

BAZA HIGH CONVICTION FUND QUARTER ENDED 30 JUNE 2020



KEY METRICS FOR JUNE QUARTER 2020

+44.3%

Absolute quarterly performance¹

+28.2%

Relative outperformance vs. S&P/ASX 200 index during quarter²

A\$1.083

Unit price, 30-June-20²

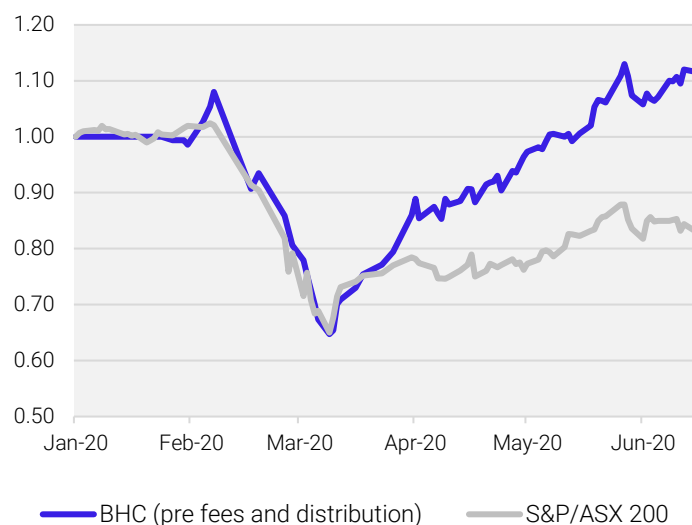
A\$0.023

Distribution per unit for FY20

KEY METRICS FOR JUNE QUARTER 2020

BHC unit price (pre fees and distribution)	A\$1.108
Performance fees for quarter	(A\$0.025)
Unit price post fees, pre distribution	A\$1.083
Distribution this quarter	(A\$0.023)
Unit price post distribution and fees	A\$1.060
BHC performance in quarter (post fees)	+44.3%
S&P/ASX 200 (Benchmark) performance	+8.3%
Outperformance of BHC in quarter	+28.2%
BHC cumulative return since inception ^{1,2}	+8.3%

HISTORICAL PERFORMANCE CHART



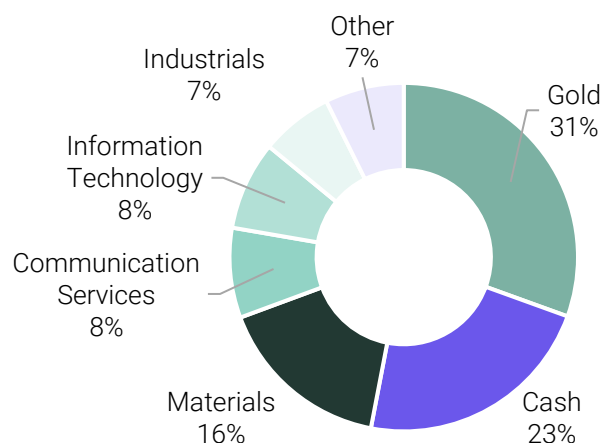
FUND SNAPSHOT

Inception:	15 January 2020
Structure:	Unit trust
Management fee:	Nil
Performance fee:	22.5% (excl. GST) above Benchmark
Benchmark:	S&P/ASX 200

Top 5 portfolio holdings (as at 30 June 2020):

Village Roadshow (ASX: VRL)	8.3%
Kalium Lakes (ASX: KLL)	6.5%
Saracen Minerals (ASX: SAR)	5.8%
Hazer Group (ASX: HZR)	5.1%
Golden State Mining (ASX: GSM)	4.6%

PORTFOLIO WEIGHTING



¹ Post fees and expenses
² Includes A\$0.023 distribution declared 30 June 2020

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COMMENTARY

BHC outperformed by 28% for the quarter

The performance of the Fund over the June 2020 quarter was strong, with an increase in unit price of 44% to A\$1.083 post fees and expenses. This compares to the S&P/ASX 200 index (Benchmark) which increased by 16% over the same period, implying an outperformance by the Fund of 28%.

For the 5.5 months since inception in January 2020, the Fund has delivered total returns of 8.3% post fees and expenses. Most importantly, the outperformance has been generated notwithstanding conservative portfolio positions. The Fund carried a market short position of ~15% and a high cash balance over the quarter, as well as maintaining focused investment in gold, capital raisings and companies set to benefit from a protracted COVID recovery.

Equity markets have staged an incredible comeback...

Since its bottom on 23 March 2020, the S&P/ASX 200 increased by 32% to 30 June 2020 – in line with other global equity indices including the Dow Jones (up 40%), the FTSE100 (up 24%) and the 'tech-heavy' NASDAQ up a staggering 49%.

While equity markets have experienced an incredible resurgence, the global economy has gyrated from crisis to crisis over the same period. Markets have shrugged off the deluge of news flow relating to the pandemic, the escalating tensions between the USA and China, and increasing civil unrest in many countries.

While equity markets typically focus on events beyond the current news cycle, the disconnect between 'Wall St' and 'Main St' appears too great to be just that. We believe that a larger driver of equity market performance has been the effective manipulation by the US Federal Reserve Bank, and other central banks, through the unprecedented scale of liquidity that has been injected into financial markets over the last 3 months. This has resulted in risk-appetite being pushed down the capital stack (from debt towards equity) resulting in increased demand for equity investments as investors chase increasingly thinner yields. We believe the impact of institutional asset reallocations towards equity markets has dwarfed the increase in "retail investor" participation that the media has recently focused on.

...of which the staying power remains uncertain

Given this economic and market distortion, we remain cautiously pessimistic on the sustainability of equity market growth for the coming 12 months. We are prioritising investment in gold and highly liquid equity investments in order to provide agility in volatile markets. We also maintained a small, short position (~12-15% exposure) for the duration of the quarter through a small investment in two negatively correlated exchange traded funds (BBOZ, BBUS).

We maintain an overweight position in gold equities...

The Fund has maintained its overweight position in a basket of ASX-listed gold producers. At 30 June 2020, the overall gold exposure is 31%, up from 29% at 31 March 2020. The position has increased despite significant profit taking in May and June as gold holdings moved closer to our assessed fundamental value.

As expected, gold equity outperformance has been driven by the increase in gold prices from US\$1,603/oz on 31 March 2020, to US\$1,798/oz on 30 June 2020. The 12% increase in underlying gold prices has resulted in an average increase in our gold producer basket of 62% over the quarter, illustrating the operational leverage that is generated by gold producers as opposed to physical gold. Gold prices continue to benefit from macro-tailwinds, most notably the significant increases in central bank balance sheets as part of government stimulus to date.

Gold equities have been a significant contributor to performance (up 62% overall) which we expect to continue as central bank balance sheets expand in the near term

...and we will continue to use market volatility to opportunistically invest in high quality businesses we identify

The Fund has consolidated a portfolio of fundamental value-oriented businesses, however the majority of companies identified form our 'hitlist' in preparation for any large market pull-backs.

We have also observed that ASX-listed companies have capitalised on the buoyant equities market with a surge in equity raising activity during the June quarter. Given the heightened competition and volatility, the discounts have expanded and favoured incoming investors.

The Fund invested in 26 equity raisings across the quarter, with an average return of 45% per investment. We expect this dynamic to persist in 2H 2020 and we have positioned the Fund to capitalise.

(commentary continued on next page)

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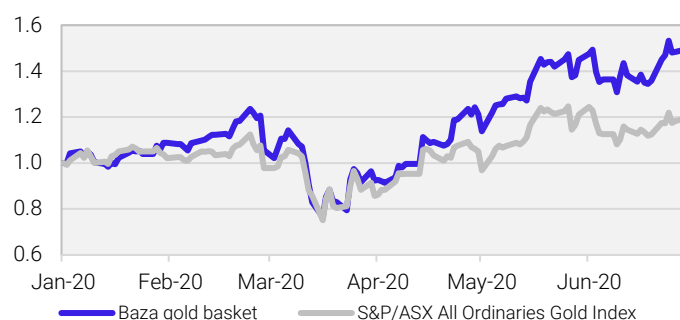


CASE STUDIES

Gold producer basket

As noted in our March quarterly report, the Fund has maintained a large position in ASX-listed, mid-cap gold producers. The Fund shortlisted 6 mid-cap gold producers based on fundamental value, which included Ramelius (ASX: RMS), Saracen (ASX: SAR), Perseus (ASX: PRU), Westgold (ASX: WGX), Silverlake (ASX: SLR) and West African Resources (ASX: WAF). Despite taking significant profits from the gold producer basket in May and June, the Fund maintains a large gold exposure of 31% as at 30 June 2020. We believe the tailwinds for gold remain strong over the next 12-24 months given the continued fiscal stimulus and increasing geopolitical tensions.

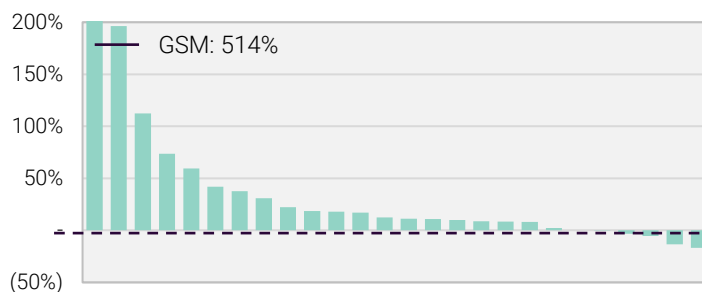
BHC gold producer basket (equal weighted index) vs All Ords Gold



Equity raisings

Given the buoyancy of equity markets over the quarter, and troubles in the real economy, there was an influx of equity raising activity. The Fund participated in 26 equity raisings over the quarter, taking advantage of the favourable terms and liquidity presented to institutional investors.

Returns from equity raisings in June quarter (%)

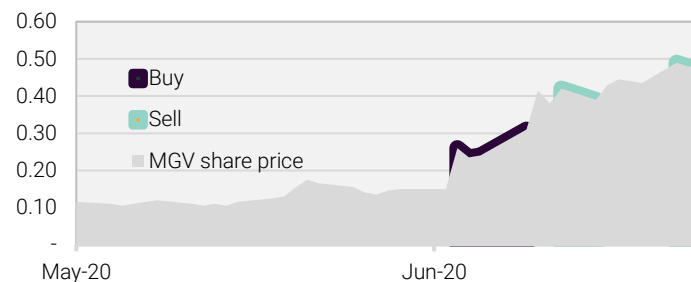


The average return per capital raising was 45% for the quarter, with some standout performers significantly lifting the average. These standout performers include Novonix (ASX: NVX), Golden State Mining (ASX: GSM) and Kairos (ASX: KAI).

Musgrave Minerals drill hit

Baza Capital identified the initial drill hit from Musgrave Minerals (ASX: MGV) in real-time on 3 June 2020. Based on the initial drill intersection, we estimated the valuation of a gold discovery of this quality in the current market. We determined entry and exit valuations in line with our 'anatomy of a discovery' historic analysis. We commenced buying at open with an average entry price of A\$0.23-0.25 over the day.

Musgrave Minerals discovery on June 2020 (A\$/sh)



Village Roadshow takeover

Village Roadshow (ASX: VRL) is currently under takeover offer from BGH, a Melbourne-based private equity firm. The latest offer, announced on 18 May 2020, includes A\$0.20/sh contingent consideration within a gross offer price of A\$2.40/sh. The latest offer follows an initial proposal announced to the ASX on 24 January 2020. Baza Capital tracked the triggers for the contingent consideration and invested as they became de-risked at entry prices between A\$2.00 and A\$2.15.

Village Roadshow takeover offer by private equity (A\$/sh)

