

Blackwattle Mid Cap Quality Fund

February 2026



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 28 February 2026

	1 month	3 months	6 months	1 Year	2 Years	3 Years	Inception p.a. ²
Fund (Net)	-2.88%	-3.94%	-4.97%	5.71%	9.46%	-	11.31%
Benchmark ³	-1.79%	-0.63%	-0.37%	13.19%	11.24%	-	10.99%
Active Return	-1.09%	-3.30%	-4.60%	-7.48%	-1.78%	-	0.32%

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 1.79% in February. It was a mixed month for global equities, with the S&P500 (-0.9%) underperforming more value orientated markets such as Japan (+9.9%) and Emerging Markets (+5.5%).

The ASX showed similar results, with the Value factor significantly outperforming Growth and Quality factors. Large cap stocks (more value orientated) also significantly outperformed, with the ASX20 rallying 7.5% in February, driven by BHP and the big 4 banks. On the other end of the spectrum, ASX Small Ordinaries fell 2.8% driven by weak Industrial results, while Mid-caps settled in between, with positivity from Resources more than offset by Technology underperformance.

The largest thematic in February was AI disruption. Leading AI companies, Anthropic and OpenAI released several exciting updates in February, demonstrating exponential improvement. These updates were also focused on industries beyond traditional software, such as Insurance and Logistics, with the focus of the AI modules to reduce friction (costs) for enterprises and consumers. Stocks related to these “targeted” industries experienced sharp declines on this new potential AI disruption risk. Global markets continued their rotation into value, coined the “HALO” trade (Heavy Assets, Low Obsolescence) as the market gravitates to low AI disruption risk businesses.

February reporting season was another volatile affair, with calculated volatility another record for a reporting season. We believe this is a long-term trend driven by the structure of the market (significant shift to passive, while active management is now driven intraday by shorter-term quantitative and hedge fund strategies), we expect volatility of this nature to continue to increase over time. Materials/Resources was again the standout sector (+9%), driven by strong results, supportive commodity prices, and continued market rotation. In the large cap space, Banks performed even more strongly (+13%), with strong results from CBA and the other big 4 banks. On the opposite spectrum, Healthcare (-13%) was the worst sector, with poor results from CSL and Cochlear. Technology continued to be sold off (-8%) driven by continued AI fears and market rotation, results (majority were solid) providing the liquidity opportunity for further selling.

Portfolio Commentary

The Blackwattle Mid Cap Quality portfolio underperformed the ASX300 ex-20 benchmark by 1.09% during the month.

Key Contributor – Pilbara Minerals Limited (PLS AU)

PLS was one of the largest positive contributors to performance during the month. PLS rallied 18% in February, on a strong result and a rebound in lithium prices, as Zimbabwe announced plans to limit exports of unprocessed lithium ore, in a bid to force miners into building local downstream processing. Zimbabwe is a significant lithium producer (~8-12% of global production), and the export limits could squeeze what is already becoming a tight supply / demand dynamic. PLS is the largest, pure play Lithium stock on the ASX. PLS is the 100% owner-operator of relatively low-cost, long-life spodumene mines. PLS also has a strong net cash balance sheet, which provides flexibility and a competitive advantage to indebted peers. While lithium prices have been in a multi-year bear market, prices appear to have bottomed out; and with lagging supply but continued strong demand, the lithium market has headed into a healthy bull market. Lithium prices will continue to be volatile but if demand remains strong, we expect further strength in lithium prices over 2026.

We continue to see material upside for PLS as an ‘improving quality’ business and view PLS as the highest quality, lithium miner on the ASX. PLS delivered a strong 1H26 result and announced the signing of a 2-year offtake agreement with strong price floors and unlimited price upside, cementing PLS’s position as the go-to lithium spodumene producer. This has allowed PLS to de-risk the restart of its higher cost Ngungaju spodumene plant, driving significant potential earnings upside in FY27. PLS is finally seeing the benefits from the P1000 expansion, and PLS is extremely well placed to benefit from any further recovery in lithium prices, with strong operations and significant production growth optionality, allowing for continued shareholder value creation through the cycle.

Key Detractor – Wisetech Global Limited (WTC AU)

WTC was one of the largest negative contributors to performance during the month. WTC fell 18% in February as the rotation out of Technology continued unabated. WTC is a global leader in logistics services software. WTC delivered a solid result in February and maintained FY26 earnings guidance. The outlook into FY27 is also encouraging, with WTC announcing the restructuring of 2000 FTEs from AI productivity improvements and the completion of the synergies from the recent E2Open acquisition 18 months ahead of schedule. The market remains skeptical that WTC can deliver the 2H26 acceleration in revenue growth and how much this sales momentum can roll into FY27, and the market reaction to the result was muted.

WTC’s CargoWise software product suite allows logistics services providers to maximize the productivity of their operations. WTC has contracted 11 of the Top 25 Global Freight Forwarders to their products, providing these freight forwarders with a productivity competitive advantage. We view WTC as an ‘Enduring Quality’ business, as one of the highest quality companies on the ASX, continuing their multi-decade customer and product growth journey. We are excited about the FY27 and beyond outlook and see WTC as one of the few technology companies pivoting in the face of AI disruption risk. We believe this makes a significant long-term, compounding growth profile and highly attractive Risk/Reward makes the current share price selloff a significant investment opportunity.

Outlook

February performance was extremely frustrating, with strong results across the portfolio companies not leading to commensurate share price reactions. This was most evident in growth/technology, where liquidity around result days were used as a catalyst for another round of selling / market rotation. While the fear of AI disruption is understandable, we believe there are technology businesses that are better positioned to thrive in a post AI world, and going forward the market will likely focus more on individual businesses after this initial indiscriminate sell-off.

In February we completed the portfolio trading from our change in view of AI disruption in late January. We have concentrated capital into technology businesses which have stronger barriers (namely network effects), at highly discounted valuations, while also allowing our "HALO" winners to run. 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.

The Quality factor was again the poorest performing factor in February, taking this underperformance stretch to 5 months in a row. The portfolio balance between quality growth businesses and quality cyclical businesses has helped navigate what has been a significant headwind for the Quality factor. Our experience points to the Quality factor tending to underperform for no more than a few consecutive months, and we would expect some normalisation relatively soon. Our current portfolio exhibits a highly attractive risk/reward outlook, and we are very excited about the combined outlook for 2026 and beyond.

Thank you for investing alongside us,
Mike & Tim.

How to Invest

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

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