

BAZA HIGH CONVICTION FUND MONTH ENDED 30 NOVEMBER 2021

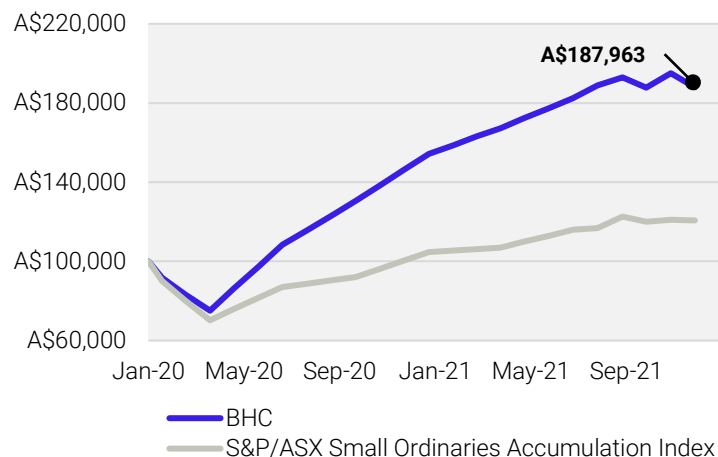


KEY METRICS FOR MONTH

Unit price (pre fees, expenses & distribution)	A\$1.174
Fees & expenses for month	(A\$0.002)
Unit price post fees & expenses, pre distribution	A\$1.172
Distribution	-
Unit price post distributions, fees & expenses	A\$1.172
Performance in Nov-21, post fees & expenses	-3.6%
S&P/ASX Small Ords Accum. Index (Benchmark) return	-0.3%
Fund outperformance vs. Benchmark in Nov-21 ¹	-3.3%
Return since inception ¹	+88.0%

HISTORICAL PERFORMANCE

Value of A\$100,000 invested at inception



HISTORICAL RELATIVE PERFORMANCE

	Fund return ^{1,2}	S&P/ASX Small Ords Accum. Index	Out-performance
1 month	-3.6%	-0.3%	-3.3%
3 months	-2.6%	-1.5%	-1.0%
Since inception ³	+88.0%	+20.7%	+67.3%
Since inception (annualised) ³	+39.9%	+10.5%	+29.4%

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

COMMENTARY

The Baza High Conviction Fund (Fund) returned -3.6% during November, underperforming the S&P/ASX Small Ordinaries Accumulation Index (Benchmark) which returned -0.3% over the same period. The month saw volatility return to equity markets, led by COVID variant fears. The MSCI World Index fell -2.3% and the Dow Jones fell -3.7%. Domestic equities were steadier with the S&P/ASX 200 falling only 0.9% over the month.

The Fund's underperformance for November was attributable to broad softness across our portfolio, with negative supply chain updates from two industrials companies (GAP, VEE) the most material.

Shade cloth manufacturer, Gale Pacific (GAP), announced to the market that it was experiencing supply chain issues around ocean freight and US trucking expenses, sending its share price 32% lower over the month. We spoke with management twice following the update to better understand the issues. Our view is that the supply chain issues will likely remain for the next 6 months, but alleviate by the end of 2022. We view the sell-off as overdone, reducing equity value to A\$82m, relatively cheap compared to its core NPAT of ~A\$17m in FY21, A\$45m inventory and A\$20-40m in net cash and assessed property value on balance sheet. Importantly, the company has a strong working capital position to insulate any further cost increase or supply chain issues across this period.

Boat component manufacturer, Veem (VEE), announced a weak start to FY22 due to a very tight labour market in Western Australia and increased commodity prices eroding margins, decreasing its share price 18% over the period. These issues led to delays in sales for its world-class gyrostabiliser technology. We met with management following the trading update and believe uncertainty remains on when it will solve its labour issues. We have since decreased our position in Veem and will wait to see if the WA labour market improves over the next few quarters, and whether gyrostabiliser sales growth resumes.

Our key positive contributors were our lithium explorers, with strong performances from Global Lithium Resources (+28%) and Winsome Resources (+30%). The Fund maintains a modest exposure to lithium in line with our view that the market will enter structural deficit over the coming 2-3 years as battery demand outpaces supply.

The Fund has been increasing its cash position, and held 14.8% cash as at 30-Nov-21. This should provide the Fund with strong flexibility and lower market correlation in the case of an extended down turn.

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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

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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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