spatium capital

SPATIUM SMALL COMPANIES FUND (SSCF)

spatiumcapital.com

JUNE 2026 FACTSHEET **APIR CODE:** VIL2854AU **ISIN:** AU60VIL28541

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 disclocations in equity markets.

The Spatium Small Companies Fund[1] 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]	5.3%	10.5%	-5.3%	-2.1%	4.6%	41.5%
Benchmark[2]	-2.2%	3.0%	5.5%	7.0%	2.7%	19.8%
Value Added	**7.5%**	**7.5%**	**-10.7%**	**-9.2%**	**1.9%**	**21.7%**

THE EROSION OF PRICE DISCOVERY

3-part series (part 2)

The Infrastructure of Complicity: Regulators, ETFs and the Passive Trap

If Part One of this series described what is happening in markets, Part Two examines who is enabling it; and how. Because behind the SpaceX IPO lies not just a story about one company's valuation, but a more troubling story about the structural architecture of modern markets, and the institutions charged with maintaining it.

Let's begin with the index providers. In February 2026, Nasdaq[2] put forward a proposal to change the rules governing inclusion in the Nasdaq-100. The timing was not coincidental. The new 'Fast Entry' provision, which came into effect on 1 May 2026, allows any newly listed company ranking among the top 40 components by market capitalisation to be included in the index after just 15 trading days, down from a prior seasoning period of several months. Simultaneously, Nasdaq **abolished the previous minimum free-float requirement of 10%** - the proportion of shares actually tradable in the market - replacing it with a weighting system for low-float companies.

The consequence of these changes is significant. As SpaceX listed on 12 June at an estimated $1.77 trillion valuation, it will be eligible for Nasdaq-100 inclusion on approximately 7 July 2026. **At that point, every fund tracking the Nasdaq-100 - representing hundreds of billions in assets under management - will be obligated to buy SpaceX shares, whether the portfolio managers of those funds regard the valuation as reasonable or not**. Estimates suggest this will generate $22 to $27 billion in automatic, non-discretionary buying pressure in the near term alone.

Seemingly, no fund manager decides whether a stock is good or bad. The index decides - and the index has just changed its rules.

The Nasdaq's capitulation is instructive. It raises a legitimate question: are index providers exercising independent governance over market structure, or are they competing for exchange listings by offering regulatory accommodation to the most sought-after issuers? The answer, in this instance, looks uncomfortably close to the latter.

Now turning to the ETF constructors and providers. The growth of passive investing has been one of the defining capital market stories of the past two decades; something we have labored in many newsletters. Assets tracking passive indices now represent a dominant share of total equity market ownership. The largest ETFs - Vanguard's VOO, BlackRock's IVV, State Street's SPY - each manage assets exceeding $750 billion. They are, in any meaningful sense, too large to manage in the traditional sense: they cannot buy or sell based on judgement. They can only follow.

This creates a reflexive loop that is structurally indifferent to price discovery. When a stock enters an index, passive funds must buy it, driving its price higher, which increases its index weight, which compels further buying. The mechanism is self-reinforcing and valuation-agnostic. A company does not need to be good to rise in this system. It needs only to be large. And as the SpaceX example illustrates, the threshold for 'large enough' is increasingly determined by narrative momentum rather than financial substance.

The more pressing systemic question, however, concerns what happens in reverse. Passive ETF's have never been stress-tested through a genuine, simultaneous liquidity crunch. These products are sold to investors on the promise of daily liquidity — the ability to exit at any time. But the underlying index constituents, particularly in small and mid-cap segments, can be materially illiquid. When a period of sustained outflows coincides with reduced market-making capacity and elevated volatility, the gap between the ETF's stated liquidity and its actual liquidity may prove wider than many investors currently appreciate. The exit, in those circumstances, is smaller than the crowd.

None of this is to suggest that passive investing does not serve a legitimate purpose, or that ETFs are inherently destabilising. They are not. But size, structural mandate, and the absence of price-sensitive decision-making combine to make them a force that no longer merely reflects markets - they are a material driver of them. And the rules that govern their composition are, as we have seen, adjustable.

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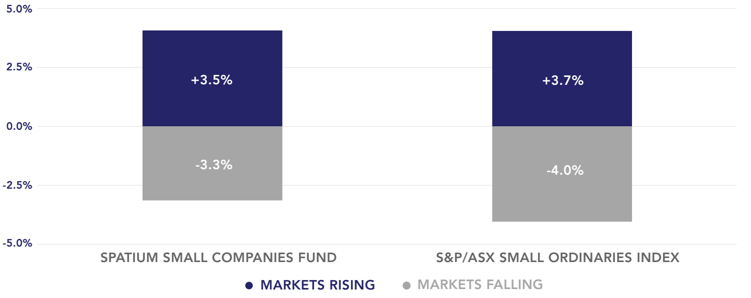
KEY INSTITUTIONAL METRICS

	SSCF	MARKET
Average monthly return	0.5%	0.3%
Beta	0.89	1.00
Portfolio variance	5.5%	5.4%
Up-Market capture ratio	91.6%	100.0%
Down-Market capture ratio	81.9%	100.0%

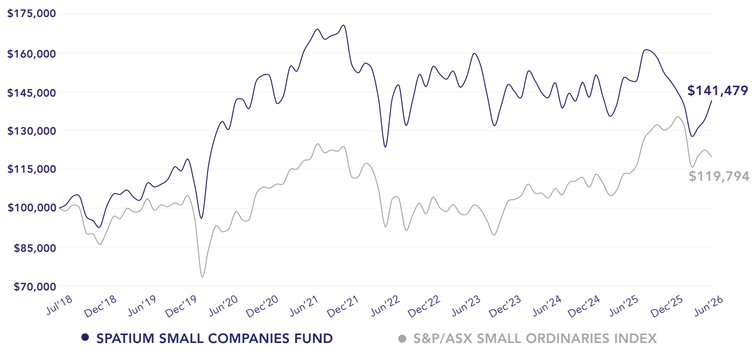
AVERAGE PERFORMANCE IN UP & DOWN MONTHS



FUND DETAILS

UNIT PRICE (AT 30 JUNE 2026)	$0.96
RETURN TARGET[3]	5% above the benchmark
SUBSCRIPTIONS/REDEMPTIONS	Monthly
SUGGESTED TIMEFRAME	5 to 7+ years
FEES	1.25% Management Fee 15% Performance Fee[4]
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]*Inception 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.*

[2]*Nasdaq-100 Fast Entry rule effective 1 May 2026; prior free-float minimum requirement of 10% eliminated; replaced with graduated weighting system for low-float companies; SpaceX eligible for Nasdaq-100 inclusion after 15 trading days post-IPO. Estimated $22–27 billion in automatic, non-discretionary passive fund buying triggered by inclusion; breakdown of forced purchases across VOO, IVV and SPY. etf.com, "SpaceX IPO: Every ETF That Will Hold SPCX — and When", June 2026. https://www.etf.com/sections/news/spacex-ipo-every-etf-will-hold-spcx-and-when*

[3]*Target 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.*

[4]*The 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.*