COLLINS ST

VALUE FUND

June 2021

Quarterly Report

You can get rich slowly or you can get poor quick. Outcomes and time frames rarely cross over.

Performance (to 31 June 2021)*

Period	Return
June Quarter 2021	12.13%
12 months	64.80%
2 years (annualised)	32.98%
3 years (annualised)	25.69%
5 years (annualised)	20.14%
Annualised Return (since inception)	19.33%

*Net returns.

Collins St Value Fund Annualised return **19.33% p.a**	ASX/S&P200 Accumulation Index **11.67% p.a**
Collins St Value Fund Value Add **7.66% p.a**	Inception Date **February 2016**

Expectations vs Reality - A Year in Review:

Another financial year has passed and with it a set of consensus expectations missed and quietly laid to rest.

It seems that more than usual, COVID-19 and its effects have had a magnifying effect on the ability of consensus expectations to grossly misinterpret the signs, and in doing so categorically mis-predict outcomes.

When in June 2020 talking heads seemed certain that the economic impact of the pandemic would see nations around the world drastically and dramatically fall to the effects of a virus quickly running out of control and a precipitous drop in global GDP, they were half right. Many nations and states closed businesses and enforced restrictions and curfews the like of which had not been seen since the days of the World Wars.

Nevertheless, being half right doesn't win any prizes. Markets react to expectations of future productivity, and the massive wave of global stimulus provided for an economic boost that earlier prognosticators never imagined.

Rather than a pandemic driven global depression, many areas of production grew strongly in the latter half of 2020. As vaccines began to roll out, equity markets driven by optimism and cheap capital reached new heights.

Not quite as speedy as the initial falls, the recovery of markets during FY21 was exceptional to the point that it almost defied belief.

ASX/S&P 200

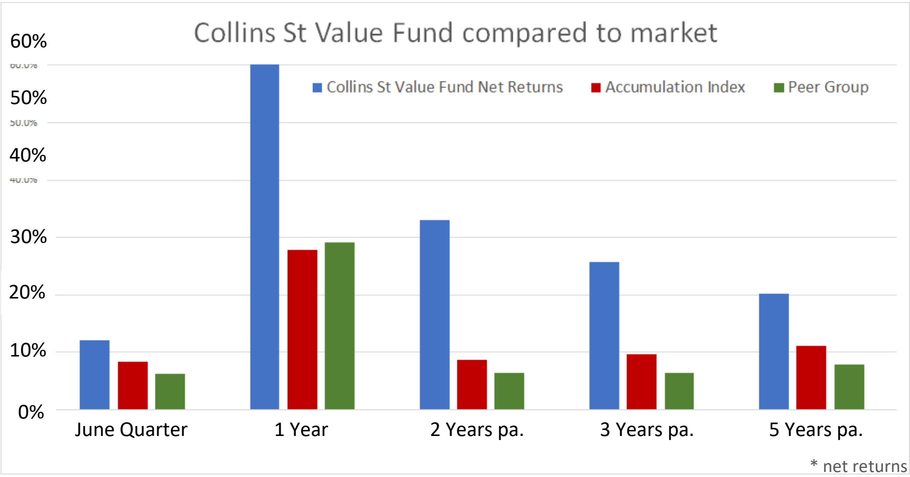
Fund Holdings*

- Aurizon Limited
- Paladin Group
- Boom Logistics Limited
- Challenger Group Financial
- Coronado Global Resources
- Orica Group Limited
- Litigation Capital Management
- Mermaid Marine Limited
- National Tyre & Wheel
- Paradigm Biopharmaceuticals
- Retail Food Group
- TPG Telecom Limited

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

Comparative Returns*

	Collins St Value Fund returns	Peer Group (Value Funds)	ASX200 Accum Index
June Quarter 2021	12.1%	6.3%	8.3%
1 Year	64.8%	29.2%	27.8%
2 Years p.a	33.0%	6.4%	8.6%
3 years p.a.	25.7%	6.4%	9.6%
5 years p.a.	20.1%	7.8%	11.2%



In our experience we've discovered that attempting to accurately predict the short-term movements of the markets is a fool's errand. Markets that have been cheap have become cheaper and expensive markets can and have become more expensive. Instead of trying to guess what markets might do, we prefer to focus on business, specifically, identifying wonderful businesses that are trading at a substantial discount to our estimation of their intrinsic value. By investing in companies trading at 50c on the dollar, we've been able to consistently generate wonderful outcomes for our investors, and an enviable track record for our fund.

We are certainly thrilled with our recent returns but would caution that it is unreasonable to expect this magnitude of results during 'normal' markets.

After generating a strong 12% return for the quarter, the Fund has returned 64.8% for the Financial Year 2021. Since inception CSVF has returned on average 19.33% pa. - over 7.5% pa more than the ASX200 Accumulation Index over the same period.

These results were generated by investing in a broad range of companies across many sectors and during some challenging periods. Some of our investments were realised in the short term, while some of our best performing positions *this year* were born of holdings the fund initiated as long as 4 or 5 years ago.

If you have any questions, about this report, or would simply like to talk to us about the Fund, please feel free to get in touch through our website (www.csvf.com.au), or talk directly with our Head of Investor Relations Rob Hay at rhay@csvf.com.au or 0423 345 975.

What's Next: Growing the Fund Into the future

Given our strong returns over the last few years, we've heard it asked by new investors if they are "too late" or if they've "missed out".

We understand the sentiment but believe that kind of thinking fundamentally misunderstands the dynamics of a fund, and the role of a fund manager.

The question is reasonable in the context of a growing operational business. Operational businesses will have a period of incubation, a start-up phase, growth stage, and eventually reach maturity. For investors who contribute capital in a company post growth and entering maturity, returns can be underwhelming relative to historic outcomes.

A managed fund is not an operating business. Investing in Collins St Value Fund (or any fund for that matter) should not be viewed as an investment in our historic or current holdings. Instead, it is an investment in the belief that our team and our process are capable and sound, and that just as we've generated outstanding returns for our investors in the past, by accurately identifying wonderful businesses trading at substantial discounts to their intrinsic value, we will continue to be able to do so in the future.

Our basic process is quite simple. We simply seek to gain an information advantage that allows us to identify businesses trading at 50c on the dollar.

That process will be different depending on the type of company we are investigating, but in putting in just a little more effort, or by being prepared to be a little more uncomfortable than other investors, we have been able to identify a couple of great ideas each year which have in turn provided us with our wonderful outcomes.

Where have our returns come from?

- In 2016 some of our best ideas included ANZ Bank, Computershare, and Money3.
- In 2017, our results came from NZME, Prime Media, and Sirtex Medical Group.
- 2018 saw special situations in Billabong Group, Murry Goulburn and Spookfish aid us in generating a positive year when the markets were down substantially. Additionally our initial investment in Paradigm Biopharmaceuticals saw us set up for a strong 2019.
- In 2019 we once again outperformed with the help of Eclipx Group and Warrego. Paradigm performed exceptionally, and our newly established gold position set us up perfectly for what 2020 was to bring.
- In 2020 we began to see the long awaited benefits of our 2017 investment in a basket of Uranium companies, with substantial returns also being generated by National Tyre & Wheel, and Boom Logistics.
- It's much too early to credit results for 2021, but we continued to benefit from our Uranium and Litigation Capital Management holdings early in the year, and we have high hopes for some of our more recently purchased positions such as Mermaid Marine, and Retail Food Group.

We don't believe we need a lot of new ideas to generate attractive outcomes for our investors. As illustrated above, two or three great ideas in a year is all we have ever really needed.

We've stated before that we don't think we are doing much different to the rest of the fund managers out there. Instead, we believe that our advantage stems from our unique mandate.

"To look to the future we must first look upon the past. That is where the seeds of the future were planted"

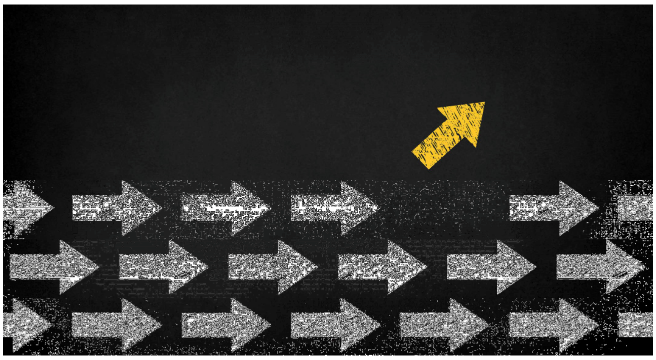
Albert Einstein

Our mandate demands that we invest in a concentrated portfolio of our favourite ideas. If we don't love an idea, we simply don't buy it. In taking this approach, we are able to accumulate positions that when they do profit, are capable of having a material impact on our overall portfolio. As things presently stand, the Fund is holding around 25% cash – capital that can be deployed quickly as and when sufficiently attractive opportunities present themselves.

Our unique fee structure too ensures that we are laser focused on capital preservation and achieving the best outcomes for our investors. Afterall, if our investors don't profit, our investment team simply doesn't get paid.

We can't know for certain what tomorrow will bring, but we are confident that if we continue to work hard to identify an information advantage and continue to seek dislocation and anomalies within the markets to identify great businesses trading at a discount to their inherent value, then we will be able to take advantage of those situations and generate wonderful returns into the future.

Contrarian Investing:



Why standing apart can lead to standing out

Value investing and contrarian investing are intrinsically related.

Value investing seeks to identify good quality companies that are trading cheaply. To achieve that goal, contrarian investors tend to look in places that others have not. In doing so, they hope to uncover opportunities that are cheap relative to their intrinsic worth.

Both sets of investors must first establish what they believe a business is worth before betting against the market. There are few things as rewarding for either a value investor of a contrarian investor (many of which are one and the same person) than identifying a dislocation and mispricing in the market, supported by a consensus view, and investing with success despite the wider community's concerns.

It is worth noting that there is a subset of contrarian investors who do not undertake fundamental analysis of a business before they buy. This investor is keen to speculate (often successfully) that the market is wrong simply because 'everyone' is on the same side. There is some merit to this argument, as we'll discuss shortly, but it is worth noting that this approach is about 'speculation' rather than 'investing'.

It's also worth noting that sometimes companies are cheap for a reason. Some businesses are unloved because they are undeserving of anything more.

The ideal circumstance for us is to be able to identify an out of favour business *and* identify why the market does not like it.

By understanding why others don't like a business, we are able to assess the matter and decide for ourselves if that reason is justified. Sometimes it turns out that consensus concerns are justified, yet often enough the mispricing is being driven by sentiment or emotion.

If we can get comfortable investing in uncomfortable ideas there is plenty of opportunity to outperform.

Despite the emotional difficulty many investors face when considering an idea that is unpopular, for investors able to consider the general matter objectively, it is self-evident.

Take for example a function room filled with 99 people and our hero Joe buying and selling items.

Each time an item is bought, the price is increased by 10%. Every time one of those investors decides to return the item, the price is decreased by 10%

As the night progresses it becomes apparent that one item (though not materially different to any of the others) stands out. So much so that by the time Joe has been made aware of it, every other person in the room has bought one.

Is it likely that purchasing the popular item as buyer number 100 is still a good idea?

Possibly, but it's unlikely, and certainly objectively it's not as good an idea for buyer 100 as it was for buyer number one.

Outside of the context of investing, this concept is easy to understand and makes an abundance of sense. Yet for some reason, when it comes to investing investors tend to crave the approval of the crowd.

Human nature is such that inexplicitly most people would feel more comfortable being investor #99 than being investor #1.

A Collins St Value Fund Case Study:

In 2017, with no fanfare and just a little trepidation, we made our first investment into ASX listed uranium companies.

Uranium at the time was an extremely unloved sector. It was seen as culturally unacceptable, dangerous, and dirty. The 'recent' disaster in Fukashima and the HBO mini-series Chernobyl did the sector no favours as well.

Yet we recognised that there was a significant dislocation between what markets were willing to pay for yellowcake (the input into nuclear power station uranium rods) and the cost of producing it.

The dislocation was so severe that the two major global producers cut their production by 20%.

Still markets did not move. It seemed that investors were convinced that the sector that sustained 11% of the global electrical grid would be maintained indefinitely, despite the producers (of the raw material) losing money every day.

We recognised the fantasy in that outlook and became increasingly confident in the idea.

To us the fundamental drivers looked strong.

Demand was steadily growing and supply was steadily falling. The USA announced that they were going to indefinitely delay the decommissioning of some of their older power stations, while China, Canada, India and Russia announced a steady increase in power plant builds.

"facts don't care about feelings"

The facts were that demand was increasing and that spot prices for uranium either had to increase or the world needed to get comfortable giving up 11% of its electricity usage.

There was a distinct dislocation between the way people felt about the asset, and the intrinsic value of that asset. Between those two points lay a tremendous amount of opportunity.

What came next:

What came next was a powerful lesson in the value of conviction and patience.

While the underlying spot price of Uranium improved gradually, over the next couple of years the equities related to Uranium continued to underperform. As they underperformed the Fund increasingly grew its stake in them.

For 3 years, we waited, and for 3 years share prices did nothing but disappoint.

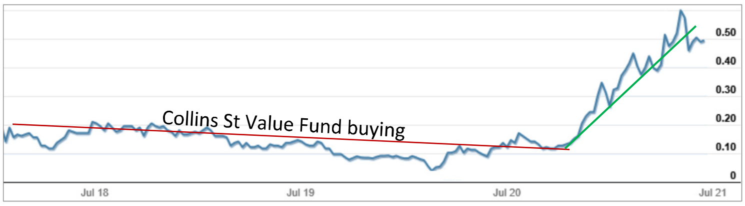
Our patience and conviction was rewarded. As an illustration, having gradually brought our average cost in PDN down to 11c per share, late 2020 saw what can only be described as a massive catch up for uranium equites.

In the blink of an eye the conversation about the sector shifted from the culturally unacceptable to a cultural necessity. Uranium, which has often been thought of as scary was suddenly recognised as the only ESG option for base load zero carbon energy.

The USA implemented government buying programs (to ensure stability in the energy sector), and funds started looking for investments. As a result ETF's were launched and before we knew it, producers and investors were competing for yellowcake in a rapidly shrinking spot market.

Share prices reacted accordingly:

Paladin Share Price 2017-2021



Across our portfolio of Uranium companies we saw significant price increases. So much so that the team decided to substantially trim our exposure. After all, having not seen any rewards for our efforts for 3 years, the sudden rally over 6 months (from November 2020) saw our Fund generate a 47% compound annualised return - a wonderful outcome.

The very premise of value and contrarian investing is that unloved and under-appreciated companies with sound fundamentals will inevitably be recognised for the value they inherently possess. Companies that were once contrarian will eventually become mainstream.

Once that happens, fundamental investors of all sorts will need to carefully assess if there remains value in those spaces or if the crowd has pushed prices beyond reasonable levels, and like poor Joe at his auction event there is no value left.

"Our first and foremost goal is capital preservation. We would much rather miss an opportunity that we feel is imperfect, than to invest half-heartedly in the hope of a gain. Like contrarianism, capital preservation is hardwired in our minds."

MICHAEL GOLDBERG & VASILIOS PIPEROGLOU
COLLINS ST ASSET MANAGEMENT

What to expect from us and your Investment in the Fund?

With each quarterly update we like to remind our investors of how we run the Fund and what our expectations are from it. We believe communication is the key to building a long term working relationship, and want to ensure that our investors are fully informed about our strategy and the Fund's direction.

Reviewing the following should help answer most queries about our process and performance. However, feel free to be in touch if you have any additional questions.

- Our aim is to create strong investment returns irrespective of the market over the medium to long term.
- We seek to achieve gains by investing in a concentrated portfolio of Australian listed securities. We focus on identifying deep value investment opportunities, constantly identifying sustainable businesses trading at a discount to our assessment of intrinsic value.
- As opportunistic investors, we are patient. In the absence of finding a wonderful investment for our capital, we have no hesitation holding a significant amount of cash or investing in short term special situations.
- Our mandate is to generate index unaware, absolute returns. We would much rather miss a 'suspect' opportunity, than purchase a company we are unsure of.
- As the Fund will have a concentrated portfolio of shares, we expect short term volatility. We expect that volatility to have no meaningful effect on our long term returns. We are focusing on the destination, not the journey.
- As contrarian value investors with a medium to long term view, we rarely invest for the short term. Attempting to pick short term market movements only acts as a distraction from our long term aim of strong investment returns.
- After conducting adequate research, we prefer shares in which we are not fully invested in to fall (in the short term). That is, once we are happy to buy a company we would much rather pay a discounted price for that asset even if it means our initial purchase price was slightly higher.
- To achieve the goal of long term outperformance, the cost is often short term volatility. We have implemented procedures to try an reduce volatility, but are aware that it will remain "the cost of doing business".
- We will send out quarterly reports to you that will include the Fund's official unit price. We ask that you consider these reports in context. Returns in a single quarter (good or bad) are not necessarily indicative of what the Fund will generate over the longer term.
- With our money invested alongside and on equal footing as yours, you can rest assured that we are motivated by the same outcome as you – an increasing unit price. Additionally, our fee structure further ensures that our interests are closely aligned.

Although official reports are distributed once a quarter, we are always happy to take investor calls at any time.

Yours Faithfully,

Vasilios Piperoglou
Founder, Head Analyst
Collins St Asset Management

Michael Goldberg
Managing Director
Collins St Asset Management

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 Pty Ltd
Auditors:	Pitcher Partners
Fund Inception Date:	Feb 2016
Investment Objective:	The Fund will seek to create strong investment returns over the medium to longer term, with capital preservation a priority.
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" under Section s761G of 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/redemptions:	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

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

KEY DATA

Annual Returns and Analytics	12 months	24 months	36 months	48 months	60 months	Since Inception
Fund Annual Return per annum	64.78%	32.99%	25.69%	19.57%	20.14%	19.26%
Index Annual Return per annum	27.80%	8.62%	9.59%	10.43%	11.16%	11.63%
Monthly Returns and Analytics	**12 months**	**24 months**	**36 months**	**48 months**	**60 months**	**Since Inception**
Fund Average monthly return	4.25%	2.40%	1.92%	1.50%	1.54%	1.62%
Index Average monthly return	2.07%	0.69%	0.77%	0.83%	0.89%	1.01%
Fund % of Positive Months	100%	83%	78%	75%	78%	78%
Index % of Positive Months	92%	75%	72%	71%	70%	69%
Fund Average +ve Return	4.30%	5.05%	4.80%	4.13%	3.76%	3.58%
Index Average +ve Return	2.63%	3.21%	3.04%	2.82%	2.78%	2.84%
Fund Best Month	10.77%	12.87%	12.87%	12.87%	12.87%	12.87%
Index Best Month	10.21%	10.21%	10.21%	10.21%	10.21%	10.21%
Fund Average -ve Return	N/A	-9.39%	-7.18%	-5.69%	-5.80%	-5.53%
Index Average -ve Return	-3.66%	-6.15%	-4.65%	-3.63%	-3.22%	-3.11%
Fund Worst Month	0.96%	-15.85%	-15.85%	-15.85%	-15.85%	-15.85%
Index Worst Month	-3.66%	-20.65%	-20.65%	-20.65%	-20.65%	-20.65%
Performance in Negative Markets	**12 months**	**24 months**	**36 months**	**48 months**	**60 months**	**Since Inception**
Number of months market was negative	1	6	10	14	18	20
Fund % positive months, when market negative	100%	50%	50%	64%	67%	65%
Cumulative Fund return in negative market	2.66%	-26.27%	-28.07%	-20.70%	-18.45%	-18.41%
Cumulative Index return in negative market	-3.66%	-32.83%	-39.14%	-41.71%	-45.83%	-48.08%
Down Capture Ratio	-72.58%	80.04%	71.73%	49.63%	40.26%	38.29%

Data sourced from Australian Fund Monitors. https://www.fundmonitors.com/ancedstats.php?FundID=1310