BAZA HIGH CONVICTION FUND
QUARTER ENDED 31 DECEMBER 2022

BAZA CAPITAL

KEY METRICS FOR DECEMBER 2022 QUARTER

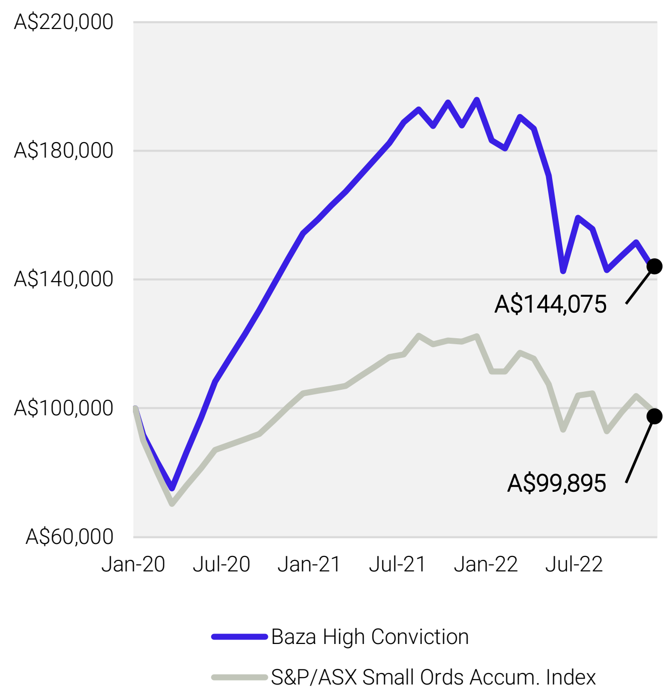
+0.8% return for the quarter[1]	**-6.8%** performance vs. S&P/ASX Small Ordinaries Accumulation Index during quarter[1]	**A$0.899** unit price, 31-Dec-22[1]	**+13.1%** annualised return since inception[1,2,3]

KEY METRICS FOR DECEMBER 2022 MONTH

Unit price	A$0.899
Return for month	-4.9%
S&P/ASX Small Ords Accum. (Benchmark) perf.	-3.7%
Fund performance in month vs. Benchmark	-1.2%
Cash as at end of month	3.8%

HISTORICAL PERFORMANCE

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



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

HISTORICAL RELATIVE PERFORMANCE

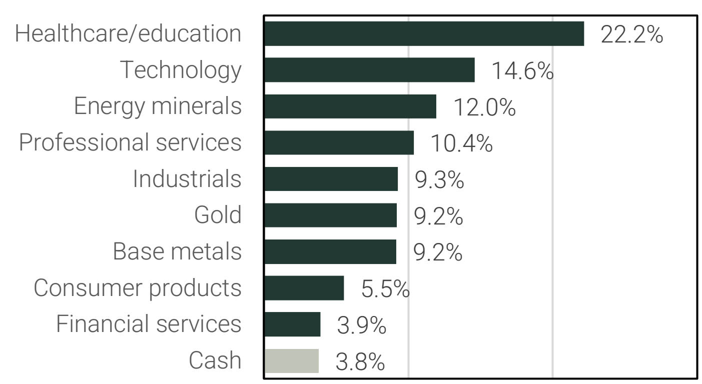
	Fund return[1,2]	S&P/ASX Small Ords Accum. Index	Fund out-performance
1 month	-4.9%	-3.7%	-1.2%
3 month	+0.8%	+7.5%	-6.8%
6 months	+1.0%	+7.0%	-6.0%
1 year	-26.5%	-18.4%	-8.1%
2 year	-6.6%	-4.6%	-2.0%
Since inception[3]	+44.1%	-0.1%	+44.2%
Since inception[3], annualised	+13.1%	-0.0%	+13.1%

PORTFOLIO SNAPSHOT

Top 5 holdings (as at 31 December 2022)

1 Atturra	ATA	6.4%
2 Monash IVF	MVF	6.0%
3 Frontier Digital Ventures	FDV	5.5%
4 Gale Pacific	GAP	4.9%
5 Silk Laser Australia	SLA	4.4%

Sector exposure (as at 31 December 2022)



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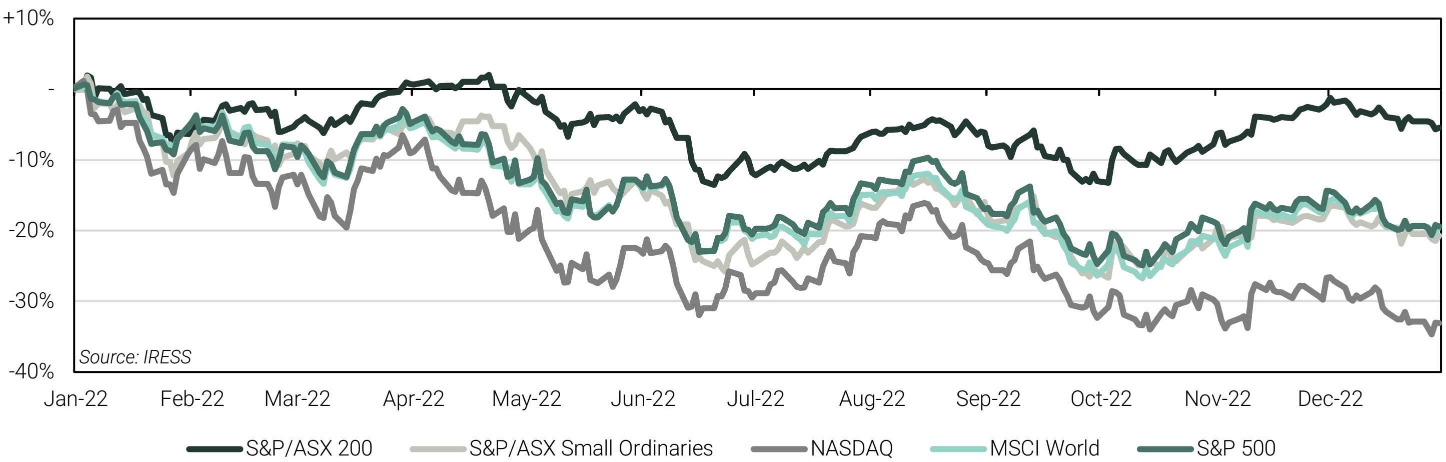
A marginally positive December quarter rounded out a difficult year for the Fund and equity markets broadly

The Fund returned +0.8% for the quarter ended 31 December 2022, underperforming the S&P/ASX Small Ordinaries (Benchmark) by -6.8% during the period. Total return for the Fund over CY2022 was -26.5% while the Benchmark returned -18.4%. The majority of the Fund's -26.5% annual return was concentrated in the June quarter (the Fund was down -25.2% for that quarter), with muted returns for the March, September and December quarters of -2.7%, +0.2% and +0.8% respectively.

2022 was a year of notable mistakes; by global leaders, central banks, companies and investors.

A mistake which shaped 2022 was made by central banks who misjudged the inflation which started in mid-2021 as transitory and determined at the time that no action need be taken. The assertion by central banks was quickly found to be wrong, with inflation measures increasing well beyond consensus expectations in early 2022. Central banks, knowing they were behind the curve, then implemented a record-setting pace of interest rate increases (the fastest in over 100 years) which led to difficult financial market conditions globally. Most international equity markets were down more than 20% over the first 6 months of 2022, including the S&P 500 (-21%) and MSCI World (-21%) indices. High growth and smaller companies fared worst as the cost of capital increased, with the NASDAQ down 30% and the S&P/ASX Small Ordinaries Index down 25% by mid-year. Equity markets posted modest gains in 2H CY2022. The financials and mining-heavy S&P/ASX 200 was strong relative to other global indices over CY2022, recovering to close only 5% down for the year.

Performance of global equity indices in 2022



Global food and energy supply chains were also negatively impacted by Russia's invasion of Ukraine. Following the invasion, energy prices (particularly in Europe) increased substantially and inflamed the existing inflation issues around the globe. This exacerbated investor risk aversion and made it increasingly difficult for central banks to tame inflation.

Companies also made mistakes. These mistakes were often punished through sharp share price declines.

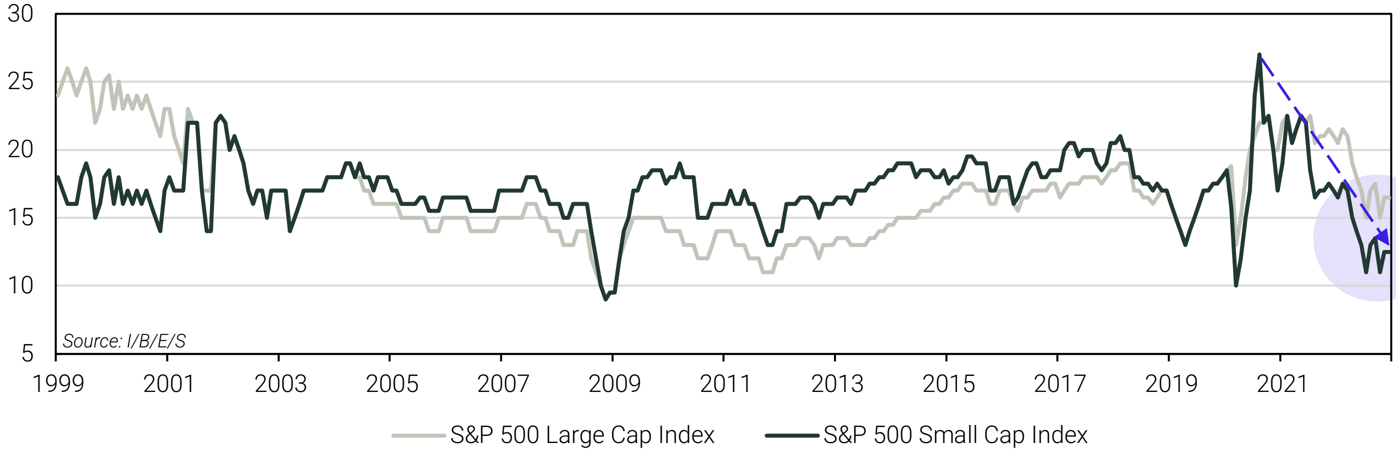
One of the mistakes made by companies (and investors) was the extrapolation of stimulus- and COVID-driven demand and revenue gains from 2020 and 2021. For some companies this manifested in a build-up of excess inventory, which has been toxic to near term profitability as carrying costs weighed and inventory was sold at lower gross margins. There were some spectacular share price declines with former investor favourites like retailers Kogan (KGN, -60% over 2022) and City Chic (CCX, -91%) suffering from the impact of declining demand and inflated inventory levels. Smaller companies (often with weaker balance sheets) were hardest hit as investors priced in lower growth and profitability, as well as the possibility of dilutive equity raisings.

Even some of the more resilient sectors in 2022, namely energy, mining and financials, faced profitability headwinds due to the legacy impacts of the pandemic. It became evident that labour shortages were continuing, with a tight jobs market compounding the effects of absenteeism and staff burnout. For example, domestic gold miners struggled to maintain profitable operations in 2H 2022 despite the A$ gold price nearing all time highs.

A common and damaging mistake for investors was not recognising that the euphoric share prices of 2020/2021 (most pointedly for pre-profitability technology companies) were unsustainable. The collapse in valuation multiples was stark, and most pronounced for smaller companies.

We do not have the data for the ASX, but this comparison chart of the forward price-to-earnings (P/E) multiples for US-listed companies highlights the dichotomy between large and smaller company valuation movements.

Forward P/E ratios for S&P Indices



Valuation multiples contracted significantly for both large and small companies across 2022, largely retracing the expansion in 2020 and 2021. While it has been a poor year for broader equity markets, it was particularly so for smaller companies. On some metrics, small company valuations have collapsed below pre-COVID levels and even toward levels last seen during the Global Financial Crisis. Historic precedent suggests that depressed valuation levels for small caps are temporary.

The Australian market faced similar dynamics to those in the USA detailed above. The current forward P/E ratio for the S&P/ASX Small Ordinaries Index is 15x, down from 18x recorded at the start of 2022.

The Fund was not immune to market movements

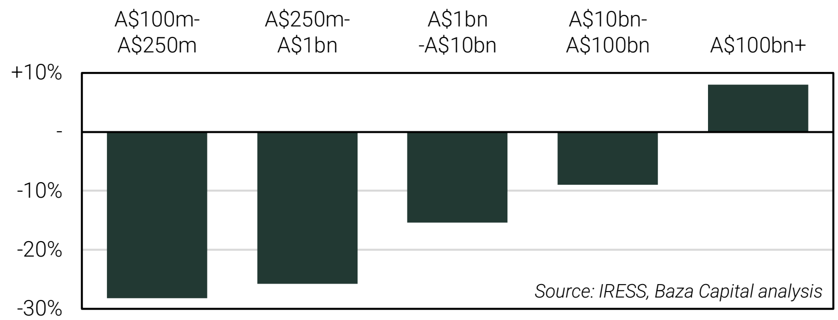
A 26% decline in 2022 compares to strong positive returns for the Fund in 2020 of +54% and 2021 of +27%. Total Fund return since inception (January 2020) is +45%. The Benchmark has returned -0.1% over the same 3-year period, highlighting the difficulty of navigating the last 3 years which have been bookended by 2 bear markets.

There were a number of factors that contributed to the 26% decline. They can be aggregated into three broad buckets:
1. Focus on emerging company investment
2. Relatively high exposure to junior mining companies, particularly those in the development stage
3. Residual exposure to technology companies

It should be noted that these 3 factors were also the leading contributors to the Fund’s significant outperformance in 2020 and 2021.

We commented in the Fund's December 2021 report that valuations at the end of 2021 were relatively high and that a reversal of the fortunes of 2020/2021 was a potential feature of 2022. Within our remit of investing in emerging companies, we positioned the Fund's portfolio into relatively defensive companies within the industrials, healthcare and education sectors (31% of FUM as at 31 December 2021), and commodity exposures that stand to benefit from heightened long term inflation expectations and electrification (mining was 26% of FUM as at 31 December 2021). Our portfolio of emerging companies fared well in early 2022, reaching a new high in late April, which was in positive contrast to the Benchmark and other small cap focused funds. However, the weakness in commodity prices in May and June, coinciding with increasingly hawkish central banks and the increasing potential of a global recession, sent equity markets down sharply across all sectors. Small- and micro-cap companies with low liquidity were most impacted, with sharp drawdowns in share prices in the June quarter that were reminiscent of March 2020. By mid-2022 sharp risk aversion had taken hold. The dichotomy in the performance of larger and smaller companies was pronounced, as shown below.

Share price performance of ASX-listed companies over 2022 (split by market capitalisation)



Baza High Conviction focuses on emerging companies with market capitalisations of A$50-250M at the time of investment. As at 31 December 2022, the Fund's weighted average market capitalisation was A$220M, compared to the Fund's Benchmark which has an average market capitalisation of A$1.5Bn. Focusing on smaller companies has been a hallmark of the Fund since inception, particularly as they provide the opportunity to invest in areas of the market that lack research analyst and institutional investor focus and can provide mispriced opportunities. We believe that focusing on smaller companies was a key driver of outperformance in 2020 and 2021 and despite the underperformance in 2022, we expect our portfolio of emerging companies will generate strong relative and absolute returns over the long term.

Our residual exposure to technology companies was the largest detractor to performance in CY2022

Emerging market digital classifieds owner, Frontier Digital Ventures (FDV), was the Fund's worst performer in 2022 (56% share price decline) and one of the Fund's largest exposures throughout. We have written about FDV in previous reports, and while we would have preferred to enter the stock at current price levels (A$0.68 as at 31-Dec-22 vs. our average entry of A$1.19) we remain confident in their investment case and recent progress, and expect the position will provide strong returns for unitholders in the medium to long term.

Another technology exposure with poor returns during the year was Global Data Centre Group (GDC, -43%), an accumulator and operator of edge data centres in Europe and Asia. GDC suffered from the impact of higher energy costs in Europe (a key input), but otherwise has performed well operationally and strategically, particularly with respect to the identification and integration of significant further edge data centre acquisitions. GDC's market capitalisation is almost 100% underwritten by cash, property and unlisted investments (minority holding in Macquarie-backed hyper-scale data centre owner, AirTrunk); leaving minimal market value ascribed to their main operating business (edge data centres).

Sector	2022 performance
Professional services	+2.3%
Consumer products	+0.0%
Renewable energy	-0.9%
Gold	-1.2%
Base metals (e.g. copper)	-2.1%
Energy minerals (e.g. rare earths)	-2.2%
Financial services	-3.3%
Healthcare/education	-4.0%
Industrials	-4.0%
Technology	-10.9%
Total	-26.2%

Portfolio outlook

A number of our investments will report 1H FY2023 financial results in February 2023, and we will assess whether they are able to confirm their earnings resilience and validate our growth ambitions. Based on our expectation of FY2023 earnings, most of our largest non-mining holdings are trading at multi-year valuation lows including:

- Fertility services provider, Monash IVF (MVF), trading on 13x FY2023F P/E with 22% earnings per share (EPS) growth forecast
- Enterprise IT service provider, Attura (ATA), 16x FY2023F P/E, 23% EPS growth forecast
- Beauty and well-being clinic operator and franchisor, Silk Laser Australia (SLA), 8x FY2023F P/E, 34% EPS growth forecast
- Essential utilities and maintenance company, Service Stream (SSM), 11x FY2023F P/E, 22% EPS growth forecast
- Domestic pharmaceuticals manufacturer Probiotec (PBP), 11x FY2023F P/E, 16% EPS growth forecast
- Retail and commercial shade product manufacturer, Gale Pacific (GAP), 9x FY2023F P/E, 25% EPS growth forecast

It is our expectation that these companies will continue to grow revenue and earnings over the coming years. Through our detailed responsible investment due diligence process, including engagement with management teams, we are confident that we will see higher earnings over the medium to long term for the majority.

We do not know how broader equity markets will perform in 2023 and beyond, but we can share the observation that smaller companies are trading on valuation multiples close to levels seen in March 2020 (nadir of the COVID bear market) and late 2008/early 2009 (depths of the Global Financial Crisis) in contrast to larger peers. If earnings prove resilient in 2023 and small company valuations return to historic average levels we should see the compounding benefits of valuation multiple expansion and earnings growth in our portfolio.

Major catalysts expected for portfolio companies in the near term include:

- Molecular diagnostics developer, Genetic Signatures (GSS), is expected to announce the filing of its FDA application in early CY2023, with full FDA clearance expected by mid-CY2023. This would be an inflection point for GSS, as it commences sale of its EasyScreen™ enteric diagnostics kits in the USA, the world's biggest market. GSS is producing revenue of ~A$20M in FY2023 from largely Australian sales of its enteric and respiratory EasyScreen™ kits. This is roughly the equivalent in scale to a large contract with a US-based pathology company. Genetic Signatures is already engaging with several large laboratory groups so we expect they can rapidly scale revenue over the coming few years if FDA clearance is received.
- Marketing and analytics company, SkyFii (SKF), is expected to reach cash flow breakeven as early as 1Q CY2023 and begin to ramp up sales contracts with some of its key global airport and stadium customers. It also has announced a partnership with McDonalds to provide data analytics in 12 in-store service channels (including order at counter, order on mobile and Drive Thru) through its Infrastructure-as-a-Service solution. McDonalds is currently trialing a conversion of Drive Thru to artificial intelligence customer service, and SKF's technology plays a large role in its implementation. The SKF trial commences in a small pocket of locations in the Pacific Northwest of the USA and could be a material opportunity. SKF is also seeking to partner with other fast-food chains to implement similar technology.
- Canadian gold and lithium explorer, Benz Mining (BNZ), is expected to release its updated JORC Mineral Resource for its high-grade Eastmain Gold Project in early 2023, with the expectation that it could delineate close to 1Moz of gold at a grade of 6-8g/t. We believe that Eastmain could grow to a multi-million-ounce deposit with further drilling across 2023 and beyond. In addition, BNZ has an emerging lithium pegmatite discovery with its winter drilling campaign to commence in January 2023.

2022 was a challenging year and we are grateful for the support and encouragement we received throughout. The Fund ended the year with net inflows over the last 12 months, a great endorsement of the collective patience and prudence of our fellow unitholders. The support provided by unitholders has allowed the Fund to make long term investments and avoid selling into market weakness.

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 expect continued earnings growth in our largest investments and positive valuation catalysts and de-risking events throughout the portfolio. We remain conscious that not all unitholders have experienced the strong returns that the Fund has achieved since inception. The commentary and analysis in this report does not set out to disavow the Fund's 2022 performance, but to explore the context in which those negative returns have been achieved. As Baza Capital founders, fellow 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.

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QUARTER ENDED 31 DECEMBER 2022

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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 exploration, development or production	Zero tolerance
Provision of significant services to fossil fuel industry	25%+ of focus or revenue, no investment
Excessive carbon emissions	Zero tolerance if no transition, management or offset plans or processes
Gambling or tobacco	Zero tolerance
Old growth logging, destruction of ecosystems or animal cruelty	Zero tolerance
Military technology or armaments	Zero tolerance
Carbon intensive agriculture	25%+ of focus or revenue, no investment

The Fund investigates the diversity of Boards and senior management, and policies and reporting relating to diversity, prior to investment.

Further information on responsible investment policies can be found in the Baza High Conviction Fund Information Memorandum, available by request.