

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.

Fund overview

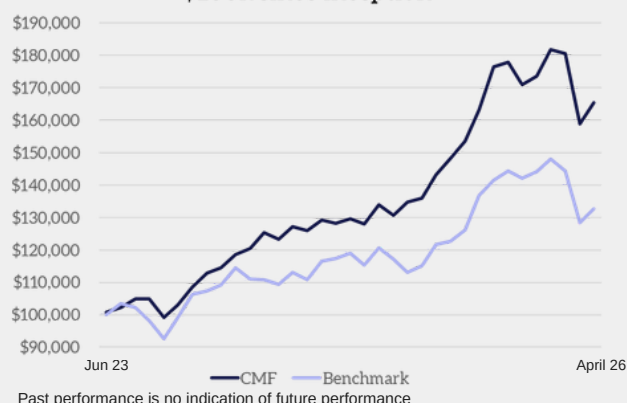
Portfolio management	Chris Judd
Number of investments	15-40
Type of investments	Long only Australian listed equities Global listed equities
Time Horizon	3+ years
Benchmark	ASX Small Ords Accum. Index
Management/Performance fee	1.20% & 20% over benchmark

Fund performance

	Fund %	Index %	Excess %
1 Month	4.2	3.3	0.9
3 Months	-9.0	-10.4	1.4
1 Year	21.7	15.3	6.4
Since inception (annualised)	18.8	10.2	8.6

Index/Benchmark ASX Small Ordinaries Accum. Index
Past performance is no indication of future performance & returns are post fees with reinvestment of distributions and capital gains.
Inception June 2023

\$100k since inception



Monthly update

The ASX Small Ordinaries Accumulation Index posted a return of 3.3% for the month of April, while the Cerutty Macro Fund returned 4.2%, in what was a gradual rebound post Iran-war break out in late February.

April was a month dominated by three interrelated stories: the unresolved war in the Middle East, the inflation it has unleashed, and the changing of the guard at the Federal Reserve. Each one is significant on its own. While interrelated, our thoughts in April were dominated by them, but also by how they will affect the remainder of 2026. The first story remains the conflict in Iran and the disruption to the Strait of Hormuz. The two-week ceasefire announced on April 7 collapsed within days, and by month-end the Strait had still not fully reopened. Brent traded up toward \$118 -

with Goldman Sachs flagging the risk of \$120 if Gulf exports do not normalise by the end of July. Roughly 20% of global oil consumption flows through that waterway, and as long as that flow remains uncertain, the global economy is wearing a permanent risk premium. The CEOs of both SLB and Halliburton used their April earnings calls to make the point that even in a post-conflict world, oil prices are unlikely to return to pre-conflict levels. Like all things in finance, time-frame matters a lot. Over the next 12 to 18 months we agree with their statements. On a longer time frame, we see the innovation around oil supply chains, production and technology improvements that this crisis will cause leading to a sharp drop off in oil prices, but there's a lot of water to go under the bridge before that occurs.

Monthly update

WTI Crude - 1-year



Source: TradingView, May 2026 *

The second story is the consequence of the first. US CPI accelerated to 3.3% in April, with energy prices up 12.5% year-on-year. Eurozone inflation rose to 3%, and even Japan's core inflation pushed up to 1.8%. The World Bank now projects a 24% surge in energy prices for 2026. Predictably, the rate-cut narrative that markets had been clinging to has been quietly rewritten. S&P Global has now pushed its expected Fed and Bank of England cuts into 2027, and the ECB is now expected to deliver a modest hike in the second quarter rather than a cut.

The third story is the leadership transition at the Federal Reserve. Jerome Powell chaired his final FOMC meeting on April 28 and 29, with the committee holding rates at 3.50% to 3.75%. President Trump's nominee to succeed him, Kevin Warsh, faced the Senate Banking Committee on April 21 and used the hearing to argue for a "regime change" in monetary policy, a new inflation framework, an end to forward guidance, and a more deliberate winding back of the Fed's balance sheet. Markets initially read the testimony as hawkish. We read it differently.

Investors need to decide if the reaction function of the Federal Reserve will be the same this time, as the last major energy crisis that occurred in the 1970s, where Volcker eventually raised rates close to 20% in 1981 to squash inflation. We think it's worth noting that US Government debt to GDP was around 30% when Volcker came to power, as opposed to greater than 120% today. Once debt to GDP gets as high as it currently is in the US, the only options policy makers have to reduce it are by defaulting, restructuring or inflating it away. Given a deflationary wave led by AI productivity gains may not be too far away, today may be the last chance to meaningfully inflate away the debt in real terms, before the benefits (deflation) of AI takes place. Should that be true, the reaction function of policy makers in the US will be a -

Bachem (BANB) - 1-year



Source: TradingView, May 2026 *

lot different to that of Volcker in the early 1980s.

Our view is that they will run it hot. The signals from both Warsh and Treasury Secretary Bessent point firmly in that direction. Warsh has built much of his policy framework around the idea that AI driven productivity gains can support faster growth without generating inflation. In his view, this is reason to run policy looser than a traditional reaction function would suggest. He is also on record arguing that every \$1 trillion of Fed balance sheet runoff is roughly equivalent to 50 basis points of rate cuts, which conveniently provides intellectual cover for cutting the policy rate while presenting the optics of policy restraint. The President has been publicly demanding rates as low as 1%, and Warsh's framework, whatever he says about independence in front of senators, is structurally accommodating to that demand.

Bessent's "3-3-3" plan tells the same story from the fiscal side. His framework is built around 3% real GDP growth, a 3% deficit to GDP, and an additional 3 million barrels of US oil production per day. His own words on the deficit are revealing: "Strong private sector led growth alongside constrained federal spending means the deficit to GDP will take care of itself. That is the textbook nominal "grow your way out of it" playbook. The combination of a Fed that wants to ease, a Treasury that wants to outgrow the debt, an energy shock that is keeping the inflation impulse alive, and a political imperative to keep the economy strong into the midterms is, in our view, about as clear a setup for financial repression as the modern era has produced. We believe real rates will likely be held well below the rate of inflation. The currency will absorb some of the adjustment. Tangible assets, energy, hard commodities and businesses with pricing power will be the beneficiaries. Long duration government bonds and businesses trading on speculative multiples without earnings to support them will not.

1 <https://www.goldmansachs.com/static-assets/pdf-redirect/prod/index.html?path=/pdfs/insights/goldman-sachs-research/iran-conflict-how-long-and-how-bad/report.pdf&originalQuery=&referrer=https://www.google.com/>
2 <https://www.halliburton.com/en/about-us/press-release/halliburton-announces-first-quarter-2026-results>
3 <https://www.bls.gov/cpi/>

Monthly update

We close with how we're thinking about Iran at the time of writing, with the important caveat that our confidence in any specific outcome is low, the range of possibilities here is genuinely wide. What we do hold with conviction is this: over the long term, Iran having complete control over the Strait of Hormuz while charging ship's a toll for use, causing their national GDP to rip, while making them the most powerful country in the oil market seems like a particularly poor outcome. One that wouldn't be acceptable to Israel, Saudi Arabia or the U.S. over the long term.

It is worth noting that Trump's early and vocal desire to reassert American control over the Panama Canal at the beginning of his second term was not an isolated impulse — it reflects a broader strategic doctrine that maritime chokepoints are the ultimate lever of geopolitical power. What use is a nation's dominance over rare earth supply chains, critical mineral deposits, or energy reserves if it does not control the shipping lanes through which those resources must pass? China has understood the importance of many of these critical industries for decades. While Washington can't compete in the short term with many of the longer-term objectives China has pursued in the physical world, while the U.S has been focused on the digital world and finance. Controlling naval chokepoints immediately reduces the leverage China has from many of those strategic objectives it has pursued.

Whether the path forward is a near-term negotiated settlement, a protracted standoff, or boots on the ground, we see the inflationary consequences as unavoidable. The question is only one of magnitude: a diplomatic resolution would, in our view, be mildly inflationary as energy markets reprice risk premiums; an extended or land conflict with U.S soldiers would be highly inflationary, with cascading effects across energy, fertiliser, shipping and defence supply chains.

Position Spotlight - Bachem Holdings

The Fund has held a long-term view on peptides as a structural thematic rather than a cyclical. The concern with owning Novo or Lilly directly has always been that the economics of any blockbuster drug class eventually attract competition, generics, and pricing pressure; the manufacturers face that headwind in ways the supply chain does not. What we have been looking for is exposure to the underlying infrastructure of the peptide supercycle that doesn't live and die on the fortunes of any single drug or producer. That search has brought us back to Bachem Holding AG. The WHO estimates over one billion people suffer from obesity and more than 530 million from diabetes, but the peptide story is increasingly bigger than GLP-1s — it runs through oncology, rare disease, cardiovascular, and even the 'looksmaxxing' and longevity -

subcultures that have quietly built a sizeable grey market peptide economy. The upstream manufacturer of all of this is a 54-year-old Swiss chemistry company that we believe most investors aren't paying attention to right now.

Bachem is a Swiss CDMO specialising in the chemical synthesis of peptides and oligonucleotides. Founded in Bubendorf in 1971, the company has built what is widely regarded as one of the deepest repositories of solid-phase peptide synthesis expertise in the world, commanding an estimated 20–30% share of the independent commercial peptide API market. Its moat appears process-driven rather than product-specific — the ability to manufacture highly complex molecules at commercial scale with reproducible quality is arguably harder to replicate than ownership of any single alloy or formulation. Once Bachem is embedded in development for a given molecule, often from Phase 1 onwards, that relationship has historically tended to persist through commercial manufacturing and beyond, though customer concentration and internalisation risk are worth monitoring.

The market opportunity may be broader than consensus gives it credit for. At end-2024, 88 peptide drugs were approved in the US, 267 were in late-stage trials, and over 800 were in preclinical or Phase 1 — spanning oncology, cardiovascular, neurology, and rare disease, not just metabolic. If the thesis stopped at GLP-1s it would risk becoming a cyclical trade. Three structural shifts could underpin a more durable volume case. First, oral peptide formulations require approximately 73 times more API per weekly dose than injectables — and Bachem sells by weight, meaning any meaningful shift toward oral delivery would act as a near-direct volume multiplier. Second, the peptide modality appears to be advancing into oncology and rare disease in a way that could add a new cohort of high-volume commercial projects over the remainder of the decade. Third, consumer peptide demand — BPC-157, CJC-1295, Melanotan — is significant and growing, currently serviced predominantly through grey market channels; as regulatory enforcement tightens, that demand could migrate toward licensed CDMO partners, though the timing and scale of this shift is hard to predict.

FY2025 showed a business beginning to scale properly. Sales reached CHF 695 million, up 19.2% in local currencies, while EBITDA rose to CHF 214.7 million at a 30.9% margin and net income reached CHF 148.8 million. The H1 2025 result was arguably more instructive: EBITDA margin expanded from 23.1% to 29.1% year-on-year as fixed-cost leverage began to come through, with both sales and administration costs declining as a percentage of revenue.

4 <https://www.reuters.com/business/finance/ecbs-schnabel-sees-rising-inflation-risk-iran-war-2026-05-07/>

5 <https://www.cnbc.com/2026/05/04/fed-kevin-warsh-interest-rates.html>

* Past Performance is no indication of future returns

Monthly update

For FY2026, management has guided to 35–45% sales growth in local currencies and margins in the low thirties, supported by the commercial ramp-up of Building K – the company’s largest production facility – which cleared its first regulatory inspection in December 2025 and is expected to contribute more meaningfully in H2. Revenue visibility also appears solid: CHF 369 million of customer prepayments sit on the balance sheet, a long-term supply agreement underpins more than CHF 500 million of contracted volumes across 2027–2031, and CHF 400 million of FY2026 capex is being deployed against demand management believes is already in place. At this point, the key risk appears less about end-market demand and more about execution in our opinion.

Valuation is not distressed, but nor does it look excessive for a business of this quality, with a long operating history, strong execution track record, and a leading position in a market that could continue to accelerate. The stock trades around 24x FY27 consensus earnings, with growth expected in the high teens. That multiple still requires delivery, particularly on Building K and continued pipeline conversion, but we think it is reasonable in the context of the contracted revenue base, emerging operating leverage, and the longer-dated volume optionality from oral formulations and indication expansion. Bachem has also been caught in the sentiment overhang from the Novo and Lilly internalisation narrative. While that remains a risk to monitor, it may be increasingly overstated as the customer base broadens and as demand moves beyond the current GLP-1 leaders. Most investors who crowded into GLP-1 supply chain names also appear to have rotated out, leaving the setup less crowded than it was during the peak of the theme.

6 <https://www.afr.com/policy/economy/the-1970s-oil-shock-lesson-the-rba-can-t-ignore-next-week-20260311-p5o9i7>
7 <https://www.wsj.com/opinion/bessents-3-3-3-economic-growth-plan-and-the-5-4-3-threat-treasury-secretary-nominee-387250a8>
8 <https://www.aljazeera.com/news/liveblog/2026/5/3/iran-war-live-trump-says-reviewing-14-point-plan-israel-pounds-lebanon>
9 Bachem FY25 Annual Report
10 FactSet Consensus Data (Bachem)
11 <https://www.biosynth.com/blog/the-peptide-revolution-therapeutic-market>

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