

# Blackwattle Large Cap Quality Fund

February 2026



**Blackwattle**  
Investment Partners

## About the Fund

Our investment philosophy is to own businesses with a competitive advantage and good corporate governance, priced below intrinsic value.

The fund aims to outperform the S&P/ASX 200 Accumulation Index (after fees and before taxes) over the long term. Quality companies at low or reasonable valuations underpin overweight positions while poor quality companies with high valuations facing near-term pressures underpin underweight positions. Risk is managed through portfolio diversification, strict exposure limits and process discipline utilising our proprietary valuation and portfolio construction tools.

## 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 Large Cap Quality
APIR	ETL7350AU
Inception Date	August 2023
Typical no. of Stocks	30-55
Cash Limit	10% (typically +5% to -5%)
Cash Distributions	Semi Annually
Redemptions	Daily
Buy Sell Spread	0.25% upon entry and 0.25% upon exit
Fees	Management 0.72%
Constrained Capacity	\$5.0b (or up to 25bps of the benchmark)
Platforms	BT, Netwealth, HUB24, Macquarie, Expand, North
Objective	The Fund aims to outperform the S&P/ASX 200 Total Return Index (after fees and before taxes) over the long term.
Research Ratings	Zenith – Approved Lonsec - Recommended

## Portfolio Managers

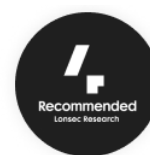


**Joe Koh** B.Bus, CFA  
25+ years' investment experience. Previously Portfolio Manager Long-Short Schrodgers, and for Regal across Absolute, Market Neutral and Long-short funds.



**Elan Miller**  
20+ years' investment experience. Previously Portfolio Manager AL Capital and Pengana Capital Group.

## Rating



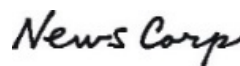
## Fund Performance<sup>1</sup>

Blackwattle Large Cap Quality Fund Performance (net of fees) as at 28 February 2026.

	1 month	3 months	6 months	1 Year	2 Years p.a.	3 Years p.a.	Inception p.a. <sup>2</sup>
Fund (Net)	1.49%	3.93%	-0.62%	12.80%	10.65%	-	11.42%
Benchmark <sup>3</sup>	4.11%	7.34%	4.07%	16.19%	13.02%	-	13.41%
Active Return	-2.63%	-3.41%	-4.69%	-3.38%	-2.37%	-	-1.99%

<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 8<sup>th</sup> August 2023. Returns greater than 1 year are annualised<sup>3</sup> or "calculated on an annualised basis."<sup>3</sup> S&P/ASX200 Accumulation Index \*Inclusive of Goods and Services Tax (GST) and net of any Reduced Input Tax Credits (RITC).

Top 5 Overweight Holdings



Market Commentary

February was another strong month for the market with the S&P ASX 200 up 4.1%, driven by a strong reporting season and improved economic outlook despite a rate rise delivered early in the month.

An extremely strong performance from the two biggest sectors Financials (9.2%) and Materials (+9.1%) drove the Australian market, with the defensive Healthcare sector (-13.3%) being the worst performer. Technology (-9.1%) continued to underperform along with the global IT sell-off. Value as a factor continues to be the lead performance driver, while the Quality factor once again lagged in February.

Reporting season delivered the strongest February market return in seven years after the financials and materials sectors delivered strong earnings and concern around the consumer appeared relatively unfounded, while Real Estate delivered cap rate compression or asset stabilisation with improved earnings.

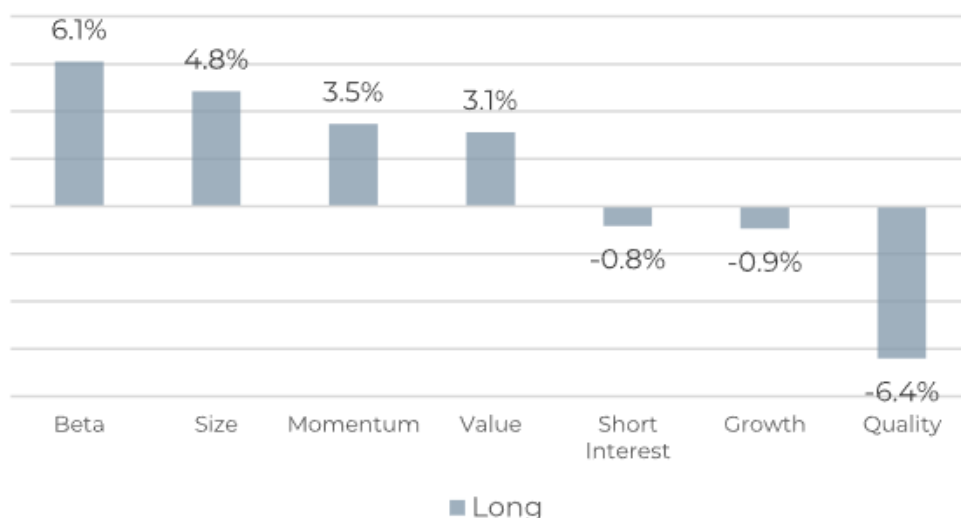
Earnings "beats" at the NPAT line outnumbered "misses" at a 2:1 ratio, with a number of companies presenting a positive outlook, while the upgrades outnumbered downgrades by 3:1. The market is now expecting a 13.6% earnings growth for 2026, primarily driven by the materials, financials and industrials sector with analysts upgrading company earnings by an average of +0.4%. However, we would like to point out that an unusually high number had low quality accounting adjustments to achieve this, with many taking what we consider to be business-as-usual costs below the line to reach earnings targets.

Once again volatility remained high as short term earnings, traders and positioning amplified post reporting share price movements. This, combined with the fact that BHP and CBA combined make up over 20% of the index, makes stock picking and risk management vital moving forward.

Geopolitical risk came back to the forefront in February as talks between the US and Iran faltered and the US initiated a war with Iran. Tariff concern also returned as the US supreme court ruled against Trumps IEEPA Tariffs, which was quickly replaced by an Executive Order imposing a global 10% tariff.

Overall the Australian economy remains strong with Q4 GDP ahead of expectations, a tight labour market, solid housing environment and improving business investment, though with inflation running higher than expectations. This combined with a spike in oil prices due to the Iran war may well see the RBA to raise rates ahead of expectations.

S&P ASX 100 February Long style returns



Source: Barrenjoey Research, Bloomberg, FactSet

Portfolio Commentary.

The Blackwattle Large Cap Quality Fund returned 1.49% in February, underperforming its benchmark S&P/ASX 200 Total Return Index return of 4.11%.

The Healthcare sector was a major positive contributor to Fund performance, with an overweight position in Ramsay Health Care (RHC) and our underweight positioning in both CSL and Cochlear adding a combined 47bps to performance. The sector as a whole has faced multiple headwinds, including currency and tariffs for the large multinationals and labour and cost pressures for the domestic players.

Ramsay Health Care (RHC) delivered a strong 1H result with Revenue 2% ahead, EBIT 4% ahead and NPAT 15% ahead of expectations driven by improvements in Australian revenue and improving margin trends. The implied 2Q revenue in AUS is accelerating on the 1Q. The UK revenue was softer, but margins were also better than expectations. RHC also announced the in-specie distribution of Sante and the 4.5% EBIT beat of the division is a good lead indicator for the implementation of the strategy. We remain positive on the business as operating trends continue to improve, and we see multiple catalysts for further value creation as RHC simplifies.

CSL announced a sudden departure of the CEO and a replacement interim CEO (Gordon Naylor – previous CFO) the night before results. Naylor is exceptionally well regarded; however, results were below expectations and the market remains cautious on the acceleration of the IG sales in the 2H especially after tender losses. We believe that Mr Naylor was brought in by the board to steady the ship and rebuild the core IG business, cut costs and re-set the strategy, however we believe this will be a slow process given the size and complexity of CSL.

Cochlear (COH) delivered a soft result with Revenue through to NPAT all missing expectations by mid-single digit, and management downgraded guidance, now targeting the low end of the range for Net Profit of: \$435m - \$460m. The company blamed a slower rollout of the new Nexa System but expect a strong second half as the rollout accelerates. The bright spot for COH was the services business and the Balance sheet, which is in a net cash position.

HLS missed consensus EBITDA and at the EBIT line on higher D&A, putting the stock firmly into the 2H club with a real risk of another earnings miss. Operationally, restructuring efforts are showing up in the cost base as corporate costs have been largely offset by lab rationalization, collection centre closures and the removal of 400 employees. Cost savings are largely complete but will annualise into 2H26 underpinning some of the expected uplift in EBIT. The company is expecting an uplift in the revenue line through average fee increases due to a change in mix as the company shifts towards the specialist channel, genomics and vet pathology. We remain concerned that the expectation of a big 2H26 is dependent on pathology volumes and provides little earnings certainty. The balance sheet would potentially be in a net debt position again.

BHP (BHP) also contributed positively to performance in February as it delivered a solid result. Both EBITDA and NPAT were +3% ahead of consensus driven primarily by a strong performance from the Copper division which is now the largest contributor to earnings for BHP (surpassing Iron Ore). FCF generation was also strong and led to debt repayment and better than expected capital management in the form of dividend. BHP continues to extract value from its portfolio, announcing the sell down of Antamina's silver-stream for US\$4.3bn while maintaining their (BHP's) exposure to the Copper, Zinc and Lead at the mine. BHP has identified a further US\$4b of potential value to be unlocked from within their portfolio which should continue to see BHP outperform the market. BHP called out ex China, European demand picking up, US remains steady and India continues to grow, and we believe given tight supply and fundamental demand for commodities keeps BHP well placed to benefit moving forward.

The fund's underweight in Commonwealth Bank (CBA) was a major detractor from performance as CBA rose 18.5% over February. CBA delivered a 5% beat to consensus cash earnings driven by lower bad and doubtful debts as well as improved underlying margins. CBA remains a well-managed franchise, however valuation remains stretched both by historical and absolute terms. We remain underweight CBA and expect the higher rates, system credit growth and low defaults to benefit all the banks.

Seek (SEK) and News Corporation (NWS) were again detractors from the portfolio despite both companies delivering solid results. SEK's operating result met expectations and the company guided for both Revenue and EBITDA to be nearer the upper end of guidance range. The Australian business continues to deliver, while Asia struggles. The interest expense is expected to be slightly higher, though, moderating the EPS impact. NWS was also operationally strong with beats across all line items and in particular Dow Jones and Book Publishing divisions. Dow Jones delivered the highest quarterly revenue growth in ~3 years benefiting from increased B2B product revenue, the integration of the Dragonfly and Oxford Analytics as well as growth in digital ad revenues as well as price changes for The Wall Street Journal.

Despite generally positive results in the communications and technology sectors, stocks continue to be dragged down by perceived AI disruption threats. The market is still painting all the technology and communication stocks with the same brush, and we believe this will open up opportunities as the dust settles and investors begin to differentiate between stronger and weaker operating models.

While we acknowledge that artificial intelligence will disrupt and reshape many industries, we are of the view it is more likely to reinforce the advantages of scaled incumbents than displace them completely. We believe these companies are well positioned to leverage AI within their business models to deepen network effects, improve efficiency and unlock incremental long-term growth. These companies already have the advantage of having adopted, and being adept at, using technology and are therefore well placed to lead the AI drive rather than be completely upended.

Aristocrat Leisure (ALL) was also a detractor from fund performance and while ALL did not report results, the AGM delivered a slightly negative update, highlighting the impact of currency on forecasts as well as second half-weighted results. We remain positive on ALL given they continue to grow their installed base, win market share and deliver new content, into a robust industry environment. We believe ALL is caught up in both the stronger A\$ as well as the Tech/Growth sell-off but offers exceptional value trading below market multiples with over 10% earnings growth over the next 3 years.


---

## **Outlook**

Increased geopolitical risks including the US attacking Iran, increased uncertainty around Tariffs and the speed of advancement in AI has created a very volatile start to 2026. We believe that investors will begin to rotate out of low-quality stocks into high quality stocks as cost pressures pick up and the market looks for certainty around pricing power and earnings predictability.

Australian economic fundamentals and corporate outlooks remain positive and as a result we feel the rate environment has become slightly more hawkish given the strong economy and sticky inflation. The risk is that inflation continues to remain high especially after the spike in oil prices; however the volatility in Reporting Season has delivered a number of opportunities, which will reward diligent (and perhaps patient) stock picking.

Thank you for your ongoing support.



Joseph Koh



Elan Miller

## How to Invest

To invest please click on the link  
<http://www.blackwattlepartners.com/invest/> or call 02 7208 9922.

## Contact Details

### Investor Services

Apex Fund Services  
Ph: 1300 133 451  
E: [registry@apexgroup.com](mailto:registry@apexgroup.com)



## Distribution and Sales Team



**Matt Dell**  
Non-Executive Director  
0423 793 456  
[mdell@blackwattlepartners.com](mailto:mdell@blackwattlepartners.com)



**Maggie Mills**  
Head of Distribution  
0498 183 569  
[mmills@blackwattlepartners.com](mailto:mmills@blackwattlepartners.com)



**Justin Carroll**  
Senior Account Director QLD  
0410 403 608  
[jcarroll@blackwattlepartners.com](mailto:jcarroll@blackwattlepartners.com)



**Nick O'Hare**  
Senior Account Director VIC  
0423 773 837  
[nohare@blackwattlepartners.com](mailto:nohare@blackwattlepartners.com)



**Sid Cavallaro**  
Senior Account Director NSW  
0409 405 617  
[scavallaro@blackwattlepartners.com](mailto:scavallaro@blackwattlepartners.com)

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 Large Cap Quality Fund. 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). The Fund commenced on 8th August 2023. Returns shown for the Fund have been calculated using exit prices after taking into account fund ongoing fees and assuming reinvestment of distributions. No allowance has been made for taxation. 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.

The Zenith Investment Partners (ABN 27 103 132 672, AFS Licence 226872) ("Zenith") rating (issued June 2024) referred to in this piece is limited to "General Advice" (s766B Corporations Act 2001) for Wholesale clients only. This advice has been prepared without taking into account the objectives, financial situation or needs of any individual, including target markets of financial products, where applicable, and is subject to change at any time without prior notice. It is not a specific recommendation to purchase, sell or hold the relevant product(s). Investors should seek independent financial advice before making an investment decision and should consider the appropriateness of this advice in light of their own objectives, financial situation and needs. Investors should obtain a copy of, and consider the PDS or offer document before making any decision and refer to the full Zenith Product Assessment available on the Zenith website. Past performance is not an indication of future performance. Zenith usually charges the product issuer, fund manager or related party to conduct Product Assessments. Full details regarding Zenith's methodology, ratings definitions and regulatory compliance are available on our Product Assessments and at Fund Research Regulatory Guidelines.

The rating issued September 2025 is published by Lonsec Research Pty Ltd ABN 11 151 658 561 AFSL 421 445 (Lonsec). Ratings are general advice only and have been prepared without taking account of your objectives, financial situation or needs. Consider your personal circumstances, read the product disclosure statement, and seek independent financial advice before investing. The rating is not a recommendation to purchase, sell or hold any product. Past performance information is not indicative of future performance. Ratings are subject to change without notice and Lonsec assumes no obligation to update. Lonsec uses objective criteria and receives a fee from the Fund Manager. Visit [lonsec.com.au](http://lonsec.com.au) for ratings information and to access the full report. © 2020 Lonsec. All rights reserved.