



INVESTMENT STRATEGY

Spatium Capital's investment strategy is a quantitative approach that uses end-of-day-adjusted data through the investment manager's proprietary filters to capitalise on the frequent short-term price dislocations in equity markets.

The Spatium Small Companies Fund¹ is an Australian ASX300 long-only, relative return fund that seeks to construct, on average, a portfolio of 25-to-40 positions on an equally weighted basis. This approach results in an average portfolio holding period of 30-to-45 days.

PERFORMANCE SUMMARY

	1 MONTH	3 MONTHS	1 YEAR	3 YEARS p.a.	7 YEARS p.a.	INCEPTION
SSCF ¹	-4.9%	10.8%	-2.5%	3.0%	5.3%	56.8%
Benchmark ²	-3.0%	-1.6%	-9.3%	7.5%	2.2%	17.8%
Value Added	-1.9%	12.4%	6.8%	-4.5%	3.1%	38.9%

IN THE SPOTLIGHT: WHEN VALUATIONS FAIL

3-part series

Our last series argued that price discovery is eroding in public markets. This one asks a harder question: what happens where there is no market price at all, and what happens when a private price is finally made to meet a public one? Over three months we look at private credit, IPO's and the standards we rely on to tell us what things are worth.

The Price Nobody Tests: Private Credit and the Comfort of the Unmarked Loan

Private credit has been the defining Australian product story of the past decade. ASIC estimates the domestic sector has grown by around 500% over that period², sold to investors, advisers and superannuation funds on a simple proposition: a steady monthly income, secured against property or business assets, without the volatility of listed markets.

That absence of volatility however, deserves more scrutiny than it gets. A listed bond is repriced every day by someone willing to buy or sell it. A private loan is generally repriced when its manager decides it should be. In most funds, that means a loan is carried at or close to face value until something formally goes wrong - a missed payment, a default notice, an administrator. The return looks smooth because the instrument that would show the bumps has been switched off.

ASIC's review of 28 retail and wholesale private credit funds, published in November 2025, found that most lacked meaningful separation between the people who approve a loan and the people who later assess its value, and fewer than half had detailed written credit, impairment or default policies³. Construction loans were often valued 'as if complete' - what the building will be worth once finished, not what a half-built site would fetch today. In a sector yet to live through a credit downturn, ASIC treated the absence of impairments in some portfolios not as evidence of quality, but as a warning sign.

In June ASIC went further, telling the sector its 30 June

valuations had to be current, accurate and grounded in realistic assumptions, and that managers 'should not wait for formal defaults before reassessing asset values'⁴. The regulator was, in effect, telling an industry how to value its own book.

Then the theory met a test case. In August, Sydney developer Bathla Group entered administration owing known creditors about \$3.4 billion, \$3.08 billion of it to secured lenders, with around 40 lenders exposed⁵. Against that sit 219 sites with a preliminary value of about \$4.9 billion - a figure the administrators stress is not cash, is still being checked and is locked in land that takes time to sell. A proposed rescue fell over in part on the need for fresh valuations of the sites. On paper, the security covers the debt. In practice, it depends on what 40 lenders can achieve when they are all trying to sell at once.

At the far end of the spectrum (and by no means a 'typical credit fund' that is emblematic of the majority of the industry) sits First Guardian ('FG'); a fund that took money from around 6,000 investors, much of it retirement savings, before ASIC moved against it⁶. Its unit price was allegedly set by its own responsible entity who in turn was misrepresenting the asset values; its liquidators have stated that FG's assets may 'have been overvalued'. This is a case of alleged misconduct, not a typical credit fund. But it shows the mechanism at its extreme: when one party controls the asset, the valuation and the unit price, the investor's statement is only as good as that party.

So what standard are we relying on? Usually the manager's own valuation policy, an auditor who tests the process once a year, and a disclosure regime ASIC says sits well behind Singapore, the US, the UK and Switzerland². None of this makes private credit unsound; much of it is well run. It means the low volatility investors have been buying is partly a feature of how the asset is measured/accounted rather than how it behaves.

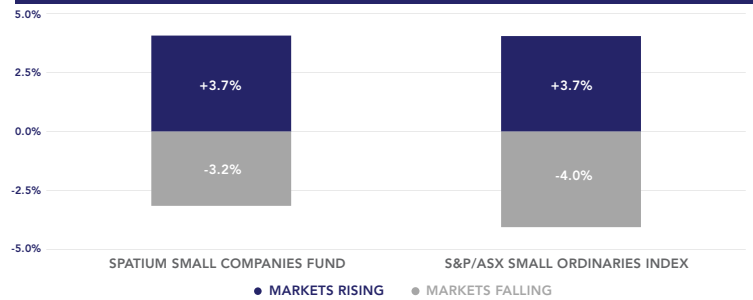
Next month: what happens when a private valuation meets a buyer who can say no



KEY INSTITUTIONAL METRICS

	SSCF	MARKET
Average monthly return	0.6%	0.3%
Beta	0.91	1.00
Portfolio variance	5.7%	5.4%
Up-Market capture ratio	96.4%	100.0%
Down-Market capture ratio	80.9%	100.0%

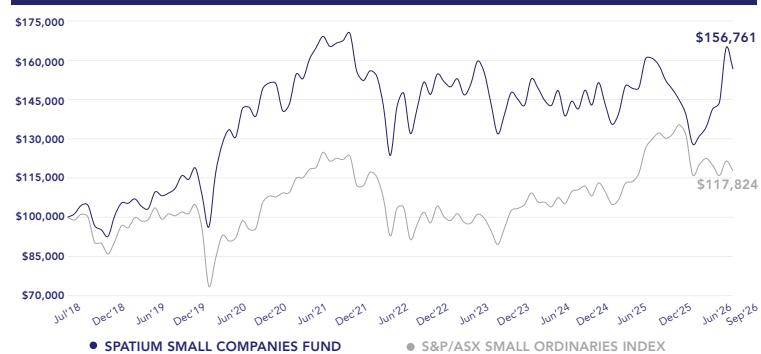
AVERAGE PERFORMANCE IN UP & DOWN MONTHS



FUND DETAILS

UNIT PRICE (AT 30 SEPTEMBER 2026)	\$1.06
RETURN TARGET ⁷	5% above the benchmark
SUBSCRIPTIONS/REDEMPTIONS	Monthly
SUGGESTED TIMEFRAME	5 to 7+ years
FEES	1.25% Management Fee 15% Performance Fee ⁸
MINIMUM SUBSCRIPTION	AUD \$100,000
HARDCAP FUM	AUD \$369,500,000

PERFORMANCE



PERFORMANCE HISTORY

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FYTD
2018/19	1.3%	3.2%	0.2%	-7.5%	-1.7%	-2.6%	8.5%	4.8%	-0.1%	1.6%	-2.7%	-0.8%	3.3%
2019/20	6.1%	-1.3%	0.9%	1.7%	4.4%	-1.2%	3.8%	-8.8%	-11.2%	21.1%	9.8%	4.3%	29.1%
2020/21	-2.1%	8.3%	0.4%	-2.4%	7.5%	1.6%	-0.2%	-6.8%	1.9%	7.9%	-1.1%	4.9%	20.3%
2021/22	2.8%	2.5%	-2.3%	0.7%	0.6%	1.6%	-8.4%	-2.4%	2.4%	-1.3%	-7.5%	-13.2%	-23.0%
2022/23	15.1%	3.7%	-10.4%	7.2%	7.1%	-3.1%	5.3%	-1.9%	-1.3%	2.0%	-4.0%	2.9%	22.2%
2023/24	5.8%	-2.8%	-7.6%	-8.0%	5.6%	6.0%	-1.8%	-1.5%	7.0%	-2.3%	-3.2%	-1.3%	-5.4%
2024/25	4.0%	-6.5%	4.1%	-2.0%	5.1%	-3.8%	6.0%	-5.5%	-5.3	3.0%	7.5%	-0.6	4.6%
2025/26	0.1%	7.5%	0.1%	-1.7%	-3.6%	-2.2%	-2.7%	-3.8%	-8.1%	2.3%	2.5%	5.3%	-5.3%
2026/27	1.7%	14.5%	-4.9	-	-	-	-	-	-	-	-	-	10.8%

¹Inception was 1 July 2018. Total returns are calculated using the sell (exit) price, net of fees, gross of tax, and assume reinvestment of distributions. Figures showing a period of less than one year have not been adjusted to show an annual total return. Figures for periods of greater than one year are shown on a per annum compound basis. Past performance is not a reliable indicator of future performance.

²ASIC estimate of ~500% growth in the domestic private credit sector over the decade; ASIC review of 28 funds; Australian private market disclosure behind Singapore, the US, the UK and Switzerland. ABC News - "Investor fears private credit mass exodus as ASIC cracks whip on lending standards", September 2026. <https://www.abc.net.au/news/2026-09-22/asic-lays-down-the-law-to-australian-private-credit-sector/107178192>.

³Most funds lacked separation between loan approval and ongoing valuation; fewer than half had detailed written credit, impairment or default policies; 'as if complete' construction valuations; absence of impairments flagged as a warning sign. ASIC - Report 820 "Private credit surveillance: retail and wholesale funds", November 2025. <https://download.asic.gov.au/media/q42bgduw/rep820-published-5-november-2025.pdf>.

⁴ASIC call for current, accurate 30 June valuations grounded in realistic assumptions; voluntary survey of 22 managers, 52 funds and ~\$76bn AUM. ASIC - "ASIC puts private credit on notice, ahead of 30 June valuations and reporting", June 2026. <https://www.asic.gov.au/about-asic/news-centre/news-items/asic-puts-private-credit-on-notice-ahead-of-30-june-valuations-and-reporting>.

⁵Known debts of ~\$3.4bn (\$3.08bn secured); 219 sites at a preliminary ~\$4.9bn; around 40 lenders; rescue proposal withdrawn citing, among other conditions, fresh valuations of the sites. ABC News - "Bathla Group reveals \$3.4b debt as administrators warn some work could halt", 4 September 2026 and "Why no-one is rushing to Bathla's rescue", 12 September 2026. <https://www.abc.net.au/news/2026-09-12/bathla-group-collapse-rescue-uncertainty-property-lenders/107143950>.

⁶Around 6,000 investors; liquidators' report that First Guardian's assets are likely to have been overvalued. ASIC - First Guardian Master Fund enforcement update, 2026; Equity Trustees - "First Guardian Update", 2026. <https://www.eqt.com.au/edms/first-guardian-update>.

⁷Target returns of 5% p.a. above the Benchmark is a target only and not a forecast. Target returns are not guaranteed to occur. Past performance is not necessarily indicative of future performance.

⁸The performance fee only becomes payable where the Fund has exceeded the benchmark return, the Fund has achieved a positive result and the Fund has met the high water mark.

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