

COLLETTE CAPITAL

COLLETTE CAPITAL WHOLESALE IMA STRATEGY

JUNE 2021

THE STRATEGY

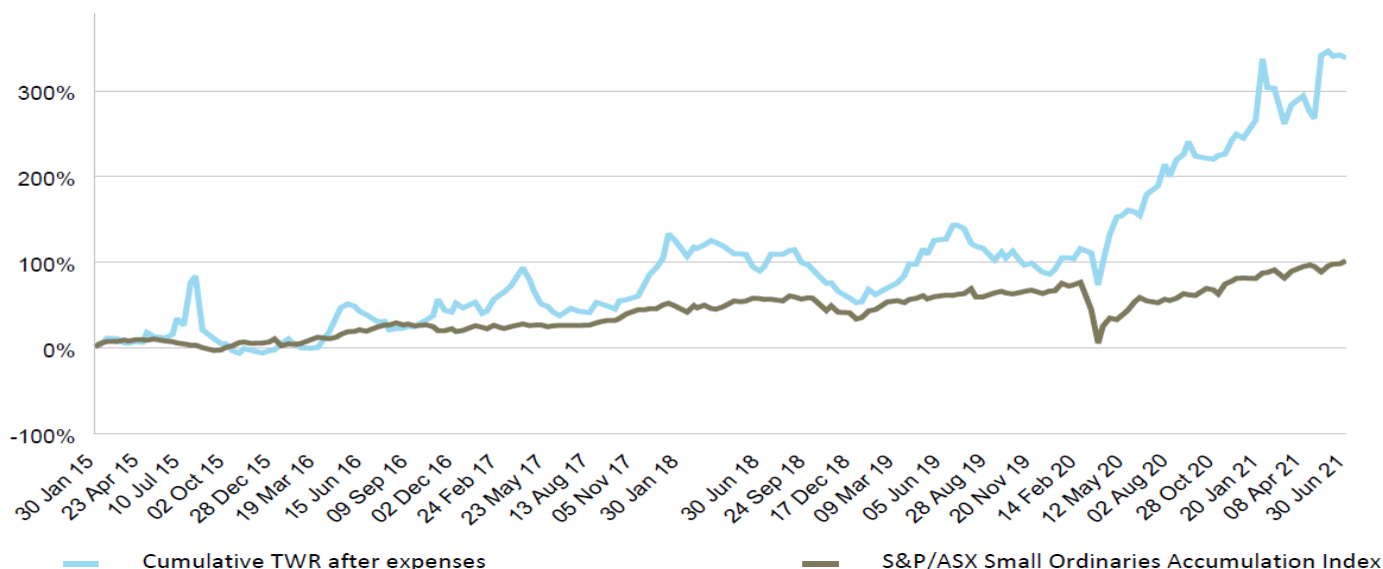
The investment objective of the Collette Capital Wholesale IMA strategy (the Strategy) is one of absolute returns irrespective of prevailing market conditions. The exposure set may skew net long or net short.

Macro-economics, fundamental research, and technical rationale (price action) are all inputs into the decision making process of 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 June versus the ASX Small Ordinaries Accumulation Index (XSOAI), net of all costs.

	June	FY21	FY20	FY19	Inception p.a.
CC Wholesale IMA Strategy	-1.71%	+60.79%	+8.62%	+29.83%	+25.79%
Small Ords Accumulation Index	+3.08%	+33.23%	-5.67%	+1.92%	+11.52%

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 -1.71% in the month of June.

The Strategy was +60.79% for FY21.

That is a pleasing outcome, however also a necessary one.

The generic Small Ords Accumulation Index also gained +33.23% for the year, underpinning just how bullish broader conditions have been.

A large portion of the gains on the year came from the aforementioned Animoca Brands, and its ultimate revaluation up to 110c AUD basis now US\$138.8mIn of capital that has been raised at that value, relative to a last traded price of 18c on the ASX from March of 2020.

The IMA had also been holding a position in CODA Minerals (ASX: COD) from IPO in 2020, and was genuinely pleased to see the company revalue notably higher during the month of June on drilling results.

FY22 is likely to be more challenging.

For one thing, the starting position is entirely elevated.

Further, the dogma of markets and the attitudes currently being expressed by many participants are red flags.

The bullish trend is well and truly in place, yet of course the marginal buyer for any asset class must inevitably become exhausted also.

As ever, the observation and adjustment of exposure basis the 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 \$1,200,000 in the Strategy as at the start of 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 calendar year 2021, accounts considered to make available or be likely to make available to the Strategy an amount between \$100,000 and \$300,000, 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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