

COLLETTE CAPITAL

COLLETTE CAPITAL WHOLESALE IMA STRATEGY

AUGUST 2021

THE STRATEGY

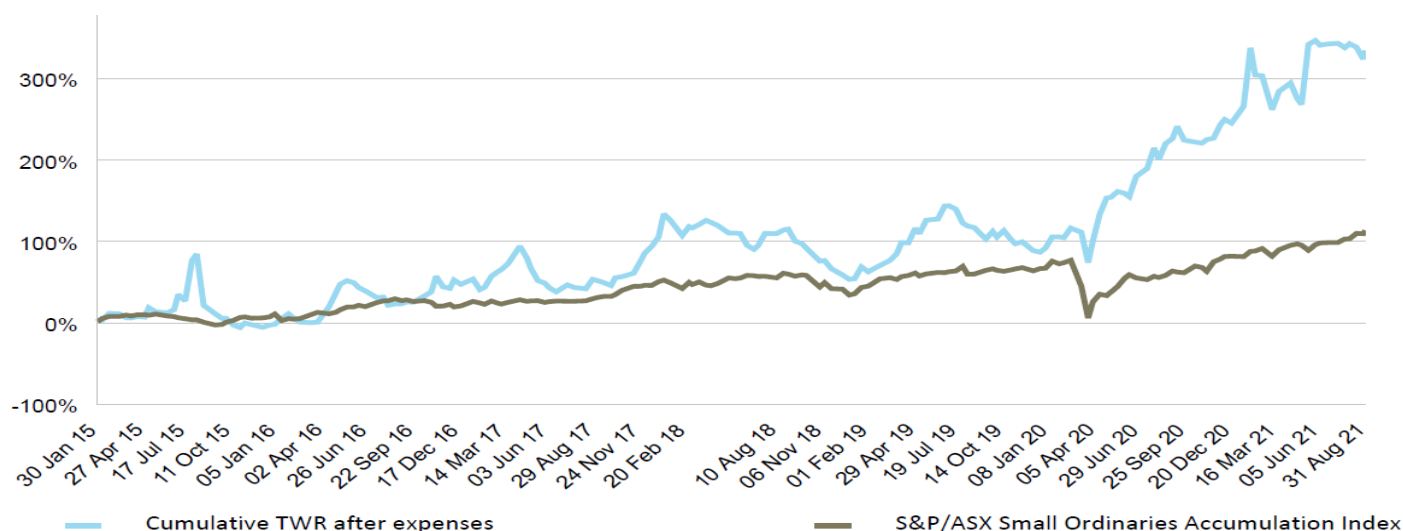
The investment objective of the Collette Capital Wholesale IMA strategy (the Strategy) is one of absolute returns irrespective of prevailing market conditions. The exposure set may skew net long or net short.

Macro-economics, fundamental research, and technical rationale (price action) are all inputs into the decision making process utilised within the Strategy.

In all instances the client remains the beneficial owner of all positions.

An IMA or Individually Managed Account is an account service where all investment decisions are outsourced to the manager.

PERFORMANCE



Disclosure:

Performance is un-audited and is based on an actual client account which began in the IMA service on the 22 January 2015.

Percentage returns have been calculated using the Time Weighted Return (TWR) method.

The Time Weighted Return (TWR) method allows the calculation of returns according to the amount invested on any given day – excluding cash.

Please see page 3 for further information on TWR.

PERFORMANCE FIGURES

Through the month of August versus the ASX Small Ordinaries Accumulation Index (XSOAI), net of all costs.

	August	FY22	FY21	FY20	Inception p.a.
CC Wholesale IMA Strategy	-1.88%	-1.02%	+60.79%	+8.62%	+24.88%
Small Ords Accumulation Index	+4.98%	+5.7%	+33.23%	-5.67%	+12.14%

PORTFOLIO MANAGER

STEVE COLLETTE
B.COM (FINANCE) / B.A., ADA2

Steve is in his 20th year in financial markets as both a portfolio manager and advisor. Steve was a founding member of Calibre Investments in 2010, now known as Sanlam, and founded Collette Capital in 2020.

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PORTFOLIO MANAGER'S COMMENTS

The Strategy was -1.88% in the month of August.

The Strategy was +60.79% for FY21.

The Strategy continues to refine the way that it interacts with the market, in the knowledge that what worked one year is not necessarily likely to work in the next.

Currently indexes including the local bourse are in the process of making new highs, and in so doing are climbing the proverbial 'wall of worry'.

Whilst there is much rationale that seeks to explain the current price action, it is the view of the author that increasing fragility is being 'built into the system' given the current price action.

If this idea is broadly correct, then coming months and years may be punctuated by increasingly frequent short and sharp pullbacks.

We haven't had such a pullback in quite some time, and whilst they are by no means guaranteed, when they do occur, they do flush out the weakest hands and provide a reset of sorts.

This idea can in part be demonstrated by looking at the chart of the SP500 over the last year, where every time the price action moves downward to test the simple 50 day moving average, the index has been finding support, almost to an eerie degree.

One way in which the potential for short, sharp pullbacks can be counteracted in a structure such as that of the IMA is to move a greater proportion of risk exposure into highly liquid or value traded names.

As ever, one true and explicit arbiter of performance – PRICE – will be at the forefront of the Strategy in the new financial year.

Whilst any number of narratives will always be available to engage in - that seek to explain what is happening in the market – at the end of the day we can only ever trade in 'price'.

Price has no knowledge of the narratives that supposedly explain it, and so rigour around this input, and the management of risk strictly thru this prism, is the foundational pillar upon which the Strategy operates.

The Strategy's most preferred exposures involve a modest starting point or EV, good management given that small starting valuation, and most importantly a business that is engaged in or aspires to engage in a pursuit with a potentially unquantifiable upside.

KEY INFORMATION

Risk Rating	High
Benchmark	ASX Small Ords Accumulation Index
Inception Date	22 January 2015
Management Company	Collette Capital Pty Ltd
Portfolio Manager	Steve Collette
Management / Performance Fees	Nil
Brokerage Fees	\$75 or 0.5%, whichever the greater
Clearing Agent	FinClear Execution Limited
Reporting	Praemium Limited (\$300.00 per annum + GST)

Additional Disclosure with reference to TWR method of calculating return:

The Time Weighted Return (TWR) method allows the calculation of returns according to the amount invested on any given day – excluding cash.

In so doing it does not take into effect the amount of any cash that the client or account is holding on any given day.

This has the effect of amplifying stated positive or negative returns relative to dollar outcomes in any period where the client is not 100% invested and so is holding no cash.

In simple terms, this means that if the client offers an investment of \$300k in the Strategy and has a stated return of 15% over a given period net of all costs but has only averaged 50% drawn down (50% cash), then the return will have been +\$22,500 as opposed to +\$45k for that period.

However, the opposite would also be true if the stated return were -15% under TWR, the loss will have been -\$22,500 as opposed to -\$45k for that period.

The TWR method is used in calculating returns for Collette Capital Wholesale IMA Strategy because the client account upon which the reporting is based has historically settled to an external bank account.

Incoming clients should know that use of the TWR method in their instances will take into account any cash on deposit at CMA, as all incoming clients are required to have excess funds on deposit at CMA.

A detailed explanation of the TWR method for calculating returns is available here:

<https://au.praemium.help/home/twr-percentage-return-calculations-in-the-investment-movements-report>

All trades that have contributed to the stated return are available upon request.

Additional Disclosure with reference to the Performance Figures:

The performance figures are based on an account with \$1,350,000 in the Strategy as at the start of July 2021. The amount that this account has made available to the Strategy has changed over time and since inception. The minimum to participate in the Strategy is \$100,000. As at the start of September 2021, accounts considered to make available or be likely to make available to the Strategy an amount between \$100,000 and \$400,000, will hold a smaller position set, which may not include the same composition as that held within the account and / or position set used to calculate the performance figures, and hence the returns on those accounts will vary from those included in this report.

Incoming accounts do not have the existing position set of the Strategy replicated, rather they receive the next position the Strategy acquires from their start date. This also has the effect of varying returns on new accounts from the returns included in this report. Investment performance includes dividends (but not franking credits) and is calculated net of all fees. Past performance is not a reliable indicator of future performance. Individual IMA Strategy results will differ depending on committed funds, start date, brokerage, fees and taxes. Quoted returns are based upon a client account which has historically operated with a brokerage charge of \$75 or 0.5% whichever the greater, and no management fee. At times the manager will vary the brokerage down in the client's favour, but never up.

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