

# BAZA HIGH CONVICTION FUND MONTH ENDED 31 MAY 2023

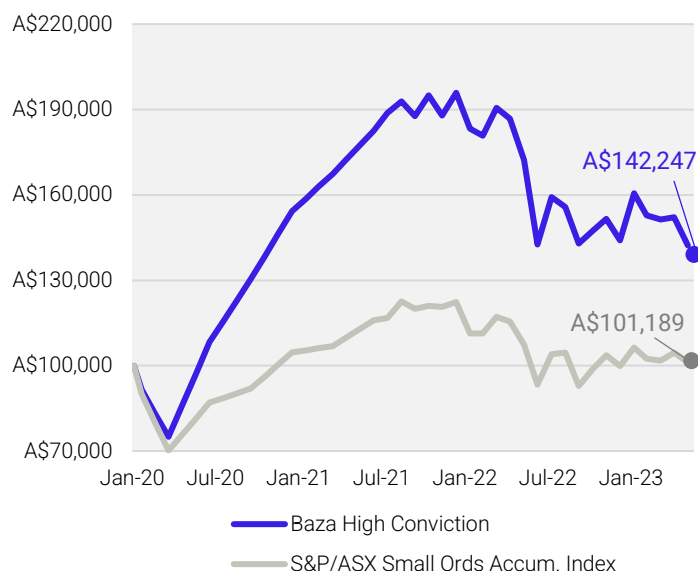


## KEY METRICS FOR MONTH

Unit price	A\$0.887
Fund return for month	-6.5%
S&P/ASX Small Ords Accum. (Benchmark) return	-3.3%
Fund performance in month vs. Benchmark	-3.2%
Cash as at end of month	4.7%

## 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	Relative Fund performance
1 month	-6.5%	-3.3%	-3.2%
3 months	-6.9%	-1.3%	-5.6%
6 months	-6.2%	-2.5%	-3.7%
12 months	-17.5%	-5.8%	-11.7%
Since inception <sup>3</sup>	+42.2%	+1.2%	+41.1%
Since inception (annualised) <sup>3</sup>	+11.0%	+0.4%	+10.6%

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, 15-Jan-20

## COMMENTARY

The Baza High Conviction Fund (the Fund) returned -6.5% during May, underperforming the S&P/ASX Small Ordinaries Accumulation Index (Benchmark) which returned -3.3%. Total return for the Fund since inception (January 2020) is +42.2%, annualising at +11.0%, compared with the Benchmark which has returned +1.2% over the same period, annualising at +0.4%.

The major detractor for the month was shade-cloth manufacturer and distributor Gale Pacific (GAP, -26%). GAP announced a downgrade to FY23 earnings. We expect EBITDA to be ~A\$17M for FY23 due to weaker sales in the US as Home Depot and Lowes focused on destocking existing inventory levels. Successful expansion into the US is a key objective for GAP, and this is the second year it has seen its growth impacted (previous year due to supply chain issues and wet weather, and this year due to reduced consumer spending on home improvement). An unencumbered trading period should see GAP generate EBITDA of A\$30-40M, which compared to its current enterprise value of A\$80M could provide a significant re-rate opportunity.

Weak equity market conditions continued to impact smaller companies during the month. Crowd analytics software company SkyFii (SKF, -33%) and molecular diagnostics company Genetic Signatures (GSS, -22%) detracted from Fund performance despite both having no disclosure and no exposure to a weakening consumer outlook.

Positive contributors to performance included Probiotec (PBP, +7%), Kinatico (KYP, +39%) and Delta Lithium (DLI, +43%). Shares in PBP rose following reports in the AFR of a potential takeover during the month. KYP is a new investment for the Fund, following several months of diligence. KYP has developed a software platform which provides a best-in-class dashboard to manage HR compliance, with a focus on recruiting and onboarding new staff. It is in the process of converting its revenue from lumpy upfront to longer-term subscription earnings. This dynamic has masked the underlying demand growth that KYP is experiencing and provided the opportunity for our investment. DLI rebounded in May as it announced further high grade lithium drilling results at its Yinnetharra Lithium Project in WA.

The Fund ended the month with 4.7% cash. The Fund remains open for investment with applications processed each month.

## RESPONSIBLE INVESTMENT

The Fund invested in Acusensus (ACE) in May. ACE has developed technology that uses high-speed imaging equipment and AI to detect illegal mobile phone use while driving. ACE has won several state contracts in Australia and is deploying units in Europe and the USA. NSW introduced ACE technology in late 2019; since then, phone usage while driving has reduced over 80% and road fatalities have reduced 20%.

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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. Actively invested in emerging companies that have the ability to generate sustainable, long-term shareholder returns. The Fund has a high risk, high return profile.

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

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

We also investigate the diversity of Boards and senior management, and policies and reporting relating to diversity, and screen for controversy, 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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