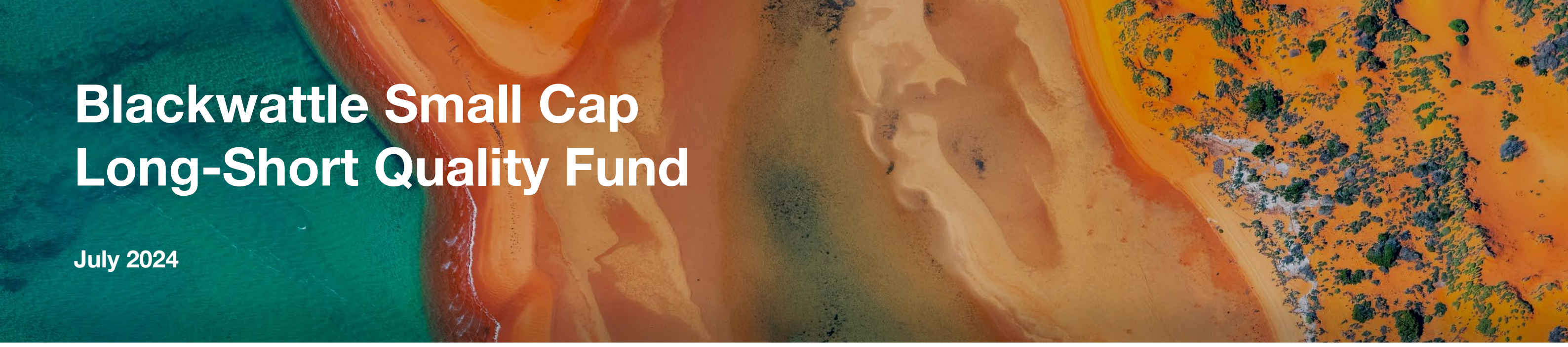

Blackwattle Small Cap Long-Short Quality Fund

July 2024

About the Fund

The fund aims to deliver outperformance through the cycle, irrespective of market direction or factor leadership. Our goal is to achieve higher relative returns with lower volatility.

The fund offers high-conviction long exposure to the best quality Small Cap companies, and short exposure to low-quality companies, enabling investors to generate returns from a wider range of market opportunities.

We prioritize active risk management and consider capital preservation at every stage of our investment process.

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.

Invest Better. Live Well.

Key Information

Fund Name	Blackwattle Small Cap Long-Short Quality Fund
Inception Date	November 2023
Typical number of stocks	30-60 Long, 10-30 Short
Cash limit	50% (typically +10% to -10%)
Cash Distributions	Semi annually
Redemptions	Daily
Objective	The Fund aims to outperform the S&P/ASX Small Ordinaries Accumulation Index (after fees and before taxes) over the long term

Portfolio Managers

Daniel Broeren
20+ years investment experience. Extensive long and short experience. Most recently Portfolio Manager, Watermark Funds Management (Australian Long/Short). Previously Portfolio Manager of the Invesco Small Companies Fund.

Robert Hawkesford
20+ years investment experience. Most recently in a small team at Ellerston Capital managing the institutional Australian Small Cap portfolio. Member of Ellerston's ESG and Broker Review Committees.

Fund Performance[1]

Blackwattle Small Cap Long-Short 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)	2.46%	1.43%	5.31%	-	-	-	9.14%
Benchmark[3]	3.49%	1.25%	3.53%	-	-	-	8.64%
Active Return	-1.03%	0.18%	1.79%	-	-	-	0.49%

[1] Returns are calculated after fees have been deducted and assume distributions have been reinvested, Returns are normalised for the removal of unallotted applications, following the transition of Investment Manager of the Fund.. 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 21 November 2023. [3] S&P/ASX Small Ordinaries Accumulation Index. There was a six-month transition period beginning 21 November 2023 and ending 21 May 2024, following the transition of Investment Manager of the Fund. During this transition period, the Fund Benchmark was 50% cash rate as determined by the Reserve Bank of Australia and 50% S&P/ASX Small Ordinaries Accumulation Index. Returns are normalised for the removal of unallotted applications, following the transition of Investment Manager of the Fund.

Top 5 Holdings

Market Commentary

The ASX Small Ordinaries Accumulation index rose 3.49% in July, led by Small Industrials which rose 5.13%, while Small Resources fell 0.92%. Within Industrials the market was led by Cyclicals sectors including Consumer, Financials and Real Estate as weak inflation prints in both the US and Australia triggered rotations into more interest-rate sensitive areas of the market. Weakness in Resources was led by Uranium and Base Metals.

Portfolio Commentary

The Blackwattle Small Cap Long-Short Quality Fund underperformed the ASX Small Ordinaries Accumulation index by 0.99% in July.

Key Contributors to performance in July were Spartan Resources (SPR), Genesis Minerals (GMD), and Stanmore Resources (SMR).

Spartan Resources followed up a +31% move in June with a +29% move in July. The company is in the process of exploring and developing its flagship Dalgaranga Gold Project in WA's Murchison region. The project contains a collection of high-grade deposits, still open at depth and producing outstanding drill results, further evidenced by a 45% Mineral Resource Estimate (MRE) upgrade during the month. The project now boasts an MRE of 2.5Moz at 4.8g/t, located on existing mining leases and within 2km of existing mill and processing infrastructure.

Genesis Minerals rose 19.1% in July after delivering a solid June Quarterly update that was in-line with market expectations, while also flagging a potential acceleration of organic growth that could pull forward production ounces in the 5-year plan.

The Stanmore share price increased materially in July following a fire at Anglo Americas' Grosvenor mine (QLD), which removed significant supply from the market and drove the coal price higher. Stanmore is a core holding in the portfolio based on the view that the global supply chain for metallurgical coal suffers from chronic underinvestment which is likely to drive higher pricing and cashflows for existing producers. Events like that which happened to Grosvenor are catalysts for higher prices to materialise.

Key Detractors to performance in July were Bellevue Gold (BGL), Paladin Energy (PDN), and Aussie Broadband (ABB).

Bellevue Gold fell 23.3% in the month following a $150m capital raise and the release of a new 5-year mine plan. Bellevue's high-grade, low-cost mine, built on time and on budget by a well-regarded management team, had been ramping up production admirably, with future debt repayments and minimal capex required to fund growth expected to be funded by free cash flow. Hence, it came as an unwelcome surprise in the new plan that expectations for ~200koz of gold to be produced in FY25e were reduced to 165-180koz and that the company would be raising capital. While short term production guidance was downgraded, medium to longer term production guidance was upgraded and the company now expects to produce 250koz of gold in FY27, but it may take some time to win back investor sentiment.

The Paladin Energy share price dropped 9% over the month, largely in response to the uranium spot price. Having said that, at a PDN share price of $10, the implied Uranium price is US$65/lb, which is well below the current spot rate of US$79/lb. This suggests the recent share price move is overdone. While PDN's share price is being led by the commodity price in the short-term, the company's long-term prospects have been improved greatly following its recently announced acquisition of Fission Uranium (FCU.TSX), a high-grade development project in Canada. The deal gives PDN a quality growth option, which it can fund via cashflow from its already producing Langer Heinrich asset. Because the project was unfunded under Fission's ownership, the deal unlocks significant value for PDN shareholders. We expect this to be fully appreciated as the uranium price settles.

Aussie Broadband fell 7.8% in July after delivering an upgrade to FY24e earnings, but also providing FY25e guidance that missed the market's expectations. The loss of the Origin white label contract earlier in the half appears to have created some operating deleverage in the business that was not properly communicated. Aussie is also launching a digital-first residential challenger brand called "Buddy" that will target the value-conscious customer, complementing the premium 'Aussie Broadband' offer, which will attract $10m in one-off upfront costs. Aside from this, the underlying business continues to track well with double-digit % subscriber growth across a diversified customer base (Residential, Business, and Enterprise & Government) with an increasing exposure to stickier, higher-margin E&G which improves the quality and predictability of earnings. The stock screens cheaply on only ~7x EV/EBITDA with growth levers and a strong balance sheet.

Outlook

The portfolio is currently positioned to be overweight quality cyclicals and quality growth companies. Recent trading updates from several domestic cyclical companies have shown slowing momentum, but far less than some had feared. As such the Australian economy looks more likely than most to achieve the aspirational soft landing. While the New Zealand economy has landed hard, a monetary policy response is imminent and is likely to drive a market response. The recent peak in US bond yields also supports valuations for long-duration assets. We continue to prioritise quality growth companies with defensive demand characteristics.

Dan & Rob

How to Invest

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

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