing market expectations.

However, these strong results were initially overshadowed by a Bloomberg article published just hours before the earnings release. The article speculated that the Biden administration was considering using the Foreign Direct Product Rule to restrict the sale of products incorporating American technology to China. ASML was specifically mentioned, which caused the stock to decline.

This decline was further exacerbated by a sector-wide rotation out of large-cap technology and semiconductor stocks, leading to continued selling pressure on ASML throughout the month.

On the last day of the month, Reuters published an article that contradicted Bloomberg's report. Reuters stated that equipment vendors from allied countries, including the Netherlands, Japan, and Korea, would likely be exempt from the upcoming export restrictions by the Biden administration. This news led to a reversal in ASML's stock price.

With the political risk abated, we expect ASML to return trading based on its strong fundamentals moving forward, given its critical role in the semiconductor industry.

Portfolio Commentary and Outlook

July 2024 witnessed a dynamic market landscape influenced by various economic data releases, central bank policy decisions, geopolitical events, and corporate earnings, igniting a month of turbulence and heightened volatility across global equities.

Early in the month, US inflation came in slightly softer than expected. The "supercore" inflation (a measure excluding volatile food and energy prices as well as housing costs) decreased for the second consecutive month, while headline inflation fell month-on-month. This caused a sharp cross-asset and equity rotation, reducing the spread between the closely watched Nasdaq and Russell indices. These aggressive moves highlighted the importance of caution when considering secular timing in trades. Following the weaker inflation read, labour market data softened. This potentially shifted the Federal Reserve's dual mandate focus from price stability to supporting maximum employment. The combination of softening inflation and labour market data muddled the prospects for the US economy, especially when coupled with various regional Federal manufacturing indexes falling further into contractionary territory.

In the Treasury markets, investors navigated forward expectations around central bank meetings as policymakers expressed concerns over the disinflation narrative. The European Central Bank (ECB) left rates unchanged, maintaining a relatively hawkish stance. However, front-end European Government Bond (EGB) yields moved lower, pricing in imminent rate cuts towards the end of the year. The Federal Reserve's approach was not dissimilar, maintaining a cautious stance on rate cuts. In China, signs of economic support included lowering the medium-term lending facility rate and injecting liquidity into the market through MLF operations. Finally, the Bank of Japan (BOJ) delivered on a well-anticipated rate hike, sending shockwaves across various asset classes.

The earnings season saw the market seemingly priced to perfection, resulting in a high bar to meet expectations. Results were mixed, and the market did little to support positive price action, with subsequent days suggesting signs of positioning shifts. The rotation and mean reversion appeared to be a significant de-grossing event. Mega-cap stocks faced concerns around capital expenditure and the monetization of artificial intelligence, shifting to a "show me" market where investors demand concrete results. Weak consumer data drove the underperformance of discretionary names, highlighting pockets of weakness in the economy.

Adding to the market volatility were unexpected political events. News of an assassination attempt on former President Trump and President Biden's withdrawal from the presidential race shocked investors. However, as the initial surprise subsided and speculation about potential new candidates emerged, markets began to stabilize. Investors are closely monitoring the situation for further developments, particularly regarding the future political landscape and its potential impact on fiscal and monetary policies.

As we move into August, the interplay of economic data, central bank policies, corporate performance, and political developments continues to shape the market landscape. Investors remain vigilant, balancing opportunities against risks in an environment characterized by uncertainty and rapid change. The coming months may prove crucial in determining the trajectory of global economies and financial markets for the remainder of the year.

How to Invest

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

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