Blackwattle
Investment Partners

Blackwattle Small Cap Quality Fund

August 2026

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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.

As fundamental investors, we employ in-depth bottom-up research to identify the best quality Small Cap opportunities. We manage diversified portfolios, seeking returns from all sectors.

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 Quality Fund
APIR	ETL0788AU
Inception Date	12 September 2023
Typical number of stocks	30-60
Cash limit	20% (typically 0-10%)
Cash Distributions	Semi-annually
Redemptions	Daily
Buy Sell Spread	0.25% upon entry and 0.25% upon exit
Fees	Management 1.13% | Performance 20.5%
Constrained Capacity	$750m (or up to 25bps of the benchmark)
Platforms	Netwealth, HUB24, BT
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

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.

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.

Investment Grade Lonsec

Zenith RECOMMENDED

Fund Performance[1]

Blackwattle Small Cap Quality Fund Performance (net of fees) as at 31 August 2026

	1 month	3 months	6 Months	1 Year	2 Years	3 Years	Inception p.a[2]
Fund (Net)	7.46%	5.92%	1.69%	3.40%	12.23%	-	14.91%
Benchmark[3]	5.18%	-0.19%	-6.31%	-1.22%	10.40%	-	10.67%
Active Return	2.28%	6.11%	8.00%	4.63%	1.83%	-	4.24%

[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. [2] The inception date for the Fund is 12 September 2023. Returns greater than 1 year are annualised' or "calculated on an annualised basis. [3] Small Ordinaries Accumulation Index. * Inclusive of Goods and Services Tax (GST) and net of any Reduced Input Tax Credits (RITC).

Top 5 Holdings

Market Commentary

The ASX Small Ordinaries Accumulation Index rose +5.18% in August, significantly outperforming Large Caps (ASX 100 +1.22%), with the month dominated by a surge in Small Resources.

Small Resources gained 17.5% in a broad-based rally, with gold stocks the clear standout. After coming under pressure for much of 2026, the gold price reversed sharply in August, rising 9.7% on the back of a weakening US dollar, increasingly dovish expectations for US Federal Reserve policy, and ongoing geopolitical risks. Small Industrials, by contrast, were broadly unchanged, gaining just 0.2%.

Volatility remained a defining feature of the reporting season, reinforcing the importance of positioning ahead of key results. Interestingly, companies that had performed poorly and sold off into “less weak” results typically rallied, while strong performers that had risen ahead of results often declined despite reporting solid outcomes. This counterintuitive price action highlights the importance of managing portfolio positioning and risk around key events, while creating opportunities for active managers to capitalise on market mispricing.

Domestic economic data was mixed. Consumer confidence rebounded from weak levels and household spending grew 7.7% year-on-year, ahead of expectations, pointing to continued consumer resilience. However, the unemployment rate rose to 4.5%, while July CPI came in hotter than expected at 3.5% year-on-year (versus 3.3% expected), although the broader disinflationary trend remains intact. House prices fell a further 0.9% in August, with national auction clearance rates recovering slightly, albeit remaining weak. Against this backdrop, market expectations for further RBA cash rate hikes shifted higher, with 1.1 hikes now priced in for 2026, up from 0.5 a month earlier.

Portfolio Commentary

The Blackwattle Small Cap Quality Fund outperformed the ASX Small Ordinaries Accumulation index by 2.28% in August. Performance was supported by diversification, with Resources the standout sector. In August, the fund benefited from exposure to a range of commodities including gold and future-facing materials such as lithium, copper, and uranium.

The Key Contributors to performance in August were Rox Resources (RXL) and Bapcor (BAP).

Rox Resources (+53.3%) is a WA-based gold developer focused on the Youanmi gold project. Shares rose strongly in August as a site visit and positive operational update at the Diggers and Dealers conference confirmed the project is progressing well and remains on schedule to deliver first gold by mid-2027. The update added to positive momentum already building from a rising gold price.

Bapcor (+54.6%) is one of Australia’s leading aftermarket automotive parts and service providers. The business experienced significant disruption and underperformance following the departure of long-serving CEO and industry veteran Daryl Abotomey in 2021. New management appointed this year has introduced a revised strategy, with early evidence that the turnaround is gaining traction. A capital raise in February 2026 and improved inventory management have strengthened the balance sheet, while the FY26 result demonstrated improving sales momentum, market share gains and stabilising earnings. We established our position, following a near 80% decline in the company’s market cap from close to $3bn to around $500m, on the basis that Bapcor retained valuable competitive advantages and that the key missing ingredient was backable management with industry experience and a clear strategy. These are now in place.

The Key Detractor from performance in August was Aussie Broadband (ABB).

Aussie Broadband (-9.4%) is an Australian telecommunications provider that delivered a solid FY26 result in August with EPS (Earnings Per Share) growth of 26%, a modest beat to consensus, and the announcement of a $115m buyback. Despite the strong operational result, the stock weakened as the market focused on softness in gross margins, seen as an early indicator of heightened competitive intensity, rather than the significant operating leverage being generated through scale and cost efficiencies. The stock now trades at its cheapest valuation since listing and at a material discount to sector peers, at just 13x P/E despite an above-peer growth profile. We expect EPS growth of more than 25% over the next two years, with further upside if management achieves its upgraded FY28 targets.

Outlook

Reporting season has now concluded, and we were pleased with the outcome for the fund. Beyond the results themselves, the period provided a valuable opportunity to meet with management teams across the portfolio, as well as companies we are considering for future investment. Volatility was again evident throughout the season, and we were pleased with both the actions taken and the way the portfolio was positioned to manage it.

Our attention now turns to the remainder of CY26 and assessing where the key risks and opportunities lie. Two developments have become increasingly important. First, stronger-than-expected domestic household spending and higher inflation have renewed concerns around the potential for further RBA rate hikes. Second, global bond markets are increasingly focused on the ongoing Iran conflict and the impact of oil prices returning towards $100 per barrel, contributing to higher US bond yields. Together, these factors are creating a more cautious, risk-off backdrop for equity markets and reinforcing the importance of selective stock picking and disciplined risk management.

Dan & Rob.

How to Invest

To invest please click on the link
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