

# BAZA HIGH CONVICTION FUND QUARTER ENDED 31 MARCH 2021



## KEY METRICS FOR MARCH QUARTER 2021

**+8.4%**

Absolute quarterly performance<sup>1</sup>

**+5.3%**

Relative outperformance vs. S&P/ASX 200 index during quarter<sup>2</sup>

**A\$1.637**

Unit price, 31-Mar-21<sup>2</sup>

**+67.3%**

Performance since inception (Jan-20)<sup>2</sup>

## KEY METRICS FOR MARCH QUARTER 2021

|  |            |
|--|------------|
| BHC unit price (pre fees and distribution)         | A\$1.661   |
| Performance fees for quarter                       | (A\$0.024) |
| Unit price post fees, pre distribution             | A\$1.637   |
| Distribution this quarter                          | -          |
| Unit price post distribution and fees              | A\$1.637   |
| BHC performance in quarter (post fees)             | +8.4%      |
| S&P/ASX 200 (Benchmark) performance                | +3.1%      |
| Outperformance of BHC in quarter                   | +5.3%      |
| BHC cumulative return since inception <sup>1</sup> | +67.3%     |

## FUND SNAPSHOT

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

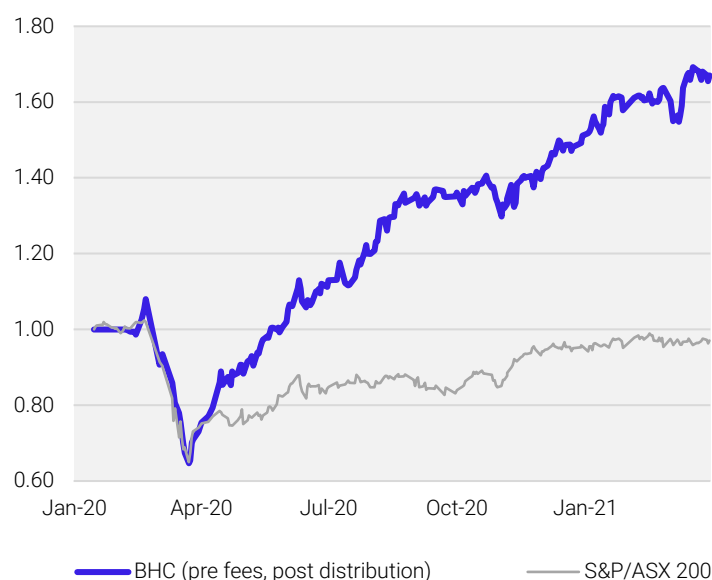
### Top 5 portfolio holdings (as at 31 March 2021):

|                                      |      |
|--------------------------------------|------|
| New World Resources (ASX: NWC)       | 6.3% |
| Genex Power (ASX: GNX)               | 5.7% |
| Frontier Digital Ventures (ASX: FDV) | 5.1% |
| Rhipe (ASX: RHP)                     | 4.4% |
| Vital Metals (ASX: VML)              | 4.0% |

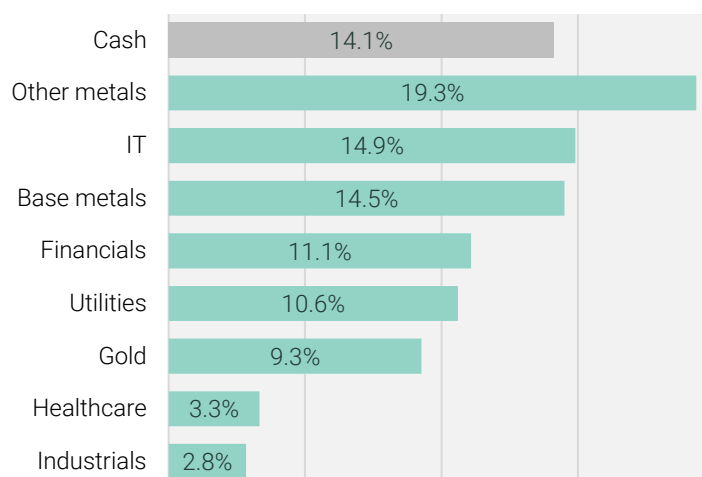
<sup>1</sup> Post fees and expenses

<sup>2</sup> Includes A\$0.023 distribution declared 30 June 2020

## HISTORICAL PERFORMANCE CHART



## PORTFOLIO WEIGHTING



# BAZA HIGH CONVICTION FUND QUARTER ENDED 31 MARCH 2021



## COMMENTARY

### **The Fund returned 8.4% for the quarter, outperforming the Benchmark by 5.3%**

Baza High Conviction (the **Fund**) delivered an increase in unit price of 8.4% to finish at A\$1.637 post fees and expenses. This compares to the S&P/ASX 200 index (**Benchmark**) which increased by 3.1% over the same period, an outperformance by the Fund of 5.3%. Since inception in January 2020, the Fund has delivered total returns of 67.3% post fees and expenses.

Summary of the key contributors and detractors for the March quarter:

#### **Top 3 contributors for March quarter**

|                               |       |
|-------------------------------|-------|
| Venturex Resources (ASX: VXR) | +2.8% |
| Pentanet Limited (ASX: 5GG)   | +2.2% |
| Vital Metals                  | +1.9% |

#### **Top 3 detractors for March quarter**

|                                  |        |
|----------------------------------|--------|
| New Century Resources (ASX: NCZ) | (1.2%) |
| Calidus Resources (ASX: CAI)     | (1.0%) |
| Frontier Digital Ventures        | (0.8%) |

### **Equity markets were relatively steady, despite significant newsflow over the quarter**

The S&P/ASX 200 picked up where it left off in Dec-20 with the re-opening thematic catching fire. The local market peaked in mid-February, up +5.3%, before trailing off post results season to finish +3.1% for the quarter. Global equity markets recorded similar results, with the Dow Jones up 0.7% and the FTSE 100 up 3.9% for the quarter. Equity markets were buffeted by US stimulus announcements, vaccine roll-out issues, strong corporate results season and a gyrating bond market during the quarter. The muted response of share prices to strong earnings results may reflect that a large degree of the post-COVID reopening economic recovery is already priced into the market. This indicates heightened downside risks if COVID reopening hiccups persist (such as the slow roll-out of the vaccine and further lockdowns).

### **Gold equities were the key headwind for the quarter**

The key drag on performance this quarter was our overweight position in gold equities (20.9% of FUM at 31-Dec-20).

The aggregate performance of gold equities reduced unit pricing by 3.1% over the quarter as gold prices collapsed from ~US\$1,950/oz to ~\$1,700/oz at quarter end, driven largely by the expectation of higher US real interest rates. Some pre-emptive selling of gold equities in January mitigated the impact to the Fund, and the overall gold exposure at 31-Mar-21 reduced to 9.3%.

### **Positioning for reflation starting to pay off...**

The Fund's investments in base metal developers was a key driver of performance for the quarter. Our selection of copper developers continued to outperform; New World Resources (+34%), Eagle Metals (ASX: EM2) (+36%) and Caravel Minerals (ASX: CVV) (+8%) performed well over the quarter. The Fund held unlisted options in another base metals developer, Venturex, which undertook a transformative capital raising and introduced former Northern Star CEO, Bill Beament, to the Board. This resulted in a share price gain of +208% over the quarter, and the Fund was able to monetise its unlisted options at a significant profit.

### **...but the fund remains relatively liquid and nimble in the face of vaccine roll-out headaches**

We remain concerned that the approved COVID-19 vaccines will not be rolled out fast enough to generate herd immunity. We maintain a database of vaccine roll-out rates announced by governments and the early signs are that key nations (USA, UK, mainland Europe) are lagging the rates required to fully immunise (2 jabs) 70-80% of its population by the end of 2021. If annual dosages are required, we may be faced with the possibility that COVID-19 will not be controlled and suppressed economic activity will persist. This could trigger a correction in equity markets and heighten the need for ongoing stimulus, hence the Fund maintains a balanced exposure to gold and companies with high liquidity in order to manage positions quickly if required.

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