

August 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 Performance<sup>1</sup>

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

	1 month	3 months	6 months	2 Years p.a.	5 Years p.a.	10 Years p.a.	Inception p.a. <sup>2</sup>
Fund (Net)	-2.64%	5.26%	-	-	-	-	6.40%
Benchmark <sup>3</sup>	-1.31%	4.40%	-	-	-	-	6.36%
Active Return	-1.33%	1.36%	-	-	-	-	0.04%

<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 2 May 2024

<sup>3</sup> MSCI AC Net World (AUD)

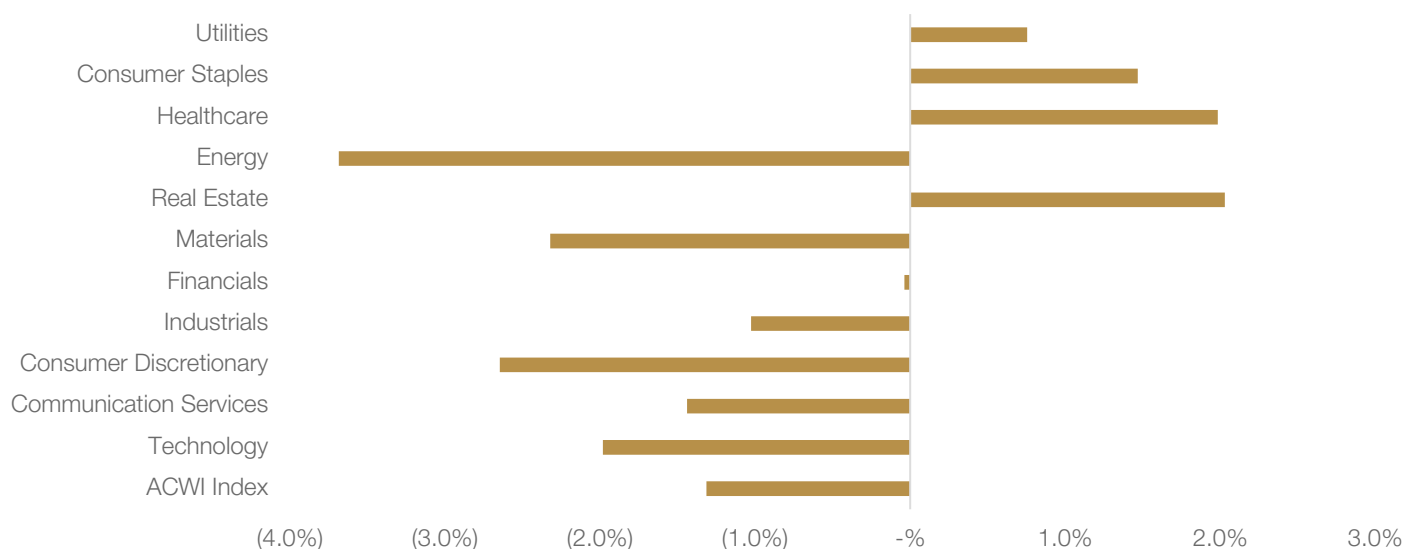
Top 5 Holdings



Market Commentary

In August 2024, the MSCI AC World Index (AUD) saw a decline of (1.31%), primarily driven by the weakness in Energy & Materials. While Healthcare, Real Estate and Industrials contributed positively. This fluctuation was influenced by the confirmation of a Federal Reserve rate-cutting cycle and concerns around the growth of the global economy, leading investors to reallocate within the market.

MSCI ACWI 1 month returns (AUD) (%)



Portfolio Commentary

The Blackwattle Global Quality portfolio underperformed the MSCI AC World Index (AUD) by (1.33%) during the month.

**Key Contributor – Nvidia**

Nvidia remains a highly debated stock. This past month brought a series of news developments, including potential delays in shipping their next-generation Blackwell GPU architecture, concerns over a demand ‘air pocket’ for the current Hopper generation coming into earnings results, and a Department of Justice subpoena related to antitrust issues.

Additionally, there is growing apprehension around AI capex investments not delivering enough tangible ROI, and concerns that the semiconductor cycle may have already peaked.

However, in its latest earnings results, Nvidia once again exceeded consensus expectations, proving its ability to execute amid uncertainty. While sentiment toward the stock may fluctuate from quarter to quarter, Nvidia’s dominant position as a key enabler in the AI semiconductor story remains clear.

**Key Detractor – Amazon**

Amazon continues to be a “waiting game” stock, as softening consumer sentiment led to consumers trading down, which drove average selling prices—and thus margins—below expectations. Management also called out some seasonal factors and investment in their Project Kuiper satellite broadband initiative that may weigh on next quarter margins. While cost-to-serve metrics are trending positively, the expected ramp-up in profit margins may take longer than initially anticipated.

AWS however, is showing renewed strength, delivering 19% growth for the quarter. Cloud spend optimizations have stabilised, and we are seeing a continuation of migration from on-premise workloads to the cloud. We also think that ultimately AI will come to the data, rather than the data going to AI. This “data gravity” should allow Amazon to capture its fair share of the cloud AI services market.

Portfolio Commentary and Outlook

August 2024 was a volatile month across global markets, with significant developments influencing investor sentiment. Key factors included central bank policies, inflation data, economic indicators, and geopolitical tensions. Markets oscillated between risk-on and risk-off modes, driven largely by expectations surrounding the Federal Reserve’s policy stance and global economic growth concerns.

The U.S. equity markets experienced a mixed performance throughout the month, marked by bouts of volatility, particularly in the tech-heavy Nasdaq. The month began with attention on the Federal Reserve's policy outlook, with markets closely monitoring inflation data and employment reports. The Fed maintained its interest rate at 5.5%, but Federal Reserve Chairman Jerome Powell indicated that rate cuts could be on the table for September, conditional of oncoming data particularly in the labour market.

The annual Jackson Hole Symposium was a focal point for markets. Powell's speech indicated a shift in the Fed's dual mandate, with a growing emphasis on supporting full employment rather than solely focusing on inflation control. Powell hinted at potential rate cuts, which was perceived as a pivotal moment in the Fed's policy approach. Further supported by the release of the Federal Open Market Committee (FOMC) minutes on August 22nd highlighted that most participants saw increasing risks to the employment goal, while concerns over inflation seemed to be diminishing. The U.S. dollar fluctuated, driven by shifting expectations on interest rates, while Treasury yields rose modestly, reflecting the ongoing uncertainty.

U.S. inflation data for July, released in mid-August, showed a mixed picture. The trimmed mean inflation rose less than anticipated, alleviating some concerns over further rate hikes by the Fed. Employment data was also a key focus, with the market paying close attention to jobless claims and the nonfarm payrolls benchmark revision, which indicated a significant downward adjustment in employment figures.

European markets were influenced by a combination of disappointing economic data and monetary policy expectations. Concerns surrounding economic growth in the Eurozone increased which led to speculation about potential rate cuts by the European Central Bank (ECB). Inflation data varied across the region, with Germany and France reporting mixed CPI figures. The broader European equity indices faced headwinds, particularly as concerns over China's economic slowdown weighed on global sentiment. China's economic data remained under scrutiny, with the July CPI coming in firmer than expected due to weather-linked food inflation. However, PPI deflation persisted, reflecting ongoing challenges in the industrial sector. The People's Bank of China (PBOC) left the loan prime rate unchanged, which led to speculation about the effectiveness of its policy measures in supporting growth. Japan's markets were relatively subdued, with the Bank of Japan's (BOJ) decision to hike rates by 25 basis points already priced in by the market. Economic indicators, including GDP and industrial production, painted a mixed picture, with concerns over the global economic outlook dampening investor sentiment.

August saw the release of several key corporate earnings reports, particularly from tech giants in the U.S. Nvidia's highly anticipated earnings beat expectations but led to a sell-off in semiconductor stocks, highlighting market sensitivity to tech sector developments. Other notable earnings came from companies like Tencent and Airbnb, with the latter warning of slowing demand from U.S. travellers.

Geopolitical risks continued to influence markets, particularly with rising tensions in the Middle East and Ukraine. These developments contributed to spikes in safe-haven assets like gold and the Japanese yen, while oil prices remained volatile amidst concerns over supply disruptions.

The month was characterized by a complex interplay of macroeconomic factors, corporate earnings, and geopolitical events. While the month ended on a cautious note with increased market volatility, particularly in the tech sector, the outlook remains uncertain as investors look ahead to potential policy shifts from central banks globally. The upcoming September Fed meeting will be crucial in determining the next steps for U.S. monetary policy and its impact on global markets.

## How to Invest

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

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