

# BAZA HIGH CONVICTION FUND MONTH ENDED 29 FEBRUARY 2024

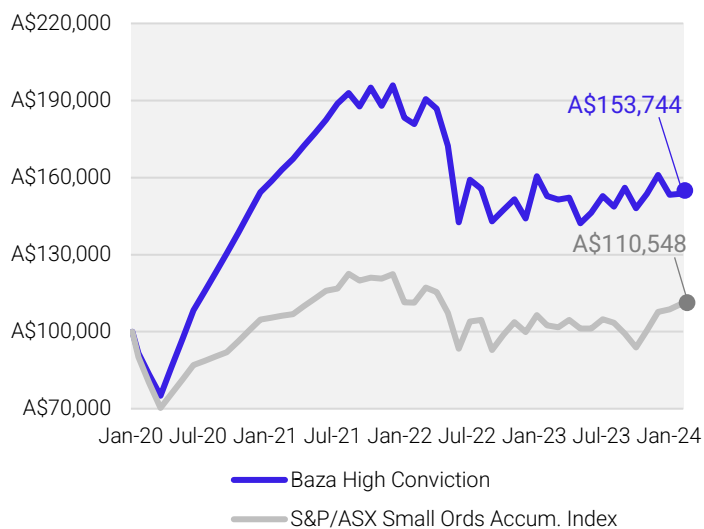


## KEY METRICS FOR MONTH

Unit price	A\$0.9588
Fund return for month	+0.2%
S&P/ASX Small Ords Accum. (Benchmark) return	+1.7%
Relative fund performance for month vs. Benchmark	-1.5%
Cash as at end of month	2.9%

## 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	+0.2%	+1.7%	-1.5%
3 months	+0.1%	+10.1%	-10.0%
6 months	+3.4%	+6.9%	-3.4%
1 year	+0.6%	+7.8%	-7.2%
Since inception <sup>3</sup>	+53.7%	+10.5%	+43.2%
Since inception, annualised <sup>3</sup>	+11.0%	+2.5%	+8.5%

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 +0.2% during February, underperforming the S&P/ASX Small Ordinaries Accumulation Index (Benchmark) which returned +1.7%.

Reporting season kicked off in February with most of the Fund's non-mining holdings releasing half year updates. The Fund's largest holdings delivered results in line with our expectations, with limited deviations to investment theses resulting. Solid performance from healthcare/industrial/IT companies (+0.9% contribution) was offset by softness in mining companies (-0.6%).

A stand-out performer was real-estate services provider McGrath (MEA), which announced stronger than expected profitability despite cyclically low volumes during the half year period. Management have been able to remain profitable, continue to monetise their corporate owned store network, and declared 1.5c interim and 1.5c special dividends (total yield 6% for the half year, 12% on annualised basis).

Emerging telecommunications operator Aussie Broadband (ABB) also contributed positively during February. It released a strong update to guidance as it continues to win high margin NBN customers and take market share from Telstra and Optus.

Despite the solid financial and operating performance of our largest investments, a lack of liquidity and positive sentiment has stymied share price performance for some key names. Lycopodium (LYL), as an example, delivered better than expected growth in profit, increased its interim dividend and is showing no signs of slowdown. It is growing earnings per share by ~20% p.a. yet trades at only 9x price to earnings.

The Fund saw mixed results from its cohort of IT services businesses. The positive updates from Atturra (ATA) and Cosol (COS) were offset by losses from smaller peer SOCO (SOC). SOC was unable to buffer against the slowdown in consulting work from Canberra-based clients and saw its profitability diminish. Profitable, emerging IT service companies remain our preferred picks-and-shovels exposure to the tailwinds of increasing digitisation and breakthroughs in technology (such as artificial intelligence, movement to the cloud and cybersecurity).

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

## RESPONSIBLE INVESTMENT

The Fund made an investment in an equity raising for Hazer (HZR) in February. HZR is commercialising technology which converts methane gas into hydrogen and synthetic graphite, which can significantly reduce greenhouse gas emissions relative to other hydrogen production techniques. The proceeds from the fundraising are being used to expedite projects with strong partners in Canada, Japan and Europe.

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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 (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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