BAZA HIGH CONVICTION FUND
QUARTER ENDED 31 DECEMBER 2024

BAZA CAPITAL

+1.3%	-5.2%	+10.1%	+6.9%
return in month of December 2024[1]	return in December 2024 quarter[1]	annualised performance since inception[1,2,3]	annualised outperformance vs. Benchmark since inception[1,2,3]

KEY METRICS

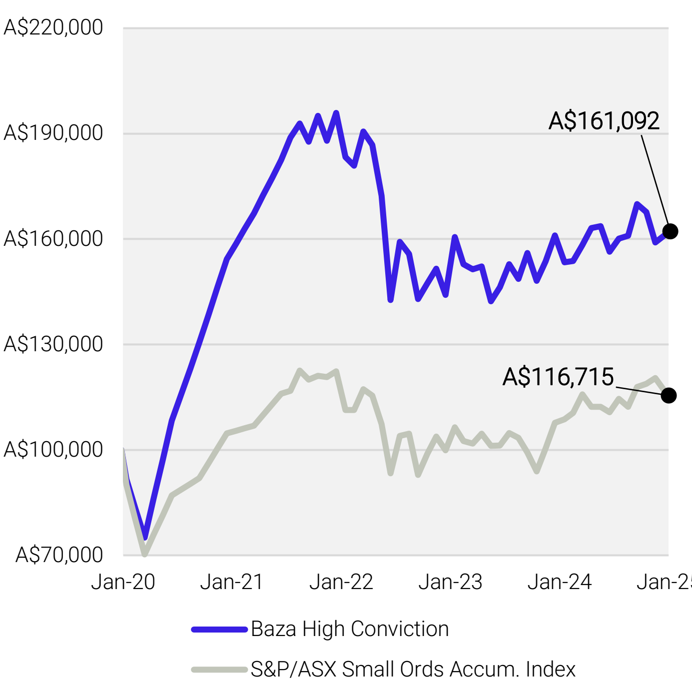
Unit price	A$1.0044
Performance in Dec-24 quarter[1]	-5.2%
S&P/ASX Small Ords Accum. (Benchmark) perf.	-1.0%
Fund performance for Dec-24 quarter vs. Benchmark	-4.2%
Performance in Dec-24 month[1]	+1.3%
S&P/ASX Small Ords Accum. (Benchmark) perf.	-3.1%
Fund performance for Dec-24 month vs. Benchmark	+4.4%
Cash as at 31-Dec-24	8.4%

HISTORICAL RELATIVE PERFORMANCE

	Fund return[1,2]	S&P/ASX Small Ords Accum. Index	Fund out-performance
1 month	+1.3%	-3.1%	+4.4%
3 month	-5.2%	-1.0%	-4.2%
6 month	+3.0%	+5.5%	-2.5%
1 year	+0.1%	+8.4%	-8.3%
2 year	+11.8%	+16.8%	-5.0%
Since inception[3]	+61.1%	+16.7%	+44.4%
Since inception[3], annualised	+10.1%	+3.2%	+6.9%

HISTORICAL PERFORMANCE

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

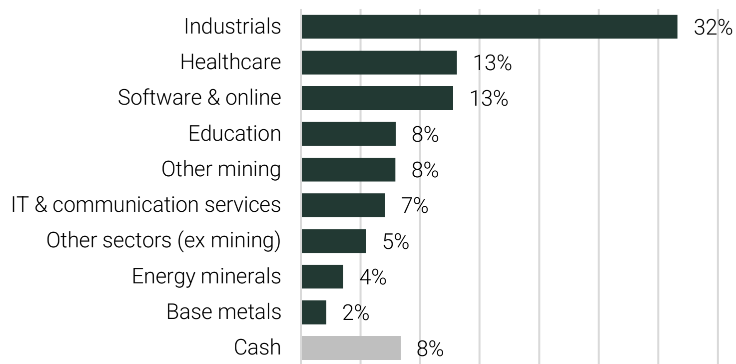


PORTFOLIO SNAPSHOT

Top 5 holdings (as at 31 December 2024)

1	Nido Education	NDO	8.0%
2	Monash IVF	MVF	7.4%
3	Southern Cross Electrical	SXE	6.7%
4	Vysarn	VYS	6.2%
5	Lycopodium	LYL	5.9%

Sector exposure (as at 31 December 2024)



1 Post fees and expenses
2 Assumes reinvestment of distributions
3 Fund inception was 15-Jan-20

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Overview

The Fund returned +1.4% for the month of December, outperforming the S&P/ASX Small Ordinaries Accumulation Index (Benchmark) which fell -3.1%. The Fund's performance in December recovered some ground against the Benchmark over 2024, in what was otherwise a muted year for Fund returns. Total Fund return for calendar year 2024 was +0.1% compared to the Benchmark return of +8.4%. As we have detailed in prior reports, the recent underperformance has been primarily due to the Fund's exposure to junior mining sector, which remains in a deep bear market.

The largest positive contributors for the calendar year were Southern Cross Electrical Engineering (SXE, +5.0% contribution) and Vysarn (VYS, +3.7%) Over the 12 months to 31 December 2024, the Fund's junior mining exposure detracted from performance by -9.1%, offsetting the resilient performance of the Fund's industrials, healthcare and education investments (+9.2% in aggregate for non-mining returns).

2024 in review

Aside from the sharp drag to performance from junior mining, the Fund's largest investments performed well over the calendar year with the exception of Nido Education (NDO). The Fund's current top 10 holdings are shown below, along with their total return for the year.

Total return for CY2024 by holding (as at 31 Dec 2024)

	Company	Weighting	CY2024 return
1	Nido Education (NDO)	8.0%	-23.5%
2	Monash IVF Group (MVF)	7.4%	+1.5%
3	Southern Cross Electrical (SXE)	6.7%	+87.4%
4	Vysarn (VYS)	6.2%	+56.4%
5	Lycopodium (LYL)	5.9%	-8.5%
6	Atturra (ATA)	5.6%	+30.6%
7	Viva Leisure (VVA)	5.2%	+7.4%[1]
8	Credit Clear (CCR)	4.8%	+13.3%[1]
9	Scidev (SDV)	4.4%	+20.8%[1]
10	Energy One (EOL)	4.1%	+36.0%[1]

1 Initial investment during CY24; total return shown from date of initial Baza investment

As shown in the table, there was broadly strong performance from the Fund's top 10 holdings during the calendar year. Given the overall muted Fund return for the year (+0.1%), the inference is that the Fund's ex-top 10 holdings underperformed. This was largely driven by the Fund's junior mining exposure as well as some smaller, less liquid investments that failed to participate in the overall positive equity market.

We have discussed the reasons for the strong performance of SXE, VYS and ATA at length in prior updates, so we will focus now on why we hold strong conviction around the 3 main 2024 laggards (NDO, MVF and LYL).

Nido Education (NDO) – the Fund's largest position

NDO currently operate 56 Australian childcare centres with a bias toward Western Australia, South Australia and Victoria. NDO has a strong founder and management team, led by Mathew Edwards, who was the founder of ASX-listed Think Childcare which was successfully sold in 2021. The Fund invested through the initial public offering of NDO in 2023 and it is currently one of the highest conviction holdings in the Fund. We have been adding to the Fund's position on recent weakness as a redemption-hit fellow NDO shareholder liquidated their position at all-time low levels.

Through its incubator model, NDO is charting a path to 150 childcare centres within 5 years, which could present a 3-4x growth opportunity for earnings per share if they can self-fund this growth (which is our base case).

The rubber will hit the road in 2025 as the pace of centre acquisitions will materially increase. In addition, any Federal Government election announcements of funding boosts to the childcare subsidy will increase utilisation expectations and may accelerate NDO's path to 150 centres as the sector rushes to add supply.

NDO currently trades at a price-to-earnings multiple (PER) of 8x, which is relatively cheap when compared to its larger peer (15x earnings for G8 Education) and the S&P/ASX 200 on 17x. Our analysis and discussions with NDO management indicate that earnings should grow from A$20M annually (current expectation for CY2024) to over A$30M within 2 years as establishment fees ramp up and new acquisitions increase the portfolio of profitable childcare centres. We believe there is material upside to the NDO share price even if the current PER multiple does not improve. We are of the view that NDO's incubation model remains one of the most misunderstood and overlooked opportunities on the ASX. We expect the incubation model to be a key mechanism driving NDO's ability to compound earnings strongly over the medium- to long-term as they progress towards their target of 150 centres.

Monash IVF (MVF)

MVF has remained one of the Fund's largest positions since close to inception in 2020. Since the Fund's initial investment, the company has been able to navigate challenging operating environments and take market share from competitors, increasing their domestic market share from ~17% to ~22% of all fertility cycles in Australia. They have scaled the number of MVF fertility specialists from 110 to 167 (as at 30 June 2024), which has driven revenue and earnings growth over the last 4 years.

In August 2024 MVF reported earnings of A$30M, slightly ahead of expectations, with particularly strong growth in their high margin, nascent South East Asian fertility operations. However, this was overshadowed by the settlement of a long-standing class action against MVF which was larger than expected (A$56M). Although the total figure was substantial, it was important for MVF to seek a resolution which preserved its social licence to operate and allowed all parties to move forward.

Our MVF thesis was unchanged: heightened medium to long-term earnings growth driven by 1) international success, 2) R&D investment to further its clinical success rate advantage, and 3) socio-demographics continuing to propel demand for fertility services.

In the short term, we anticipate that new SE Asian clinic openings and increasing international revenue will lead to growth expectations being revised higher for MVF. We expect MVF international clinics to be growing revenue at ~20% p.a. which compares favourably to Australian organic growth of ~7%.

The domestic business is currently navigating challenges around cost of living. Notwithstanding this headwind, MVF has been able to generate continued market share gains and attract new specialists thanks to the investment MVF has made over the last 3 years in brand and clinical success rates.

MVF currently trades at 15x FY25e P/E and 11x FY25e EV/EBIT which is a material discount to recent M&A activity in the ASX healthcare services sector that has averaged 19x EV/EBIT (includes diagnostic imaging and IVF providers).

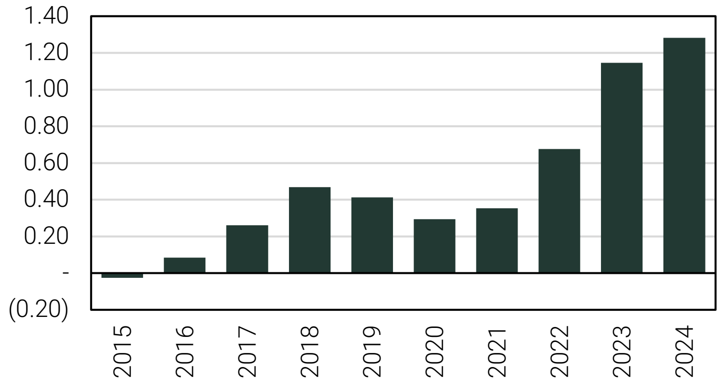
Lycopodium (LYL)

LYL is an engineering consultancy with offices spanning Perth, Cape Town, Toronto, Lima and many other global locations. It is a relatively small-sized firm of approximately 1,300 staff, which is much smaller than global peers such as Hatch (+10,000 staff), WSP Global (+70,000 staff) and ASX-listed Worley (WOR, +40,000 staff).

Through decades of successful delivery, LYL has developed a strong reputation as the leading consultancy for complex mining and industrial projects in emerging markets. LYL has provided engineering services to some of the world's largest critical minerals projects and is currently working on the largest global copper developments in Pakistan and Zambia.

Over the last decade LYL has delivered strong and relatively consistent earnings per share growth for an inherently cyclical industry (shown in chart below). It has achieved this by winning market share, expanding its team prudently while preserving its culture, and maintaining a fastidious approach to minimising shareholder dilution.

LYL historic earnings per share (A$/sh)



Their work pipeline remains strong and the company has indicated that it will expand headcount to meet this demand. In October 2024 LYL announced it would acquire Argentinian consultancy, SAXUM, greatly expanding its presence in Latin America. Given its strong balance sheet, LYL will be able to complete this transaction without any external funding required.

LYL currently trades on 9x FY25 earnings, a significant discount to larger peers (Worley 16x, WSP Global 25x), despite having a relatively strong balance sheet and exposure to attractive medium to long-term trends such as decarbonisation, the rise in gold prices and an expanding mining footprint in developing nations.

We will continue to focus on profitable industrial, heathcare and education businesses

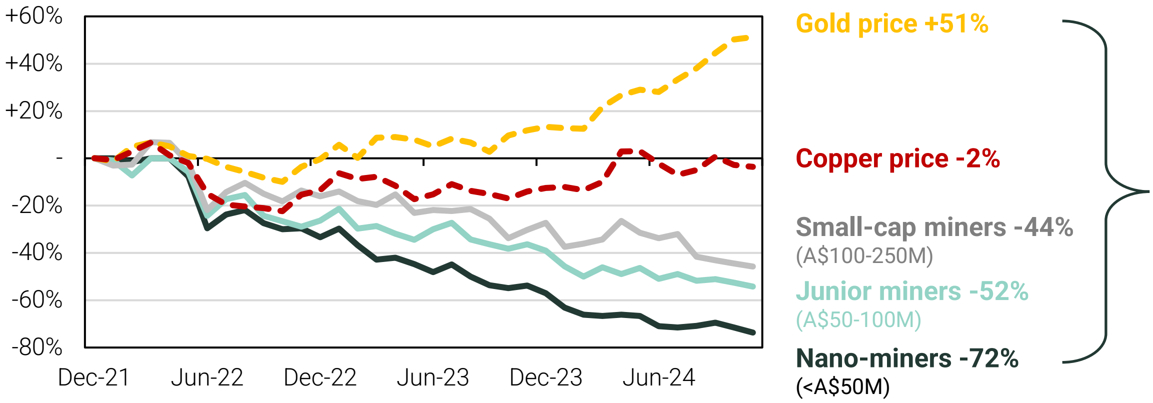
We are confident that our largest holdings will continue to deliver operationally and grow earnings in 2025. We will patiently retain our interest in these high quality businesses over the next 12 months, barring any significant intrinsic changes. There are also a number of catalysts expected to be realised in 1H CY2025 that may improve the market's recognition of these holdings.

Our exposure to junior mining and recent underperformance

The last 12 months has seen the Fund underperform its Benchmark (+0.1% vs +8.4%) and the broader market, primarily due to the Fund's exposure to the junior mining sector. The chart below highlights the depth of the current junior mining bear market, and also how share prices have diverged from otherwise positive commodity price leads.

Historical performance (since Dec-21)

ASX junior miner universe and commodity prices



- Gold equities make up >60% of junior miners
- Strong divergence has emerged for junior miners (especially gold juniors)
- This disconnect cannot persist forever

While the junior mining bear market continues, we have sought to balance the competing dynamics of a) maintaining exposure to highly discounted junior miners while b) mitigating its negative impact to returns. These are inherently competing objectives; however, we have made several adaptations to improve the risk/return outlook for our holdings.

We have streamlined our commodity exposures to focus on gold, copper and select battery minerals where we believe the short-term tailwinds to commodity prices are strongest. We are also preferencing any new investment through fundraisings, giving the Fund the opportunity to accumulate valuable attaching options as well as maximising the runway until the next equity raising.

The junior mining sector has historically been a large contributor to fund outperformance, and we are optimistic that a rebound from the bear market will eventuate.

In conclusion

We believe the Fund portfolio is in the strongest shape it has ever been with share prices well below our determinations of fundamental value. We remain conscious that not all unitholders have experienced the strong returns that the Fund has achieved since inception. As Baza Capital founders, material unitholders, and appreciative recipients of your support, we reiterate that we have a steely determination to generate attractive medium to longer term absolute returns and relative outperformance for all unitholders.

Responsible investment case study – Acusensus (ACE)

In December the Fund participated in the Acusensus (ACE) equity raising. ACE has pioneered road safety detection systems with a focus on illegal mobile phone use while driving. The company has rapidly commercialised its technology, with trials and contracts achieved in most Australian states and early progress being made in the UK and USA. A 2019 pilot programme in NSW resulted in a 6x decrease in illegal phone usage and road fatalities reduced by 20%. The company raised equity in conjunction with winning a large New Zealand mobile speed camera enforcement contract. The funds raised will be used to invest in business development, new product innovation and equipment expenditure ahead of further anticipated contract wins.

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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.