

FEATURE ARTICLE

## Elon or Earnings

### How should we value SpaceX?

COLLINS ST
ASSET MANAGEMENT

# Quarterly Report

*June 2026*

Collins St Global Fund
Collins St Value Fund
Collins St Special Situation Fund No. 1
Collins St Special Situation Fund No. 2

*Available to Wholesale Investors only. ASFL 468 935.*



# Elon or Earnings

## How should we value SpaceX?

Over the course of the 2026 Financial Year, listed equity market returns have fascinated and frustrated investors for two key reasons:

1. Fundamentals were often overlooked in favour of momentum, with disproportionate attention given to a narrow band of stocks.

   For example, it was primarily AI and speculative technology stocks that carried the positive return of the MSCI World Index.

2. Unpredictable domestic and international geo-politics.

   For example, radical deviation in domestic fiscal policy and conflict in the Middle East have caused incredible volatility in asset prices.

Against this backdrop, we have delivered positive returns to our clients across our Australian and Global Value Funds by staying true to our philosophy: building wealth over years, not news cycles, and by prioritising fundamentals over fashion.

Importantly, the Collins St Value Fund managed to avoid the vast majority of market drawdowns throughout the year (declining by only $15 on average for every $100 drop in a month in the broader market), and the Collins St Global Fund benefitted from material cash inflows that enabled it to opportunistically acquire investments at attractive entry points.

It is on this footing that we approach FY27 with a sense of optimism and a belief that our uniquely contrarian, high conviction and occasionally activist approach will continue to add value to our client's portfolios over time, regardless of how fashion or fear may influence the market from one day to the next.

**'All the bright precious things fade so fast… and they don't come back.'**
– Daisy Buchanan, *The Great Gatsby*

Jay Gatsby, the protagonist of Fitzgerald's 1925 book — and Baz Luhrmann's 2013 film — is the literary archetype of someone in love with the *idea* of a person rather than the person themself. Psychology calls this *idealisation:* you are smitten with the fantasy you've built around the object you desire, not the object itself.

* * *

Elon Musk's latest venture, SpaceX, has been demanding its fair share of attention recently. Perhaps more than its fair share. In fact, it was the public launch of SpaceX that crowned Elon the world's first trillionaire.

In June, CommSec reported that demand for the SpaceX IPO was four times higher than any IPO on record, raising USD$85 billion.

But does popularity or demand reflect value?

Are people investing in Elon, the man and the dream, or does investing in SpaceX make financial and economic sense?

## How we discern fantasy from fundamentals

When assessing an investment, we think the way a private buyer would when acquiring an entire business.

- What are its core strengths and vulnerabilities?
- Does it have a durable competitive advantage?
- How intense is the competitive landscape?

- Are there structural tailwinds or headwinds?
- How dependent is the business on key individuals?
- And ultimately, how does price compare to intrinsic value?

While this is not the forum for a full due diligence process, it is worth outlining a few of the key lenses we use when forming a view on value.

## SpaceX: Breaking down the business

SpaceX is best understood as four distinct businesses.

### Starlink

Starlink provides satellite-based internet connectivity, primarily to underserved or disrupted regions. It is the company's most mature and fastest-growing segment, with over 10 million users and estimated growth of around 60% per annum.

While disclosure is limited, analysts estimate Starlink generates US$11-15 billion in revenue and approximately $4.5 billion dollars in profit.

Starlink's key advantage is vertical integration. SpaceX controls launch, deployment, and infrastructure, allowing it to operate faster and more cheaply than competitors.

Although fundamentally a telecommunications business, Starlink's economics and growth profile justify a premium to traditional telcos. Assigning a price-to-earnings multiple of 40x, a valuation of approximately $180 billion appears 'reasonable'.

### Launch

The launch business is harder to isolate, but it remains strategically critical. With estimated revenue of $4-5 billion, analysts have suggested that it is likely modestly profitable.

As a standalone infrastructure business, a multiple of 20x against an estimate of $1 billion of annual earnings suggests a valuation of around $20 billion. If, however, ancillary uses can be found and the market values it more like a strategic platform (akin to how NVIDIA's ecosystem is valued), the multiple could expand significantly — potentially implying up to $60 billion.

A reasonable range is therefore $20-60 billion.

### Starshield (Defence)

Starshield provides government and defence-related services. While disclosure is understandably limited, extrapolating from overall earnings suggests this division may generate around $10 billion dollars in profit annually.

Applying defence-sector multiples of 20-25x consistent with companies like Lockheed Martin implies a valuation of approximately $200-250 billion.

### Starship

Starship is the most ambitious — and most uncertain — part of the business.

Its goal is to make space travel fully reusable, rapidly scalable, and ultimately routine. Longer term ambitions include lunar missions, Mars colonisation, and enabling a multi-planetary economy.

To support this, SpaceX is investing heavily in fully reusable spacecraft, mass production systems (similar to automotive assembly), in-orbit refuelling infrastructure, and logistics to transport large-scale cargo beyond Earth.

At present, Starship is loss-making, with substantial capital required to build infrastructure, data capabilities, and intellectual property.

Crucially, the current valuation of SpaceX relies heavily on the long-term success of this division.

#### *Valuation Summary*

- Starlink: $150-200 billion
- Launch: $20-60 billion
- Starshield: $200-250 billion

This implies a combined value of approximately $370-510 billion for the established and semi-established businesses.

With a market capitalisation near $2 trillion dollars, the implied valuation of Starship is roughly $1.5 trillion.

## Know what you're paying for

There are many reasons investors may be attracted to SpaceX.

**Momentum:** Strong IPO demand and the potential for continued price appreciation.

**Narrative:** Participation in possibly one of the most ambitious technological visions of our time.

**Conviction:** A genuine belief that space infrastructure and interplanetary travel will generate extraordinary future returns.

None of these are inherently wrong. But they are not the same as valuation.

How does SpaceX stack up against our value guide?

### Core Strengths and Vulnerabilities

The business has a rapidly growing core, with Starlink, Launch and Starshield, all performing well with strong customer demand and better economics as they scale. Revenues have grown ~34% over the last year and that growth is expected to continue. However, the focus of the organisation – Starship – remains unproven.

Overall capital expenditure was US$20.7 billion in 2025, while total revenue for the group was $18.7 billion.[1] This presents a significant challenge for the company's long-term liquidity, relying on strong growth from Starlink, Launch and Starshield, or additional successful capital raisings or debt funding.

### Durable Competitive Advantage

SpaceX is the first real mover investing in space travel. It was the first to land and repeatedly re-fly orbital-class rockets at scale. By 2026, the Falcon 9 and Falcon Heavy had flown hundreds of missions with booster re-use, driving industry leading launch cadence and cost reductions that other providers cannot yet match. It has a massive information and know-how advantage thanks to its existing core businesses.

The US government remains SpaceX's largest customer, generating around $4 billion in revenue for 2025, and awarding over $6.5 billion in new Pentagon contracts. However, in the event of changing US priorities or increased competition, a redistribution of spending by a new Administration could impact SpaceX's earnings.[2]

### Competitive Landscape

There is competition for satellite launch and rocket production (e.g. Blue Origin, ULA), but SpaceX has built a synergistic business unlike any other. Much like Tesla's success in making electric cars popular leading to many imitators, it will be interesting to see how competition emerges in the coming years.

For the time being, SpaceX remains unique in its vertically integrated model. It produces 85% of launch hardware itself which provides it with a cost and efficiency advantage that its competitors cannot currently replicate.[3]

In the past, some have attempted to mainstream space travel and were unable to make it economically viable; now several players are raising large rounds of capital from investors to increase manufacturing and launch capacity. If they are successful, this could also compress SpaceX's advantage.[4]

### Tailwinds & Headwinds

The concept of regular space travel captures the imagination in a way that few other endeavours can. The industry is currently almost completely unregulated as practical and commercial space travel does not yet exist. SpaceX currently benefits from the tailwind of investor excitement, but their success will certainly be met by regulation which can create headwinds.

The company is already increasingly subject to tighter rules on orbital debris and spectrum,[5] licencing battles with national regulators,[6] and security and sovereignty concerns around satellite internet. All of these issues can delay launches, restrict market access, and reshape capital allocation and priorities for the business.

### Key Personnel Risk

It is inevitable that the fortunes of SpaceX follow the ingenuity and energy of its CEO, Elon Musk. Indeed, some analyst reports suggested that the bull case for SpaceX is investors' ability to buy into Elon. Until space travel is economic, the business will remain heavily dependent on its leader's guiding hand.

However, as such a large share of the company's value is tied up in Starship and its Mars and lunar infrastructure plans, it is important to note that those projects have already faced multi-year delays and require execution over decades to succeed. It is entirely likely that the final fruition of Elon's dream will run beyond his leadership of the company.

### Price vs Valuation

SpaceX is simply too expensive!

Despite many positives, it is hard to justify the premium pricing being demanded for each of the SpaceX divisions. The reported profitable businesses (Starlink, Launch and Starshield) demand too high a multiple, and until Starship can reasonably predict near term earnings, it remains a speculative investment.

From a value perspective, the numbers simply don't add up. The existing three profitable divisions are unreasonably expensive (at $370 - $510 billion), and it is extremely difficult to justify assigning $1.5 trillion — most of the overall company's valuation — to Starship, a business with highly uncertain long-term economics.

SpaceX may ultimately become one of the most important companies ever created. It may even deliver strong returns for investors.

But for us, the key is always the same: valuation.

While SpaceX is undoubtably interesting, Elon Musk has a track record of success, and the potential growth in space travel is so significant as to be essentially unmeasurable, right now we cannot invest in it.

If we cannot make sense of the price that we are paying, we cannot invest — no matter how compelling the story.

Like Gatsby, the market can fall in love with an idea and mistake it for reality. But value investing demands something less romantic: paying for what something is, not what we wish it could be. Until that gap closes, the dream remains just that — a dream.

**If you have any questions about this article or our quarterly reports, please reach out to our office on (03) 9602 1230 or investors@csvf.com.au**

[1] *SpaceX IPO prospectus, Wall Street Journal* https://www.wsj.com/livecoverage/stock-market-today-dow-sp-500-nasdaq-05-20-2026/card/spacex-spent-20-7-billion-last-year-NnW8kVaLb2NPWmgeXlKB

[2] *Reuters* https://www.reuters.com/world/us/elon-musks-us-department-defense-contracts-2025-02-11/

[3] *SpaceX IPO prospectus*

[4] *Bloomberg* https://www.bloomberg.com/news/articles/2026-05-22/bezos-blue-origin-plans-600-million-expansion-in-florida, https://www.theglobeandmail.com/investing/markets/markets-news/motley/3131357/jeff-bezos-is-seeking-outside-investors-for-blue-origin-for-the-first-time-in-the-company-s-25-year-history/

[5] *National Institute of Health* https://pmc.ncbi.nlm.nih.gov/articles/PMC12106631/

[6] *Reuters* https://www.reuters.com/world/africa/namibias-communication-regulator-dismisses-starlink-appeal-over-license-2026-06-22/

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Collins St Global Fund
International equities
READ REPORT p.5

Collins St Value Fund
Australian equities
READ REPORT p.7

Collins St Special Situation Fund No. 1
Oil and Gas equities
READ REPORT p.10

Collins St Special Situation Fund No. 2
Gold equities
READ REPORT p.11

COLLINS ST
ASSET MANAGEMENT

June 2026 Quarterly Report

# Collins St Global Fund

Global Equities Fund

Inception: February 2024 Status: OPEN

Unit Price (NAV): $1.52

Portfolio Managers



Vas Piperoglou



Michael Goldberg

- The Fund returned 22.4% for Financial Year 2026
- Since inception in February 2024, the Fund has outperformed the MSCI World index by 3.10% p.a.
- Key holdings trade at a substantial discount to intrinsic value, underpinning our positive outlook

## How our Fund performed

The Collins St Global Fund delivered a 22.4% return for FY26 but -5.8% for the June quarter. Performance for the year was driven by a broad mix of holdings, but particularly our positions in gold and energy. In the June quarter, some of those gains unwound as the Iran conflict raised concerns around higher input costs, further rate hikes and uncertainty around the oil price. We feel these are transitory concerns, with the long-term prospects for both thematic investments remaining strong.

## Market outlook

Speculative AI-related bets and semiconductor names dominated global markets in the quarter, with many of these stocks bid up to high valuations amid AI-driven excitement. This has created a period of heightened volatility which often present the most compelling long-term entry points in quality businesses that may be overlooked among the hype directed to popular sectors.

The Fund has used this as an opportunity to enter high-quality names that would ordinarily trade above our valuation thresholds.

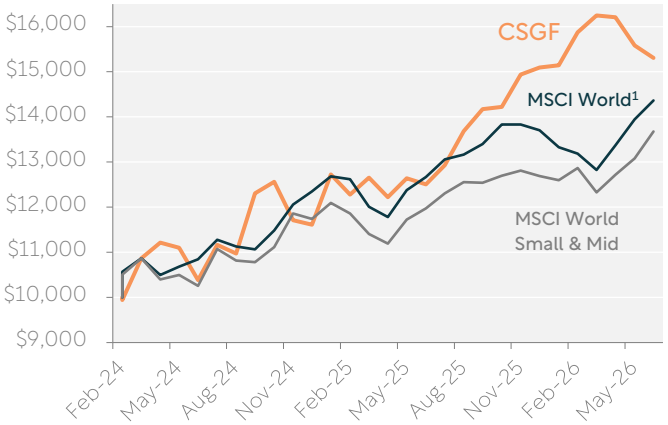
Based on internal estimates, our core holdings currently trade at the widest discount to intrinsic value since the strategy was launched. This supports a positive forward outlook for the Fund, which has delivered a net return of 19.3% p.a. since inception. We believe the portfolio is well placed for the current backdrop, with a forward P/E of ~11x, approximately 23% forward earnings growth and minimal net debt. Below we highlight some of the Fund's key positions.

### Net Returns

| | CSGF | MSCI World[1] | Value Add |
|---|---|---|---|
| 3 months | -5.80% | 12.03% | -17.83% |
| 1 year | 22.36% | 13.37% | 8.99% |
| 2 years | 47.34% | 32.46% | 14.88% |
| Since inception | 53.06% | 43.65% | 9.41% |
| Since inception p.a. | 19.31% | 16.21% | 3.10% |

*Past performance is not a reliable indicator of future performance.*

### Value of $10,000 invested since inception




### Portfolio Statistics

| | CSGF |
|---|---|
| Forward PE (FY1) | 10.9x |
| Earnings Growth (FY1) | 23.42% |
| Net leverage (Debt/EBITDA) | 0.14x |
| ROE | 30.23% |
| Median Market cap (USDbn) | $22,713 |

## Selected Holdings

### JD.com (HK: 9681)

During the quarter, JD.com (the 'Amazon of China') reported further evidence that the underlying business remains on a solid growth and profitability trajectory.

Net revenues grew 4.9% year on year, while JD Retail's operating profit increased by 17%. Retail operating margins reached 5.6%, a record level for the business, and user engagement was deepened — leading to greater value per customer. Active customer numbers rose around 20% year on year, while shopping frequency increased by roughly 37%, reflecting the success of

[1]*MSCI World Index is shown in AUD.*

initiatives around membership, logistics reliability and everyday value.

The newer business lines, including JD Food Delivery, saw losses narrowing meaningfully this quarter with management expecting more improvement through 2026.

Capital management also ramped up, with the company buying-back 1.6% of shares in Q1, equivalent to more than 6% of the register on an annualised basis.

The current valuation of ~6.5x FY27 earnings, alongside a cash position equal to 35% of the company's market capitalisation, strikes us as overly pessimistic. Given JD.com's growth trajectory and balance sheet resilience, we believe the shares could reasonably support a 15x multiple – more than double the current share price.

## Basket of Oil Stocks

During the quarter, we were mindful of the risk of a pullback in oil prices following the sharp rally driven by the Iran conflict and wider geopolitical tensions. While we benefited from the initial move higher, we proactively reduced our exposure as prices rose, realising significant profits and limiting the impact of the subsequent drawdown in oil prices.

Our remaining, more modest oil exposure was impacted in the later part of the quarter, but we retain our constructive view on the sector's long-term fundamentals.

In our assessment, the underlying supply and demand dynamics, and the potential for continued shareholder returns justify maintaining and potentially expanding our measured exposure despite short-term volatility.

## Nu Holdings (NYSE: NU)

Nu Holdings is a scaled, profitable and growing digital bank that has capitalised on widespread frustration with Latin America's incumbent banking oligopoly to become one of the most trusted franchises in the region's financial services sector. Although its home market is Brazil, the company has operations in Mexico, Columbia and is soon to enter the US. It is listed on the NYSE and has a market capitalisation of approximately US$65 billion.

The company, along with the broader Brazilian equity market, has sold off as optimism faded about a market-friendly, right-wing challenger unseating the incumbent government. However, we see the recent share price weakness as driven by sentiment rather than fundamentals and took the opportunity to purchase our stake in NU.

Historically, Brazilian consumers faced opaque banking practices and high fees, with a large share of transactions still conducted in cash. Against this backdrop, Nu entered the market relying on the strength of its product and customer experience to win over users. This strategy created a vast, loyal, customer base in markets where other banks are expensive and widely mistrusted.

By keeping costs low, Nu have been able to out-compete the banking incumbents and offer its customers a better deal. This approach reinforces customer satisfaction, which in turn supports customer acquisition (at low cost). Against that cost base, Nu's average monthly revenue per active customer is about $15, still far below many global peers around $40-50, implying substantial headroom to grow revenue per user.

Despite its growth and local profile, the company trades at only ~9x FY28 earnings. With a clear structural advantage, earnings growing at roughly 30% p.a. and a very strong balance sheet, we view these metrics as strong evidence that the shares are priced too cheaply.

## Kaspi.kz (NYSE: KSPI)

Kaspi.kz, the Kazakhstan-based 'super app,' was among the Fund's top performers in the June quarter. The company effectively operates the core financial and commerce infrastructure in its home market and remains, in our view, one of the most attractive platform businesses in emerging markets. The company is listed on the NYSE and has a market capitalisation of US$17 billion.

The company reported another strong quarter. Revenue rose 31% year on year, with the company guiding for both revenue and EPS to exceed previous expectations by around 5%.

On 24 June 2026, the company announced the completion of its acquisition of Rabobank A.S. in Türkiye, marking an important milestone in the progression of our investment thesis. The transaction provides a licensed banking platform that enables a broader deployment of Kaspi's integrated business mode into new markets. In particular, the ability to deepen its fintech capabilities should reinforce and enhance the economics of its Turkish subsidiary, Hepsiburada, over time.

Reflecting confidence in its cash generation, a dividend payout ratio of 64% has been declared which is intended to serve as a floor for future capital distribution decisions. This equates to a ~8.3% dividend yield.

At roughly 6x FY27 earnings, the stock trades on what we consider a deeply conservative multiple. In our view, this is inconsistent with its high dividend yield, growing capital return capacity and attractive medium-term earnings trajectory, suggesting there is meaningful upside from current levels.

COLLINS ST
ASSET MANAGEMENT

June 2026 Quarterly Report

# Collins St Value Fund

Flagship Australian Equities Fund

Inception: February 2016 Status: OPEN

Unit Price (NAV): $1.99

Portfolio Managers



Vas Piperoglou



Michael Goldberg

- Significant realised profit in FY2026 leads to >20% Fund distribution to investors
- Continuing flows from the Super industry skew equity prices in favour of large caps
- Catalysts and M&A activity likely to drive performance for non-ASX 100 companies

## How the Fund Performed

FY26 was one of mixed fortunes for the Collins St Value Fund. At the end of the Financial Year, the Fund returned one of its largest ever distribution of realised profits to investors (over 20%) due to a timely sell-off of gold stocks before the outbreak of hostilities in Iran. Yet over the entire 12 months, the Collins St Value Fund returned only 3.7%, impacted by a weak June quarter. Since inception, the Fund has generated a return of over 10.5% p.a. which is a significant outperformance against the SMO index which has generated just 4.9% p.a. over the same period.

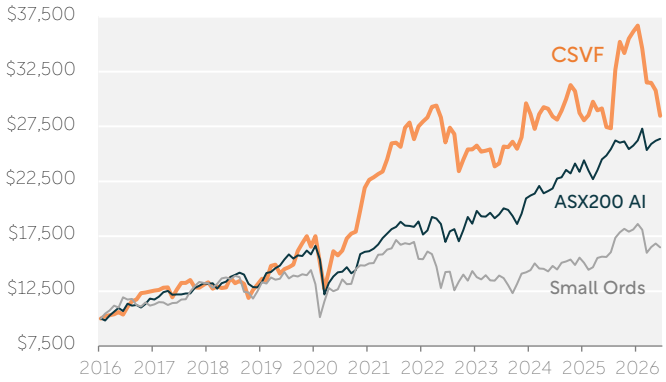
The Collins St Value Fund continues to have a heavy weighting of small and mid-cap companies. Historically, these types of companies have generated outsized returns for us, but they do come at the cost of increased volatility.

### Net Returns

| | CSVF | Small Ords | ASX200 AI |
|---|---|---|---|
| 3 months | -9.56% | 3.01% | 4.05% |
| 1 year | 3.73% | 5.48% | 6.11% |
| 3 years p.a. | 5.70% | 5.79% | 10.62% |
| 5 years p.a. | 1.87% | 0.10% | 7.77% |
| 10 years p.a. | 10.63% | 3.27% | 9.45% |
| Since inception p.a. | 10.59% | 4.92% | 9.78% |

*Past performance is not a reliable indicator of future performance.*

### Value of $10,000 since inception




*Assumes redistributions.*

## The State of the Markets

Recent years have been unusually tough for value investors and fundamental stock pickers. In the past, investors could comfortably rely upon the markets to recognise mispriced assets within an acceptable timeframe. Today, due to the flow of capital to ETFs and index funds, we have seen a change in investing 'culture' in Australia that has led to a near complete break-down in the science of price discovery. No longer is the key consideration 'what is a business worth?' Instead, the investing community seems to ask, 'To which companies or sectors will capital flow next?'

In today's environment, success in investing could be redefined as anticipating consensus rather than by exercising independent judgment.

Popularity over quality.

**This is unsustainable.**

As a result, ETFs and super funds buy the market without concern for its value or price, ostensibly investing where they believe everyone else will rather than taking the time to assess genuine value. So far, the weight of capital (in somewhat of a self-fulfilling prophecy') has pushed the index higher — and along with it, some of Australia's largest companies have become increasingly more expensive.

At the same time that our largest companies are buoyed higher, stocks outside of the ASX 200 receive nearly no attention.

Small companies with exceptional earnings are ignored languishing at single digit PE multiples. Medium sized enterprises transact at a fraction of the value of their assets.

**This too is unsustainable.**

It's a very unusual situation, and one which I haven't seen in my 20 years investing. Irrespective of the quality of a company, if it is outside of the ASX200 it is nearly impossible right now (outside of corporate activity) to see them appreciated by the market.

But, like the natural law of gravity, the very forces that drive equity prices in the long run will eventually see this dislocation corrected. Not due to philosophical or philanthropic motivators, but rather due to the basest aspects of human nature – fear and greed.

Ultimately, it is fear and greed that drive markets and prices. At some point, fear will creep in to 'correct' expensive companies, while greed will ensure that any company with underappreciated earnings or assets will eventually be correctly valued. Like the forces of gravity, these motivations and their psychological pull can only be ignored for so long until the inevitable gravitational falling of the apple.

I believe that eventually these corrections will occur, even if their timing is still uncertain.

## Exceptional value in unloved stocks

The AFR noted that 'The S&P/ASX 200 Index eked out a 2.8 per cent gain for the 2026 financial year, its worst showing since 2022 and well below a long-term average of 5.7 per cent.'

One of the major contributors to this result for FY26 was CSL, which for a time was Australia's largest company but fell from over A$300 a share in the 2025 financial year to as low as $90 at the end of FY26.

### CSL (ASX: CSL)

CSL is one of Australia's great corporate success stories. Originating from the Commonwealth Serum Laboratories in 1916, it has evolved from a government-owned vaccine producer into a global, ASX-listed biotechnology leader focused on plasma therapies and vaccines. At its peak, CSL commanded a price-to-earnings ratio of 60x and has historically traded well above 30x.

Because of its exceptional quality, long track record of growth, and status as market darling, CSL has remained too expensive for our portfolio — until now.

However, after years of consistent execution, CSL has recently faced setbacks, including the write-down of Vifor Pharma (acquired for $16 billion in 2022) and an earnings downgrade in its plasma division — driven by inventory normalisation and lost sales into Iran due to geopolitical disruption. Over the past year the share price has fallen materially, from over $275 to a low of $90.

While earnings expectations for FY26 have been revised lower, the company continues to deliver year-on-year growth. Consensus expectations for FY27 EPS are approximately $9.35, placing CSL on a forward multiple of around 12x — well below both its historical range and the broader market.

During the quarter, we were able to accumulate CSL at an average price of $98, equating to a multiple closer to 10x earnings. We expect improving performance across all divisions in the coming year and believe that at current levels, investors are not paying a premium for growth (see our in-depth review of CSL here).

Beyond the ASX 200, we continue to identify a broad set of high-quality businesses that are being overlooked by the market, with share prices that do not reflect underlying value.

Last quarter we covered the business case for four such companies. Here we reiterate the latent value case:

### Select Harvests (ASX: SHV)

Select Harvest has reduced debt, initiated a buyback, and improved its earnings outlook, yet trades on approximately 9x FY27 forecast earnings. Against a broader market multiple of around 17x, this represents a clear valuation disconnect.

### Boom Logistics (ASX: BOL)

Boom has upgraded earnings in eight consecutive updates, with EPS increasing by approximately 50% since FY25. The company has also reinstated both its buyback and dividend policy. Despite this, Boom trades on just 7x earnings, which we view as materially undervaluing Australia's leading provider of crane and logistics services.

### SkyCity Entertainment (ASX: SKC)

SkyCity has been impacted by weakness in the New Zealand economy, though early signs of stabilisation are emerging. The company holds approximately $2.6 billion in property, plant, and equipment against total liabilities of $1.3 billion, with a market capitalisation of just $490 million. On an earnings basis, SKC trades on roughly 10x FY28 forecast earnings, suggesting significant latent value.

### Humm Group (ASX: HUM)

Humm is undergoing a period of board renewal following a successful challenge to longstanding leadership. The reconstituted board is now actively considering strategic options, including asset sales, to unlock shareholder value. In our view, the removal of prior leadership enables a clearer assessment of the business on a sum-of-the-parts basis. We estimate the underlying asset value to exceed $0.90 per share, compared to a current share price of approximately $0.47.

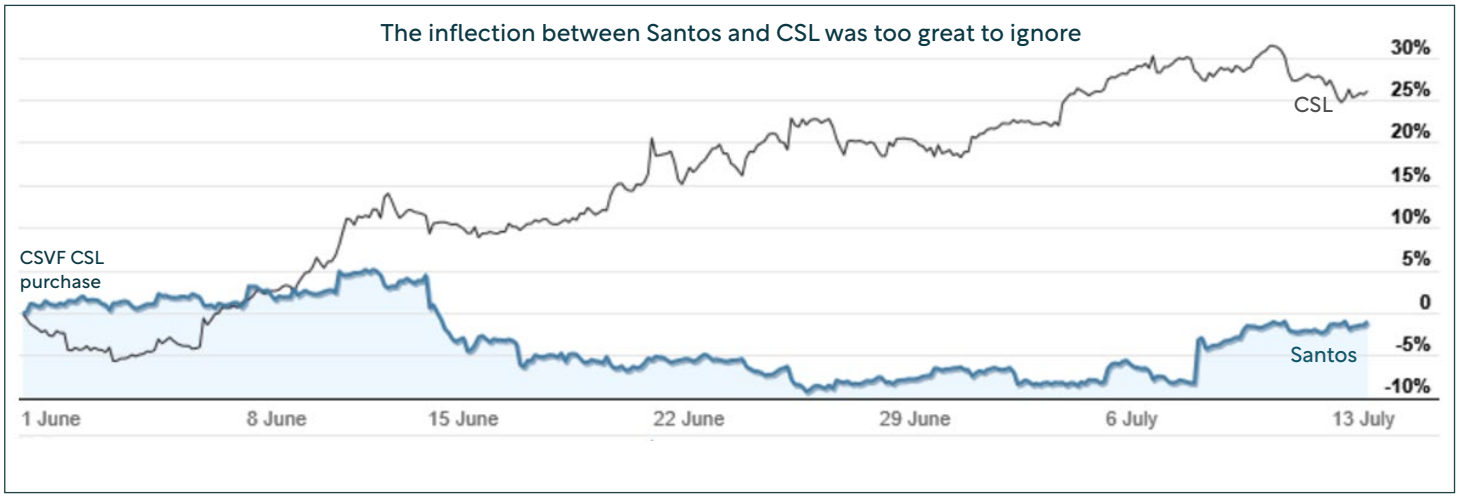
## Other Fund activity during the quarter

On the back of heightened volatility in the energy sector — driven by ongoing geopolitical tensions between the United States and Iran — the Fund took the opportunity to trim its exposure to oil and gas.

During the quarter, we reduced positions in Santos (ASX:STO), Beach Energy (ASX: BPT), and Karoon Energy (ASX:KAR). Proceeds were redeployed into CSL at what, in hindsight, proved to be a highly attractive inflection point for both the energy sector and CSL.

We continue to hold a strong bullish long-term view on oil and gas, particularly given the structural tailwinds from chronic underinvestment across the sector. However, in this instance, we acted opportunistically as valuations in parts of the energy market appeared to overshoot on near-term geopolitical developments.

At the same time, the emergence of compelling value in CSL presented an opportunity too attractive to ignore.



# Collins St Special Situation Fund No. 1

Global Basket of Offshore Oil and Gas Services Companies

Inception: July 2021 Status: CLOSED Unit Price: $0.40 (Distributions already $1.74)




Vas Piperoglou Michael Goldberg

- The Fund will be closed next quarter, having generated an IRR of over 31% p.a.
- $1.00 was distributed in May, another 40c is expected in August

## Moving towards Final Distribution

As the Collins St Special Situation Fund No.1 winds down, we can report that the Fund has delivered an outstanding outcome for investors over its five-year life. This is a strong endorsement of Collins St's view that, when backed by truly objective research, opportunities for outsized returns can be identified within unloved sectors of the global economy.

In mid-2021, we identified a rare opportunity to take advantage of a global oil and gas services sector that had been restructured and recapitalised after 10 years of stress and disinterest from the investment community. The dislocation at the time between price and value was extraordinary.

### Recent Activity

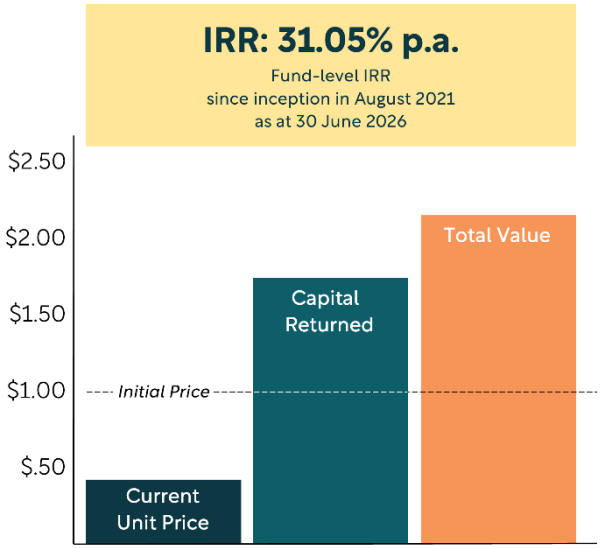
During the June quarter, energy-related stocks experienced a significant rally. As a result, our team assessed that our holdings in companies like Valaris Limited, Borr Drilling Limited, Noble Corporation and Schlumberger Limited (now known as SLB) were fully valued. The decision was made to sell those shares, at materially higher prices than today, and to distribute those proceeds to our investors by way of a $1.00 distribution in May.

The Fund's sole remaining asset is Matrix Composites and Engineering (ASX:MCE). As outlined in our March report, Matrix received a takeover proposal from Advanced Innergy Holdings Limited (ASX:AIH) through which shares in Matrix will be acquired at 40c per share. We are pleased to advise that this transaction remains on course to be completed in the next few weeks.

Subject to the proceeds of the Matrix transaction being received on schedule, we expect the Fund to distribute its remaining approximately 40c per unit of value in August. Shortly thereafter, the Fund will be wound up.

Investors who bought into the Fund at inception (2021) for $1.00 are expected to have received $2.14 cents per unit at the time of the Fund's closing, generating an annualised rate of return – adjusted for incremental payments – of over 30% per annum.

### Fund performance as at 30 June 2026




*Net of fees. Past performance is not a reliable indicator of future performance.*

### Timeline of Collins St Special Situation Fund No.1

**Early 2021:** Vas and Michael were conducting research into MRM, an Australian listed services provider to the offshore oil and gas, and renewables sector. As part of their research, they identified that almost all of MRM's peers were listed overseas, and that the entire sector appeared due for a re-rating after a 10-year bear market.

For the first time in years, these companies were fully booked, and prices had more than doubled over the preceding 12 months. Yet at the time, share prices had not reacted.

Though these companies were un-investable for the Collins St Value Fund – which has an *Australian*-listed mandate – the opportunity was too attractive to overlook. And so, the Special Situation Fund was born.

**July 2021:** The Oil & Gas Fund launched. Almost immediately we saw strong returns from our investment:

**June 2023:** The Fund returned over **80% of investor capital** (just 2 years after launch)

**October 2023:** Almost **120% of investor capital** (and profit) returned.

**September 2024:** Almost **150% of investor capital** returned.

**H1 2026:** With the onset of war in the Middle East, we've kept a close watch on prices and have sold down the last of our holdings at opportune times. As this Fund is wound up, investors who invested $1 million will have received $2.14 million over the 5-year life of the Fund.

# Collins St Special Situation Fund No. 2

Global Gold and Precious Metals Fund

Inception: April 2023 Status: CLOSED Unit Price: $1.14 (Capital already returned: $1.28)

Portfolio Managers




Vas Piperoglou Michael Goldberg

- The Fund is up 39% for FY2026 despite a weak quarter for gold stocks
- Gold stocks have dislocated from gold prices. A reconnection could see gold equities priced much higher
- A resolution to the Iran war or US rate cuts early next year would positively impact gold prices

## How the Fund performed

Though the past six months have been a weaker period for gold equities, we are pleased with the portfolio's performance over the financial year. Despite a -13% return in the June quarter, the Gold Fund delivered a return of 39% for the financial year and 142% cumulative since inception in April 2023.

## How the market performed

Following a period of significant gains in gold equities from 2024 through early 2026, gold prices declined during the June quarter.

While it is inherently difficult to attribute sector movements to any single factor, the recent weakness in gold can reasonably be linked to higher US interest rates and a stronger US dollar. Higher interest rates increase the relative attractiveness of cash and fixed income instruments, while gold, as a non-yielding asset, becomes less competitive. At the same time, a stronger US dollar typically exerts downward pressure on US dollar denominated assets, including gold.

Notably, these macroeconomic factors appear to have temporarily outweighed the traditional role of gold as a safe-haven asset during periods of geopolitical uncertainty.

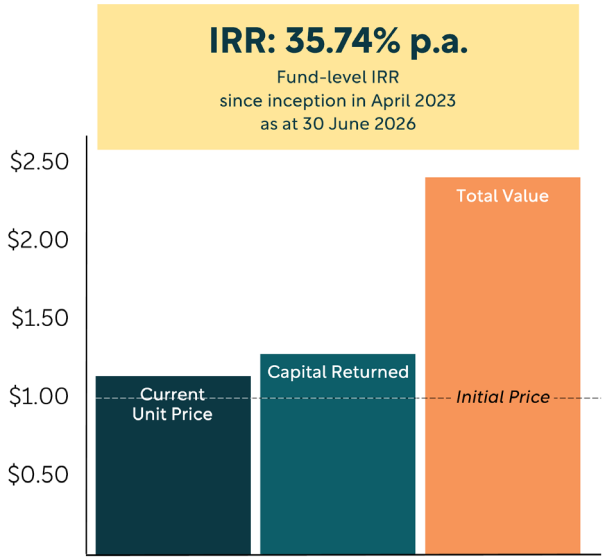
### Equity market dislocation

An important recent observation is the apparent disconnect between gold prices and gold equity valuations. Despite spot prices approaching approximately US$4000 per ounce, many gold equities are trading at levels that imply materially lower gold price assumptions. This dislocation suggests a degree of conservatism embedded in equity valuations, or alternatively a general predilection for risk avoidance from the investing community.

Investor flows have been mixed in recent months. The World Gold Council reported outflows from gold-backed ETFs across May and early June, particularly in North America, while China also experienced its largest pullback in ETF demand in several years. However, buying activity improved in the latter part of June. ETF flows remain highly sensitive to price movements and are a useful indicator of short-term investor sentiment.

In contrast, central bank demand has remained strong. Many central banks increased purchases during the recent price weakness, consistent with a longer-term strategy of reserve diversification. Indeed, strong central bank buying was a key driver of the gold rally beginning in 2023, when prices were nearer $1,600 per ounce.

### Fund performance as at 30 June 2026




*Net of fees. Past performance is not a reliable indicator of future performance.*

### Outlook

Looking ahead, we expect a combination of macro-economic developments to act as potential catalysts for renewed investor interest in gold. In particular, any resolution of Middle East tensions, alongside prospective US interest rate cuts next year, could support a reacceleration in both retail and institutional demand, including flows into gold-backed ETFs, a higher gold price, and ultimately higher gold equity prices.

# Significant Holdings

## Equinox Gold (NYSE:EQX)

Equinox Gold announced a business merger with Orla Mining, creating a new, larger, and more diversified senior gold producer becoming the second largest gold producer in Canada.

Equinox shareholders will own 67% of the new entity, with Orla shareholders holding the balance of 33%.

As a result of improving earnings and a strengthening balance sheet, the company dramatically reduced its debt by US$990 million, and announced its first ever dividend payment of 1.5c per share. While not a material payment, the implementation of a dividend is a significant milestone, highlighting management's conviction in the company's earnings profile and outlook.

## Tesoro Gold Limited (ASX:TSO)

Tesoro Gold's June quarter update reported on their El Zorro Gold Project, including feasibility and permitting work, broader exploration, and an increased drilling program for the Ternera deposit in the region. Based on their increased drilling and Definitive Feasibility Study, the company reported a valuation on the project based on the assumption of 110,000 oz per annum over the initial 13 year mine-life and an updated resource of 1.82Moz of gold. The post-tax NPV was reported as $663 million which compares favourably with the company's current market cap of $150 million.

Tesoro mines are still in the development stage, with their main focus being project economics and expanding their resource base.

## Discovery Silver Corp. (TSE:DSV)

This year marked Discovery's transition from a purely silver-focused business to a gold-producing company, following the Porcupine acquisition.

Over the past 12 months, Discovery has settled on two gold mines in Ontario, Canada. The Porcupine operation was purchased from Newmont in mid-2025, while the Kidd Creek mine was purchased from Glencore in June.

Indeed, over the last 12 months, the company has produced 234,000 oz of gold. Discovery forecasts that to increase to 275,000 oz next year, before ramping up to 500,000 oz of gold per annum combined with 14 million oz of silver per year.

## Barton Gold Holdings (ASX:BGD)

Barton Gold completed an institutional placement of about A$25.9m at $0.85 per share in June 2026, with the offer oversubscribed and strongly supported by existing institutions.

Post-raising, Barton's cash position is now above $30 million.

The raised funds will go towards growing future production at the Challenger Gold Project in South Australia to 150,000 oz p.a. and to expand the drilling campaign at their Tunkillia Gold prospect to cover 40,000$m^2$

Across its SA portfolio Barton now reports about 2.2Moz of gold and 3.1Moz of silver in JORC mineral resources, supporting the medium-term plan to become a 150koz-per-annum gold producer.

## Aris Mining Corporation (TSE:ARIS)

The Aris second-quarter 2026 production and sales update showed strong gold volumes and revenue momentum through 30 June. It reinforces that 2026 is a transition year for Aris, with strong revenue providing funding for growth capex at their mines in Columbia.

The company reported gold sales of about 72,100 oz for the second quarter with an average realised gold price of US$4,445 per ounce — driving estimated gold revenue of $320 million. This was an excellent result and in line with guidance.

Aris attributes its continuing growth and higher sales volumes to the ongoing ramp-up at its core operations in Columbia, in particular its expanded plant capacity at Segovia and its continued development at Marmato.

Looking forward, Aris is targeting an annual production of about 500,000 oz of gold, driven by Segovia's second mill and Marmato's new plant, which is expected to be producing by late 2026.