COLLINS ST

ASSET MANAGEMENT

Challenging the status quo

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June 2023 Quarterly Report

Available To Wholesale Investors Only.

AFSL: 468 935

COLLINS ST

ASSET MANAGEMENT

Our role is to help our investors grow their wealth for their families today and into the future.

We appreciate that our investors have spent a lifetime building their wealth and supporting their families, and we are passionate about helping support that effort to last for generations.

Collins St Asset Management is an independent, boutique, Melbourne based fund manager.

The business was established in 2015 by Michael Goldberg and Vasilios Piperoglou, with our flagship fund the Collins St Value Fund opening to investors in 2016. Each of our subsequent funds were established as the result of identifying a new opportunity as part of our ongoing research for the flagship fund.

Our objective is to provide a suite of funds that are best in breed in their categories.

Our Funds manage money for a broad range of wholesale investors including superannuation funds, financial planning groups, charitable foundations, family offices, and individual investors.

- Founded in 2015
- Over $300 million in funds under management
- Offices in Melbourne, Sydney, and Gold Coast

Our Investment Philosophy

Patient
Objective
Value Investing

Hands on
In-depth
Primary research process

High
Conviction
Portfolio
Construction

Align interests with investors

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LAUNCHED FUNDS

COLLINS ST VALUE FUND

A high conviction portfolio of our most compelling Australian listed ideas.

Not benchmarked against any index, the Fund simply seeks to generate an absolute positive return over the medium term.

The fund has no fixed management fees. The only fee is performance based.

Since inception in 2016, the Fund has generated net returns of 12.6% p.a.

COLLINS ST CONVERTIBLE NOTES

A portfolio of convertible notes primarily in Australian listed companies.

Loans secured against the assets of the company, with potential upside from an option to convert the debt to equity.

Targeted 8% p.a distribution (net of fees)

Launched in 2022

COLLINS ST SPECIAL SITUATION 1

A concentrated portfolio of internationally listed offshore oil services companies.

Seeking to take advantage of the dysfunction in the fossil fuels space, and particularly in the services sector.

A closed ended fund launched in 2021 to be wound up approximately 3 years after launch

Net return since inception: 70%

CSAM GPI FUND

GPI is a business that primarily provides consumables for the smash repair industry.

GPI also owns businesses in corporate merchandising and consumer sports goods.

The fund is a 4 year closed ended fund, with the business to be ultimately sold to industry participants or listed via an IPO.

Launched in 2022

COLLINS ST SPECIAL SITUATION 2

A portfolio of listed Australian and international gold companies.

Seeking to benefit from both the high levels of inflation and negative real interest rates.

A closed ended fund launched in 2023 and expected to be wound up within 3 years.

Zero ongoing management fee.

A healthy dose of realism and optimism.

Understanding Process and Outcomes

The last 18 months has been a challenging period for investors.

Having digested a dozen interest rate rises, the Australian economy sits on the brink, as the RBA suggests that the 'best' way to combat inflation is by increasing pressure on mortgage holders and to 'grow' unemployment.

To be fair to the RBA, they have a single mandate - to control inflation.

Yet, Philip Lowe's approach reminds me of the ancient proverb of a fish attempting to escape a fisherman's nets. As the fish frantically swims downstream he is met by a fox offering safety

from the fisherman if only the fish were to jump out of the water to the safety of the river bank.

The solution to a possible future problem is 'solved' by a certain immediate term one.

While those who have suffered the impacts of an inflationary environment understand the negative impacts it has on wealth and the economy, we would suggest that it is far too soon to assess the impacts of the multiple interest rate rises we've already seen.

In our view it takes a good 18 months for the impact of rate rises to be fully understood. And while the recent string of increases have certainly impacted consumer sentiment, it is likely to become much more real for the approximately 500,000 mortgage holders whose fixed mortgages will be rolling over in the next 6 months.

Equity Markets

The impact of higher rates, tighter belts, and falling consumer sentiment has been felt especially intensely by equity investors over the last 18 months. In particular for value investors who tend to establish valuations on the basis of an outlook for earnings. Those investors have seen their holdings doubly hit - once from falling earnings, and a second time as markets discount the multiple paid for those earnings.

When we were recently at an investor conference, we had the opportunity to speak with a number of small and medium cap value investors about their recent experiences. Each of them expressed their surprise and discomfort at the velocity of recent losses in recent months. Stories of well established funds suffering falls of 20%, 30% and even 40% were common.

While those sorts of falls are certainly uncomfortable for all parties involved, short term outcomes are not the be all and end all.

These managers are excellent medium and long term investors, with results that could make index fund investors blush.

Despite the weaker recent results, none of the people we spoke to were especially concerned about their holdings.

We've experienced turbulent times in the past. Its not uncommon. In fact over the last almost 8 years or so we've seen our fund down by 10% or more on 5 separate occasions, we've also seen the fund down by almost 20% on two or three occasions, yet despite that, our flagship fund has generated a better than 12.5% pa return over that period.

Overwhelmingly those of us in the business of managing money recognised that while recent results are certainly disappointing for our investors (in the short term), **volatility is the cost of genuine, lasting outperformance**.

> It is the process over time than counts, far more than what share prices might do over a year or eighteen months - even if that's not always how it feels.

Our Process:

We have flagged the basic premise of our process in the past, but as the new Financial Year begins it is worth revisiting old assumptions and processes and assessing if they remain sound.

What we look for: In the most simple of terms we believe that if we can buy a business at a steep discount to its value, then we will profit over time. In essence, we are looking to buy a business worth $1 for 50c. This is not quite the same as many other fundamental investors who prefer to look for growth (i.e. buy something today for a dollar anticipating it'll be worth $2 in the future). Yet in our experience, predicting future earnings is challenging and especially so in turbulent times.

Understanding why: It's not enough to guess that the business we are looking at is worth what we think it is. We want to know that it is, and understand why the markets aren't recognising that value.

There are plenty of reasons why markets misprice assets: Businesses may be poorly covered (i.e. outside of the ASX100), they may have complexity that frightens off the casual observer, the business may have recently changed its earnings profile, or markets may simply disdain a business for either its history or for its sector (think of the traditional energy sector and how the average retail investor feels about it).

"Buy on cannons sell on trumpets"

- French Proverb

If we can understand why markets don't like a

"I've recently boiled down the main risk in investing: the risk of losing money, and the risk of missing an opportunity. It's possible to largely eliminate either one, but not both"

- Howard Marks

business, we can establish if investors have misunderstood that business, or if they are simply pricing it based on emotional drivers. Either way, there may be a significant opportunity.

Identifying an Information Advantage:

Making an effort and being prepared to do a little more research than the next guy can provide for a significant investment advantage.

Information can be found from many sources, but to gain a real advantage we need to be prepared to do something different to the crowd.

If that means visiting an operation, trying a product, talking with customers and competitors, or chasing down a lead across borders, there are plenty of ways that investors can gain a legal information advantage by being prepared to put themselves into 'uncomfortable' situations (where others are not).

This isn't all to say that those efforts are rewarded immediately or even over a period as long as a year. We've held companies that we were certain were drastically undervalued only to hold them for as long as 4 years before the market saw what we saw. We have profited handsomely from this approach in the past, but it can be a frustrating and testing period as we wait for the markets to move share prices.

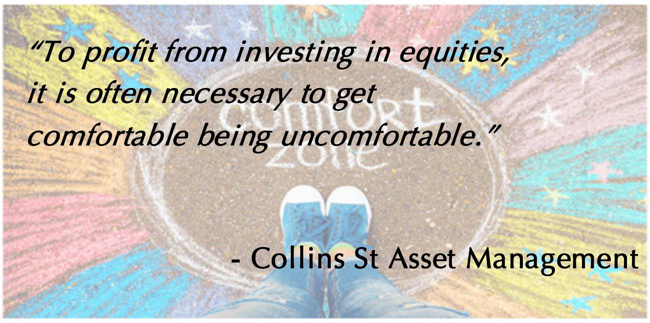
We continue to believe that the best way to profit from the sharemarket is to understand the businesses we are investing in, and endeavour to buy them cheaply. This approach may not be the most glamorous of investment styles, but it makes sense to us, and it's certainly driven profits for us over the years.

If you have any questions about this quarterly report please reach out to our Head of Investor Relations Rob Hay on 03 9602 1230 or via email at rhay@csvf.com.au

Basic tenets of our investment philosophy:

- True value is blind to traditional sector weighting.
- Only invest in companies we want to own.
- Deep research can uncover compelling value for the patient investor.
- Wonderful investments should be backed with conviction.
- Consider risk from a business perspective.
- Behave like an investor, not a speculator.
- Recognise that we are buying businesses.
- Seek out strong alignment of interests with those in whom we are entrusting our capital.
- Great ideas aren't found from the comfort of an office.


COLLINS ST
SPECIAL SITUATION FUND NO.1
CHAMBERS



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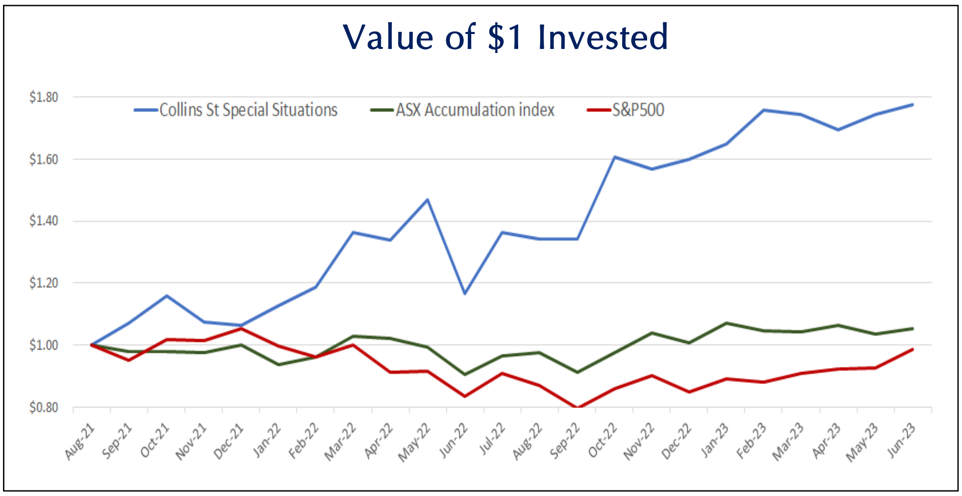

Unit Price: (Q2, 2023)

	$1.5250
* adjusted to include the distribution	$1.775*

Top 5 Holdings:

Borr Drilling
Matrix Composites and Engineering
Noble Corporation
Transocean Limited
Valaris Limited

We have been very pleased with the performance of the Collins St Special Situation Fund No1 (offshore oil & gas services fund).

Historically our experience had suggested that when investing in a thematic based idea, its not unusual for the sector do perform poorly in the first instance until, all at once the market recognises the value and rapidly adjusts.

That has not been our experience in this fund. Instead, our investments in the offshore oil and gas services sector began to (gradually) improve almost as soon as we launched the Fund.

Accordingly, as we noted that share prices increased, and by extension so to did our risk, the team decided to sell down half of our holdings and distribute them to investors. By now investors should have received 2 sets of transaction/contract notes, returning approximately half of the value of the fund (or 75-80% of your initial investment).

We continue to believe the outlook for the sector remains strong and are excited about the continuing positive tail winds being generated in the industry. In particular a chronic under-investment in the industry has only recently begun to have a meaningful impact on supply and costs. Additionally, even as governments around the world focus on transitioning to renewable energy, there is a growing recognition that the transition is likely to take longer than expected, and that offshore oil and gas (being one of the best options available from a price and environmental perspective) will remain a necessary part of that transition.

“Investors underestimate the likelihood of rare events happening when they haven't happened recently, and they overestimate them when they have.”

- Anthony Bolton

It is our expectation that this fund will wind up at maturity date (approximately 18 months time). In the interim we will continue to manage the portfolio with a view to maximising the returns from the portfolio. As and when opportunities arise to make changes or sell positions we will do so, and as capital becomes available to distribute (that is we don’t see a better home for it within the mandate of the fund) we intend to return it to investors.

In the interim we look forward to sharing any updates on the portfolio in our regular quarterly reports.

If you have any questions about this report, please reach out to Rob Hay our Head of Investor relations on (03) 9602 1230 or via email at rhay@csvf.com.au

KEY FEATURES

Fund Name:	Collins St Special Situation Fund No.1 ABN 73 536 295 715
Trustee:	Collins St Asset Management Pty Ltd ACN 601 897 974 AFSL 468935
Custodian:	Bell Potter Securities
Registry/Unit Pricing:	Apex Fund Services Pty Ltd
Auditors:	Pitcher Partners
Fund Inception Date:	August 2021
Investment Objective:	The Fund will seek to create investment returns over 3 years by investing in the offshore oil services sector.
Investment Strategy:	The Fund invests in a concentrated portfolio of international securities. It focuses on identifying deep value investment opportunities within the offshore oil services sector. This is achieved by identifying sustainable businesses trading at a discount to our assessment of intrinsic value.
Benchmark:	Index Unaware
Asset Class:	Long only securities & Cash (no derivatives).
Leverage:	None
Minimum Subscription:	N/A
Investment Term:	The Fund is closed ended with an expected wind up 3 years from the date of launch. The Fund may be wound up earlier if the expected returns have been achieved. The Fund does not intend to accept new applications from the time of this report.
Distribution Frequency:	Annually (reinvested)
Entry Fee:	Nil
Buy/Sell Spread:	Nil
Applications/ redemptions:	Nil
Management Fee:	Nil
Performance Fee:	25% of performance
High Water Mark	Yes