

BAZA HIGH CONVICTION FUND MONTH ENDED 31 AUGUST 2023

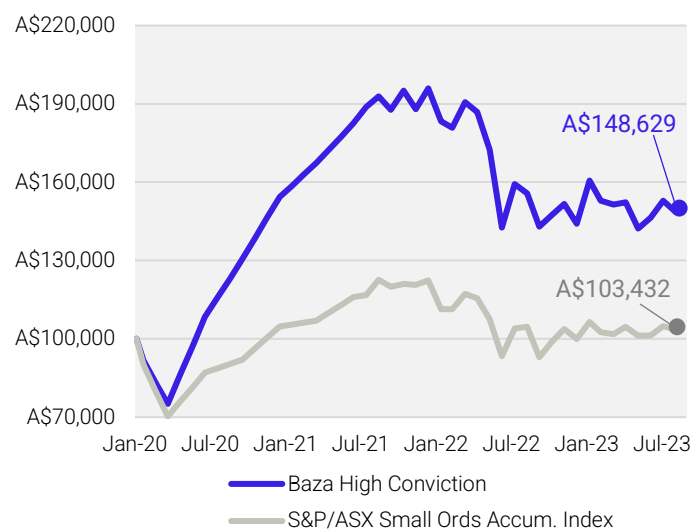


KEY METRICS FOR MONTH

| | |
|---|-----------|
| Unit price | A\$0.9269 |
| Fund return for month | -2.7% |
| S&P/ASX Small Ords Accum. (Benchmark) return | -1.3% |
| Relative fund performance for month vs. Benchmark | -1.4% |
| Cash as at end of month | 4.2% |

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 | -2.7% | -1.3% | -1.4% |
| 3 months | +4.5% | +2.2% | +2.3% |
| 6 months | -2.7% | +0.9% | -3.7% |
| 12 months | -4.6% | -1.1% | -3.4% |
| Since inception ³ | +48.6% | +3.4% | +45.2% |
| Since inception (annualised) ³ | +11.5% | +0.9% | +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 -2.7% during August, underperforming the S&P/ASX Small Ordinaries Accumulation Index (Benchmark) which returned -1.3%. Conditions were difficult for smaller companies during the month with the S&P/ASX Emerging Companies Accumulation Index returning -4.2%. Total return for the Fund since inception (January 2020) is +48.6%, annualising at +11.5%, compared with the Benchmark which has returned +3.4% over the same period, annualising at +0.9%.

The majority of the Fund's non-mining holdings released their financial results in August. We were pleased with portfolio financial results, particularly some of our larger investments which maintained their margins and grew market share. The Fund's largest investments are profitable companies with exposures to sectors such as healthcare and IT services.

Monash IVF (MVF, +4% share price return), Acusensus (ACE, +13%), Aussie Broadband (ABB, +30%), Lycopodium (LYL, +2%) all delivered results that exceeded market expectations, and traded well.

The largest positive contributor was the Fund's investment in education provider, NextEd (NXD). NXD provides English and other short-courses for domestic and international students. It has been a strong performer over the last 12 months as domestic borders re-opened. We liked management and their approach but sold out of our position in February 2023 on valuation grounds. During August, the company released a trading update which led to a share price decline of -30%. We viewed the negative update as short term and re-entered. Within a few weeks the company received news that the Federal Government was abolishing the COVID-era visas which were crimping their short-term demand, and their share price recovered to close to prior levels. This is an example of an investment where the reward came quickly, but remains in line with our aim to capitalise on short term noise by making longer term decisions where the 3-5 year outlook for a business is compelling.

The key detractor (-2% contribution to portfolio) for the month was the Fund's exposure to electrification minerals. Investors are currently broadly apathetic and/or pessimistic with respect to commodities, companies, projects and their management teams (outside of lithium) leading to gulfs between fundamental value and share prices. The medium-to long-term outlook for electrification minerals remains strong. We are taking the opportunity to accumulate (usually through heavily discounted equity raisings often with attaching options) quality projects with strong management teams in favoured commodities to benefit when the junior mining rebound occurs.

The Fund is open for investment with applications processed at the end of each month.

RESPONSIBLE INVESTMENT

We provided funds to Centaurus Metals (CTM) in August through an equity placement. The company is advancing its Jaguar Nickel Project located in Brazil. CTM expects to secure 100% renewable power which will place Jaguar in the lowest 3% for greenhouse gas emissions for all producing nickel mines globally.

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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 |

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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 (oil, gas, coal, tar sands) exploration, development and production | Zero tolerance |
| Provision of significant services to the fossil fuel industry | 25%+ of focus or revenue, no investment |
| Excessive carbon emissions | Zero tolerance if no transition or offset plans |
| Production and manufacture of tobacco and nicotine alternatives | Zero tolerance |
| Old growth logging, destruction of ecosystems and animal cruelty | Zero tolerance |
| Military technology and armaments (including development, production and maintenance of nuclear weapons) | Zero tolerance |
| Carbon intensive agriculture | 25%+ of focus or revenue, no investment |
| Gambling | Zero tolerance |

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

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