

Blackwattle Mid Cap Quality Fund

March 2025



About the Fund

The Blackwattle Mid Cap Quality fund is a concentrated yet diversified portfolio of some of the highest and most improving quality companies on the ASX. We believe that high quality companies have the potential to consistently outperform over the medium term, as their competitive advantages may allow for compounding shareholder returns through market cycles.

The fund is concentrated on the team's best ideas, driven by fundamental research to establish differentiated views on the outlook of company quality, valuation and earnings. The fund is targeting long-term ownership of high-quality companies to generate a consistent outperformance profile, compounding shareholder returns through market cycles.

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 Mid Cap Quality Fund
APIR	ETL1479AU
Inception Date	8 August 2023
Typical no. of Stocks	20-35
Cash Limit	10%
Cash Distributions	Semi Annually
Application/Redemption	Daily
Buy Sell Spread	0.25% Upon entry and 0.25% upon exit
Fees	Management 0.92% Performance 15.38%
Constrained Capacity	\$2.0b (or up to 25bps of the benchmark)
Platforms	HUB24, Netwealth, BT Panorama, Expand, Praemium, Macquarie
Ratings	Lonsec - Recommended Zenith - Recommended
Objective	The Fund aims to outperform the S&P/ASX300 Accumulation Index - S&P/ASX20 Accumulation Index (after fees and before taxes) over the long term.

Portfolio Managers



Tim Riordan CFA, FRM

15+ years' investment experience. 5 years as Head of Direct Equities at Aware Super and Lead PM of the Aware Super Mid Cap Industrial Fund. Was Co-Head of Research and Portfolio Manager at Altair Asset Management.



Michael Teran CFA

14+ years' investment experience. Associate PM of the Aware Super Mid Cap Industrial Fund. Also Long-Short Equities Analyst at Point72 Asset Management in Hong Kong. And Equities Analyst at Colonial First State Global Asset Management (now First Sentier Investors).

Ratings



Fund Performance¹

Blackwattle Mid Cap Quality Fund Performance (net of fees) as at 31 March 2025.

	1 month	3 months	6 months	1 Year	2 Years	3 Years	Inception p.a ²
Fund (Net)	-5.01%	-4.60%	-3.26%	3.01%	-	-	10.72%
Benchmark ³	-3.48%	-1.86%	-3.09%	1.18%	-	-	6.77%
Active Return	-1.52%	-2.74%	-0.17%	1.83%	-	-	3.94%

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.

²The inception date for the Fund is 8th August 2023, returns greater than 1 year are annualised' or "calculated on an annualised basis.

³S&P/ASX300 Accumulation Index - S&P/ASX20 Accumulation Index

*Inclusive of Goods and Services Tax (GST) and net of any Reduced Input Tax Credits (RITC).

Select Top Holdings



Market Commentary

The ASX300 ex-20 fell 3.48% in March. The weakness and unwinding of extreme positioning continued into March, and global financial markets headed into correction territory, with the S&P500 falling 5.75% in March and over 10% from its mid-February peak. Continued uncertainty on President Trump's US tariff policies and rapid US government spending cuts were the key drivers of the equity market weakness and appear to have had a freezing effect on the US economy, with corporate and consumer surveys pointing to extreme caution and pessimism. US economic data points continue to shift towards the first potential GDP contraction since COVID. This has caused financial markets to further shift defensively, and the significant global equity rotation from growth to more defensive sectors continued unabated. This was primarily funded by overcrowded growth stocks such as the MAG7, which fell over 10% in March. Bond yields remained relatively flat in March, with the US 10-year yield steady at 4.2%.

The global equity rotation was also reflected in the ASX, with defensive and value sectors continuing their recent outperformance over growth and cyclical sectors in March. Gold was the best performing sector, up 13% on the back of a 10% rally in the USD Gold price. Other value/defensive sectors such as Utilities, Insurance and Telecom were all slightly higher for the month, significantly outperforming the index. On the downside, the ASX200 was led lower by key growth sectors of Technology and Media, which followed US Technology/MAG7 leads and were down almost 10% in March. Cyclical sectors such as Consumer Discretionary and Diversified Financials also lagged on economic growth concerns. The Quality factor was one of the worst performing factors in March given the exposure to Technology and Consumer Discretionary.

Portfolio Commentary

The Blackwattle Mid Cap Quality portfolio underperformed the ASX300 ex-20 benchmark by 1.52% during the month.

Key Contributor – Newmont Corporation (NEM AU)

NEM was the largest positive contributor to performance during the month. NEM rallied 16% in March as gold prices climbed 10% to record highs above US\$3,100/oz. NEM is the largest, lowest-cost and most diversified gold miner globally. In the past month, Gold has been a significant beneficiary of uncertainty on President Trump's US tariff policies. Over the past 12 months, Gold has seen increasing demand from Central Banks as they attempt to diversify their reserves away from US treasuries.

We continue to see material upside for NEM as an 'enduring high-quality' business and view NEM as the highest quality gold miner globally. 2025 is a transition year for NEM with softer production, increased investment for the legacy Newcrest portfolio and completion of asset sales to high grade their portfolio. Beyond 2025, we expect NEM to execute on numerous multiyear internal levers to maintain and improve the business quality including organic production expansion, operating cost reductions, material debt reduction & further capital returns. This should allow NEM to deliver a higher quality, lower cost, diversified asset base in 2026-2027.

Key Detractor – Xero Limited (XRO AU)

XRO was the largest negative contributor to performance during the month. XRO fell 9% in March as ASX Technology stocks sold off following leads from the US. XRO had been a solid performer in 2025, with strong expectations for further earnings improvement and US TAM expansion to be announced at the FY25 result in mid-May.

We continue to see strong upside for XRO, as they continue their journey to being the market-leading, global accounting software for SMEs, while delivering strong financial metrics. We expect CEO Sukhinder Singh-Cassidy and her new management team to continue to drive profitable sales growth and reinvest appropriately for market share expansion, especially in the US. We view XRO as one of the highest quality companies on the ASX with a significant long-term, compounding growth profile.

Outlook

March was another frustrating month for performance. We view the underperformance of Quality as reflective of overcrowding in growth sectors. This regime change is likely to be short and sharp; the market is likely to quickly flush out overcrowding and then allow a refocus on fundamentals by equity investors. Our value-orientated Quality names also disappointed, given their more cyclical nature (quality Industrials and Miners) rather than more defensive value sectors which we tend to present as lower Quality. We have not seen earnings downgrades from our Quality companies. Indeed, Quality tends to outperform over longer periods of market downcycles, given their attributes of stronger margins, cash generation and balance sheets drives outperformance in weaker economic conditions.

There was only one portfolio change in March, with one position divested. We have used this market volatility to high grade the overall Quality of the portfolio, redeploying capital into higher Quality businesses that have been more aggressively oversold. Changes to the portfolio continue to be driven by our continuous tandem goals of improving the overall Quality Score of the portfolio whilst maintaining a highly attractive portfolio level risk/reward skew.

We remain focused on owning the highest quality stocks across industries to build a bottom-up, high-quality, diversified portfolio. This bottom-up, quality focus, creates a balanced portfolio between growth and more defensive and value orientated stocks which tend to perform through most phases of the market cycle. In this highly uncertain economic and political environment, we believe high-quality companies are well placed to continue navigating this challenging backdrop.

Thank you for investing alongside us, Mike & Tim.

How to Invest

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

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