

# BAZA HIGH CONVICTION FUND MONTH ENDED 31 OCTOBER 2023

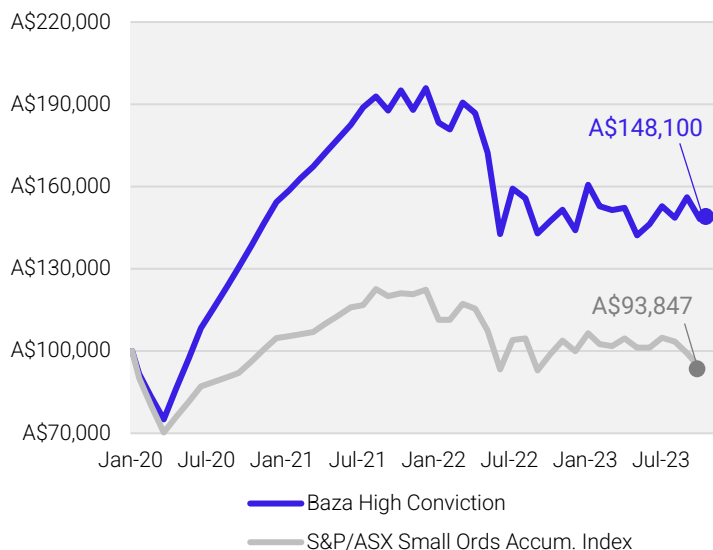


## KEY METRICS FOR MONTH

Unit price	A\$0.9236
Fund return for month	-5.1%
S&P/ASX Small Ords Accum. (Benchmark) return	-5.5%
Relative fund performance for month vs. Benchmark	+0.4%
Cash as at end of month	3.6%

## 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	-5.1%	-5.5%	+0.4%
3 months	-3.1%	-10.5%	+7.4%
6 months	-2.7%	-10.3%	+7.6%
12 months	+0.5%	-5.1%	+5.6%
Since inception <sup>3</sup>	+48.1%	-6.2%	+54.3%
Since inception (annualised) <sup>3</sup>	+10.9%	-1.7%	+12.6%

## COMMENTARY

The Baza High Conviction Fund (the Fund) returned -5.1% during October, outperforming the S&P/ASX Small Ordinaries Accumulation Index (Benchmark) which returned -5.5%. Equity markets performed poorly in October as long term bond yields spiked and the Israel/Hamas war commenced. Despite the earnings resilience shown during results season, the Benchmark index fell to multi-year lows and now trades at a trailing 12-month price-to-earnings (P/E) ratio of 13x (compares to a long-term average of 18x)<sup>1</sup>. The Fund has not been immune to this negative sentiment but has managed to add to outperformance, returning +2.8% for the calendar year vs. the Benchmark returning -6.1%. Our outperformance year to date coupled with currently depressed market prices leaves us highly optimistic for the Fund's prospects.

The Fund's gold holdings were the key positive contributor during the month. Domestic gold producer Westgold (WGX, +0.4% contribution), benefited from the spike in spot gold price during the month. Junior explorers PacGold (PGO, +0.2%) and Toubani (TRE, +0.1%) also contributed.

The majority of the Fund's holdings detracted from performance during the month. Two of the key detractors were domestic pharmaceutical manufacturer Probiotec (PBP, -0.5%) and private tutoring provider Kip McGrath Education (KME, -0.5%) despite no news updates. Both are profitable businesses and trading on unchallenging FY24 P/E ratios of 13x and 14x respectively; the Fund added to its KME position on the weakness.

The Fund's largest position, Cirrus Networks (CNW, -0.1%), progressed toward its acquisition by Attura Holdings (ATA) during the month. CNW currently represents 8.1% of total Fund assets given the large premium (+54%) offered. The takeover is expected to be implemented in December 2023. We are rapidly progressing diligence on a number of compelling businesses with depressed share prices which we can deploy CNW proceeds toward.

During October the Fund commenced a new position in diagnostic imaging operator Capitol Health (CAJ). We have long been attracted to the diagnostic imaging sector given the defensive nature of its revenues, demographic tailwinds and corporate interest. CAJ was a previous Fund holding but we exited the position in early 2023 believing continued margin woes across the sector would dampen earnings. This turned out to be correct and the CAJ share price decreased 32% from our selling levels. We have seen earnings decrease to a level where we are comfortable that margins and earnings should expand, so we are patiently starting a new position.

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

## RESPONSIBLE INVESTMENT

We provided funds to Evolution Energy Minerals (EV1) in October through an equity placement. The company is advancing its Chilalo Graphite Project located in Tanzania, and has agreements with western and Chinese suppliers to produce graphite products for use in electric vehicles. EV1 has an outstanding approach to ESG and is developing its project within the Digbee framework.

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  
 4. Price-earnings (P/E) ratio excludes negative P/E ratios from calculation

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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

## 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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