BAZA HIGH CONVICTION FUND
QUARTER ENDED 30 JUNE 2023

BAZA CAPITAL

KEY METRICS FOR JUNE 2023 QUARTER

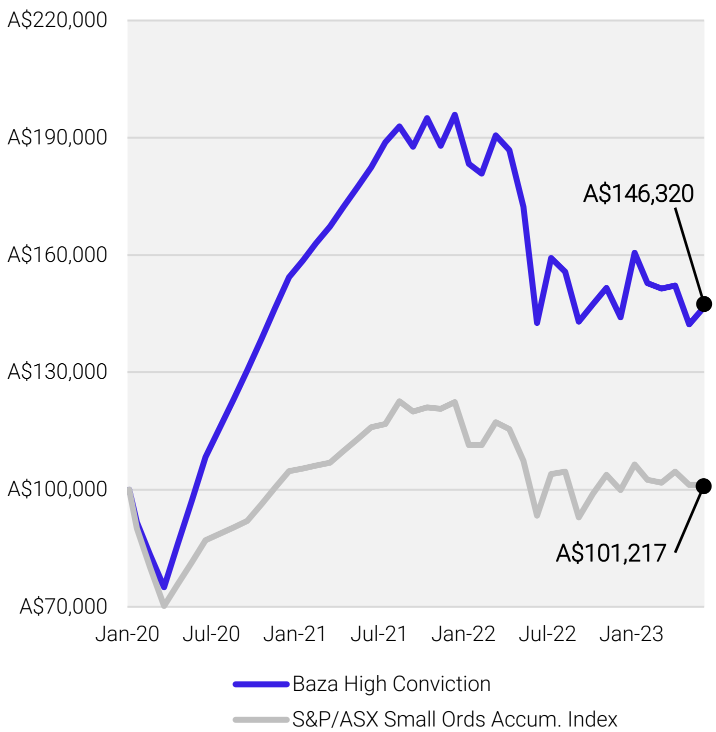
-3.4%	-2.8%	A$0.9125	+11.9%
return for the quarter[1]	performance vs. S&P/ASX Small Ordinaries Accumulation Index during quarter[1]	unit price, 30-Jun-23[1]	annualised return since inception[1,2,3]

KEY METRICS FOR JUNE 2023 MONTH

Unit price	A$0.9125
Return for month	+2.9%
S&P/ASX Small Ords Accum. (Benchmark) perf.	+0.03%
Fund performance in month vs. Benchmark	+2.8%
Cash as at end of month	5.4%

HISTORICAL PERFORMANCE

Value of A$100,000 invested at inception[1,2,3]



HISTORICAL RELATIVE PERFORMANCE

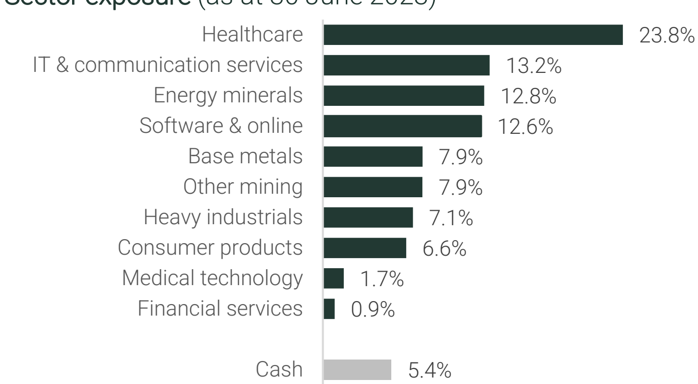
	Fund return[1,2]	S&P/ASX Small Ords Accum. Index	Fund out-performance
1 month	+2.9%	+0.03%	+2.8%
3 month	-3.4%	-0.5%	-2.8%
6 months	+1.6%	+1.3%	+0.2%
1 year	+2.6%	+8.4%	-5.8%
2 year	-19.8%	-12.7%	-7.1%
3 year	+35.1%	+16.3%	+18.8%
Since inception[3]	+46.3%	+1.2%	+45.1%
Since inception[3], annualised	+11.9%	+0.4%	+11.6%

PORTFOLIO SNAPSHOT

Top 5 holdings (as at 30 June 2023)

1	Silk Laser Australia	SLA	8.6%
2	Probiotec Limited	MVF	8.5%
3	Monash IVF Group	SLA	6.8%
4	Cirrus Networks	CNW	4.6%
5	Attura Limited	ATA	4.3%

Sector exposure (as at 30 June 2023)



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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June 2023 summary

The Fund generated a return of +2.9% for the month of June, outperforming the S&P/ASX Small Ordinaries Index (Benchmark) which was flat. The performance in June took the quarter's performance to -3.4% and 12-month performance of the Fund to +2.6%. The Fund has now completed trading for 4 fiscal years, with absolute and relative returns as below:

	Fund	Benchmark	Outperformance
FY2020[1]	+8.3%	-13.0%	+21.3%
FY2021	+68.5%	+33.2%	+35.2%
FY2022	-21.8%	-19.5%	-2.3%
FY2023	+2.6%	+8.4%	-5.8%
Total	**+46.3%**	**+1.2%**	**+45.1%**

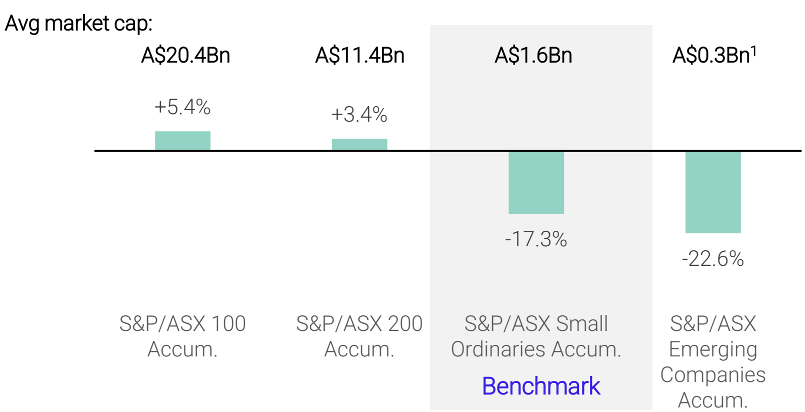
[1] FY2020 performance for Fund and Benchmark from inception (15 June 2020) to 30 June 2020

Despite the significant outperformance since inception, we are conscious that a number of Fund unitholders have joined recently and not benefited from the early periods of outperformance. This disappoints us, particularly given the majority of the Fund's investments continue to deliver strong operational results, and the assessed gap between fundamental value and share prices continue to widen. We are working tirelessly to correct the short-term underperformance. We have confidence that medium- to long-term outperformance will be experienced by all unitholders.

While the market has not credited the Fund's investments with strong operational performance, acquirers have stepped in to acquire our portfolio companies, sometimes at depressed prices. This was acutely observed in the June 2023 quarter, where 4 of the Fund's holdings (Silk Laser (SLA), DDH1 (DDH), Musgrave (MGV) and Probiotec (PBP)) were the target of (or publicly reported to be targeted by) opportunistic takeover bids. Each situation is covered within this report. While these companies may get taken off the boards prematurely and in some cases at lower prices than our fundamental value assessment would dictate, the takeover activity validates our identification, assessment and decision-making, and provides near-term returns.

Data since inception indicates that the Fund's strategy presents an opportunity for strong returns and outperformance in positive markets. In FY2020 and FY2021 the Fund recorded large positive returns as the market rebounded from the sharp COVID disruption. In FY2022 and FY2023 the Fund recorded returns that lagged the Benchmark. To an extent, the performance during these periods reflects the materially smaller market capitalisation of the Fund's investments vs. the Benchmark. Risk-off sentiment in 2H FY2022 and FY2023 saw investors move into larger market capitalisation companies. This dynamic can be observed in the chart on the left (for reference the average market capitalisation for the Fund is A$0.2Bn). The tables on the right represent analysis of historical bear markets and show the potential for outsized small company returns emerging from bear markets.

Equity indice performance since Fund high water mark reached 31 December 2021



Small company performance post bear markets

	1 year	2 year
From COVID-19 bottom (March 2020)		
S&P/ASX Emerging Companies	+179%	+267%
S&P/ASX 200	+56%	+72%
From GFC bottom (March 2009)		
S&P/ASX Emerging Companies	+67%	+122%
S&P/ASX 200	+58%	+56%
From Dot-Com bottom (February 2003)		
S&P/ASX Small Ordinaries[1]	+35%	+68%
ASX 200	+20%	+50%

Source: IRESS

The bear market analysis on the right represents extreme results and there is no guarantee that they will be repeated to the same magnitude or with the same timing. Nonetheless the trend on the left is likely to reverse as investors gain confidence and seek the clear fundamental value apparent in smaller companies. We are confident that sticking to our approach of uncovering under-researched inefficiently priced small companies will add to our outperformance since inception over the medium- to long-term.

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Corporate activity was a feature of the quarter

A pleasing dynamic for the Fund during the quarter was the number of our portfolio companies that were subject to corporate activity, validating our approach of identifying attractive price to fundamental value disconnect opportunities.

As reported in April, Silk Laser (SLA, +4.0% contribution to Fund returns during the quarter) received a non-binding indicative takeover proposal from Australian Pharmaceutical Industries (API (unlisted), a Wesfarmers (WES) subsidiary) at a price of A$3.15, representing a 30% premium to the previous closing price. SLA has since received a rival non-binding indicative takeover offer from Hong Kong based EC Healthcare at A$3.35, which API has matched with a binding proposal subject to customary conditions. We eagerly await further updates from EC Healthcare as see potential that the company bids again at a higher price. Our due diligence and financial modelling suggests SLA continues to represent strong fundamental value at the elevated A$3.35 takeover price.

As reported in May, Probiotec (PBP, +1.6%) was the subject of a detailed Australian Financial Review (AFR) article suggesting the company is running a takeover process. PBP's share price remains commensurately elevated at the time of this report, but the company has neither confirmed nor denied the AFR's article at this stage. Probiotec has a blocking stake owned by the founding family, thus any bidder would need to pay an attractive price for control. With a further A$200M of potential organic revenue growth in front of PBP (vs. ~A$200M p.a. revenue currently), the push to onshoring of critical industries and the defensive characteristics of the over-the-counter pharmaceuticals manufacturing and packaging industry, we are comfortable to hold our heightened levels to see what plays out, whether corporate activity or organic revenue growth reaching fruition (or both).

As reported in April, Global Data Centres (GDC, +1.2%) provided the outcomes of a strategic review which was spurred by activist and value investors entering the register. GDC will look to monetise its attractive suite of data centre assets with management incentivised appropriately to seek full value for shareholders. We maintain a position in GDC as these processes play out.

WA gold developer, Musgrave (MGV, +0.3%), received an unsolicited takeover offer from Westgold (WGX) in June. Ramelius (RMS) then provided a superior offer which has been accepted by the MGV board. WGX has fallen out of the process. We have exited our MGV position given the tight discount it is trading to the takeover consideration (RMS scrip) and the low likelihood of further rival bid potential now that WGX has withdrawn its offer.

Recent portfolio entry, drilling service provider, DDH1 (DDH, +0.1%), announced a Scheme Implementation Agreement with larger mining services peer, Perenti (PRN), in June. On entry DDH presented a strong fundamental value opportunity. We acquired shares at a price to earnings ratio (PER) of 7x, on trough earnings, and DDH is one of the few mining services companies with a strong balance sheet. We have a favourable 5-year view for DDH and believe we are at the beginning of a protracted supercycle for commodities tied to decarbonisation (where DDH had established a strong presence and expertise). Perenti (PRN) agreed with us and were able to negotiate a merger with the DDH Board at what we believe is a price that heavily discounts the potential for DDH to grow earnings over the next 5 years, further the takeover consideration is primarily unattractive PRN scrip. We have exited our DDH holding at a minor profit.

There is no shortage of undervalued, emerging companies in the current market. We attended 65+ meetings with company senior management and Board members over the quarter, completed detailed due diligence on 10+ potential investments, and made 4 new core non-mining investments:

- Lycopodium (LYL) – leading engineering service provider with an exceptional culture, no debt, healthy cash balance, strong earnings growth and unchallenging 9x PER
- Michael Hill International (MHJ) – owns 280 jewellery stores and trades on 6x PER with an opportunity to unlock earnings growth through the acquisition and planned scaling of 'value'-focused peer Bevilles (whereas the Michael Hill brand is positioned as 'premium')
- Acusensus (ACE) – AI-driven technology company that focuses on road safety
  - ACE has had success winning road safety contracts domestically in New South Wales, Queensland and South Australia
  - ACE has ambitions to scale into the UK, Europe and USA where it is running extensive pilots with local law enforcement
  - ACE has a strong balance sheet and is positioned to re-rate if it can achieve international success
- Kinatico (KYP) – provides software which streamlines and enhances human resource compliance processes
  - KYP is migrating its customers from a transactional police and background checking business to an integrated platform that HR professionals and managers can use to track employee compliance in real time

Portfolio company performance was mixed outside of those subject to corporate activity

Key detractors for the quarter were in the software & online, consumer products and other mining spaces.

Frontier Digital Ventures (FDV, -2.7% contribution to Fund returns) continued its downward trend. The company released limited news during the quarter. We assess the share price weakness was due to concerns over whether Pakistan's IMF bail-out would reach fruition (one of FDV's key online classifieds assets, Zameen, operates in Pakistan), tax-loss selling, expected delays with respect to asset realisations given economic conditions, and concerns that further capital will be required before the company comfortably achieves sustainable positive cash flows. Given the strength of FDV's online classifieds portfolio and strategy, as well as considerable asset realisation potential and takeover appeal, we are prepared to see through the short-term noise. We assess this position regularly including frequent catch-ups with management, advisers and research analysts. Skyfii (SKF, -1.3%) gave back all its March 2023 quarter returns on no news. We look forward to the quarterly reports for both companies in order to assess their respective prospects for the years ahead.

Weakening consumer sentiment was a feature of company updates during the quarter. The Fund only has limited exposure to this dynamic. Gale Pacific (GAP, -2.4%) provided a downgrade to guidance and Michael Hill (MHJ, -0.4%) provided a muted trading update during the quarter. We are looking past the current weakness for both companies. GAP has strong structural tailwinds with the demand for shade fabric set to increase as the world continues to warm. The USA provides an attractive growth opportunity for GAP as sun-smart behaviour increases in response to global warming. We are also monitoring GAP's current debt refinancing. Positive developments on either of these fronts will provide strong confidence in the company's progress and provide the potential for a re-rate. MHJ has a strong balance sheet and sophisticated two-speed 'premium'/'value' strategy which has been facilitated by the company's recent acquisition of Bevilles as mentioned earlier in the report.

Other mining, which is largely made up of junior gold developers, was weak as higher interest rates, risk-off sentiment and a difficult funding environment provided a perfect storm for junior mining companies not close to production. We expect there are and will be some 'bottom floor' opportunities in this space and remain constructive in our approach. M&A has already been a feature and will continue to be. MGV/WGX/RMS, St Barbara (SBM)/Genesis (GMD)/Silverlake (SLR), Chesser (CHZ)/Fortuna (FVI.TSX) and Newcrest (NCM)/Newmont (NEM.NYSE) represents a recent (non-exhaustive) cross-section of small-, mid- and large-cap gold M&A either ongoing or completed during the quarter. Established mineral resources with realistic paths to production will always be sought after eventually.

We made a strategic decision to increase our exposure to lithium when weakness in lithium stocks provided an opportunity in the March 2023 quarter. We have lifted our lithium exposure from 2% of the portfolio as at 31 December 2022 to 7% as at 30 June 2023. Junior lithium companies have had the ability to attract strategic interest and carry out material equity raisings due to current lithium price strength, and a long-term supply deficit & increasing demand expectation for the metal. We hold 5 direct lithium exposures all well capitalised and the majority with established strategic interest. Lithium provided +1.4% contribution to the Fund for the quarter.

Michael Hill's (MHJ) approach to sustainability

MHJ owns retail jewellery stores and is a recent addition to the portfolio. We are attracted to the company's low trading multiples, clever recent acquisition of Beville which allows a premium/value two-pronged approach to maximising market share, strong balance sheet and attractive dividend yield. We are also encouraged by MHJ's approach to sustainability. MHJ is a certified member of the Responsible Jewellery Council and is committed to ensuring the company's pieces are sourced ethically and sustainably. MHJ also provide a gold recycling facility which:

- provides the company with an ability to source gold in a way that reduces the need for gold mining and carbon emissions associated with the jewellery supply chain;
- provides the consumer with an ability to replace their old jewellery (a voucher is provided for the value of the gold content); and
- allows MHJ to source gold at an attractive price point in a way that promotes customer loyalty and goodwill

Among other initiatives, MHJ has pledged to have zero carbon operations (scope 1 & 2) and contribute to the restoration and conservation of the natural environment in key markets by 2025 – both are initiatives that align with Baza Capital's responsible investment focus areas. Evidently, some of MHJ's sustainability initiatives are ahead of it and hence we will be monitoring the company's progress to make sure there is commensurate follow-through.

Outlook for the Fund

The Fund performance in June and positive trading in early July has provided some confidence that liquidity and positive sentiment is returning to smaller companies. The economic, geopolitical and market outlook is always uncertain, but recent inflation data has pointed to significant moderation and commentary from central banks indicates that the worst of the interest rate tightening may be behind us. A global recession remains a possibility, which could present headwinds. However, smaller companies have materially underperformed larger companies since late 2021 and it is possible that economic and geopolitical risks have to a large extent been priced in.

We see material upside in electrification minerals, particularly those commodities that have not had their lithium-style electrification bull market run yet, including rare earths, graphite, copper, nickel and manganese. Junior gold company share prices have been depressed for an extended period. We expect this dynamic to normalise in time given gold prices remain at or near all time highs (US$- and A$-bases) and mid- to large-cap gold companies require production and greenfields growth which they generally primarily achieve through takeovers and direct project acquisitions.

In non-mining we are maintaining a strong discipline to enter and hold stocks with a wide price to fundamental value disconnect and strong balance sheets, providing the Fund with a wide margin for safety. We are encouraged that corporate activity in several of our holdings suggests we have a suitable investment process and are choosing the right exposures. We expect that we will see further corporate activity and/or appreciation of share prices to more closely reflect fundamental value.

We remain prudent in our decision-making and portfolio management, and have a gentle bias to cash levels drifting up from current levels to ensure we have the capital available when further attractive opportunities arise. The majority of our largest non-minig positions are in companies that have strong growth prospects, and where that growth has low reliance on strong economic conditions. In mining we are exposed to the commodities that have multi-decade demand strength (and in most cases supply issues) ahead of them. We look to find the most appropriate exposures in order to spend time in the market, rather than attempting to time the market.

We thank our unitholders for your support and patience in a challenging period for the Fund and small-cap/emerging company investment more broadly. We look forward to sharing in the future success and outperformance that we are confident we can provide going forward. The Fund is open for investment with applications processed at the end of each month.

APPENDIX: Adjustments to sector definitions in Fund reports

We have slightly adjusted sector classifications to better reflect characteristics and risk profiles of certain company exposures as well as to provide unitholders with a clearer view of portfolio make-up.

Previous sector classification	*Mapping*	New sector classification (% of portfolio)	Notes
Biotech		Medical technology (1.7%)	Accumulation of biotech and other early stage/conceptual medical technology companies
Healthcare/education		Healthcare (23.8%)	Split out healthcare and education reflecting different sector characteristics and our historically larger exposure to healthcare
		Education (-)	
Technology		Software & online (12.6%)	Technology split into software & online and the hardware & services associated to reflect different risk profiles (the latter now within IT & communication services)
Professional services		IT & communication services (13.2%)	Some IT & communications services companies were previously classified within professional services
Industrials		Heavy industrials (7.1%)	Mining & infrastructure services companies were previously classified under professional services; now within heavy industrials
Consumer products		Consumer products (6.6%)	Some consumer products which also had industrial uses were previously classified under industrials, now within consumer products

There were no changes made to classifications of other prominent Baza High Conviction sector exposures such as energy minerals, base metals, other mining, and financial services.

It is worthwhile to provide an insight into our largest sector exposures and the attributes which attract us to companies within these sectors. Healthcare is our largest sector exposure (23.8%). Healthcare companies have attributes that are highly compatible with the Baza High Conviction investment style and include:

- robust demand (healthcare expenditure continues in periods of economic weakness);
- sector tailwinds (government support, ageing population);
- strong licence to operate; and
- predictable cash flows

We routinely screen companies in the small-cap healthcare space to ensure we have the optimal exposure mix.

Electrification minerals (20.7%, made up of energy minerals (12.8%) and base metals (7.9%)) make up the Fund's second largest exposure. The equity raising cycle for junior miners can be challenging to navigate, particularly in a risk-off market such as that we have experienced since late 2021. But strong returns and outperformance can abound if the right commodities, projects and management teams are selected. Lithium has provided a strong example of this dynamic in 2023. A multi-decade structural shift to an electrified economy is upon us and we are excited and proud to maintain large exposure to this powerful thematic.

Software & online (+12.6%) is a wide and deep sector on the ASX, with many conceptual and/or pre-profitability companies to wade through. Our exposure is relatively small to this sector relative to other small cap fund managers. We target specific companies rather than chasing the overall technology thematic. We look for established and/or proven operating models, profitability (or clear path to near-term profitability), capital discipline, and structural tailwinds in the company's operating space.

IT & communication services (13.2%) has long been a favoured exposure for the Fund. It is a lower risk 'picks and shovels' exposure to the broader technology thematic. Attributes that we are attracted to include:

- sector tailwinds (cybersecurity, shift to the cloud, large government expenditure);
- robust demand (we have observed that companies are generally maintaining and often increasing IT spend despite the subdued economic environment);
- predictable cash flows (typically long, sticky client relationships);
- low capital requirements; and
- historically active sector consolidation (small IT & communications services companies are often the subject of takeover activity).

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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.

Inception	15-Jan-20
Structure	Unit trust
Management fee	1.5% p.a. (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

For further information please contact:

WILLIAM SANDOVER
Chief Investment Officer
ws@baza.capital
baza.capital
+61 499 776 998

BRAYDEN MCCORMACK
Chief Strategy Officer
bm@baza.capital
baza.capital
+61 401 025 296

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.