Blackwattle Small Cap Long-Short Quality Fund

February 2026

Blackwattle
Investment Partners

About the Fund

The fund aims to deliver outperformance through the cycle, irrespective of market direction or factor leadership. Our goal is to achieve higher relative returns with lower volatility.

The fund offers high-conviction long exposure to the best quality Small Cap companies, and short exposure to low quality companies, enabling investors to generate returns from a wider range of market opportunities.

We prioritise active risk management and consider capital preservation at every stage of our investment process.

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 Small Cap Long-Short Quality Fund
APIR	ETL5025AU
Inception Date	November 2023
Typical no. of Stocks	30-60 Long, 10-30 Short
Platforms	Netwealth, HUB24
Cash Limit	50% (typically +10% to -10%)
Cash Distributions	Semi-annually
Redemptions	Daily
Buy Sell Spread	0.30% upon entry and 0.30% upon exit
Fees	Management 1.33% | Performance 20.5%
Rating	Zenith Approved
Objective	The Fund aims to outperform the S&P/ASX Small Ordinaries Accumulation Index (after fees and before taxes) over the long term

Portfolio Managers

Daniel Broeren
20+ years investment experience. Extensive long and short experience. Most recently Portfolio Manager, Watermark Funds Management (Australian Long/Short). Previously Portfolio Manager of the Invesco Small Companies Fund.

Robert Hawkesford
20+ years investment experience. Most recently in a small team at Ellerston Capital managing the institutional Australian Small Cap portfolio. Member of Ellerston's ESG and Broker Review Committees.

Zenith
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Fund Performance[1]

Blackwattle Small Cap Long-Short 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.[2]
Fund (Net)	-3.51%	-4.56%	1.21%	21.65%	12.92%	-	13.72%
Benchmark[3]	-2.57%	1.53%	5.42%	23.05%	14.27%	-	15.39%
Active Return	-0.94%	-6.09%	-4.22%	-1.40%	-1.35%	-	-1.67%

[1] Returns are calculated after fees have been deducted and assume distributions have been reinvested, Returns are normalised for the removal of unallotted applications, following the transition of Investment Manager of the Fund. No allowance is made for tax when calculating these figures. **Past performance is not a reliable indicator of future performance**. Source: Apex. Returns greater than 1 year are annualised' or "calculated on an annualised basis [2]The inception date for the Fund is 21 November 2023. [3]S&P/ASX Small Ordinaries Accumulation Index. 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. Returns are normalised for the removal of unallotted applications, following the transition of Investment Manager of the Fund. *Inclusive of Goods and Services Tax (GST) and net of any Reduced Input Tax Credits (RITC).

Top 5 Holdings

Auckland Airport | Health Co. | RIDLEY | PEXA | VAULT MINERALS

Market Commentary

The ASX Small Ordinaries Accumulation Index fell -2.57% in February, unwinding the gains recorded in January. Conversely, Large Caps rallied +4.11% to reach a new record high, marking their first month of outperformance over Small Caps in eight months.

The broader small-cap weakness was led by Small Industrials, which declined -4.8%. This was primarily driven by the ongoing sell-off in growth-oriented sectors, particularly Technology, amid rising market fears that AI advancements could disrupt established software incumbents. Cyclical sectors faced additional headwinds following the RBA's recent cash rate hike and hawkish outlook given lower unemployment and higher-than-expected inflation data. The market is now pricing in another two rate hikes by late 2026.

In contrast, Small Resources posted a modest gain of +0.8%. Ongoing strength in gold equities helped keep the sector in positive territory, though this was partially offset by weakness in energy stocks, which suffered from falling uranium prices and disappointing oil & gas earnings results. The USD gold price rose +7.9% over the month, acting as a safe-haven amid elevated geopolitical risks. As we head into March these risks are being fueled further by the escalating conflict in the Middle East.

Portfolio Commentary

The Blackwattle Small Cap Long-Short Quality Fund underperformed the ASX Small Ordinaries Accumulation index by 0.94% in February.

The Key Contributors to performance in February were Lindian Resources (LIN), Ridley Corp (RIC) and Superloop (SLC). Several shorts also contributed.

Lindian Resources (+24.7%) is a rare earths miner in the final stages of bringing online its lead project, Kangankunde. This is a unique asset given its low mining cost and extremely low capex requirements versus other rare earth projects globally. For these reasons the company should be able to transition to production quickly, with first ore due later this year. In March, Lindian announced a JV with a rare earths processor, which will allow it to produce a higher-grade concentrate. This has materially increased the value of the company as it captures more of the value chain and taps into Western markets looking to pivot away from China supply.

Ridley Corp (+15.2%) is a farm inputs business, with core operations in animal feed, feed ingredients and fertiliser. The share price rose in February after releasing better than expected results. While the business may appear on the boring side, the excitement for us comes from the operational improvements executed by the management team under the current CEO, Quinton Hildebrand. Hildebrand has guided the share price from 75c in 2020 to $2.90 by taking a strict focus on ROIC discipline. Looking forward we are particularly excited about what can be delivered from the newly acquired fertiliser business, Incitec Pivot. Incitec has a long and trusted heritage with Australian farmers with leading market share. However, its metrics have been slipping in recent years following a period of mismanagement under its prior owner. We believe the company kicked a number on own-goals under its prior ownership that can be remedied quickly with focused and discipline management. This type of operational turnaround sits firmly in Ridley's playbook, and we will be attending the company's strategy day and site tour in March to assess management's plans.

Superloop (+28.3%) is an Australian telecommunications provider offering broadband, fibre infrastructure and wholesale network services to residential, business and enterprise customers. Shares rose strongly in February following a well-received 1H26 result that demonstrated clear operating leverage and broad-based growth across all key metrics and segments. Superloop continues to take market share from incumbent telecommunications providers, supported by its competitively priced high-speed broadband offerings and vertically integrated network. Management commentary also reinforced confidence in the company's growth trajectory, with continued subscriber additions and improving scale across the platform expected to drive meaningful earnings expansion over the coming years.

The Key Detractors from performance in February were Temple & Webster (TPW), Zip Co (ZIP) and Megaport (MP1).

Temple & Webster (-31.6%) is Australia's leading online retailer of furniture and homewares, with a long track record of double-digit growth and a strong founder-led management team. The stock was reintroduced to the fund in November after declining more than 50% from its peak amid a broader sell-off in growth stocks and increased promotional activity across the retail sector. The February 1H26 result was in-line with management's guidance for 20% revenue growth and underlying EBITDA margins in the range of 3–5%. However, the market reacted negatively to the composition of the earnings, with sales growth achieved at the expense of gross margins, and EBITDA supported by operating cost savings. We continue to view Temple & Webster as a high-quality business with significant structural tailwinds as online penetration of furniture and homewares continues to increase. The company's competitive advantages include the scale of its marketplace, deep supplier relationships, proprietary merchandising data and integrated logistics capabilities – advantages that are difficult to replicate and unlikely to be disrupted by AI.

Zip Co (-27.9%) fell materially in February despite delivering a strong 1H26 result and FY26 guidance that was just 2% below consensus expectations. 1H26 revenue and Cash EBTDA grew +29% and +85% respectively, supported by solid Black Friday and Christmas trading across both Australia and the US. Strong operating leverage was also evident, with operating margins expanding 580bps to 18.7%. Unfortunately, Zip appears to be caught in the crosshairs of two broader market themes: negative sentiment toward technology stocks amid concerns around AI disruption, and a rotation out of higher-multiple growth companies as investors place greater emphasis on valuation. We don't believe Zip fits neatly into either category. Its BNPL offering is fundamentally a payments and consumer finance product embedded at the point of sale, with competitive advantages stemming from its merchant network and proprietary credit decisioning (and data), rather than being 'pure software'. And at just 12x FY27e P/E, with significant growth potential, it is far from expensive – currently ranking, in our opinion, as one of the most compelling 'value' opportunities on the ASX.

Megaport (-24.2%) is a global telecommunications provider that specialises in data center access and network construction. The company's competitive advantage is generated by the large number of data centers globally that it connects together with physical assets in ~1,000 data centers and a proprietary software layer, offering customers one-touch access from a central location. The share price has been volatile in recent years and again more recently in a broader sell-off in 'growth stocks' and an indiscriminate sell-off in technology stocks given fear over AI disruption, as discussed above. MP1's networking capability, however, makes it part of the 'pick and shovels' needed to deliver AI to corporates globally. It is a beneficiary of AI adoption, so we see current weakness as a buying opportunity.

Outlook

Global equity markets continue to navigate a complex macro environment, with heightened uncertainty juxtaposing resilient economic activity. While headline indices remain near record highs in several major markets, leadership beneath the surface has become increasingly fragmented as investors reassess valuations, interest rate expectations and the potential impact of emerging technologies.

Of particular importance for Australian investors is the diverging outlook for RBA monetary policy versus other major economies. For example, while US policy expectations remain tilted toward easing, Australia faces a more constrained outlook following stronger inflation data. This divergence highlights increasingly different economic conditions across regions and is creating a more varied investment landscape that investors need to remain mindful of.

Recent months have also seen significant style rotation within equity markets. Some of the strongest-performing growth sectors of recent years have faced periods of volatility as investors debate the implications of rapid advancements in AI and reassess valuation premiums. At the same time, capital has rotated toward unloved areas of the market, and those perceived to offer greater earnings resilience and valuation support, e.g. 'HALO' companies (Heavy Asset, Low Obsolescence) – being those companies with hard-to-replicate physical assets that are generally resistant to disruption by AI.

Meanwhile, geopolitical risks remain elevated, contributing to ongoing demand for safe-haven assets such as gold. More broadly, the current environment reinforces the importance of focusing on business quality, balance sheet strength and sustainable earnings growth as investors navigate an increasingly complex global investment landscape.

Dan & Rob

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How to Invest

To invest click on the link www.blackwattlepartners.com/invest/
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