

# BAZA HIGH CONVICTION FUND MONTH ENDED 31 JULY 2021

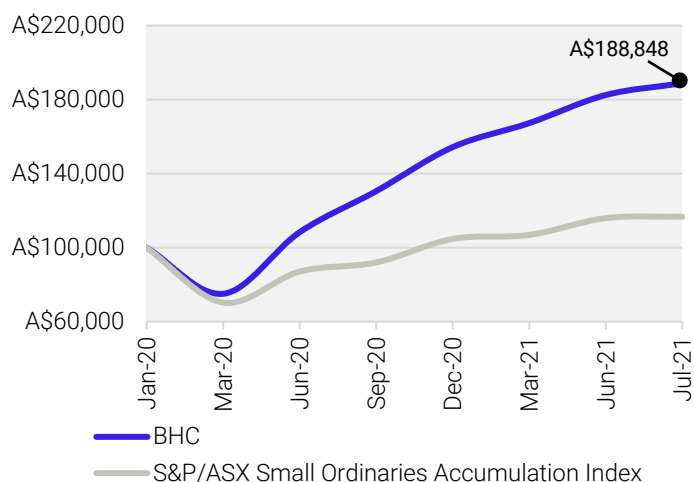


## KEY METRICS FOR MONTH ENDED 31 JULY 2021

Unit price (pre fees, expenses & distribution)	A\$1.188
Fees & expenses for month	(A\$0.010)
Unit price post fees & expenses, pre distribution	A\$1.178
Distribution	-
Unit price post distributions, fees & expenses	A\$1.178
Performance in Jul-21, post fees & expenses	+3.5%
S&P/ASX Small Ords Accum. Index (Benchmark) return	+0.7%
Fund outperformance in Jul-21 <sup>1</sup>	+2.8%
Return since inception <sup>1</sup>	+88.8%

## HISTORICAL PERFORMANCE

### Value of A\$100,000 invested at inception



## HISTORICAL RELATIVE PERFORMANCE

	Fund return <sup>1,2</sup>	S&P/ASX Small Ords Accum. Index	Out-performance
Jul-21	+3.5%	+0.7%	+2.8%
Since inception <sup>3</sup>	+88.8%	+16.8%	+72.1%
Since inception (annualised) <sup>3</sup>	+50.9%	+10.6%	+40.3%

## COMMENTARY

The Baza High Conviction Fund (Fund) returned +3.5% during July, outperforming the S&P/ASX Small Ordinaries Accumulation Index (Benchmark) by +2.8%.

The Fund's outperformance was driven by M&A activity in two of its holdings, Rhiper (RHP) and Empired (EPD). Both holdings received takeover proposals at a premium to their prevailing share prices. There has been a significant consolidation underway in the IT services industry over the last 12 months, with RXP Services, DWS and Citadel Group (a former Baza High Conviction holding) all being acquired. The Fund currently retains exposure to the sector through its holding in Cirrus Networks (CNW).

Rhiper has been a long term investment for Baza High Conviction and one of its largest holdings. On 1 July 2021 the company announced it had received a non-binding proposal from Norwegian-listed Crayon Group at A\$2.50. There is some anticipation of an improved bid, or rival bid, from shareholders and the broader market, with the share price trading at a slight premium to the A\$2.50 offer price for the majority of the offer period. We think the offer price of A\$2.50 undervalues Rhiper and is opportunistic, but approval from Rhiper's Board suggests it is likely to proceed.

Other key contributors to performance for the month were Gale Pacific (GAP, +20%), WA Kaolin (WAK, +20%) and Frontier Digital Ventures (FDV, +12%). Gale Pacific has traded strongly into its impending results release, which we expect to be in line with their guidance of PBT ~A\$16-17M and implied price to earnings ratio of 12x. We expect a re-rate if the company can demonstrate continued high sales growth in the USA.

Key detractors for the month were our base metals exposures, including New World Resources (NWC, -11%) and Caravel Minerals (CVV, -12%), also two of our largest exposures. We remain confident on base metals, particularly copper, given the push towards electrification and the stance of central banks to allow inflation to lift and persist.

The Fund lifted positions in key holdings into the month end given substantial investment inflows from new and existing unitholders during July. The Fund held 5.1% cash as at 31-Jul-21 and the Fund is continuing to efficiently deploy the new inflows thus far in August.

1. Post all fees and expenses  
 2. Assumes reinvestment of distributions (A\$0.023 declared 30-Jun-20 and A\$0.647 declared 30-Jun-21)  
 3. Since inception date of 15-Jan-20

# BAZA HIGH CONVICTION FUND MONTH ENDED 31 JULY 2021



## FUND SNAPSHOT

The Baza High Conviction Fund is a long only small-cap fund targeting undervalued, emerging companies on the ASX. It has a high risk, high return profile, providing exposure to high growth and/or under-appreciated companies.

The Fund utilises strict responsible investment screening parameters; both positive and negative.

Inception	15-Jan-20
Structure	Unit trust
Management fee	1.5% (incl. GST)
Performance fee	20.0% (incl. GST) above benchmark
Benchmark	S&P/ASX Small Ordinaries Accumulation Index (post management fee & expenses)
Unit pricing, applications and redemptions	Monthly
Eligible investors	Wholesale Investors, as defined in the Corporations Act 2001 (Cth)
Distributions	Annually, post 30-Jun, and at the Trustee's discretion

## RESPONSIBLE INVESTMENT OVERVIEW

### Positive screens (non-exhaustive, up to 25% scale-up)

Renewable energy	Efficient transport
Recycling	Sustainable products
Healthy foods	Healthcare & wellbeing
Education	Electrification
Direct investment	Strong diversity policies, reporting and practices

### Negative screens

### Threshold

Fossil fuel exploration, development or production	Zero tolerance
Provision of significant services to fossil fuel industry	25%+ of focus or revenue, no investment
Excessive carbon emissions	Zero tolerance if no transition, management or offset plans or processes
Gambling or tobacco	Zero tolerance
Old growth logging, destruction of ecosystems or animal cruelty	Zero tolerance
Military technology or armaments	Zero tolerance
Carbon intensive agriculture	25%+ of focus or revenue, no investment

The Fund investigates the diversity of Boards and senior management, and policies and reporting relating to diversity, prior to investment.

Further information on responsible investment policies can be found in the Baza High Conviction Fund Information Memorandum, available by request.

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Disclaimer: This report has been prepared by Baza High Conviction Pty Ltd ACN 637 476 423 and as the fund manager of the Baza High Conviction Fund ABN 75 493 908 548. True Oak Investments Ltd ACN 002 558 956 AFSL 238 184 acts as the trustee of the Fund. The Trustee has authorised Baza Capital under its Australian Financial Services Licence (Authorised Representative No. 001288970) to provide general advice and deal in the investments of the Fund. The Fund is an unregistered managed investment scheme. This document contains information about the performance of the Fund and is intended only for investors that are wholesale clients as defined in s761G of the Corporations Act 2001 (Cth). It is not intended to be used by any other persons in any other jurisdiction if and to the extent that to do so would be in breach of Australian laws, or the laws of any foreign jurisdiction. This report contains general information only and is not intended to provide any person with financial advice. It does not take into account any person's (or class of persons) investment objectives, financial situation or particular needs, and should not be used as the basis for making an investment in the Fund. Neither Baza Capital nor True Oak Investments make any representation as to the accuracy, completeness, relevance or suitability of the information, conclusions, recommendations or opinions contained in this report (including, but not limited to any forecasts made). No liability is accepted by any of these entities or their respective directors, officers, employees, agents or advisors for any such information, conclusions, recommendations or opinions to the fullest extent possible under applicable laws. This publication may contain forward looking statements regarding our intent, belief or current expectations with respect to market conditions. Readers are cautioned not to place undue reliance on these forward-looking statements. The Investment Manager does not undertake any obligation to revise any forward-looking statements to reflect events and circumstances after the date of this publication. Neither Baza Capital nor True Oak Investments guarantee the repayment of capital, the performance of any investment or the rate of return for the Fund. Past performance is not necessarily indicative of future performance. This document is not an Information Memorandum for the purposes of the Act. Accordingly, it does not purport to contain all information that potential investors may need to make an informed assessment as to whether or not to invest in the Fund. Numerical figures in this publication have been subject to rounding. Please contact Baza Capital if you wish to receive a copy of the Information Memorandum.