



Emerging Companies Fund

Investor update | May 2023

STRICTLY PRIVATE & CONFIDENTIAL

1. Colt Overview

- Colt Emerging Companies Fund “Colt” “the Fund” commenced on 1 April 2020, with seed investment from Manager and Trustee, Foster Capital NZ Limited, amidst the unprecedented market turmoil of Covid-19.
- Colt was established to provide pure small and micro-cap investment exposure to wholesale investors (as defined by the Financial Markets Conduct Act, 2013).
- The Fund runs a highly focused investment strategy on emerging companies and investment themes, with its investment universe being predominantly ASX listed small caps, but also includes pre-IPO and some unlisted securities, where high growth, high quality opportunities can be identified.
- The Manager is highly active, leveraging resources, knowledge and deal flow via our office network in Auckland, Sydney and Perth and relationships with brokers and investment banks across New Zealand and Australia.
- Colt’s key strength or point of difference, is our ability to provide high-quality Australian emerging company (micro-cap) exposure to NZ investors.
- Colt Emerging Companies Fund has returned 37.53% p.a. after fees and costs for its first 3 years since inception.
- Investment Committee comprised with Sam Macdonald, Stuart Foster and Mark Hinsley.
- Sam and Stuart are Directors of Colt.
- Stuart and Mark also manage a private family office called Cranport, which helped seed the Colt fund, and essentially has a very similar investment strategy and mandate to Colt (albeit running private money). Cranport is run out of Sydney.

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	YTD
FY2021	+5.5	+4.1	+5.6	+6.2	+6.8	+8.9	+2.5	+2.8	+3.5	+4.5	+8.5	+1.1	+80%
FY2022	+3.9	-0.5	+0.5	+2.5	+1.3	+2.2	+5.3	-2.9	+4.3	-2.5	-4.3	+5.9	+17.2%
FY2023	-1.5	-6.9	-7.5	+2.8	+3.0	-1.6	+2.2	-0.5	-3.0	+2.6	-6.0	-0.2	-15.4%
FY2024	-3.8												-3.8%
Inception													+68.75%

**Unit holding is calculated after fees, expenses & tax.*

2. Macro Overview

Markets path of least resistance is higher.

Climbing the wall of worry stage of a new bull market.

Our core thesis remains that inflation peaked end of last year and the markets will hold October 2022 lows. The inflation fight is won and central banks are at their terminal rates.

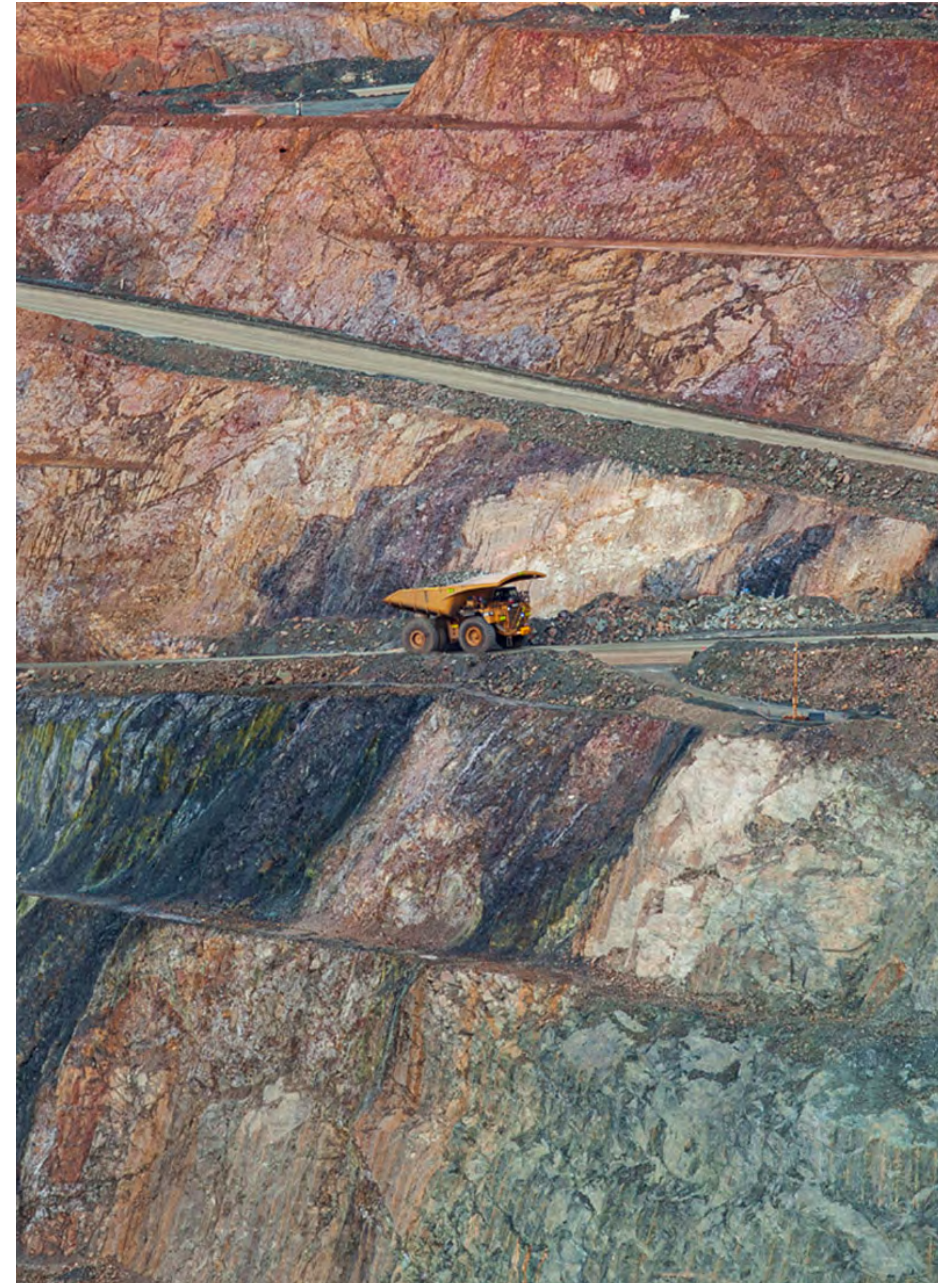
This inflationary period will be a blip on a long term CPI Chart. The combination of covid driven global supply chain interruptions and an unprecedented monetary policy response will prove to be an anomaly.

Both the Bond and Equity markets are correct in what they are pricing: GDP Growth slowing, inflation falling, China reopening and exporting deflation, equity earnings not collapsing and central banks rates cutting rates in 2024.

Either no recession or a shallow one is our base case.

The markets are besotted with the most widely forecast US recession in history and have taken their eye of the true driver of commodity demand, being Chinas reopening.

We are now seeing a paradigm shift getting underway with high profile leading global investors all now pivoting to the bull side in recent weeks, upbeat on the economy and changing impacts AI will have on the world.





3. Key Thematics

1. Critical Metals

U.S. Inflation Reduction Act 2022 provides significant consumer tax credit incentives for EV purchases

* IRA provides buyers with \$3,750 credit towards EVs with batteries containing critical minerals extracted in the US.

* A further \$3,750 credit is provided for EVs with batteries manufactured in the US.

Several major auto companies and battery makers have invested/funded critical mineral projects (eg GM/Thacker Pass, Ford/LTR, QPM/GM, GTI/LG) and also the loans that the DOE are providing companies for development (eg INR, SYR, NVX) etc

2. US Dollar to weaken - positive for Gold and Commodities

3. Buy versus Build - M&A cycle just starting

BHP/OZL, Newmont/Newcrest, Wyloo/Mincor, GMD/SBM, Livent/Alkem, Albemarle/LTR, IGO/ESS

4. Point of difference

- 1.** Presence in both Sydney and Perth
- 2.** Extensive relationships and accounts with all key Australian brokers:
 - a.** Idea generation
 - b.** Reverse broking
 - c.** Deal flow (pre IPO, IPO, secondary raisings)
 - d.** Block trade opportunities
- 3.** Extensive relationships with Board and management personnel of ASX companies built over many years – often recycle into other companies.
- 4.** Average of 20 meetings/zooms a week, approximately 1,000 a year.
Enables us to quickly sort through the good from the average.
- 5.** Regular trips to Perth to meet with resources companies.
Always come away with insights and ideas.
- 6.** Networking events such as Cranport and Colt annual hiking trip with companies and other fund managers.
- 7.** Strong relationships with Board and management personnel in which we have shareholdings – enables us to stay close to positions.





At Skate Park
3:50 pm - 4:25 pm



360

- Life360: 360.ASX
- Market cap currently approximately A\$1.4b
- Company overview:
 - US based technology company.
 - Life360 provides a market leading app for families – called Life360 – with features that range from communications to driving safety and location sharing. The company has more than 30 million monthly active users and is one of the most downloaded apps in the US.
 - Life360 was founded in 2007 by Chris Hulls who is still the CEO today and one of the largest shareholders in the company.
 - The company generates significant revenue, forecast at >US\$300m in 2023 and will generate positive EBITDA for the first time in 2023.

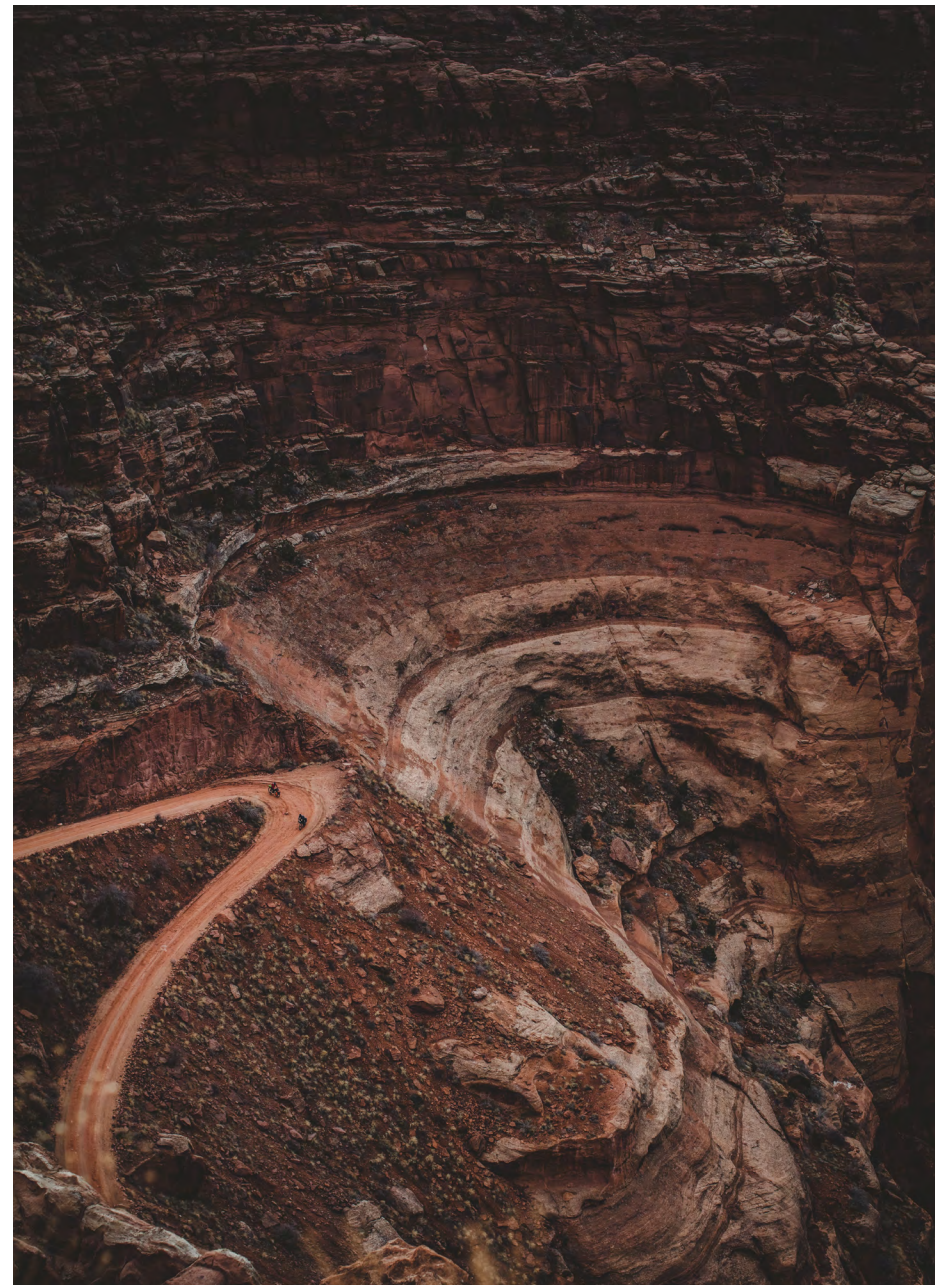
360 (continued)

- Our background on the stock:
 - We first reviewed the company at IPO in early 2019, but didn't participate due to concerns about the amount of existing shares that were only subject to a short 6 months escrow period. We were concerned this would weigh on the stock until the stock came out of escrow and was sold, given those shareholders were VC funds that had been shareholders for a long time.
 - As expected, the stock struggled post listing which only got worse as the escrowed stock approached release date. The IPO price was \$4.79.
 - We entered the register via crossing completed in late 2019, when the escrowed stock was released and sold. We bought in volume around the \$3 mark.
 - Like most equities, 360 got hit hard for a brief period when COVID hit in early 2020 but then proceeded to rally from less than \$4 in mid 2020 to a high of almost \$14 in November 2021, just prior to the Fed going hard on US rate rising which crushed tech stocks globally.
- We exited our position in this rally, making very strong returns. We continued to stay close to the company and, as the valuation was crunched throughout 2022 when the share price retreated all the way back to close to \$2, we bought back in and have enjoyed good returns since then as the company has recovered back towards \$7 in recent weeks following a very strong March quarter.
- **Our view going forward:**

360 is our conviction technology exposure with very credible management, massive customer base in the largest market in the world, growing revenues at +50% yoy and now generating positive EBITDA and cash flow. Ultimately the natural exchange for the stock should be the NASDAQ, which they did explore just prior to COVID, and we expect this strategy will be revisited when the time is right. The company is now well funded also with almost US\$80m cash. We see the potential for upward revision to guidance in the second half of this year, and with the NASDAQ price action in recent times indicating the flow of capital back into tech as the Fed nears the end of the rate rising cycle.

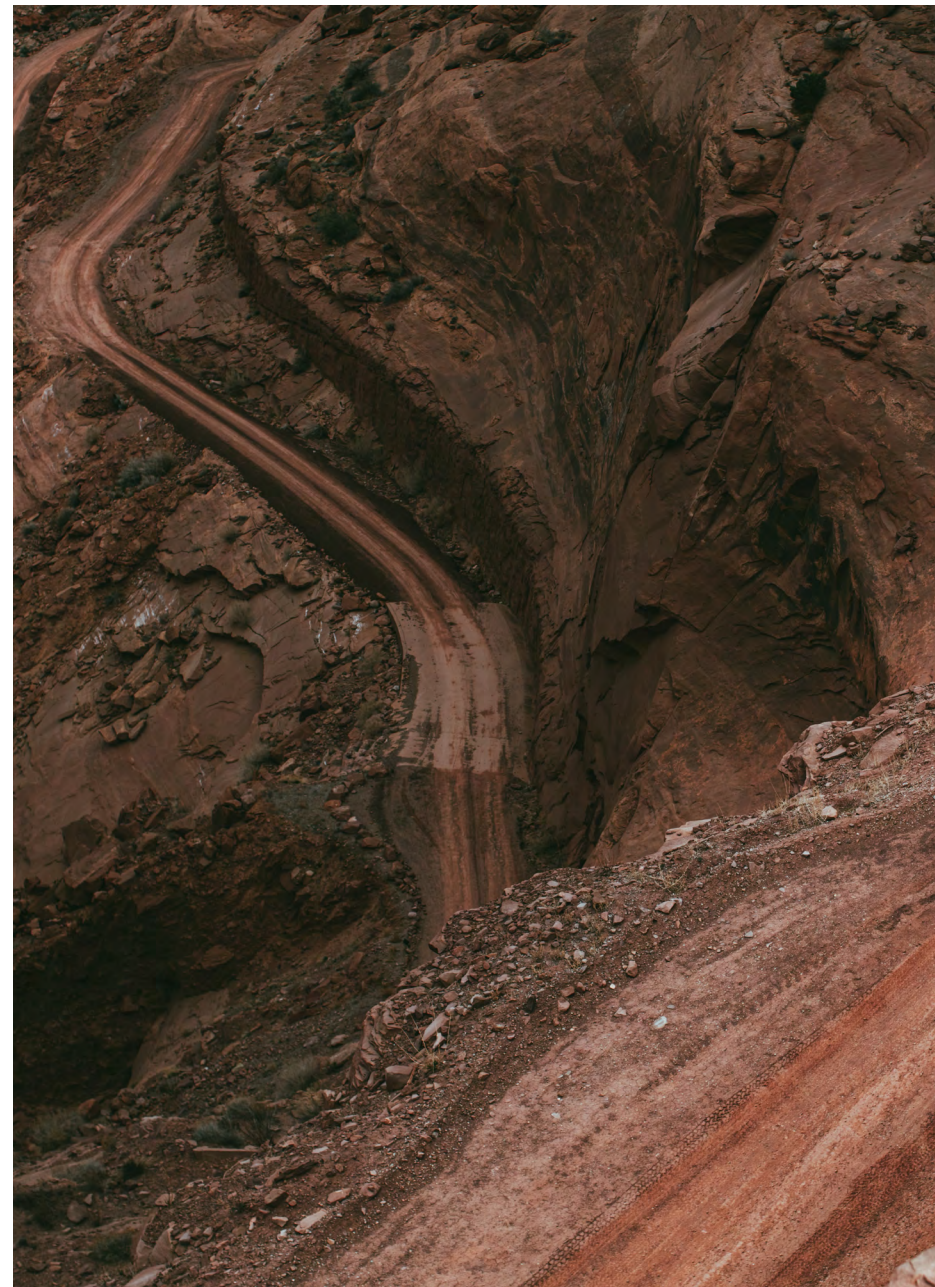
MEI

- Meteoric Resources; MEI. ASX
- Market cap approximately A\$300m
- Company overview:
 - Rare earths development company.
 - Recently acquired flagship rare earths Caldeira REE Project in Brazil.
 - Rare earths are a key beneficiary of the electric vehicle tidal wave – there is roughly a kilogram of magnets used in each electric vehicle. Rare earths are used as the key input commodity into these magnets.
- Our background on the stock:
 - Noticed ASX announcement of acquisition in late 2022.
 - Had long standing relationship with key management personnel, reached out to CEO to better understand asset and strategy.
 - Started buying stock on market around 10c.
 - Stuart and Mark travelled to Melbourne in April, to meet with largest MEI shareholder Tolga Kumova to gain great insights into asset and strategy.
 - Following the Melbourne trip, participated as cornerstone investors in recent 12.5c placement.



MEI (continued)

- Share price has risen from less than 2c to almost 20c in recent months.
- **Our view going forward:** Notwithstanding the significant share price appreciation, we consider this to be the highest grade rare earth ionic clay deposit. Maiden resource recently announced of more 400Mt at a grade of more than 2,600ppm. This makes the deposit one of, if not the highest grade ionic rare earth projects globally. And it only comes from 24% of the project area and less than 15,000m worth of historical drilling. The company is now embarking upon a 100,000m drilling program. The stock is still, in our view, not well known by many domestic institutions and will likely further re-rate as the awareness of the opportunity increases. World class deposits either get taken out by a major or get funded to realise significant value creation.





GMD

- Genesis Minerals; GMD.ASX
- Market cap currently approximately A\$500m, however will increase to ~A\$1.2b upon the successful acquisition of the nearby St Barbara Gwalia assets, anticipated around July/August.
- Company overview:
 - Gold development company.
 - Flagship Leonora Gold Project in Western Australia.
 - Upon successful acquisition of peer ASX-listed company St Barbara's neighbouring Gwalia mine and processing infrastructure, GMD will be the owner of 15Moz worth of gold resources, two processing mills and a gold production profile of +300kozpa.

GMD (continued)

- Our background on the stock:
 - We were first introduced to the stock back in 2019 via Argonaut, a Perth broker with whom we have a strong relationship. We bought stock at the time as we recognised the quality of GMD's gold deposits in Western Australia.
 - The stock rose considerably in mid 2021, when Raleigh Finlayson corner stoned a funding package and joined GMD as Managing Director. Raleigh was previously the Managing Director of Saracen Minerals, taking that company from a market cap of approximately \$50m in 2008 to a whopping \$6b in 2021 before merging with Northern Star in a \$16b transaction.
 - We had an existing strong working relationship with Raleigh, and stay in regular contact. We participated in the recent equity raising to fund the acquisition of the Gwalia assets.
- **Our view going forward:** We are bullish gold, and Aussie domestic funds love to go to gold stocks that have existing production, sound management and Australian based assets. Capricorn Metals (CMM) is a great example of this, which has been the go to gold stock for many domestic funds going from \$2 to over \$4 in the last two years. We believe GMD will be the next "go-to" Aussie gold producer and this is a long term conviction hold for us.

OBM

- Ora Banda Mining; OBM.ASX
- Market cap currently approximately A\$250m.
- Company overview:
 - Gold production company.
 - Flagship Davyhurst Gold Project in Western Australia (~100km NW of Kalgoorlie).
 - Currently producing ~60kozpa and growing to more than 100kozpa in the near term, with a focus on exploring the vast tenement package, which is highly prospective with limited historical exploration at depth given previous management's focus on operations.
- Our background on the stock:
 - We have known about the company for many years, as they struggled operationally under historical management and ran into balance sheet stress.
 - We started building a position in the stock in October 2022 around 7 cents, following the appointment of Luke Creagh as the new Managing Director which was a clear catalyst. Following some reference checking, it was clear to us that Luke was extremely well qualified and, as in the case with GMD and Raleigh, we recognised this was an opportunity to “back the person”. Luke previously held senior positions at Northern Star working under Bill Beaumont (which merged with Saracen Gold, where Raleigh Finlayson was Managing Director).
 - We had multiple zooms with Luke and then went to Perth to sit and have lunch with him.
 - Our confidence in his strategy with OBM grew, and we grew our position on-market and also participated in a recent equity raising the company completed in March 2023 at 11.25 cents.
 - The share price has since risen further to 15 cents, and the company is now well funded with circa \$50m cash.
 - **Our view going forward:** This is a classic turn around story, underwritten by a refreshed strategy and backable management. The management and register have both been overhauled for the better, the strategy has shifted to growing production whilst at the same time exploring the highly prospective tenement package and the company now has a strong balance sheet to execute. There are not many Australian based existing gold producers with market caps less than \$1b. OBM is one of them.



WA1

- WAI Resources; WAI. ASX
- Market cap approximately A\$200m
- Company overview:
 - Niobium exploration company.
 - Flagship West Arunta Project in Western Australia.
 - Niobium is not generally well understood by the markets. It is used predominantly as a steel hardening commodity but also has application in lithium-ion batteries enabling reduced charging times. Globally, there are only 4 defined niobium resources grading higher than 0.7% niobium.
- Our background on the stock:
 - WAI first listed on the ASX in Feb 2022 with a package of exploration tenements yet to be drilled. They had completed extensive geophysics to help with targeting.
 - The stock popped up on our radar initially when the company released first pass drill hits in late October 2022, confirming the discovery of a mineralised carbonatite system (important sources of niobium and REE e.g Lynas Rare Earths' Mt Weld deposit sits within a carbonatite mineral system). Grade recorded was ~0.6% niobium. Share price went from 22c to 70c on news of this discovery hole. Up over 400% on the day.

WA1 (continued)

- A month later, the stock went into a trading halt, confirming the discovery of a second mineralised carbonatite system via further drilling, with niobium grades of up to almost 3% niobium. This second discovery hole indicated to us that this is a genuine discovery and mineral system. Concurrently with these results the company completed a placement to institutional investors at \$2/share, which we participated in via Euroz Hartleys with whom we have a good relationship.
- We continued to buy shares on market following the completion of the placement, as the stock went below the placement price for a period of time.
- We held multiple meetings with management in Perth to gain further confidence and insight into the drilling program.
- On 1 May, the company released a further batch of drilling results which highlighted the best results received to date, with grades of up to 5% niobium. The share price has since gone to now over \$3.50 a share. And the company raised a further \$10m in equity capital at \$2.75/share to one of the largest Australian institutional investors, further validating the asset.
- **Our view going forward:** This is shaping up as a world class niobium deposit, at an embryonic valuation stage. A lot of investors get spooked when a price goes almost 20x in such a short period of time. But the fact is this company has a very small number of shares on issue, a tight shareholder base and has clearly made what appears to be a world class discovery in a highly underexplored region of Western Australia. Despite the share price rally, the market cap is still only circa \$200m. It reminds us of Chalice Mines some years ago, when the stock went from 30c to \$2 on the back of their Julimar Ni-Cu-PGE discovery in a very short period of time. That company now has a market cap of almost \$3b and share price of over \$7 having raised a lot of capital along the way. This demonstrates the opportunity we see with WA1 at this early stage. We expect a steady stream of ongoing drill results in the near term, with the company now well funded with almost \$20m cash, and likelihood of a maiden resource in H2 CY23.

Fund Structure & Investment Guidelines

LEGAL STRUCTURE – Unit Trust (Wholesale Managed Investment Scheme).

TAX STRUCTURE – Portfolio Investment Entity (PIE).

DOMICILE – New Zealand.

INVESTMENT RISK – Medium to High.

INVESTMENT FOCUS – Small & Microcap equities across Australia predominantly.

RECOMMENDED INVESTMENT TIME FRAME – 2+ years.

TRUSTEE AND MANAGER – Foster Capital NZ Limited.

CUSTODIAN – Adminis Limited

BASE MANAGEMENT FEE – 1.0% p.a.

BENCHMARK / PERFORMANCE HURDLE – 10.0% p.a. (after costs).

PERFORMANCE FEE – 20% of pre-tax returns above 10% p.a. hurdle rate.

MINIMUM INVESTMENT – NZD\$50,000.

CURRENT UNIT PRICE – \$1.66

PRICING / APPLICATIONS / REDEMPTIONS – Monthly.

HIGH WATERMARK – Yes.

SUBSCRIPTIONS / REDEMPTIONS – Monthly (no redemptions within the first 12 months from the time of investment).

INDIVIDUAL SECURITY LIMITS – Maximum 10% of the portfolios NAV.

OFFSHORE SECURITY LIMITS – The Fund may not have more than 10% of the portfolio value invested outside New Zealand and Australia at any given time, at the time an investment is made.

UNLISTED SECURITIES – The Fund will aim to hold not more than 15% of the portfolio value in unlisted securities at any given time.

SINGLE INVESTMENT RISK – Colt will aim to hold not more than 5% of any one security.

REPORTING – The Manager will report to unitholders on a monthly basis, including fund performance, unit pricing and commentary.

ELIGIBILITY – Wholesale investors only (under financial markets conduct act 2013).



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