BAZA HIGH CONVICTION FUND
QUARTER ENDED 30 JUNE 2024

BAZA CAPITAL

-1.2%
return in June 2024 quarter[1]

+3.2%
outperformance vs. Benchmark in June 2024 quarter[1]

+10.5%
annualised performance since inception[1,2,3]

+8.2%
annualised outperformance vs. Benchmark since inception[1,2,3]

KEY METRICS

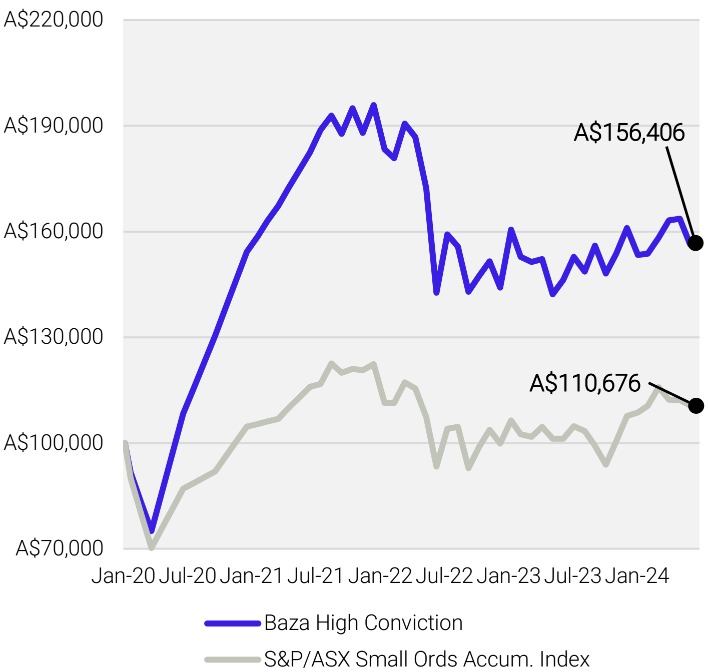
Unit price	A$0.9754
Performance in Jun-24 quarter[1]	-1.2%
S&P/ASX Small Ords Accum. (Benchmark) perf.	-4.5%
Fund performance for Jun-24 quarter vs. Benchmark	+3.2%
Performance in Jun-24 month[1]	-4.4%
S&P/ASX Small Ords Accum. (Benchmark) perf.	-1.4%
Fund performance for Jun-24 month vs. Benchmark	-3.0%
Cash as at 30-Jun-24	3.4%

HISTORICAL RELATIVE PERFORMANCE

	Fund return[1,2]	S&P/ASX Small Ords Accum. Index	Fund out-performance
1 month	-4.4%	-1.4%	-3.0%
3 month	-1.2%	-4.5%	+3.2%
1 year	+7.0%	+9.2%	-2.2%
2 year	+9.7%	+18.6%	-8.9%
3 year	-6.5%	+3.5%	-10.1%
Since inception[3]	**+56.4%**	**+10.7%**	**+45.7%**
Since inception[3], annualised	**+10.5%**	**+2.3%**	**+8.2%**

HISTORICAL PERFORMANCE

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

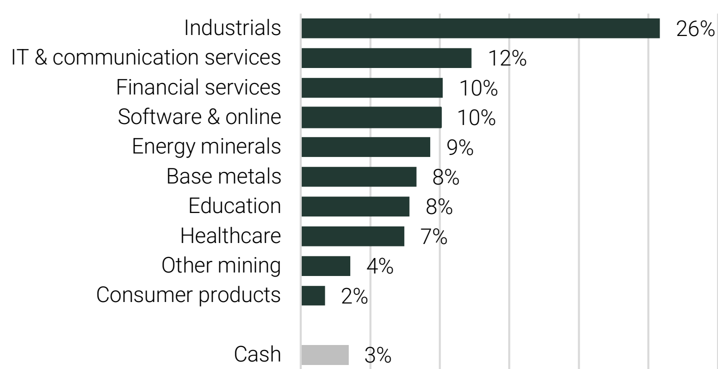


PORTFOLIO SNAPSHOT

Top 5 holdings (as at 30 June 2024)

1	Southern Cross Electrical	SXE	10.6%
2	Lycopodium	LYL	10.1%
3	Regal Partners	RPL	8.6%
4	Nido Education	NDO	7.8%
5	Monash IVF	MVF	7.4%

Sector exposure (as at 30 June 2024)



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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Overview

The Fund returned -4.4% for the month of June and -1.2% for the quarter ended 30 June 2024. The Fund outperformed its Benchmark during the quarter with the S&P/ASX Small Ordinaries Accumulation Index (Benchmark) returning -4.5%.

Performance for the Fund continues to be impacted by negative sentiment towards junior mining equities. Our mining exposure detracted from Fund performance by -4.2% during the quarter in what was otherwise a strong period of outperformance (+3.0% return for our non-mining portfolio vs the Benchmark returning -4.5% over the quarter).

The Fund returned +7.0% for the financial year ended 30 June 2024, compared with the Benchmark which delivered +9.2%. Our junior mining exposure detracted from total fund performance by -7.7% for the financial year.

Our rationale for maintaining exposure to the junior mining sector is detailed in this report. As at the end of the quarter, 21% of the Fund was allocated to junior miners across a blend of commodities including gold, copper, nickel, tin, rare earths and lithium.

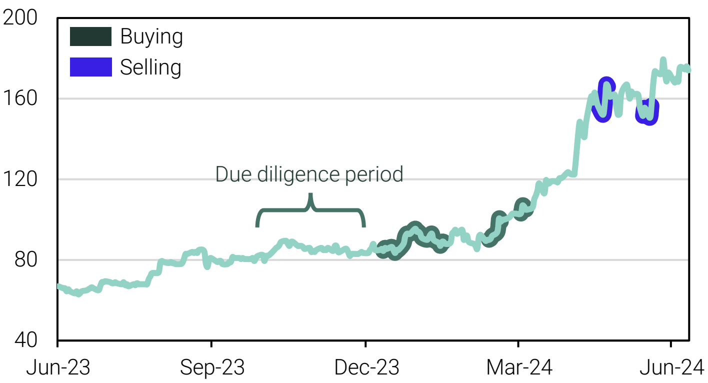
Notwithstanding the deterioration of junior mining, the broader market has been supportive in FY2024 and presents a fertile environment for stock-picking. Emerging industrial and healthcare companies that are delivering growth in market share and profitability are re-rating positively. At the index level, the S&P/ASX Small Ordinaries Index constituents continue to trade at a relative valuation discount (16x forward P/E ratio vs 21x for the S&P/ASX 200 Index), and the Fund's non-mining investments are trading on a weighted average forward P/E of 14x. We continue to identify great opportunities for investment in the current market, often in smaller industrial or healthcare companies trading at large discounts to assessed fundamental valuation.

Key contributors for the quarter

The key positive performer for the quarter was Southern Cross Electrical Engineering (SXE, +4.8% contribution). SXE is the Fund's largest holding, having established an initial position in SXE in early 2024 at an average entry of A$0.91. The investment thesis for SXE centred around 1) its exposure to electrification tailwinds, 2) its strong balance sheet with ~34% of their market capitalisation being cash backed as well as nil debt, and 3) trading at a lowly 8x forward P/E based on their executive long term incentive target for FY25 (which we estimate they will easily vault) at the time of first buying.

Since our investment in January, SXE has announced several key project wins, and its share price has subsequently re-rated higher. In April, SXE announced it was awarded A$50M of east coast data centre contracts for a number of end-clients including NextDC. In May, SXE announced it was awarded the A$160M Collie Battery Project electrical engineering contract. The battery will be one of the largest in Australia and is a key component in the Western Australian government's decarbonisation strategy. The contract award is the largest win for SXE in its history. As a result of those 2 material announcements, SXE has provided strong guidance for FY25 EBITDA which we view as still being relatively conservative. If SXE can continue to win work in the data centre and battery sectors we expect material upside to earnings in the near term. SXE also maintains a strong balance sheet and we estimate it has the potential to make a material acquisition to further boost earnings growth this year. The Fund has managed its position in SXE over the quarter however it remains our largest investment.

SXE share price (Acps)



Engineering services firm Lycopodium (LYL, +1.0%) also contributing positively for the quarter. LYL provides engineering design and delivery services for predominantly mining clients (copper, gold and lithium the key areas of expertise). LYL has a strong track record of delivering revenue and earnings growth, and it is our expectation this will continue in the short and medium term based on recent discussions with management and their current backlog of work. LYL continues to win engineering contracts for some of the world's most significant mining projects, recently announcing early works contracts for Barrick's US$7Bn Reko Diq copper project. Based on current guidance, LYL trades on a 10x P/E for FY24 with a strong balance sheet and excellent management team.

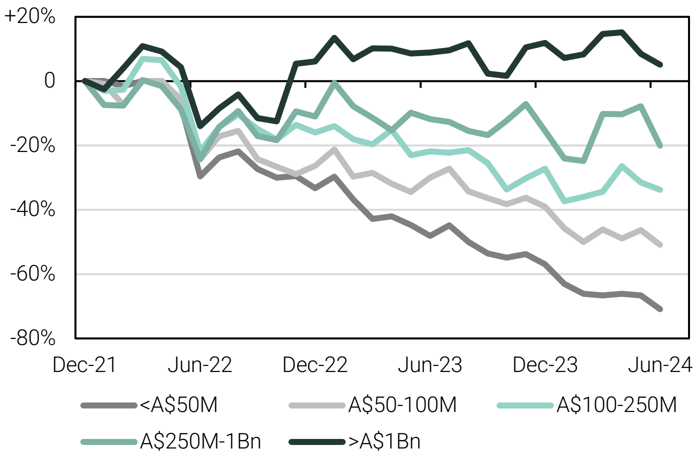
Key detractors to performance

The key detractors to performance for the quarter were the Fund's exposures in junior mining (-4.2%) and IT/communication services (-1.2%, largely Atturra (ATA) and Aussie Broadband (ABB)).

Since inception, the Fund has invested in the junior mining sector with a focus on commodities tied to electrification (copper, nickel, lithium, rare earths) and gold (vast array of opportunities on the ASX and positive fundamentals). The Fund's exposure to junior mining companies was a key driver of outperformance during both 2020 and 2021.

The last 2 years has presented a challenging period for all mining companies, but particularly junior mining companies. Sub-A$50M market capitalisation junior miners have seen share prices collapse 70% since December 2021.

Mining company performance by size (since 31-Dec-2021, median)



It is apparent that junior miners have been at the vanguard of several historic headwinds for equity markets; 1) the steep increase in interest rates which has dented investor sentiment toward longer dated, aspirational assets, 2) the higher US$ which has impacted commodity prices and non-US global growth, and 3) the stuttering growth and sentiment around China which has caused commodity prices to whiplash both higher and lower (the latter currently being the case).

Heading into 2024 it was generally expected that some, if not most, of the 3 headwinds could resolve. This has not occurred thus far, with current expectations of the initial interest rate cuts pushed out to the end of 2024 (which may alleviate headwinds 1) and 2) above).

Why we remain optimistic for commodities

Notwithstanding the current short-term pain for junior miners, the medium- to long-term structural thematics remain in place for certain commodities.

On the supply side the hurdles keep rising, whether driven by regulations, geopolitics, difficult funding conditions, lack of new discoveries or declining grades. Over the last 20 years, the C1 cost (a standardised unit of costs) for the 90th percentile copper supply has risen ~6% p.a. from US$1.00/lb to over US$3.00/lb currently, largely due to declining grades, higher raw inputs costs and increasing regulation. It is notable that this stark increase occurred over a relatively benign inflationary environment and with productivity innovations in energy provision and vehicle automation.

The demand outlook varies by commodity (as expected), but our investments are centred around critical minerals and those tied to decarbonisation tailwinds. Our largest commodity exposure is copper, which will be instrumental in building the infrastructure required for an electrically dense world. This tailwind is a key driver of the medium- to long-term positive outlook for copper prices. We have smaller exposures to lithium, nickel and rare earths which have similar leverage to decarbonisation but face supply challenges in the short term.

We have used this junior mining bear market to selectively add to our position in high quality development stage companies (typically feasibility stage companies seeking funding and permitting milestones) which will provide strong leverage to positive sentiment returning to the sector.

The Fund remains below the high water mark and therefore will not be distributing for FY2024. Please reach out if you wish to discuss distribution mechanics.

Thank you for your ongoing interest and support. The Fund is open for investment with applications processed at month end.

Responsible investment

The Fund made several primary investments during the quarter in companies operating in positive screened industries. The Fund invested 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.

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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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Please contact Baza Capital if you wish to receive a copy of the Information Memorandum.