

21 October 2024

Dear Investor,

**Notification of changes to the Auscap Long Short Australian Equities Fund**

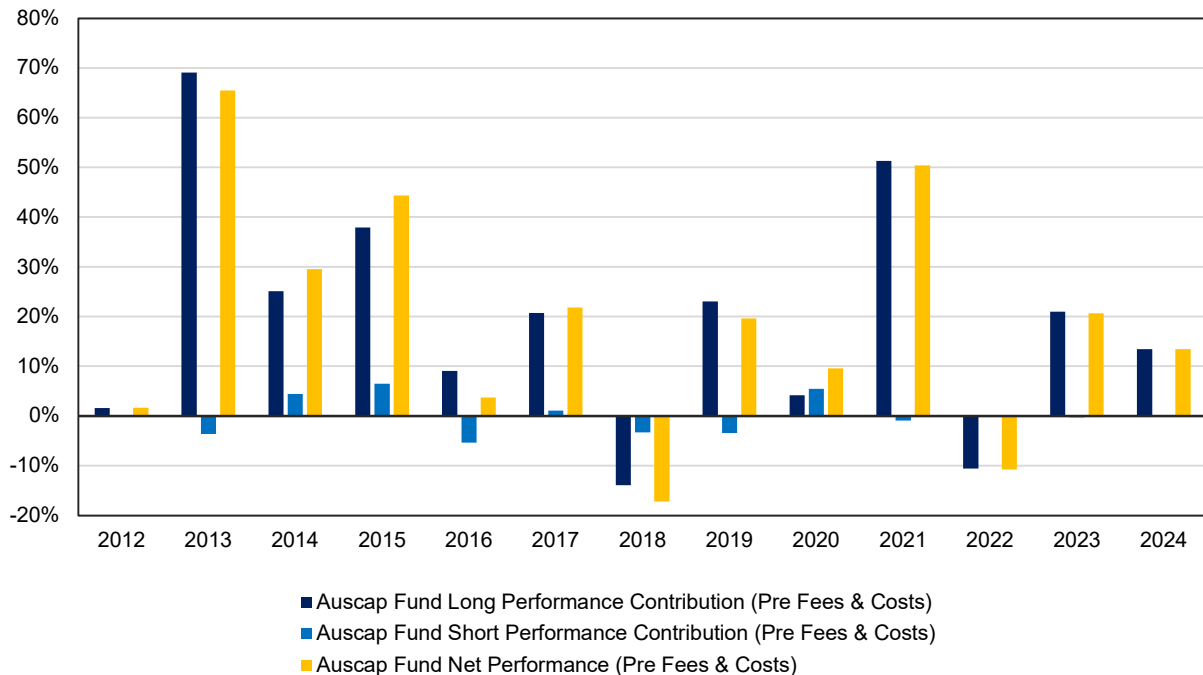
We hope this letter finds you well.

We are writing to inform you of changes to the Auscap Long Short Australian Equities Fund (Fund) which will take effect from 1 December 2024. These changes do not require any action on your behalf.

In our letter to investors dated 11 January 2022, we communicated our intention to use shorting and leverage sparingly on a go-forward basis. This was for a number of reasons that we reiterate and update here:

- Short selling has contributed just 0.4% to returns from the Fund's inception on 3 December 2012 to 30 September 2024. Long investments in individual companies have contributed 99.6% of returns. Further, short positions detracted from returns in the two calendar years that the Fund has experienced a negative return. This is broken down by year below.

**Auscap Fund: Long and Short Contribution to Return**



- Our analysis also indicates that the historical use of gross leverage, while modest, has exacerbated the volatility of returns at various times. Since the Fund's inception, the average gross long exposure has been 111% and the average gross short exposure has been 12%, with an average net exposure of 99%. Over the last 3 years the Fund's average gross long exposure has been 95% and its average gross short exposure has been 0%, with an average net exposure of 95%.

Since 2022 our focus has been on doing more of what has generated the vast majority of the Fund's returns, that is investigating companies to identify high quality, long term investment opportunities that

are trading at attractive prices. At the same time we have focused less on what has contributed very little to, and at times detracted from, the Fund's returns or increased the volatility of those returns, namely shorting and the use of leverage. Since the letter we sent in January 2022, the Fund's use of leverage and short exposure has been de minimis, both less than 1% at all times. For the vast majority of this time, the Fund has had no shorts and used no gross leverage.

We are providing you with this letter to inform you a new Product Disclosure Statement will be issued by us on or around 1 December 2024 (Updated PDS) to formalise these changes by removing the Fund's capacity to use short selling and leverage. At the same time, the Fund will be renamed the **Auscap High Conviction Australian Equities Fund** which more accurately reflects the strategy employed by the investment team – a strategy of investing in our highest conviction ideas, without short-selling or the use of leverage.

Below is a summary of the changes being made to the Fund, effective from the date of the Updated PDS.

### **What will change**

- **Fund name** – The Fund's name will change from the Auscap Long Short Australian Equities Fund to the Auscap High Conviction Australian Equities Fund.
- **Removal of short selling from investment strategy** – The Fund will be classified as a 'long-only' fund, such that Auscap will no longer be able to use short selling as part of the Fund's investment process.
- **Removal of allowance to use leverage from investment strategy** – Similarly, Auscap will no longer be able to use leverage as part of the Fund's investment process.
- **Change of Custodian** – With the removal of the ability to short sell and use leverage, the prime brokerage and custody arrangements with Citigroup Global Markets Limited and the cash lending arrangements with Citigroup Global Markets Australia Pty Ltd will be closed, and Apex Fund Services Pty Ltd will be appointed as the master custodian of the Fund.
- **Updated PDS** – the Updated PDS will be issued in a new PDS format as a shorter form PDS on or around 1 December 2024.

### **What will not change**

- **Investment process** – The Fund will otherwise continue to employ its high conviction strategy of investing in what Auscap's investment team deem to be high quality companies within their market segment, bought at what we consider to be attractive prices. We continue to be long-term holders of the companies owned in the Fund, and our recommended investment time horizon remains 5+ years.
- **Investment team** – The Fund will continue to be managed by the same investment team consisting of Tim Carleton, Chief Investment Officer, Will Mumford, Deputy Portfolio Manager, and Gavin Rogers, Investment Manager.
- **Liquidity** – Application and redemption time frames relevant to the class in which you are invested will remain the same.
- **Fees** – The fees charged for managing your investment will remain the same as reflected in the Fund's PDS.
- **Administrator and Investor Portal** – Link Fund Services will continue to administer the Fund and the investor portal will remain the same.

Should you require further information, please do not hesitate to contact us. You can reach Lauren Murphy, Auscap's Head of Distribution, at [distribution@auscapam.com](mailto:distribution@auscapam.com) or on +61 2 8378 0800. We have recently established a dedicated Auscap call centre administered by Link which can assist with enquiries relating to the Investor Portal, updating contact details, and requests for statements or other information. The call centre contact number is +61 1300 420 208.

### **Fund Performance**

The Fund has had a strong 12 months to 30 September 2024, delivering 22.2% net of fees for investors. We are pleased with the performance of the Fund which continues to outperform the market over various time horizons, delivering returns since inception of 446% net of fees, versus the All Ordinaries

Accumulation Index return of 205%. The return profile of the Fund over various time horizons is highlighted below. We are enthusiastic about the prospects for the companies the Fund is invested in.

	1 Year	2 Years p.a.	3 Years p.a.	4 Years p.a.	5 Years p.a.	10 Years p.a.	Since inception p.a.
<b>Auscap Long Short Australian Equities Fund</b>	22.2%	20.0%	8.8%	22.7%	14.2%	11.4%	15.4%
<b>All Ordinaries Accumulation Index</b>	22.1%	17.5%	8.1%	13.5%	8.7%	9.2%	9.9%
<b>Fund Relative Performance</b>	+0.1%	+2.5%	+0.8%	+9.1%	+5.5%	+2.2%	+5.5%

*Note: The Fund's inception date is December 2012. Performance figures are calculated for the Monthly Class net of all fees and expenses and assuming the reinvestment of all distributions. As at 1 January 2021, the Series Class was consolidated into the Monthly Class. Numbers may not add due to rounding. Past performance is not a reliable indicator of future performance.*

### **Webinar**

We will be holding our next webinar at 2.00pm (AEDT) on 29 October 2024 where we will discuss the performance of the Auscap Funds, highlight the changes described above, and run through a number of listed company updates following recent research trips by the investment team to the United States, United Kingdom and around Australia. We hope you will be able to join us. There will be an opportunity during the webinar to ask any questions you may have. An invitation will be sent to you shortly. You can also register for the webinar at [www.auscapam.com](http://www.auscapam.com). A replay of the webinar will be available with a link sent to those registered.

Finally, we would like to take this opportunity to thank you for your ongoing support. We look forward to continuing to work diligently for you over the coming years.

Yours sincerely,

Auscap Asset Management