

**PERFORMANCE SUMMARY**

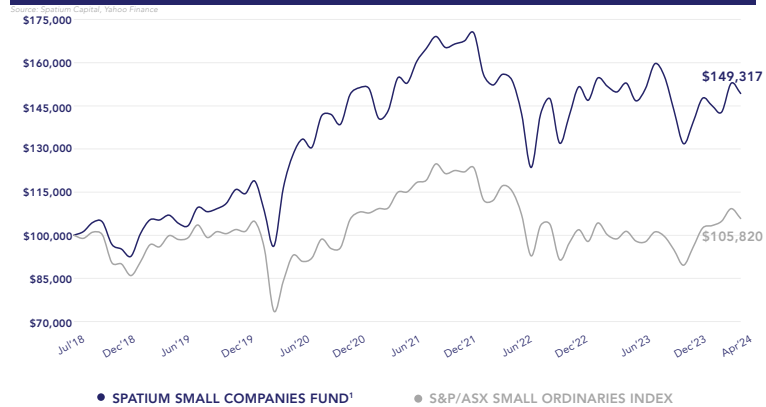
	1 MONTH	3 MONTHS	1 YEAR	5 YEARS p.a.	INCEPTION
SSCF <sup>1</sup>	-2.3%	2.9%	-2.4%	6.9% <sup>1</sup>	49.3% <sup>1</sup>
Benchmark <sup>2</sup>	-3.1%	2.4%	4.4%	1.2%	5.8%
<b>Value Added</b>	<b>0.8%</b>	<b>0.6%</b>	<b>-6.8%</b>	<b>5.7%</b>	<b>43.5%</b>

**MONTHLY CONTRIBUTORS & DETRACTORS**

Emerald Resources NL (EMR)	0.6%
Evolution Mining Ltd (EVN)	0.5%
Whitehaven Coal Ltd (WHC)	0.4%
Eagers Automotive Ltd (APE)	(0.4%)
Strike Energy Ltd (STX)	(0.7%)
Lifestyle Communities Ltd (LIC)	(0.9%)

<sup>1</sup>The SSCF is a composite calculation of the SMA's inception (1 July 2018), through to the Fund's inception and is net of fees, before tax, and assumes reinvestment of distributions. Past performance is not an indicator of future performance.

<sup>2</sup>Benchmark is the S&P/ASX Small Ordinaries Index.

**PERFORMANCE GRAPH**


**'The secret of change is to focus all of your energy not on fighting the old, but on building the new.'**<sup>3</sup>

- Does information fatigue have a stranglehold on markets?
- If so, how can this be overcome to return the markets to one of true capitalism where volatility has a material impact?

We find ourselves at odds with the first question. In a not-too-distant past, equity markets would react to uncertain information with a voracity that created price dislocations a-plenty. Q4 2018 was the last non-global event – driven by the minor correction in the Australian residential housing market – that saw Aussie equity markets recalibrate. Over the period, the S&P/ASX Small Ordinaries index shed -10.2% on the back of investors believing that with the repricing in residential housing, there would be 'less' wealth to be shared. Whilst since then residential property prices have continued to rise, Aussie equity markets have continued to display a see-sawing personality.

Information fatigue occurs when the quantum of data available overwhelms the capacity of the mind to absorb, process, and discern relevance. In past newsletters, we've often mentioned that the dissemination of copious amounts of information across many platforms is a significant contributor to why reactions to this information is desensitised and occasionally unempathetic. The sheer scale of information available nowadays means that investors don't have the capacity to digest the information, discern what is valuable and react to what is important.

The question thus remains – can markets return to their 'free market' ways where volatility meaningfully impacts and separates the good from the bad? We've highlighted two major areas of the investment market that we believe are in dire need of reform.

**Market Structure Reforms:** This project is really the tip of the iceberg. [Australian Superannuation is currently worth \\$3.7 trillion](#) and growing exponentially as government-mandated increases to the Superannuation Guarantee Rate are rolled out annually. \$3.7 trillion is an unfathomably large number and a considerable amount of it is invested into listed and unlisted

assets, where the unlisted portion can include commercial property, private equity, venture capital and other private assets. Whilst these asset classes each have a valuable role to play in sound asset allocation our contention with unlisted assets is that their valuation can be subjective. Put another way, whereas publicly listed assets (i.e. stocks, bonds) are valued by the second to reflect current market conditions, unlisted assets are often valued at unclear or irregular intervals. This means that the unlisted asset's valuation (i.e. what it is purchased for) only moves when the holder of the unlisted asset chooses to have it (re)valued. So how does a toll road, a city skyscraper, a private business (held by a Private Equity firm) or a Silicon Valley startup (held by a Venture Capital firm) get reasonably valued when the prospective 'demand' for this asset is potentially only from super funds each with an equally large enough war chest of cash to purchase it? We are not convinced that a syndicate of 'Mum and Dad' investors are going to suddenly put in a bid for Sydney Airport or a shopping centre, so if the only real prospective buyers are peer super funds with (virtually) unlimited investment capacity, how will we ever know what the true value of that unlisted asset is?

Our argument is that implementing a more structured process for the regular valuation of unlisted assets would naturally highlight 'bad' assets, which would in turn generate investment volatility, i.e. listed assets would be rightly viewed as 'more safe' and the appropriate flows would follow in both directions depending on the investors' risk appetite. Which, in turn would create a healthy and consistent level of volatility.

...to be continued next month.

**For the month of April the Fund outperformed the benchmark by 0.8%**, returning -2.3% vs -3.1% for the benchmark. In other markets, the US & UK smalls indices returned -5.7% & 2.0% respectively.

**FUND CHARACTERISTICS**

UNIT PRICE (AS AT 30 APRIL 2024)	\$1.01
FY2023 DISTRIBUTION YIELD <sup>5</sup>	2.6%
FY2022 DISTRIBUTION YIELD	Nil
FY2021 DISTRIBUTION YIELD <sup>6</sup>	12.9%
FY2020 DISTRIBUTION YIELD <sup>7</sup>	16.5%
SUGGESTED TIMEFRAME	5 to 7+ years
STRUCTURE	Open-Ended Fund
SUBSCRIPTIONS/REDEMPTIONS	Monthly
DISTRIBUTIONS	Annually
STRATEGY INCEPTION <sup>1</sup>	1 July 2018
MANAGEMENT FEE <sup>8</sup>	1.25% per annum

**OTHER KEY METRICS OF INVESTMENT STRATEGY**

	SSCF <sup>1</sup>	MARKET
Average monthly return	0.7%	0.3%
Beta	0.90	1.00
Portfolio variance	5.9%	5.9%
Up-Market capture ratio	99.0%	100.0%
Down-Market capture ratio	75.4%	100.0%

**RESEARCH & RATINGS**

ORGANISATION	RATING
SQM Research (REPORT AVAILABLE ON REQUEST)	Favourable

**PLATFORMS**



AVAILABLE ON  
[HUB24.COM.AU](https://HUB24.COM.AU)

**FIND OUT MORE**

The Fund is open to new investors.  
To set up a time to discuss with one of our team, please email us at [contact@spatiumcapital.com](mailto:contact@spatiumcapital.com)

**RECOGNITION**



<sup>3</sup>Millman, D., 2000. *Way of The Peaceful Warrior: A Book That Changes Lives*. 1st ed. California: New World Library.

<sup>4</sup>On the 30 June 2023 pre-distribution unit price of \$1.05, the Fund distributed \$0.03 per issued unit; equivalent to a 2.6% distribution yield.

<sup>5</sup>On the 30 June 2021 pre-distribution unit price of \$1.28, the Fund distributed \$0.16 per issued unit; equivalent to a 12.9% distribution yield.

<sup>6</sup>On the 30 June 2020 pre-distribution unit price of \$1.27, the Fund distributed \$0.21 per issued unit; equivalent to a 16.5% distribution yield.

<sup>7</sup>Other fees and expenses apply. Please refer to the Information Memorandum of the Fund for further details.

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