

BAZA HIGH CONVICTION FUND MONTH ENDED 31 MAY 2022

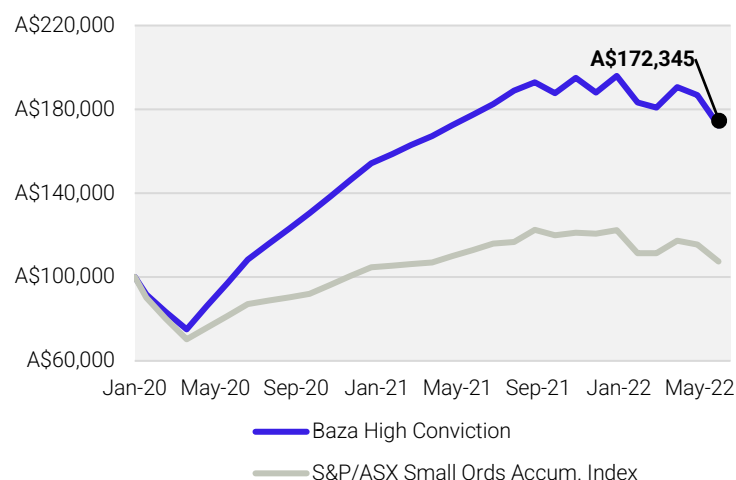


KEY METRICS FOR MONTH

Unit price (pre fees, expenses & distribution)	A\$1.078
Fees & expenses for month	(A\$0.003)
Unit price post fees & expenses, pre distribution	A\$1.075
Distribution	-
Unit price post distributions, fees & expenses	A\$1.075
Performance in May-22, post fees & expenses	-7.8%
S&P/ASX Small Ords Accum. Index (Benchmark) return	-7.0%
Fund performance vs. Benchmark in May-22 ¹	-0.8%
Cash as at 31-May-22	10.3%

HISTORICAL PERFORMANCE

Value of A\$100,000 invested at inception



HISTORICAL RELATIVE PERFORMANCE

	Fund return ^{1,2}	S&P/ASX Small Ords Accum. Index	Relative Fund performance
1 month	-7.8%	-7.0%	-0.8%
3 months	-4.7%	-3.6%	-1.1%
6 months	-8.3%	-11.0%	+2.7%
Since inception ³	+72.3%	+7.4%	+65.0%
Since inception (annualised) ³	+25.7%	+3.0%	+22.7%

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 (the Fund) returned -7.8% during May, underperforming the S&P/ASX Small Ordinaries Accumulation Index (Benchmark) which fell -7.0% over the same period. Global equity markets collapsed in early May, with key indices down 7-12% over the first 5 trading days. Equity markets bounced from the mid-May lows to recover some lost ground, most dramatically in the US with only modest losses by the end of the month for the NASDAQ (down -2%) and the S&P 500 (flat).

There has been a bifurcation in the performance of smaller capitalisation companies and large capitalisation ('blue chip') companies in 2022, with small caps underperforming. The S&P/ASX Small Ordinaries index is down 13.3% so far in 2022, compared to the S&P/ASX 200 which is down 3.1% to 31-May-22. The Fund has outperformed the Benchmark, in part due to the Fund holding a healthy cash balance heading into 2022 and overweighting defensive stock exposures (e.g. Monash IVF, Mayfield Childcare, Service Stream all in our top 5 holdings). While the Fund has outperformed, we are mindful of the negative absolute returns and volatility that our fellow unitholders have experienced in recent times. The portfolio has been modified to manage the 3 key (interrelated) global issues that have been weighing on equity markets (supply chain disruption, war in Ukraine and inflation), and we are confident that the Fund is well positioned for growth in the medium to long term. We hold a strong selection of thoroughly-researched emerging companies, have been opportunistically topping up exposures, and retain a healthy cash balance.

We deployed capital into Capitol Health (CAJ) and Silk Laser Clinics (SLA) after attending site visits for both in May. We visited a major CAJ clinic in Adelaide, meeting with their senior radiologists. Recent consolidation in the radiology sector – key peer, IDX, acquired Peloton Radiology at 8.8x EV/EBITDA – provides valuation support as CAJ continues its clinic consolidation.

The majority of the Fund's investments declined over the course of May, with the key detractors including rare earths developer Peak Resources (PEK, -32%) and online classifieds operator Frontier Digital Ventures (FDV, -20%). There were no negative updates for these 2 companies across the month. The Fund modestly added to these positions among others we have analysed and remain confident in the medium to long term theses.

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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

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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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