

Annual Letter - 5 December 2024

Dear Shareholder,

As we reach the end of 2024, our second calendar year, I want to extend my gratitude for your continued support and the trust you place in us at Blackwattle. We are privileged to represent your capital, which we strive to protect and grow with care and diligence.

In 2024 we moved from establishment to towards optimisation. As a team, we delivered outcomes ahead of our targets, budgets and forecasts. Our investment, operations, distribution and governance capabilities have matured and strengthened. These advancements are a credit to the character of our people, their collaboration, and our shared focus on excellence in everything we do.

## 2024 Reflections: Strengthening Our Foundations

Blackwattle is founded on the principles of alignment, quality, and trust. These values guided our decisions in 2024, building upon the foundations laid in our inaugural year.

From surpassing our Funds Under Management [FUM] targets, to launching new portfolios and expanding our geographic and digital presence, we took significant steps toward sustainable growth, profitability, and enduring success.

**Key achievements for the year include:**

- 1. Our People:** We have outstanding people, they are our greatest asset. In 2024 we welcomed new talent to our business:
  - **Nick O'Hare** - Senior Account Director (VIC and SA), Distribution.
  - **David Meehan** - Investment Analyst, Large Cap Quality Fund.
  - **Sid Cavallaro** - Senior Account Director (NSW), Distribution.
  - **Sunny Bangia** - Portfolio Manager and Partner, Global Quality Fund.
  - **Ed Li** - Senior Investment Analyst, Global Quality Fund.
  - **Nic Tan** - Senior Investment Analyst, Global Quality Fund.
  - **Issac Boorer** - Trader and Analyst, Global Quality Fund.
- 2. Funds Under Management:** We exceeded our revised FY24 FUM target of \$85m (originally budgeted at \$65m), finishing the financial year with over \$115m of capital.

We close the calendar year just shy of \$200 million, our original 30 June target for FY25—and we extend our sincere thanks to our clients and shareholders for your continued support.
- 3. Client Engagement:** With over 1,025 client meetings, webinars, and insights lunches across SA, VIC, NSW, WA, TAS, and QLD, our distribution team delivered excellent engagement. Thank you, Maggie Mills, Nick O'Hare, Sid Cavallaro and Matt Dell, for your efforts and dedication.
- 4. Investment Performance:** Our portfolios delivered results that we view as excellent during what was a volatile environment including numerous key political elections globally, geopolitical tensions and continued uncertainty around rates and inflation. In many cases our Funds

outperformed their benchmarks and or key competitors in the market. For 12 months to October 2024 our results were<sup>1</sup>:

- **Blackwattle Small Cap Quality Fund** increased by 40.66%, outperforming the benchmark by 14.01%, net of fees.
- **Blackwattle Small Cap Long-Short Quality Fund** increased by 26.44%, outperforming the benchmark by 13.77%, net of fees.<sup>2</sup>
- **Blackwattle Mid Cap Quality Fund** increased by 38.60%, outperforming the benchmark by 13.29%, net of fees.
- **Blackwattle Large Cap Quality Fund** increased by 23.08%, underperforming the benchmark by 1.81%, net of fees.
- **Blackwattle Long-Short 130/30 Quality Fund** increased by 24.19%, underperforming the benchmark by 0.71%, net of fees.
- **Blackwattle Global Quality Fund** increased by 25.18%, outperforming the benchmark by 3.80%, net of fees. (Since Inception p.a.)

We regard the performance of our Large Cap Quality and Long-Short 130/30 Quality Funds as robust, even though slightly trailing their benchmark, particularly when measured against peers and within the context of a highly volatile ASX market.

Thanks to Dan Broeren, Rob Hawkesford, Andy Chuk, Tim Riordan, Michael Teran, Peter Wilson, Ray David, Joe Koh, David Meehan, Sunny Bangia, Ed Li, Nic Tan and Issac Boorer.

Whilst these results have laid the foundation of our future, they will not always be repeated. We will make mistakes and missteps, we may well experience periods of underperformance (albeit hopefully these are limited). But rather than hide from our mistakes, as an investment team we strive to learn from them. This is one of our unwavering commitments.

5. **Product Expansion:** The Global Quality Fund launched in May 2024, supported by nearly \$10m of personal co-investment from our staff and board. The launch of this portfolio, with our excellent team, represents a significant capability expansion of our business.
6. **Alignment and Governance:** We maintained our strict no personal trading policy over the year, reinforcing our commitment to alignment and client-first principles.

Our aggregate personal commitment to our Blackwattle funds has now surpassed \$15,000,000. We anticipate this to increase in 2025.

We hosted multiple ESG and Investment Review Council sessions throughout the year, enhancing our capital stewardship and risk management processes. Thank you to our council members for sparing your time, and for pushing our team to be ever better investors.

---

<sup>1</sup> Benchmark: Global Quality Fund is MSCI AC Net World (AUD), Long-Short 130/30 Quality Fund and Large Cap Quality Fund is S&P/ASX 200 Accumulation Index, Mid Cap Quality Fund is S&P/ASX300 Accumulation Index-S&P/ASX20 Accumulation Index, Small Cap and Small Cap Long-Short Quality Fund is Small Ordinaries Accumulation Index.

All 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> Small Cap Long-Short Quality Fund Returns are normalised for the removal of unallotted applications, following the transition of Investment Manager of the Fund. 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

7. **Geographic Expansion:** We opened our Melbourne office in early 2024, reflecting our commitment to Victorian clients. We will expand into Brisbane to better serve Queensland in 2025.
8. **Research Ratings:** Blackwattle secured six (6) Zenith and Lonsec 3<sup>rd</sup> party research ratings, some 12-18 months earlier than forecast. We believe this achievement underscores the strength of our team and alignment model.
9. **Platform Expansion:** Our funds are now available on BT, HUB24, Macquarie, Netwealth, Mason Stevens, North (AMP), and Praemium significantly improving accessibility for advisors and investors.
10. **Insights and Thought Leadership:** Our effort to produce and share insightful content is focused, planned and deliberate. This year, we produced well recognised content, including:
  - 5 Webinars, with over 350 registered attendees.
  - +25 interviews, expert insights and articles with key media publications (such as the AFR).
  - The “Case for Mid Caps” white paper by our Mid Cap Quality team.
  - Our “Global Quality” white paper by our Global Quality team.

These efforts grew our LinkedIn followers to 4,300 and our website subscribers to over 4,700.

11. **Operations:** Our third-party systems operated well throughout the year, providing the backbone for our investment activities. Thanks to Jarred Rubin, Cherish Beardmore, and Issac Boorer.
12. **Cultural Growth:** We strive to nurture a culture of openness, collegiate debate, and continuous improvement. Events like our quarterly partners meeting, annual town hall, family day, and offsite strategy day are highly important and reinforce our values.

We are also proud to be an investment partner for the Australian Rugby Future Fund, contributing to community, women in rugby, and high performance.

## Looking Ahead to 2025

As we enter 2025, our focus is deliberate and clear.

**Performance:** Our perpetual mission is to protect and grow our client’s capital. We strive to achieve this by the consistent implementation of processes that aim to deliver outstanding risk adjusted returns. We will add to our investment capability in 2025.

**Client Engagement:** With a growing digital capability and an expanding distribution team, we aim to engage more clients in 2025 and simultaneously make it easier for investors to access our funds. We will further expand our distribution capability.

**Asset Class Expansion:** Our domestic equity funds are laying our foundations, whilst our global fund is beginning to unlock our future. Beyond these products, our focus is turning to longer term planning and the implementation of diversified asset classes within our business.

**Talent Development:** We will further invest in our people, launching initiatives like the Analyst Training Portfolio, which aims to develop future portfolio managers by empowering our analysts to manage a capital directly.

**Cultural Leadership:** We remain committed to fostering a culture that values transparency, humility, and excellence. This extends to mentoring the next generation through programs like our Female in Finance Industry Mentorship initiative.

**Contribution to Community:** We aim to give back to the community in 2025, with a commitment to charitable and philanthropic causes.

## Gratitude and Thanks

All that we have created can be attributed to the quality of our people and our collaborative strength.

Blackwattle's success in 2024 can be traced back to the individual actions our team members and their collective focus on performance and success. To each and every team member – thank you.

Our entire business would not be possible without the support shareholders, clients, and partners. Your support fuels our focus and drives us to deliver results that exceed expectations.

To the investors in our funds, thank you for entrusting us with your capital. We are privileged to be your partner, invested together. Finally, to our families, thank you for your unwavering support. This journey would not be possible without you.

## Closing Thoughts

Warren Buffett once said: “someone's sitting in the shade today because someone planted a tree a long time ago”. At Blackwattle, we are planting seeds for future enduring success — success rooted in alignment, quality, and trust.

In closing, I reaffirm our commitments:

- 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.

Wishing you and your loved ones a safe and prosperous holiday season.

Warm regards,



Michael Skinner

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

---

**Note:** Our summer reading recommendation is “*Same as Ever*” by Morgan Housel which explores the enduring patterns of human behaviour in the face of risk, opportunity, and life's uncertainties. Our team will be reading this over our break.

This document is issued by Blackwattle Investment Partners Pty Limited (ABN 24 663 839 094) (BIP) corporate authorised representative of Blackwattle Licensing Pty Limited (ACN 665 711 839 AFSL 547 617) (corporate authorised representative no. 001304362) the investment manager of the Blackwattle Funds. Equity Trustees Limited (ABN 46 004 031 298, AFSL No. 240975) (EQT) is the responsible entity of the Fund. Equity Trustees is a subsidiary of EQT Holdings Limited (ABN 22 607 797 615), a publicly listed company on the Australian Securities Exchange (ASX: EQT). This document is intended to provide general information only and is subject to change. It does not constitute an offer to subscribe for units in the Fund. The information does not consider the investment objectives, financial situation, or particular needs of any individual. You should seek advice from your licensed financial adviser and read the product disclosure statement (PDS) before making an investment decision. The PDS and target market determination (TMD) for the Fund can be obtained for free by visiting our website [www.blackwattlepartners.com](http://www.blackwattlepartners.com). A TMD describes who this financial product is likely to be appropriate for (i.e. The target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this financial product may need to be reviewed.

Neither BIP, EQT or their related body corporates guarantee repayment of capital or any particular rate of return. An investment may achieve a lower-than-expected return and investors risk losing some or all of their principal investment. BIP has obtained information from sources it considers to be reliable but does not represent that such information is accurate or complete, or that it should be relied upon. Neither BIP nor EQT make any representations or warranties, express or implied, as to the accuracy or completeness of the information it provides and to the maximum extent permitted by law, neither BIP, EQT nor its directors, employees or agents accept any liability for any loss caused by using this information.