

# BAZA HIGH CONVICTION FUND MONTH ENDED 30 APRIL 2024

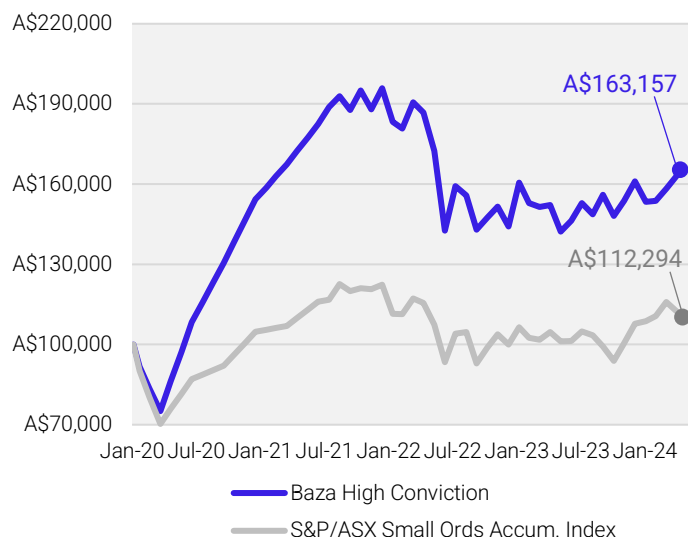


## KEY METRICS FOR MONTH

Unit price	A\$1.0175
Fund return for month	+3.1%
S&P/ASX Small Ords Accum. (Benchmark) return	-3.1%
Relative fund performance for month vs. Benchmark	+6.1%
Cash as at end of month	2.2%

## 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	+3.1%	-3.0%	+6.1%
3 month	+6.4%	+3.3%	+3.1%
1 year	+7.2%	+7.4%	-0.2%
Since inception <sup>3</sup>	+63.2%	+12.3%	+50.9%
Since inception, annualised <sup>3</sup>	+12.1%	+2.7%	+9.3%

## COMMENTARY

The Baza High Conviction Fund (the Fund) returned +3.1% during February, outperforming the S&P/ASX Small Ordinaries Accumulation Index (Benchmark) which returned -3.1%.

April was a difficult month for equity markets as key indices sold-off from record levels set in the March quarter. The S&P/ASX 200 Accum. Index returned -2.9%. The Fund bucked this trend with a return to outperformance (+6.1%) during the month, mainly due to positive company specific catalysts.

The stand-out performer for the Fund was Southern Cross Electrical Engineering (SXE, +1.2% contribution) which announced material data centre wins. SXE provides electrical engineering services and has exposure to the emerging data centre industry, which has high electrical intensity. SXE announced it was successful in tendering for A\$50M of new data centre work in NSW. We expect a material uplift to earnings in FY25 as larger contracts are delivered. SXE trades at an unchallenging ~11x forecast FY25 NPAT despite being exposed to the strong electrification tailwind and having surplus cash to pursue accretive acquisitions this year.

Engineering services company Lycopodium (LYL, +0.5%) and communications provider Aussie Broadband (ABB, +0.3%) also contributed positively in April.

Our biggest individual detractor was Westgold (WGX, -0.3%). WGX declared production issues would impact FY24 guidance and consequently lowered its guidance range. WGX has been a core gold exposure for the Fund over the last 12 months and generated strong returns in line with spot A\$ gold prices reaching all-time highs. The production set-back, alongside the uncertainties of a proposed scrip merger with Karora, triggered the Fund to reduce its position in WGX. We remain bullish on gold equities and continue to hold a basket of mostly WA-based gold developers that are yet to re-rate alongside their larger peers.

Mining investments in aggregate were a positive contributor to performance (+1.4% contribution). Spot copper prices increased over April to 2-year highs, gold continues to set new records, and lithium has rebounded somewhat from its nadir earlier this year. However, positive sentiment in junior miners continues to languish despite the bullish leading indicators. We are optimistic that further strong commodity price movements will eventually translate to junior mining positive sentiment and propel share prices to match the fundamentals that are apparent.

## RESPONSIBLE INVESTMENT

The Fund made an investment in an equity raising for Viridis (VMM) in April. VMM is progressing its large, ionic clay rare earth deposit in Brazil. Rare earths are essential elements in various end-uses related to electrification. There is significant potential for clay-hosted rare earth projects to displace hard rock projects due to their lower energy intensity and lower overall capex requirement.

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

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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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