COLLINS ST

ASSET MANAGEMENT

Challenging the status quo

COLLINS ST

ASSET MANAGEMENT

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

COLLINS ST ASSET MANAGEMENT

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

VALUE FUND

Approved

FundMonitors.com

Trusted Targeted Research

COLLINS ST

VALUE FUND

Performance (to 30 June 2023)*

Period	Return
June Quarter 2023	-4.69%
12 months	-7.39%
2 years (annualised)	-3.63%
3 years (annualised)	15.26%
5 years (annualised)	13.03%
Annualised Return (since inception)	12.64%

*Net returns. Assuming reinvestment of distributions.

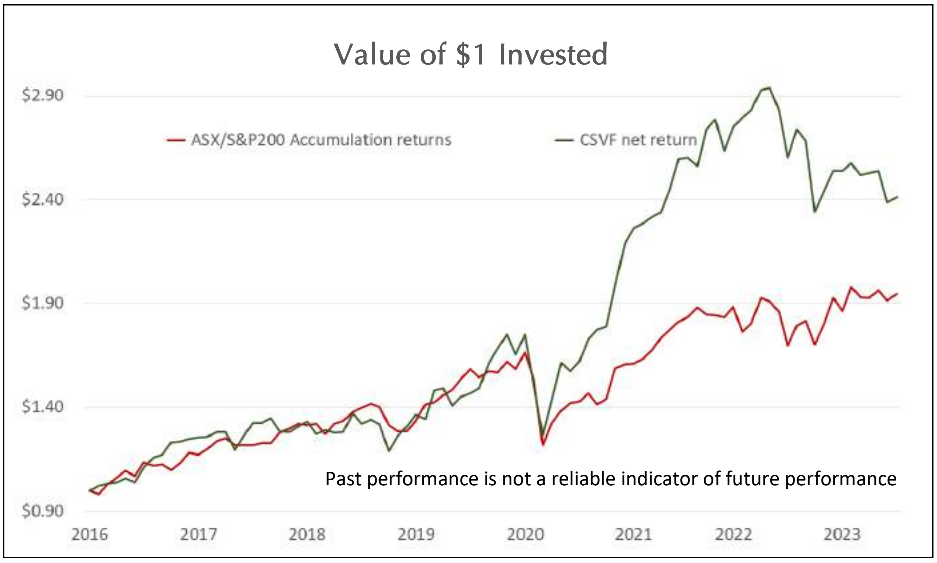
Unit Price:

Buy Price	Unit Price	Sell Price
$1.7959	$1.7870	$1.7781

Holdings*

Beach Energy
Boom Logistics
Carnarvon Energy
Gold Basket of stocks
Humm Group
Link Administration Group
Litigation Capital Management
MMA Offshore
National Tyre & Wheel
Retail Food Group
RPM Automotive Group
Seven West Media Group

* In the interests of investors, the Fund does not disclose all its positions.



As we look back at a financial year that has put up as many challenges as any year in recent past, it's worth while reviewing some of our core positions to consider whether those holdings continue to hold up in the face of the current economic environment.

In the following couple of pages we will review some of our main positions within the Collins St Value Fund. We will consider why we initially purchased the position, what has happened since our initial purchase, and briefly discuss why we think the prospects for that company going forward is bright.

It goes without saying that if we didn't believe the future offered profit for any of our holdings, we wouldn't be holding it.

beach Beach Energy (ASX:BPT)

We first bought Beach Energy in 2021 after the share price had fallen some 45% off the back of a 4% production downgrade. At the time, we were able to purchase a significant stake at circa $1.10 which suggested the company was trading on about 5 times earnings, with significant growth potential particularly from their JV that would see them export Liquified Natural Gas by the second half of 2023.

Since our purchase BPT has performed fairly well but has seen road blocks along the way. Most substantively, Beach was materially impacted by the collapse of Clough - the contractor being used on their major project. While share prices did peak at a little over $1.80, recent moves have seen it back to $1.40.

We continue to believe that the market misunderstands the Oil & Gas industry, and despite the positive momentum in the direction of renewable energy, the demand for oil and gas is anticipated to grow for the foreseeable future. It's

"...saying no to an investment idea is more important than saying yes."
- Collins St Asset Management

worth noting that even as the world moves to renewable energies, oil remains the most commonly used commodity on earth and even as many nations transition their energy needs, there remain many nations that have increasing needs for reliable traditional energy (non-OECD nations are set to consume 55% of annual oil consumption by 2030).

We continue to believe that Beach is too cheap. Trading at just 6.6x 2024 earnings, we continue to believe that Beach is an investment worth owning.

National Tyre and Wheel (ASX:NTD)

When we first bought National Tyre and Wheel, it was trading at approximately 40c against 50c worth of inventory (a classic value investment). When Covid hit and NTD fell, we took the opportunity to significantly increase our stake at even lower prices.

Over the last couple of years we have seen a business relatively new to the ASX (though it has been operating for more than 30 years as a private business) take steps to significantly grow its footprint through both organic and acquisitive growth. We are thrilled by the deals done by management, and have been impressed by their understanding of proper allocation of capital.

Yet, despite their good work, NTD has not seen the share price improvements we believe they deserve.

Rather than flourishing last year as Covid 19 was put behind us, NTD suffered from logistical constraints, a weaker Australian dollar, higher shipping costs, and a higher price for oil. Each of these factors weighed heavily on NTD in 2022.

Looking forward, the picture could hardly be brighter. Having grown their business during the tough times, and having survived a transient period of disruption (as described above), National Tyre and Wheel is very well placed to benefit from both a greater footprint and, the reversing of each of the factors previously mentioned.

Consensus suggests that NTD is likely to earn 7.5c per share next year, putting it on a Price to Earnings Ratio of just 7.7x. Given the quality of the business and the prospects looking forward, we think that's just too cheap.

Retail Food Group (ASX:RFG)

We first bought Retail Food Group in 2021 as we expected the impacts of Covid 19 to abate and a return to pre-Covid normal was likely to be positive for Retail Food Group and its brands (Donut King, Brumby's, Michel's Patisserie, Crust Pizza, and others).

At the time we were also of the opinion that despite the excellent work of management in shrinking the business to greatness, and the cultural change that supported that move, markets were pricing RFG especially cheaply due to the overhang of an ACCC case against the company due to some of the poor behaviours of previous management.

Since first buying RFG we've been very pleased to see how management have pivoted the business. Not only has the company been extremely selective in taking on new franchisees, but they have also made real, lasting, and clever adjustments to account for the new normal.

For instance, RFG has launched a virtual ribs business - "Rack'em Bones BBQ Ribs" (currently only available via Uber Eats). The premise being that their fleet of pizza shops have periods during which their pizza ovens are not running at full capacity. During those times, those businesses can

run ribs and other meat products through their ovens - generating additional cash flows and profits for the business.

We continue to like RFG, are pleased to see the positive cultural change, are excited about the prospects for growth moving forward (both locally and overseas) and were especially pleased to see that a number of 'insiders' have been gradually purchasing stock.

Currently trading at just 7.5x 2024 earnings, we think there is significant additional upside for Retail Food Group.

CARNARVON ENERGY LTD Carnarvon Energy (ASX:CVN)

We first bought CVN in 2022 due to our assessment that the value of their Dorado project (offshore oil project) was worth materially more than the 20c that the share price was trading at the time. We understood that there would be challenges along the journey, none the least that the project would require funding, and that the sector was deeply unloved.

In the time after we purchased CVN, management have orchestrated a partial sell down of their share in Dorado, such that their share of the capital expenditure is fully covered (CVN sold half their stake to achieve this). Interestingly, based on the deal value and our assessment of Carnarvon's other assets, the deal suggested a CVN value of approximately 32c per share. Despite this deal and the insight into valuations it provided, CVN has languished at around 14c.

We continue to believe in the prospect of Carnarvon's projects, and note that the company now has a market cap. of circa $200 million. Against a cash balance (post deal completion) of $178 million, and an additional entitlement to approximately $130 million, even ascribing no value to their projects CVN seems to us to be trading far too cheaply.

We continue to believe that the positions we have within our portfolio are the right ones to generate results for us over the coming months and years. That's not to say that we will see those results quickly or that the journey to profit will be smooth. However, as we noted in the introduction to the quarterly; if we can identify enough good quality companies trading at a significant discount to our assessment of intrinsic value we believe that the results will naturally flow over time.

If you have any questions about anything you've read in this report or any of the other parts of this quarters report, please don't hesitate to reach out to Rob Hay on (03) 9602 1230 or via email at rhay@csvf.com.au

COLLINS ST

VALUE FUND

KEY FEATURES

Fund Name:	Collins St Value Fund ABN 72 216 927 242
Trustee:	Collins St Asset Management Pty Ltd ACN 601 897 974 AFSL 468935
Custodian:	Sandhurst Trustees Limited
Registry/Unit Pricing:	Apex Fund Services (Australia) Pty Ltd
Auditors:	Pitcher Partners
Fund Inception Date:	Feb 2016
Investment Objective:	The Fund seeks to create investment returns over the medium to long term.
Investment Strategy:	The Fund invests in a concentrated portfolio of Australian securities. It focuses on identifying deep value investment opportunities. This is achieved by identifying sustainable businesses trading at a discount to our assessment of intrinsic value.
Benchmark:	Index Unaware
Asset Class:	Long only ASX company securities & Cash (no derivatives).
Leverage:	None
Minimum Subscription:	$250,000 (unless otherwise agreed) and only open to investors considered "wholesale investors" as defined by the Corporations Act.
Investment Term:	There is no fixed investment term. Investors may apply to acquire Units in the Fund at any time the Fund is open for investment. Investors may redeem Units subject to the applicable liquidity and redemption policy.
Distribution Frequency:	Annually
Entry Fee:	Nil
Buy/Sell Spread:	0.50%
Applications:	Monthly
Management Fee:	Nil
Performance Fee above Hurdle Rate:	25% (Hurdle rate is the 10 year Aus Gov't Bond Rate)
High Water Mark	Yes
Platform Availability	IDPS (sophisticated investors only) platform of: Netwealth, Hub24, Mason Stevens and Power Wrap

For more information about the Fund please obtain a copy of the Information Memorandum which is available upon request.

KEY DATA

AFM ADVANCED ANALYTICS	Collins St Value Fund: Feb 2016 - Jun 2023 Index: ASX 200 Total Return						
Recent Returns	**Dec-22**	**Jan-23**	**Feb-23**	**Mar-23**	**Apr-23**	**May-23**	**Jun-23**
Collins St Value Fund	0.00%	1.36%	-2.10%	0.38%	0.42%	-6.11%	1.10%
ASX 200 Total Return	-3.21%	6.23%	-2.45%	-0.16%	1.85%	-2.53%	1.76%
Monthly Returns and Analytics	**1 year**	**2 years**	**3 years**	**4 years**	**5 years**	**7 years**	**Since Inception**
Fund Average monthly return	-0.64%	-0.31%	1.19%	1.04%	1.03%	1.18%	1.13%
Index Average monthly return	1.16%	0.30%	0.88%	0.49%	0.58%	0.84%	0.84%
Fund % of Positive Months	58%	63%	75%	73%	72%	74%	74%
Index % of Positive Months	58%	50%	64%	63%	63%	64%	64%
Fund Average +ve Return	2.38%	2.44%	3.27%	3.93%	3.98%	3.44%	3.32%
Index Average +ve Return	4.20%	3.73%	3.21%	3.42%	3.25%	2.99%	3.03%
Fund Best Month	5.23%	6.87%	10.77%	12.87%	12.87%	12.87%	12.87%
Index Best Month	6.58%	6.89%	10.21%	10.21%	10.21%	10.21%	10.21%
Fund Average -ve Return	-5.73%	-5.19%	-5.19%	-6.59%	-6.19%	-5.57%	-5.41%
Index Average -ve Return	-2.90%	-2.97%	-3.02%	-4.03%	-3.73%	-3.12%	-3.06%
Performance in Positive Markets	**1 year**	**2 years**	**3 years**	**4 years**	**5 years**	**7 years**	**Since Inception**
Number of months market was positive	7	12	23	30	38	54	57
Fund % positive months, when market positive	86%	83%	91%	90%	87%	83%	84%
Cumulative Fund return in positive market	14.82%	23.92%	98.92%	197.27%	242.11%	280.34%	294.42%
Cumulative Index return in positive market	33.13%	54.76%	105.30%	171.82%	234.64%	384.75%	440.99%
Up Capture Ratio	44.75%	43.69%	93.93%	114.81%	103.19%	72.86%	66.76%
Performance in Negative Markets	**1 year**	**2 years**	**3 years**	**4 years**	**5 years**	**7 years**	**Since Inception**
Number of months market was negative	5	12	13	18	22	30	32
Fund % positive months, when market negative	40%	50%	54%	50%	50%	60%	59%
Cumulative Fund return in negative market	-19.35%	-25.05%	-23.06%	-44.74%	-46.09%	-38.88%	-38.85%
Cumulative Index return in negative market	-13.78%	-30.63%	-33.17%	-53.40%	-57.78%	-62.42%	-63.99%