Blackwattle Mid Cap Quality Fund

December 2023

About the Fund

The Blackwattle Mid Cap Quality fund is a concentrated yet diversified portfolio of some of the highest and most improving quality companies on the ASX. We believe that high quality companies have the potential to consistently outperform over the medium term, as their competitive advantages may allow for compounding shareholder returns through market cycles.

The fund is concentrated on the team's best ideas, driven by fundamental research to establish differentiated views on the outlook of company quality, valuation and earnings. The fund is targeting long term ownership of high-quality companies to generate a consistent outperformance profile, compounding shareholder returns through market cycles.

Blackwattle Investment Partners

Blackwattle is a new generation, highly aligned, Australian investment manager investing in quality businesses and people.

Alignment

Shared staff ownership, zero personal trading, profit and personal salary reinvestment, and most importantly significant personal investment alongside our clients.

Invest Better. Live Well.

Key Information

Fund Name	Blackwattle Mid Cap Quality Fund				
Inception Date	August 2023				
Typical number of stocks	20-35				
Cash limit	10%				
Cash Distributions	Semi Annually				
Redemptions	Daily				
Constrained Capacity	\$2.0b				
Objective	The Fund aims to outperform the S&P/ASX300 Accumulation Index - S&P/ASX20 Accumulation Index (after fees and before taxes) over the long term.				

Quality

We aim to buy businesses that have a forward advantage, trustworthy aligned management, priced below intrinsic value.

Trust

We believe that honesty and transparency builds trust with our clients, stakeholders, and community.

Blackwattl

Investment Partners

Portfolio Managers



Tim Riordan CFA, FRM

15+ years' investment experience. 5 years as Head of Direct Equities at Aware Super and Lead PM of the Aware Super Mid Cap Industrial Fund. Was Co-Head of Research and Portfolio Manager at Altair Asset Management.

Michael Teran CFA 13+ years' investment experience. Associate PM of the Aware Super Mid Cap Industrial Fund. Also

of the Aware Super Mid Cap Industrial Fund. Also Long-Short Equities Analyst at Point72 Asset Management in Hong Kong. And Equities Analyst at Colonial First State Global Asset Management (now First Sentier Investors).

Fund Performance¹

Blackwattle Mid Cap Quality Fund Performance (net of fees) as at 31 December 2023

	1 month	3 months	1 Year	2 Years p.a.	5 Years p.a.	10 Years p.a.	Inception p.a ²
Fund (Net)	8.24%	10.66%	-	-	-	-	4.30%
Benchmark ³	6.60%	6.37%	-	-	-	-	1.66%
Active Return	1.64%	4.29%	-	-	-	-	2.64%

¹ Returns are calculated after fees have been deducted and assume distributions have been reinvested. No allowance is made for tax when calculating these figures. Past performance is not a reliable indicator of future performance. Source: Apex.

² The inception date for the Fund is 8th August 2023

³ S&P/ASX300 Accumulation Index - S&P/ASX20 Accumulation Index

Top 5 Holdings











Market Commentary

The ASX300 ex-20 extended its rebound by another 6.5% in December while global markets were also strong with the S&P500 rising 4.4%. Global equity markets continued to rally having rebounded strongly in November after entering correction territory in late October. This was driven in part by continued relief in bond markets, with the US 10-year bond yield moderating further to below 4.0% from 4.3% in November, having peaked at just over 5.0% in only October. The best performing sectors were yield sensitive sectors of Real Estate and Health Care. Energy & Utilities were the key laggard.

Portfolio Commentary

The Blackwattle Mid Cap Quality portfolio had another strong month in December. Following the strong lead from November, catalysts during December were also positive for our companies, albeit fewer across the portfolio. The Blackwattle Mid Cap Quality portfolio is concentrated, which results in volatility month to month, however we have seen in the past that our quality focus drives consistent alpha through market cycles.

Outlook

December was another very strong month for financial assets, as markets continued beyond the initial November rebound post a correction in September and October. Global bond yields have retraced further in line with softening CPI readings. While the portfolio has been built bottom-up on high conviction stock calls, we have been vigilant about remaining appropriately diversified, so we find it encouraging that the portfolio has managed well through the recent correction and subsequent rebound.

After the significant number of catalysts in the form of results, AGMs, investor days and trading updates in November the portfolio had a narrower series of updates, which nonetheless we were encouraged by. Whilst investing in high quality businesses provides upside skew to financial results, as these businesses are best placed to take advantage of most economic environments, this month was a reminder that concentrated positioning can be highly valuable when large positions surprise. Whilst this is equally true on the downside, on average high quality stocks surprise positively more often than negatively. The broader portfolio has been largely tracking the benchmark, whilst a smaller number of individual positions are starting to show positive results and driving strong outperformance. August through December remains a very short period of time to assess the portfolio, so we caution reading too much into performance to date. Stock selection this month accounted for over 85% of the portfolio attribution, showing what we feel remains a reasonable balance between stock picking focusing on our best ideas and maintaining a diversified portfolio.

This environment remains highly conducive to actively managed portfolios. December saw modest portfolio changes which included removing one stock on emerging competition fears. Given our high conviction portfolio, we prefer to err on the side of caution during periods of significant stock-specific uncertainty. We also started a new position in a cyclical stock which is a high-quality market leader with a significant growth runway. Our assessment of the company is that the balance between internally funded growth, an uncertain macro cycle and bearish market positioning is attractive. These moves align with our goals to improve the overall Quality Score of the portfolio whilst maintaining a highly attractive portfolio level risk/reward skew.

Thank you for investing alongside us, Mike & Tim.

How to Invest

To invest click on the link <u>www.blackwattlepartners.com/invest/</u> or call 02 7208 9922.

Contact Details

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Investment Enquiries

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This document is issued by Blackwattle Investment Partners Pty Limited (ABN 24 663 839 094) (BIP) corporate authorised representative of Blackwattle Licensing Pty Limited (ACN 665 711 839 AFSL 547 617) (corporate authorised representative no. 001304362) the investment manager of the Blackwattle Mid Cap Quality Fund. Equity Trustees Limited (ABN 46 004 031 289, AFSL No. 240975) (EOT) is the responsible entity of the Fund. Equity Trustees is a subsidiary of EQT Holdings Limited (ABN 22 607 797 615), a publicly listed company on the Australian Securities Exchange (ASX: EQT). This document is intended to provide general information only and is subject to change. It does not constitute an offer to subscribe for units in the Fund. The information does not consider the investment decision. The PDS and target market determination (TMD) for the Fund can be obtained for free by visiting our website www.blackwattlepartners.com. The Fund commenced on 8th August 2023. Returns shown for the Fund have been calculated using exit prices after taking into account fund ongoing fees and assuming reinvestment of distributions. No allowance has been made for taxation. Neither BIP, EQT or their related body corporates guarantee repayment of capital or any particular rate of return. An investment may achieve a lower-than-expected return and investors risk losing some or all of their principal investment. BIP has obtained information form sources it considers to be reliable but does not represent that such information is accurate or complete, or that it should be relied upon. Neither BIP, EQT nor its directors, employees or agents accept any liability for any loss caused by using this information.

