FEATURE ARTICLE

Unlearning university

COLLINS ST

ASSET MANAGEMENT

Quarterly Report

December 2024

Collins St Value Fund
Collins St Convertible Notes Fund
Collins St Special Situation Fund No. 1
Collins St Special Situation Fund No. 2

Unlearning university

Why we need to reject
conventional portfolio theory

When I last appeared on The Rask Report, Owen Raszkiewicz and I discussed how the lack of financial education in our school system leaves most graduates financially illiterate. Knowing that I'd studied Banking & Finance at Monash University, Owen then asked me how what I'd learned in university applied once I started work.

With a sense of irony, I answered that for the first 18 months of my professional life, I spent as much time unlearning the second half of my university curriculum as I did nurturing a deeper understanding of the first half.

In most university finance courses, a large portion of the study is directed towards understanding businesses, their financials, and how to establish what a company is genuinely worth. The other half of the time focuses on modern portfolio theory and, in my experience at university, the importance of diversification.

As a budding value investor it always struck me as strange that we could go from one lecture outlining how to best identify deeply discounted and attractive investments to a second lecture that proclaimed the sanctity of efficient market theory and as such suggested we diversify our investments to minimise any risk of volatility. Indeed, the risk of volatility seemed to be the key risk that some of my lecturers were seeking to minimise.

I still remember that I lost marks on an assignment for not being sufficiently diversified. Despite my insistence that a portfolio of 12 stocks can achieve 93% of the benefits of a vastly diversified portfolio — and still provide an investor maximum exposure to their preferred opportunities — my argument fell on deaf ears.

As value investors we've long championed a concentrated portfolio approach to portfolio construction. Conventional wisdom may tout the virtues of diversification but we believe that a concentrated portfolio of your best ideas is the key to generating long-term investing success.

The Pros and Pitfalls of Diversification

Dilution of impact As the number of holdings in a portfolio increases, the impact of any single position is diluted. Proponents of diversification see this as the main advantage: if any single holding drops significantly in value, its damage to the portfolio is minimised. In reality, this is both a con and a pro of diversification. For investors who have the resources required to effectively pick stocks, diversification will erode the influence of their stock selections. That said, for investors who don't have those prerequisites, diversification may be all that protects them from the consequences of their own stock selection.

Increased complexity While much is written about the benefits of diversifying away from volatility or risk, scant attention is paid to the significant increase in effort required to effectively manage a vastly diversified portfolio. Assuming investors want to understand the assets they hold, an increasingly large portfolio requires an increasingly large amount of time and effort. Again, investors who don't have the necessary time and resources may be left with reduced oversight and understanding of the businesses they own — an unenviable position to be in.

Regression to mediocrity While many investors are satisfied with market-average returns (as illustrated by the meteoric rise of index investing), a widely diversified portfolio will ultimately deliver market returns and preclude any advantage that active stock selection and portfolio management may provide.

There is nothing inherently wrong with mediocre market returns: it's just important that investors recognise the trade-off they're accepting. For many people index investing is an appropriate approach, but anyone hoping to achieve more from their investment capital would need to do something different.

Costs and Taxes A highly diversified portfolio is likely to experience more turnover than a concentrated one. A higher turnover will often generate more transaction fees for investors and generate less tax effective outcomes.

Even according to modern portfolio theory[1], the value of diversification effectively ends at approximately 30 holdings (subject to appropriate weightings). Interestingly, most 'diversified' portfolios today hold many more than 30 shares.

The Power of Conviction and Concentration

Our approach with our Value Fund has been to concentrate our portfolio on our favourite ideas; the basic premise is that we are likely to see better returns from our best couple of ideas than from our 50th. Of course there is a balance that needs to be found that takes into consideration the volatility of a highly concentrated portfolio, and each investor needs to find where that balance lies for themselves. For our Value Fund, we tend to allocate to around a dozen ideas across a number of sectors at any given time. Taking this approach smooths out some of the volatility of a concentrated portfolio while also allowing us to focus our capital on our highest prospective ideas (even if that means holding cash in the absence of qualifying investments).

Our goal for the Value Fund has been to generate double digit returns (p.a.) over the long term. Over the last 5 years we've returned 11.7% p.a. net of fees compared to the ASX200 Accumulation Index which delivered 8% — a 45% outperformance.

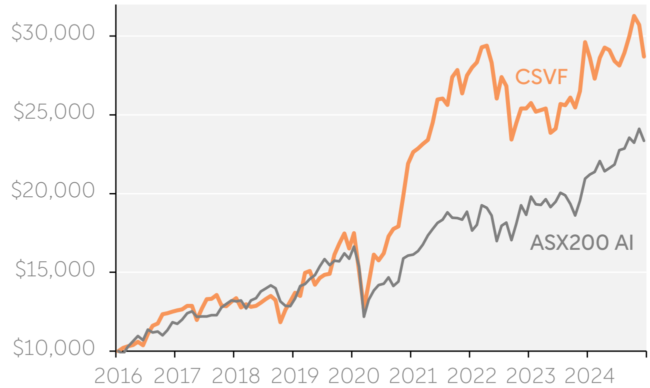
Volatility is often the price we pay for outperformance

Real World Results

While we have already acknowledged that a concentrated portfolio can generate more volatility than a widely diversified one, the results can be extraordinary.

As Illustrated by our Fund's periodic inclusion in the Mercer Insights best performers list, our commitment to concentration and conviction has generated some of the best long-term results of our peer group[2] (12.6% since 2016).

Collins St Value Fund Net Returns



A person who invested $10,000 with the Collins St Value Fund in 2016 would have $28,726 today (assuming dividend reinvestment). The same investor would be $5,372 worse off making an equivalent $10,000 investment with the ASX200. ***Past performance is not a reliable indicator of future performance.***

The following are just a few of the more out-of-the-ordinary investments we've made and exited from over the years.

Paradigm Biopharmaceuticals (ASX:PAR)

Initial CSVF investment of 7% (vs 0% of ASX200)

In 2018 we discovered Paradigm, a company that was repurposing an anti-coagulant drug for the treatment of osteoarthritis. Having done the research, informally confirmed that the drug worked, and having established that the company was trading too cheaply, we were comfortable to cornerstone a capital raising at 68c per share (a market cap around $100m). In the subsequent two years, Paradigm caught the imagination of the investment public and the market cap ran as high as $800m. We believed that it was too early for Paradigm to demand that type of market cap and exited at an average price of approximately $3.50. Having bought and sold various stakes along the journey, we made almost three times our money on Paradigm which generated exceptional returns for us from 2018 to 2020.

Paladin Energy (ASX:PDN)

Part of an initial CSVF investment in uranium companies of 15% (vs 0% of ASX200)

In late 2017, we took the view that the spot price of uranium was too low and that an opportunity existed for us if we invested in a basket of listed uranium companies and were willing to be patient. At the time, spot prices were around US$19 per pound against an average global cost of production of US$45. Additionally, the major producers had recently cut production by 20%. We invested heavily in a number of Australian listed uranium companies. Though share prices drifted for the next three years, in late 2020 prices began to move quickly. Having accumulated shares in Paladin at an average price of under 10c per share, we saw explosive results in 2021,

[1]*Evans and Archer (1968), as quoted by Joel Greenblatt in his famous book on value investing, "You Can Be a Stock Market Genius: Uncover the Secret Hiding Places of Stock Market Profits."* [2]*See https://fundmonitors.com/fund-factsheet.php?FundID=1310*

ultimately selling out our holding at approximately 55c per share. Paladin and other uranium companies subsequently continued to perform well, but having seen the businesses achieve what we believed to be their intrinsic value, we were happy to sell and were satisfied with our extraordinary returns through to 2021.

MMA Offshore (ASX:MRM)

Initial CSVF investment of 5% (vs 0% of ASX200)

In 2021 we identified a vast disconnect between the earnings power of offshore (oil & gas) service companies and their prevailing share prices. We noted that both locally and globally, many of the companies were trading at as low as 20% of the replacement cost of their machinery. We invested in MRM at an average price of 33c per share. By late 2023 the share price had risen to what we believed was fair value ($1.55) at which point we sold our holding. Subsequently MRM was taken over at higher prices, but our investment in the company was highly successful, and added materially to our returns in 2022 and 2023.

Reducing risk with a concentrated portfolio

While it may seem counter-intuitive to some (including my former lecturer), concentration can actually reduce risk in a portfolio when applied judiciously.

- **Focused expertise** By limiting investments to areas where we have a deep understanding of the business, we can better identify which industries and companies have a sustainable competitive advantage. As a result of better insight, we reduce the risk of making poor decisions due to misinformation or incomplete information.

- **Deep research** Due to our focused approach on our favourite few businesses — a concentrated portfolio — we have more time to research and manage our holdings. Typically, a deeper understanding of a business leads to better investment decisions. Additionally, a deep understanding of a particular business can be invaluable in times where markets move quickly. It allows an investor to make decisions quickly and take advantage of opportunities in a way that is simply impossible for investors attempting to keep track of hundreds of stocks.

- **Valuation discipline** By ensuring that we only purchase companies trading at a substantial discount to our assessment of their intrinsic value, we create a margin of safety protecting us from loss. For instance, if we buy a company at a discount to its cash or liquid assets, the downside risk is limited (over the medium term) by access to that cash. This isn't a guarantee in the short term, but does provide comfort that real risk (the permanent loss of capital) is minimised.

- **Ongoing monitoring** We maintain a close relationship with the management and activities of our individual companies. Doing so allows us better insight into each of our holdings than would be possible in a widely diversified portfolio.

- **Position sizing** While we believe in the benefits of a concentrated portfolio, we remain aware of the importance of some diversification for our funds. We maintain prudent position limits to ensure that no single holding or sectoral position can put the broader portfolio at risk. For instance, if a single company reaches 20% of our portfolio, we will begin to actively re-evaluate that position.

- **Quality over quantity** We'd rather own 10 excellent businesses than 100 mediocre ones. We believe high quality companies with strong competitive positions trading at a substantial discount to their intrinsic value are inherently less risky over the long term.

Time is the greatest friend of a good company and the greatest enemy of a weak one.

The goal of most value investors is to achieve an information advantage in a quality company and then to invest in that company with conviction. The challenge, of course, is spending the time and effort necessary to achieve that special insight, and then to have the courage to invest with conviction.

"Unfortunately, buying stocks on ignorance is still a popular American pastime."
– Peter Lynch, former Fidelity fund manager

A double-edged sword

Whether an investor chooses a concentrated or diversified approach, both approaches carry benefits and risks — a double-edged sword.

For those able to effectively manage a portfolio of high-quality investments (or find a Fund manager who can do it for them), the benefits of improved performance can be significant. The other edge of the sword is the risk of poor decisions and increased volatility.

For those investors who prefer not to expose themselves to the effort or volatility of a concentrated portfolio, an index fund will generate reasonable returns over the long term. The risk is that a vastly diversified portfolio will include many less-than-ideal holdings and will underperform a portfolio which holds only great investments.

As we look to 2025, we are positive about the prospects of our funds' portfolios and remain committed to our concentrated approach. We will continue to seek out the most compelling opportunities in the market. While this path may not always be the smoothest, we believe it offers the best risk adjusted pathway to generating meaningful returns for our investors.

If you have any questions about the article or our quarterly reports, please reach out to Rob Hay via email at rhay@csvf.com.au or by phone on 0423 345 975.

COLLINS ST
ASSET MANAGEMENT

December 2024 Quarterly Report

Collins St Value Fund

Best Ideas Australian Equities Fund (Flagship)

Inception: February 2016 Status: OPEN

Unit Price: $2.0157

Investment Team


Vas Piperoglou


Michael Goldberg

- **A concentrated portfolio of our most compelling ideas**
- **Returned over 12.5% p.a. net since inception in 2016**
- **Exposure to potential M&A activity in 2025**

How the market performed

2024 was a strong year for the Australian share market overall, and there are lots of reasons to be positive about the prospects for 2025. By the end of December markets were up by almost 11.5% for the year (including dividends), which is an excellent result in an uncertain environment. However, the headline number doesn't tell the whole story.

A quick look at the returns of the largest 20 Australian listed companies reveals an interesting phenomenon. For 2024, the ASX20 returned 7.1% — chiefly driven by the Big 4 and Macquarie. If one were to exclude those five from the calculation, the other 15 companies together returned -1.4%.

Looking forward there is good reason to be positive about the outlook for the market. Many of the ASX's largest companies have experienced a lacklustre 12 months, and a rebound may be due. Additionally, global interest rates have already begun to move lower, there is good reason to believe that trend will follow in Australia, and lower interest rates have historically driven higher asset (share) prices.

How our Fund performed

During the December quarter the Fund continued to accumulate positions in our highest conviction ideas.

One of the challenges of our Fund's approach to investing is the lumpiness of returns. There can be extended periods of time where not much occurs within our portfolio until all of a sudden, a lot happens all at once.

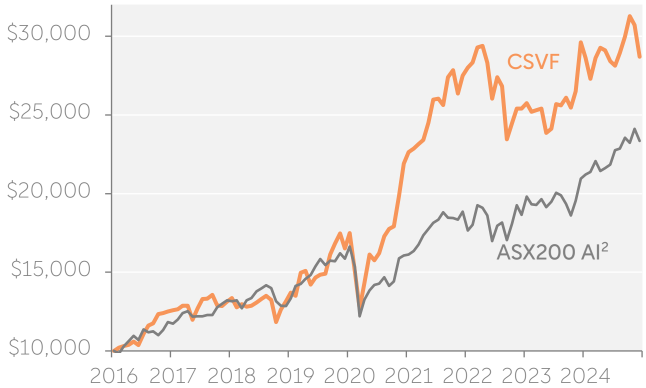
This is of course reflected in our returns, which have been good over the 9 years we've been in business but have underperformed recently. We retain conviction in our holdings, and expect positive future outcomes as illustrated in the examples on the next page.

Net Returns[1]

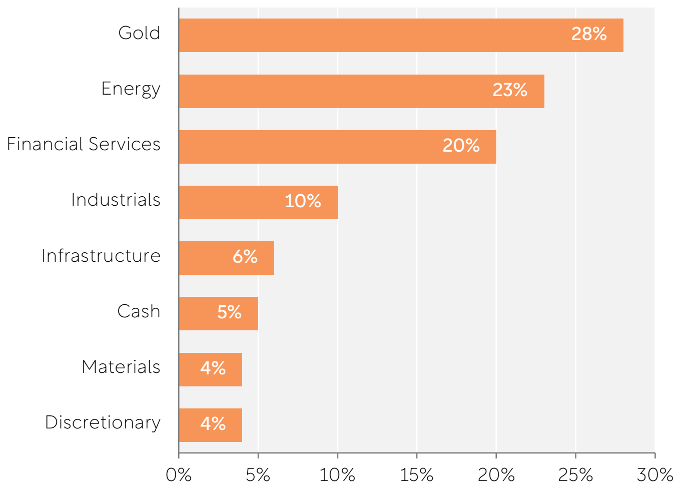
	CSVF
3 months	-4.43%
1 year	-3.18%
3 years p.a.	1.47%
5 years p.a.	11.68%
Since inception (cumulative)	187.00%
Since inception p.a.	12.55%

Past performance is not a reliable indicator of future performance.

Value of $10,000 since inception



Current Sector Exposures



[1]Assumes the investor chose to reinvest distributions.
[2]ASX200 AI represents the ASX200 plus dividends.

Possible future catalysts

Among our current holdings, the following companies may have catalysts which we believe may see their share prices (and our unit price) materially higher over time.

Carnarvon Energy (ASX:CVN)

Carnarvon's core asset is their share in the Dorado tenement joint venture with Santos. The project to develop the tenement has been pending for some time. However, Santos has determined not to commit to the Front End Engineering and Design (FEED) at this stage. With the deferral of FEED entry, the previous target for a Final Investment Decision (FID) in 2025 will also be deferred. JP Morgan has been engaged for some time to assist the Board in exploring alternative transactions to accelerate value. We believe the value of CVN will ultimately reflect the value of the tenement, their strong cash position, their debt-free status and their success in expense reduction.

Given the recent delay in FID, we intend to advocate for a significant return of capital. We believe that distributing the majority of the cash would reward patient shareholders and leave sufficient capital for the company's continued operations.

Seven West Media (ASX:SWM)

Seven West Media has been trading at extremely low multiples for some time. Currently the company is trading on a PE of less than 4x. We believe SWM has been trading cheaply for two reasons: 1. a general discomfort about the advertising market, and 2. the lack of a dividend.

We believe that the advertising market will improve from its current cyclical low and that SWM will position themselves for the turn around through a group-wide restructure of operations and management. This includes a recently-announced new operating structure with three divisions — Television, Digital and Western Australia — with Digital being prioritised as the fundamental driver of future earnings.

We believe the Board may consider reinstating a dividend, confirmation of which could see the share price appreciate materially.

Boom Logistics (ASX:BOL)

Boom Logistics have been actively seeking ways to close the gap between its share price and its NTA. This process has included a buy back of shares and a refresher of its assets. Though none of these actions have seen a material improvement in the share price yet, the company has reported three earnings upgrades in a row, and we believe there are more to come.

Retail Food Group (ASX:RFG)

We've long made the case that RFG was a fundamentally good company that was unloved due to its checkered past, and that if the market didn't wake up to the intrinsic value, its competitors would.

In the past 6 months two groups have entered RFG's registry – one being Thorney Investment Group and the other being the United Petroleum Group (who we believe have natural synergies between its petrol stations and RFG's brands).

There are no guarantees as to what comes next, but United currently owns 19.9% of RFG and Thorney own over 5%.

We are optimistic for what 2025 will bring and have positive expectations for many of our holdings.

Key features

Fund Name	Collins St Value Fund ABN 72 216 927 242
Trustee	Collins St Asset Management Pty Ltd ACN 601 897 974 ASFL 468935
Custodian	Sandhurst Trustees Limited
Registry/Unit Pricing	Apex Fund Services (Australia) Pty Ltd
Auditors	Pitcher Partners
Fund Inception Date	February 2016
Investment Objective	The Fund seeks to create strong investment returns over the medium and long term.
Investment Strategy	The Fund invests in a concentrated portfolio of securities issued by entities listed mainly on the Australian Securities Exchange. 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, Australian securities, including convertible notes (and cash).
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	0.35%
Applications	Monthly
Management Fee	Nil
Performance Fee above Hurdle Rate	25% (Hurdle rate is the 10 year Australian Government Bond Rate)
High Water Mark	Yes
Platform Availability	Netwealth, Hub24 and Power Wrap (wholesale investors only, no minimum investment when transacting via platforms).

COLLINS ST
ASSET MANAGEMENT

Collins St Convertible Notes Fund

Investment Team

Vas Piperoglou

Michael Goldberg

Inception: April 2022 Status: CLOSED

- **New agreement with Native Mineral Resources provides a material increase in asset security and may see as much as $11 million upside from a royalty agreement**
- **Returns of capital to result in a capital distribution in 2025**
- **Distribution of 1 cent per unit paid for December quarter**

	Performing	Maturity	Interest Rate	Conversion
Native Mineral Resources Limited	Yes	September 2027	10.0%	N/A
Matrix Composites & Engineering Limited	Yes	December 2025	10.5%	$0.3063
GBM Resources Limited	Yes	December 2025	10.5%	$0.02
Allegiance Coal Limited	No	In wind up	N/A	N/A

Asset Summary

Native Mineral Resources

In a significant achievement for the Collins St Convertible Notes Fund, listed company Native Mineral Resources Limited (NMR) entered into an agreement with the Fund to take over the convertible note obligation and the Queensland gold tenements previously held by Ashby Resources Pty Ltd. The new agreement with NMR is structured as a secured loan with an initial payment made in 2024 and additional payments and royalties expected from 2025.

A highlight of the new structure is a 2% perpetual royalty payable to the Fund on all gold produced from the assets acquired by NMR under this transaction. In the event that the assets move to gold production, this would result in material upside for Fund returns to investors.

The key terms of the agreement with NMR are:

- Loan amount of $18.8 million
- Interest rate of 10%
- Security over the tenements acquired by NMR and additional real estate
- An early principal payment of $500,000 has already been paid, a further $3 million is to be paid in June this year and additional payments are due from early 2026 (but may be paid earlier)
- A 2% royalty on any gold produced from the tenements or through the Blackjack plant. NMR have announced an initial resource of 138,000oz which it intends to produce in the coming years. If NMR achieves their goals, based on current gold prices, the fund would be entitled to a royalty of over $11 million.

Matrix Composites and Engineering

The Matrix share price came under pressure due to a slowing of announcements of new contracted work. However, the announcement of a surf buoyancy contract in late November has been followed by a further contract win post quarter-end, further announcements in the March quarter are expected, and the convertible note remains a performing asset for the Fund.

GBM Resources

As previously advised, GBM is seeking to enter into a joint venture or sell assets to pay down the balance of the convertible note. The proposed sale requires the consent of the Fund, and we are in discussions with the company to potentially facilitate early payments whilst retaining upside from residual interests in the company.

Allegiance Coal Limited

As outlined in a recent letter to investors in the Fund, the remaining assets are subject to an ongoing court process in the United States and updates will be provided as information becomes available.

COLLINS ST
ASSET MANAGEMENT

December 2024 Quarterly Report

Collins St Special Situation Fund No. 1

Global Basket of Offshore Oil and Gas Services Companies

Inception: July 2021   Status: CLOSED   Unit Price: $1.0093

Investment Team


Vas Piperoglou


Michael Goldberg

- **The Fund has generated an internal rate of return over 25% p.a. since inception**
- **Day rates and utilisation rates near historic highs**
- **Strong free cashflows look to drive performance in 2025 and 2026**

Fund Performance

After strong performance from 2022 through 2023, the Fund returned approximately 120% of investors capital to investors. The December quarter saw some declines in the underlying value of our holdings, but there is reason to be optimistic for a resurgence in share prices in 2025.

Due to some weakness in oil demand in the second half of 2024 a number of projects were delayed. Those delayed projects are expected to add significant demand for drilling and support companies in the second half of 2025 and into 2026.

Despite the slight slowdown in demand during the December quarter, utilisation rates across the industry remain near historic highs (86%), and day rates (rental fees) also remain at historic highs.

Recent weeks have seen share prices stabilise and, in some cases, recover significantly due to increased contract execution by explorers and producers, and a recognition by the market of the flow-on effect to the earnings of the companies we have invested in.

Substantial Holdings

Valaris Capital

Valaris have reported strong operating performance and financial results, including solid free cashflow generation. Valaris in recent months have been achieving a fleetwide revenue efficiency of 98%, driven by efforts like the recommissioning of a major drillship in 2024.

Contract extensions for equipment have added hundreds of millions of dollars of contract backlog (an excellent indication of strong upcoming demand) despite some customer demand being deferred in line with reports from the industry at large.

The company continued its share buyback with more than USD$100 million bought back in recent months reflecting the Board's focus on balance sheet efficiency.

Cash IRR (Realised)

	CSSSF1
Since inception p.a.	25.10%

Assumes an investment at Fund commencement on 2/8/2021, capital distributions received in June and October 2022 and 100% residual retention to 31/12/2024. Past performance is not a reliable indicator of future performance.

Borr Drilling

Borr announced new contract commitments for its premium jack-up rigs, including in West Africa where one contract alone will provide USD$58 million of revenue for a 320-day operation.

Operational performance has been solid, with a technical utilisation rate of 98.7% and an economic utilisation rate of 96.9%. As flagged by Borr, the latest quarter results came in slightly below those of the previous quarter. The difference was primarily due to one-off events which had propped up previous earnings - such as the change in operating structure of Borr's Mexico JV contracts and suspension of the "Arabia I" rig.

Matrix Composites & Engineering

The Matrix share price came under pressure in the December quarter due to a slowing of announcements of new contracted work. The announcement of a surf buoyancy contract in late November has been followed by a further contract win post quarter-end, further announcements in the March quarter are expected, and we are positive about the prospects for this investment.

Noble Corporation

Noble has acknowledged a more subdued market going into 2025 than it had anticipated 12 months earlier. However, it continues to execute on opportunities in its commercial pipeline, specifically in the high-end deepwater segment, that it believes will drive strong performance in 2025.

Noble continues to generate robust cashflow and its Board, being committed to returning most free cash flow to shareholders, have announced their second share buyback within 12 months, which is due to be implemented in the near term.

Collins St Special Situation Fund No. 1 was open to Wholesale and Sophisticated Investors only. Capital is not guaranteed.

COLLINS ST
ASSET MANAGEMENT

December 2024 Quarterly Report

Investment Team


Vas Piperoglou


Michael Goldberg

Collins St Special Situation Fund No. 2

Global Gold and Precious Metals Fund

Inception: April 2023   Status: CLOSED   Unit Price: $1.1459

- **Create a global portfolio to defend against the impact of geopolitical uncertainty**
- **Early signs suggest that small and medium gold companies are beginning to rally**
- **Fund returned 23.4% for 2024**

How the Fund performed

Despite weakness in the gold sector during the latter part of the December quarter (driven in part by the US election results), our Fund performed well in 2024, generating 23.4% net for the year outperforming the Philadelphia Gold and Silver Index by 9.1%.

Interestingly, the portfolio has generated less volatility than might have been expected from a basket of small to midsize gold companies, and pleasingly we have outperformed the mainstream gold indices since inception.

Driving the Fund's results has been a bifurcation of performance within the portfolio. Black Cat Syndicate, Catalyst Metals, Meeka Metals and others have seen strong share price appreciation whilst some holdings are yet to gain market attention.

As gold prices continue to deliver new highs (especially in AUD), it's been interesting to see the sector turn its attention to M&A activity.

The most noteworthy activity in the Australian market is the recent acquisition of De Grey Mining by Northern Star. Earlier in the quarter, Northern Star entered a conditional agreement to purchase De Grey and its 500,000oz p.a. mine in the Pilbara for approximately $5 billion.

We expect to see more activity in the sector as companies seek to lock in future production capacity either via outright acquisition, mergers, farm-ins, or joint ventures.

Much of this activity is being driven by strong gold prices that are likely to be buoyed by:

- global unrest
- political uncertainty
- increased demand for physical gold (the Chinese Central Bank has stepped up its buying again)
- increasing margins within the sector.

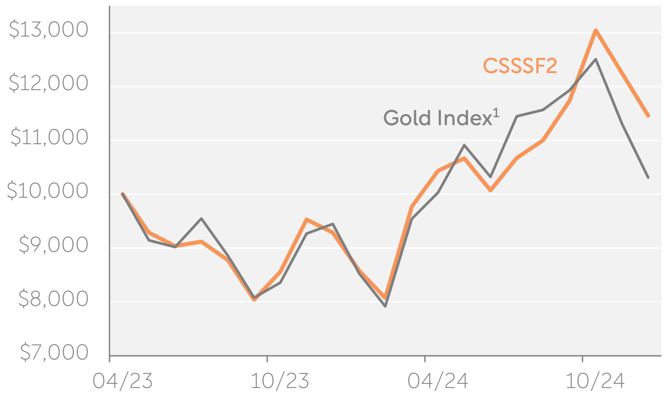
Nevertheless, our portfolio has been designed to not be solely reliant on higher gold prices.

Net Returns

	CSSSF2	Gold Index[1]	Value Add
3 months	-2.3%	-13.6%	11.3%
6 months	13.8%	-0.1%	13.9%
12 months	23.4%	9.1%	14.3%
Since inception	14.6%	3.1%	11. 5%

Past performance is not a reliable indicator of future performance.

Value of $10,000 since inception



Substantial holdings

	Listed in	Projects	Stage
Black Cat Syndicate	Australia	Australia	Producer
Equinox Gold	New York	Canada	Producer
Catalyst Metals Limited	Australia	Australia	Producer
Aris Mining	New York	South America	Producer
Calibre Mining	Toronto	Canada	Producer

We posit that our mix of small and medium sized gold companies will benefit from the tailwinds of both higher gold prices and the already increased earnings and potential of our underlying holdings.

Ultimately, if markets don't begin to properly ascribe value to the underlying businesses and their earnings potential, we believe that others within the sector will recognise the mispricing and step in to take advantage.

Collins St Special Situation Fund No. 2 was open to Wholesale and Sophisticated Investors only. Capital is not guaranteed. [1]The XAU is the Philadelphia Gold and Silver Index, composed of large-cap US-listed precious metal miners.