

BAZA HIGH CONVICTION FUND QUARTER ENDED 31 MARCH 2022



KEY METRICS FOR MARCH 2022 QUARTER

-2.7%
return for the quarter¹

+1.5%
performance vs.
S&P/ASX Small
Ordinaries Accumulation
Index during quarter¹

A\$1.189
unit price, 31-Mar-22¹

+33.9%
annualised return since
inception^{1,2,3}

KEY METRICS FOR MONTH OF MARCH 2022

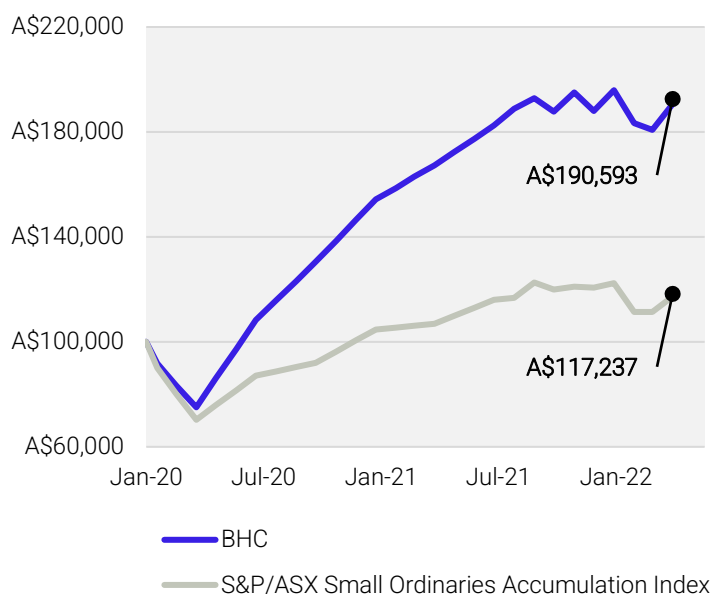
Unit price (pre fees, expenses & distribution)	A\$1.191
Fees & expenses for month	(A\$0.002)
Unit price post fees & expenses, pre distribution	A\$1.189
Distribution this month	-
Unit price post distributions, fees & expenses	A\$1.189
Performance in month post fees & expenses	+5.4%
S&P/ASX Small Ords Accum. (Benchmark) perf.	+5.3%
Fund performance in month vs. Benchmark	+0.1%

HISTORICAL RELATIVE PERFORMANCE

	Fund return ^{1,2}	S&P/ASX Small Ords Accum. Index	Fund out-performance
1 month	+5.4%	+5.3%	+0.1%
3 month	-2.7%	-4.2%	+1.5%
6 months	+1.5%	-2.3%	+3.8%
1 year	+13.9%	+9.7%	+4.2%
Since inception ³ (annualised)	+33.9%	+7.5%	+26.4%

HISTORICAL PERFORMANCE

Value of A\$100,000 invested at inception^{1,2,3}

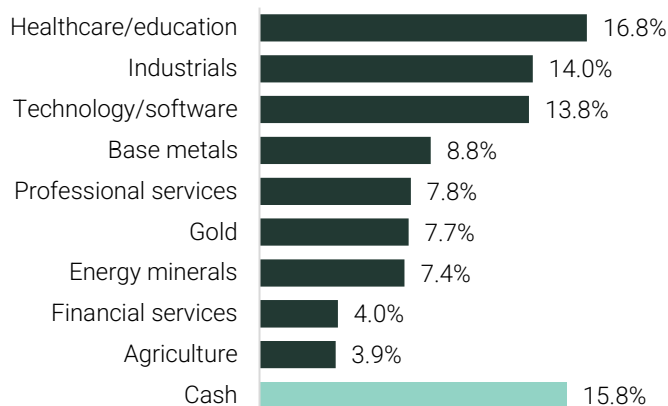


PORTFOLIO SNAPSHOT

Top 5 holdings (as at 31 March 2022)

1	Monash IVF	MVF.ASX	6.8%
2	Atturra	ATA.ASX	5.8%
3	Mayfield Childcare	MFD.ASX	5.5%
4	Global Data Centre	GDC.ASX	5.1%
5	Service Stream	SSM.ASX	4.5%

Sector exposure (as at 31 March 2022)



1 Post fees and expenses

2 Assumes reinvestment of distributions (A\$0.023 declared 30-Jun-20 and A\$0.647 declared 30-Jun-21)

3 Fund inception was 15-Jan-20

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The Fund declined -2.7% for the March quarter

This return compared to the S&P/ASX Small Ordinaries Accumulation Index (Benchmark) which fell 4.2% in the March quarter, giving a relative outperformance of +1.5% for the Fund.

Global equity markets were also down over the quarter as geopolitical conflicts and inflation took centre-stage. The Russian invasion of Ukraine compounded already weak sentiment, with the prospect of a European-led global recession increasing. Key international equity indices were down including the S&P 500 (down 5% for the quarter), MSCI World (down 6%) and the German DAX (down 13%). Local markets fared much better, in part due to the surge in commodity prices which boosted the S&P/ASX 200, which finished up 1% for the quarter.

The Fund's healthcare and industrial investments were the best overall performers for the March quarter

The largest individual sector exposures for the Fund were healthcare/education (16%) and industrials (14%), both which performed strongly during the March quarter. The best performers in these groups were **Monash IVF** (+13% for the quarter), **Mayfield Childcare** (+18%) and **Service Stream** (+30%).

Monash IVF (MVF) released a strong half year results update in February, with higher revenues than anticipated by research analysts, highlighting the increased underlying demand for fertility services and backlog coming out of COVID. We were most concerned with their ability to control costs given the labour shortages in the healthcare sector – staff burn-out is impinging on staffing across the board. We view this as a short-term risk; we ultimately have confidence that their significant investment in building a pipeline of specialists will meet the predicted increases in demand over the long term.

Mayfield Childcare (MFD) has had a strong start to the year, with its share price up +18%. MFD reported that it had completed the successful acquisition of 16 childcare centres (taking its total to 36) and released full year financial results in February. Early signs are that the childcare sector is starting to recover post lockdowns in Melbourne, with expectations that occupancy will increase across 2022. We expect Mayfield will be able to integrate the new centres effectively and announce further acquisitions later in 2022.

Service Stream (SSM) is a maintenance service provider for essential networks (like telecommunications, utilities, transport projects). Over recent years the company has fallen out of investor favour, having to revisit its growth strategy as some large NBN contracts completed. We completed our analysis on Service Stream and commenced buying ahead of its results in February 2022, believing the company oversold. The half year results exceeded the pessimistic analyst expectations, with earnings from its existing operations higher and early positive signs from its recent acquisition of Lendlease's services business. Post the release of financial results SSM's share price increased +31% to quarter end.

The Fund's mining investments generated mixed returns, despite geopolitical issues and inflationary pressures sending spot commodity prices higher

On the positive side, the Fund's exposures in lithium and gold developers generated the best returns. The Fund's holding in **Global Lithium Resources** (+136%) and **Calidus Resources** (+56%) were the standouts.

Unfortunately the Fund's group of copper and nickel developers did not capitalise on strong commodity prices. The Fund's key detractors for the quarter were **Cannon Resources** (-19%), **New World Resources** (-34%) and **Caravel Resources** (-14%). There were no company-specific negative updates so the gap between their share prices and our assessed intrinsic value has expanded, particularly given the underlying commodity price increases over the quarter. The sell-off appears to be in line with the broader risk-off sentiment to earlier stage companies.

Weakness in other sectors pulled the total return for the quarter into negative territory

The Fund's biggest loss for the quarter was from **Genex Power (GNX)**, -28%, a renewable energy asset owner and developer with key projects in QLD and NSW. During the quarter it announced an equity raising that was oversized, dilutive and launched with horrible market timing (two days ahead of its results, and concurrent to Russia launching its attack). The market reacted harshly and sold off GNX following the announcement.

The Fund finished with a cash position of 15.8% at the end of the quarter. We are expecting to deploy this in coming months if we see attractive entry prices for companies on our watchlists.

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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

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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