

## Cerutty Macro

Cerutty Macro Fund is an independent active manager of global, but predominantly Australian equities. The Manager applies a detailed investment process, using identified macroeconomic trends as the foundation of its allocation. Coupled with analysis of the liquidity cycle and bottom-up research, we aim to deliver attractive returns to investors over a 3-year time horizon.

The Fund's portfolio is a high conviction portfolio ranging from 15-40 positions in equities, to scale between high/low concentration allocations depending on liquidity conditions. It is the Fund's perspective that financial market liquidity has a large impact on asset prices, thus it being a vital component to the investment process. Cerutty's investment process is:

- Macro Themes
- Liquidity Cycle
- Bottom-up

## Monthly Update

Markets gave back some of their recent gains in August with the S&P 500 finishing -1.77% while the NASDAQ closed -2.17% down for the month. Closer to home, our benchmark, the ASX Small Ordinaries Accumulation Index was -1.31% while the Cerutty Macro Fund returned 2.59% for the month of August.

While most of our focus was on reporting season and the updates individual stocks announced. At a macro level, some of the major themes we've been following included softness in China's economy, both their property market and youth unemployment creating headlines during the month, before the PBOC added a variety of stimulus measures to steady both China's economy and asset markets. Moving to the US, the consistent revisions to the jobs market data since the beginning of calendar year 2023 has caught the attention of many market commentators painting a picture of an economy that is starting to soften.

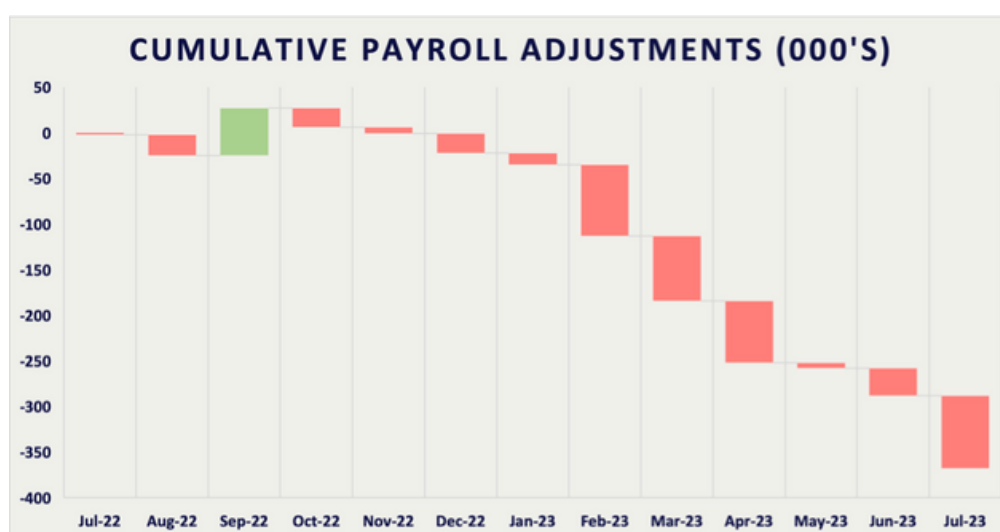
## Fund Performance

	Fund %	Index %	Excess %
1 Month	2.59%	-1.31%	3.90%
3 Month	4.98%	2.22%	2.76%
1 Year			
Since Inception - 1 June 2023	4.98%	2.22%	2.76%

## Fund Overview

Portfolio Management	Chris Judd
No. Investments	15-40
Type of Investments	Long only Australian listed equities Global listed equities
Time Horizon	3+ years

*Past performance is no indication of future performance & returns are post fees with reinvestment of distributions and capital gains.*



Source: Bureau of Labour Statistics, U.S.

## Monthly Update

While we currently hold a mix of large, mid and small cap positions, we've been adding to some of the smaller listed names we like, as we feel the discount being applied to smaller cap stocks now warrants us becoming more active in that space. Due to overall market liquidity still being tight, we have a bias towards small caps that are producing relatively high amounts of free cashflow. A few of the smaller companies in the Cerutti portfolio that posted pleasing full year results are listed below:

### Close The Loop (CLG.ASX)

A core position since the inception of the fund, Close the Loop is a collection, recycling, and resource recovery business focused on the 'circular economy.' FY23 was transformational for CLG, having acquired ISP Tek Services and Captive Trade Corp (CTC) – an electronics refurbish, and trading platform business based in Texas, USA. The acquisition was made on very favourable terms, purchased on a run-rate ~4.8 PE multiple and 100% accretive on an EPS basis. Whilst the accounts were only consolidated for the final 2-months of the financial year, the new business segment contributed net profit of \$5.4m – 32% growth on the 2022 corresponding period.

We were impressed with the group's full year results, surpassing both our and market consensus estimates.



### Southern Cross Electrical (SXE.ASX)

Another small cap company in the portfolio is electrical engineering company, Southern Cross Electrical. Aligning with the Fund's perspective that we are entering a period of relative scarcity from a period of abundance, we're sympathetic to the view that margins on electrical and engineering labour are set grow and remain above trend. This was evident in Southern Cross' recent results, highlighting an expansion of gross profit margin by 330bps above the previous financial year.

Continuing with the Fund's more conservative approach during tight, broader market liquidity, SXE fits firmly in the value basket – with a very healthy balance sheet and an undemanding EV/EBITDA of 3x.



## Monthly Update

### Dug Technology (DUG.ASX)

DUG Technology is a slightly more aggressive position in the portfolio, a company we view to be Australia's best high-performance computing (HPC) player – with assets located in Western Australia, Houston, London, and Kuala Lumpur. The Fund views compute power as one of the most desired and in demand resources globally and expects the sector to experience extreme growth over the coming decade. Unlike other computing asset managers, DUG provides sophisticated software overlays; developing new seismic imaging programs for the oil and gas industry, genomic data analysis for medical researchers, and facilitating data collection for satellites.

Whilst we consider DUG a growth story, we believe it isn't currently being attributed a 'growth valuation' – the market views it only as an oil and gas service provider. Whilst true that the business primarily operates in the oil and gas sector, it is our view that there is immense opportunity on the horizon, such as the Square Kilometre Array Telescope in WA, which is set to require more than 3x of DUG's current global HPC capacity alone.



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The materials contained herein represent a general summary of CAR's current portfolio construction approach. CAR is not constrained with respect to any investment decision making methodologies and may vary from them materially at its sole discretion and without prior notice to investors. Depending on market conditions and trends, CAR may pursue other objectives or strategies considered appropriate and in the best interest of portfolio performance.

There are risks involved in investing in the CAR's strategy. All investments carry some level of risk, and there is typically a direct relationship between risk and return. We describe what steps we take to mitigate risk (where possible) in the Fund's Information Memorandum. It is important to note that despite taking such steps, the CAR cannot mitigate risk completely.

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