

FEATURE ARTICLE

When should you Follow the Leader?

COLLINS ST
ASSET MANAGEMENT

Quarterly Report

June 2025

Collins St Value Fund
Collins St Convertible Notes Fund
Collins St Special Situation Fund No. 1
Collins St Special Situation Fund No. 2

Available to Wholesale Investors only. ASFL 468 935.



When should you Follow the Leader?

As a school child of the 1980s, I recall our teacher Mrs Belfer rewarding my Grade 2 class with a game of follow-the-leader. It was a fun activity for the 25 7-year-old boys in our class. Mrs Belfer would nominate one student as 'leader' and turn on a song. For as long as the song played, the rest of us were tasked with mimicking the leader's every move — up over chairs, under and around desks, parading around the classroom, having a ball.

Thinking back, it was a wonderful and harmless activity for my 25 classmates, but as we grew older and (hopefully) wiser, we learned that blindly following the leader isn't always the best life strategy.

When it comes to investing today, our markets often feel like the world's largest game of follow-the-leader. But without the watchful eye of a responsible adult.

Passive momentum-based portfolio strategies have become the order of the day. Fed by the massive flows of capital from our superannuation system, index funds are by their very design the definition of momentum investing strategies.

Index investing does not require fundamental analysis of the underlying businesses or an assessment of those businesses' intrinsic value. Instead, index investing is driven by algorithm: the larger the company, the greater the weighting within the index. The greater the weighting within the index, the greater the capital allocation and exposure to investors' portfolios, irrespective of how cheap or expensive the company might be.

How rational is it to invest irrationally?

I imagine most index investors believe they will be able to exit their irrationally expensive positions before the music stops and the bubble pops. But history shows that humans are notoriously bad at reacting quickly to change.

People are horrible at timing the market, because they look for the wrong signs.

"Every past market crash looks like an opportunity, but every future crash looks like a risk" – Morgal Housel

If you want to beat the market, following what's popular is the wrong indicator. For instance, consider that the best time to buy an asset is when all the obvious signs predict the opposite:

- The best time to buy the ASX in recent history was in in early 2009, after the market had fallen over 50%. Or in early 2020, after it had fallen 40%.
- The best time to buy oil was in April 2020 when Brent fell to US$16 per barrel — down 80% from the previous year's highs.
- The best time to buy gold was in 2015 (at US$1,000) after it had fallen over 54% from the previous high.

Momentum investing is the world's largest unsupervised game of follow-the-leader.

The opportunities were there for everyone to see but human nature is such that what our intellect calls opportunity, our emotions call risk.

Buy low, sell high

Every investor knows that you should buy low and sell high. Very few actually do.

To know what's low (or high), you need to look beyond what's popular — beyond stock price trends — and recognise that what we call a stock is actually a share in a real company. A company with fundamentals. And it's those fundamentals that will tell you what the company is intrinsically worth.

Only once you've analysed the fundamentals of the company, can you earnestly identify the intrinsic value and what it means to buy low and sell high.

It takes time and expertise to analyse fundamentals. It's much simpler to just do what everyone else is doing. It's easier but it's not better. Buying stocks and sectors that are out of favour is precisely the way to buy profitably but it's uncomfortable. If the history of financial markets is a guide, most people would rather be comfortable than profitable.

Unpopularity favours the value investor

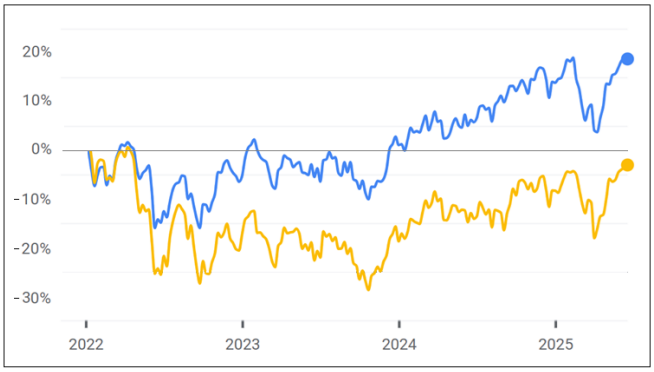
When value investing is popular, the competition for uncovering mispricings in the market is greater and the analysis becomes tougher. Ironically, as more investors abandon the difficult analysis process that value investing entails, the easier it becomes for those who remain and the greater the scope of opportunity. So, the cycle repeats itself.

At this stage of the cycle it seems to us that there are very few engaged in price discovery, and the universe of mispriced companies that are not propped up by Index Funds has become enormous!

The current opportunities in small and mid-caps

Despite Australian and international markets testing new highs, a closer look at the market uncovers the large disparity between the share price performance of the biggest companies and the small- and mid-cap sectors.

ASX/S&P200 vs All Ords Small Index



Source: https://www.google.com/finance/quote/XJO:INDEXASX?comparison=INDEXASX%3AXSO&window=5Y

What does the data show?

The ASX/S&P200, driven by passive flows and index investors, is expensive! The market trades at a Price-to-Earnings ratio (P/E) ratio of 19x — a steep premium to the historical Australian average of ~15x.

The Top 10 stocks are even pricier at a P/E of nearly 23x. The market's Price-to-Book ratio is 1.4x —higher than historical norms — but the Top 10 are at an eye-watering 3.5x.

When you compare those numbers to our Collins St Value Fund major holdings, the difference could hardly be starker:

Top 10 Average	Price/Earnings	Price/Book
ASX200	22.74x	3.53x
CSVF	10.28x	0.60x

Source: Morningstar data for ASX200, internal data used for CSVF

Taking a bubble bath

Market darlings don't stay market darlings forever. Consider:

- **BHP** enamoured investors in the early 2000s. There wasn't a portfolio that didn't include it, and there was no consideration given to the idea that it might be a risky investment. Yet for individuals who've owned it since 2007, there has been zero capital growth.
- **Telstra,** with its newly released 4G network and best-in-class customer service, was a fan-favourite in 2016 at over $6.00. Ten years later, investors are still waiting for a capital gain.
- **CSL** was the subject of a game of "pick the date it will surpass $350" at an investor meeting we were invited to attend in late 2019 (when CSL was trading at approximately $300 per share). When I teased that it was possible that it wouldn't top $350, I was scoffed at. Four years later, we are still waiting. CSL is currently trading at $240 per share.

Today it's Commonwealth Bank that demands multiples well above historic norms. CBA currently trades at 29x earnings, which makes it not only Australia's most expensive bank but *the most expensive bank in the world*. It could be that there is a reason why this is sustainable but it may just be that no-one is paying much attention as long as "the music continues' and "gains" are being achieved.

How value investing avoids these bubbles

In contrast, value stocks offer dual benefits:

1. **Downside protection:** Companies trading at low multiples or discounts to asset value are less vulnerable should the market fall.
2. **Upside potential:** When economies stabilise and confidence in the smaller capitalised stocks that aren't subject to indiscriminate index buying returns, undervalued companies can see great gains through even marginal business improvements or an upwards re-rating of their undervalued earnings.

How we're active during "the waiting game"

As value investors, we seek to buy low and sell at fair value. Consequently, there'll be a period between that buying and selling while we wait for the market to appreciate what we have seen as the opportunity.

Undervalued companies typically reach fair value in one of two ways:

- strong cash dividends or capital returns catch investor attention,
- prolonged undervaluation prompts buybacks or takeover offers.

Sometimes activist investors can influence the scope and timing of these efforts. That's where we at Collins St find ourselves busy where these factors haven't yet materialised in a way that satisfies our interests.

Within our Value Fund, we are actively engaged with six companies who with our encouragement are taking steps to correct mispricings. Those steps may be as simple as encouraging an improved dividend policy or as complex as negotiating directly with potential suitors, whatever delivers value for shareholders and our investors.

The valuations are extreme

We've recently found that the average holding time in the Value Fund has increased beyond our historical average of 18 months. Rather than cause us concern, we recognise this phenomenon as an indicator of the increased opportunity in markets today.

Whereas the Fund would ordinarily contain a mix of deeply undervalued and appropriately priced holdings, the markets prolonged irrationality has found us in a position where our portfolio is filled with deeply undervalued holdings. It's made our portfolio as attractive (on a price/value basis) a proposition as we've experienced in a very long time. Indeed, we can't recall a period since we launched the Fund where the disconnect between value and share price was so pronounced within our portfolio.

Although stock markets can be irrational for a long time, history has shown that the music will eventually stop, and the quality of our holdings will be reflected in their share price.

When the music does inevitably stop that may spell trouble for investors who have been blindly following the leader. For us, it's an exciting time, where our holdings can be appreciated in the absence of the games that markets are currently playing.

We are well-poised for when the games end.

Some of the most famous global corrections in history include:

Tulip Mania: In the early 17th century, tulips became a status symbol in The Netherlands, and their price skyrocketed. At their peak, a single tulip bulb sold for more than ten times the annual income of a skilled craftsman. When the bubble finally burst in 1637, those who had invested heavily faced significant losses.

The South Sea Bubble: From 1711, many British investors speculated in the shares of the South Sea Company, which had been granted a monopoly on trade with Central and Southern America. Though the business initially had strong fundamentals, hype and subsequent investor excitement increased share prices by more than 1000%. When confidence collapsed in late 1720 it ruined thousands of investors across all levels of English society including Isaac Newton.

Railway Mania: In the 1840s, excitement over the transformative potential of railways saw frenzied speculation in the nascent British railway industry, ignoring individual company fundamentals. Share prices soared but many companies were poorly managed and even fraudulent. While England enjoyed the expanded railway network that the bubble built, investors suffered heavy losses when their shares fell below the initial capital invested.

The Dot-Com Boom: From the mid-1990s, enthusiasm for the revolutionary power of the Internet the saw many NASDAQ technology stocks quintuple in value. When the IPO avalanche entered its runout zone in 2001, trillions of dollars of unsustainable market value evaporated.

The US Housing Crash: Fuelled by low interest rates, lax lending standards and speculative investing, the US housing market experienced rapid price increases for most of the 2000s. When the smoke and mirrors of the subprime mortgage market were finally exposed in 2008, it sent the U.S. into recession.

Each of these global bubbles and their subsequent pops are an example of 'momentum' driving unreasonable behaviour from investors. While most bubbles begin as genuinely attractive investment opportunities (often in infrastructure and technology that does impact the world over the long term), the damage is done when prices over-inflate driven by hype, greed and momentum.

COLLINS ST
ASSET MANAGEMENT

June 2025 Quarterly Report

Collins St Value Fund

Flagship Australian Equities Fund

Inception: February 2016 Status: OPEN

Unit Price (NAV): $1.9266

Investment Team


Vas Piperoglou


Michael Goldberg

- A concentrated portfolio of our most compelling ideas
- Outperformed the ASX200 Accumulation Index by over 25% since inception
- Positioned for significant upside through the economic cycle

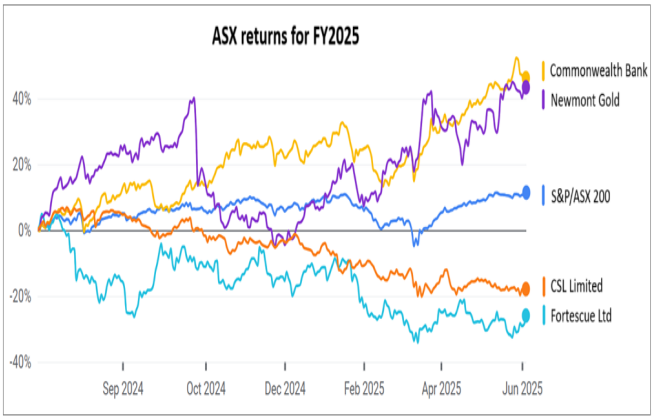
How the market performed

The S&P/ASX 200 performed well, generating approximately 10% for the 2025 Financial Year. Yet a closer look at those returns uncovers a surprising and worrying factor.

Despite the attractive headline returns, it was a story of a few select companies dragging the wider market higher. Interestingly, we've seen a similar situation in the US as the 'magnificent seven' drove index returns, even as the majority of other companies struggled.

In Australia, the major driver of index returns has been Commonwealth Bank (ASX:CBA), the largest company on the ASX and the most expensive bank in the world.

Aside from CBA and gold company Newmont, the returns for ASX companies were starkly different:



Stalwarts of the ASX like BHP, NAB, Goodman Group, Rio Tinto, CSL, and ANZ all underperformed the market. The questions then for investors become:

- What drove some of these disparities? and
- What does the future hold for our investments?

Net Returns

	CSVF
3 months	-7.7%
1 year	-3.3%
2 years p.a.	6.7%
5 years p.a.	11.8%
Since inception	174.6%
Since inception p.a.	11.3%

Past performance is not a reliable indicator of future performance.

What has driven market behaviour?

For some time now we've noticed a distinct disparity between company share price returns within the market. While some stocks have performed exceptionally well even in the absence of new fundamental information to support it, other stocks have struggled even as they grow their businesses and upgrade earnings.

Uncertain economic outlook driving behaviour

We believe that the last 3 years of weak economic activity (leading to a prolonged per-capita recession) has seen investors seeking shelter from the economic uncertainty in listed stocks that appear safe. Staples like Commonwealth Bank, businesses like Wesfarmers, assets like physical gold, have all seen a huge increase in interest from investors as they seek some semblance of safety from what otherwise feels like a very unsafe world.

Ordinarily seeking safety in uncertain times is a wise decision, but at some point, investors should be asking themselves "Is this genuinely safe?" At an appropriate price, CBA, WES and others are a great investment, but not at any price. 'At any price' investors need to start asking themselves if the premium they have paid to feel safe is actually the foundations of a bubble being created (see the opening article of this report in which we note a number of historical bubbles and consider other major drivers of investor behaviour, including the impact of

passive flows from the Australian Superannuation system).

Instead of jumping into what feels safe, investors should be seeking options that are actually safe, i.e. the risk of permanent capital loss is low.

Is Value Investing Dead?

The practice of identifying good quality businesses which are trading at a substantial discount to their intrinsic value has been a practice that has generated positive results for 100 years.

Despite the success of value investing over the long term, recent experience has seen passive, index investing or momentum (speculation) outperform materially.

With a rapid drop off in capital flows to active fund managers seeking price discovery (i.e. attempting to calculate what a company and its shares are actually worth), the practice of passively investing via index funds has almost completely taken over the industry.

We believe that the value of any company (and their shares) must ultimately reflect that company's fundamental business and its ability to generate a profit.

Have investment goals changed so substantially that the value of a company's earnings and their share price are permanently disconnected?

We believe that buying companies simply based on a company's size without regard to fundamental analysis is tantamount to speculation, which may create bubbles in those businesses that will eventually pop.

We believe that the fundamentals of the companies we own are more important than their popularity in the moment, and that ultimately markets will recognise the intrinsic value of earnings and real assets – either by way of increased dividends, or by corporate activity.

What does the future hold?

When considering what the future holds for our portfolio, the ultimate assessment must be of the fundamentals of each of our holdings:

- Are they cheap based on their earnings?
- Are they cheap based on their assets?
- Is there ongoing demand for their product?
- What multiples am I prepared to pay?

With that said, let's take a dive into some of our major positions to consider whether they remain attractively priced, where we see the upside, and how we believe that upside is going to be achieved.

Astron Limited

Astron (ASX:ATR) is seeking to develop a mineral sands and rare earth project in Donald region of western Victoria (an hour from Horsham). Recent testing has shown the Donald project to be the fourth largest Rare Earths project outside of China, and the world's largest undeveloped Zircon resource.

Given the scope of the project, Astron has announced its intention to develop it in stages. Stage 1 will produce a project with a 40+ year mine life and generate earnings worth over $850 million (based on its NPV[8]).

Given the scope and cost of the project, Astron has agreed to work with American company Energy Fuels to develop the project. Energy Fuels has agreed to provide $200 million ($183m cash, $7.5m in shares) for up to 49% of the project. Additionally, an offtake agreement has been reached for the rare earths concentrate that the mine will produce.

Based on expectations for Stage 2 of the project, the company has completed a feasibility study that suggests that over a 60-year mine life, the value of production is $2.2 billion (based on its NPV[8])

Despite the huge potential upside over the next few decades, Astron currently has a market cap of just $122 million. Even ignoring the upside from actual production, we believe that ATR should at the very least be trading at a price that reflects the investment from Energy Fuels ($200 million).

Astron continues to make good progress towards development with their most recent ASX announcement outlining that they had received one of the final regulatory approvals, the Work Plan approval.

Against a current share price of 60c we think ATR ought to be trading at closer to $1.20, and potentially much higher as development of their mine site advances.

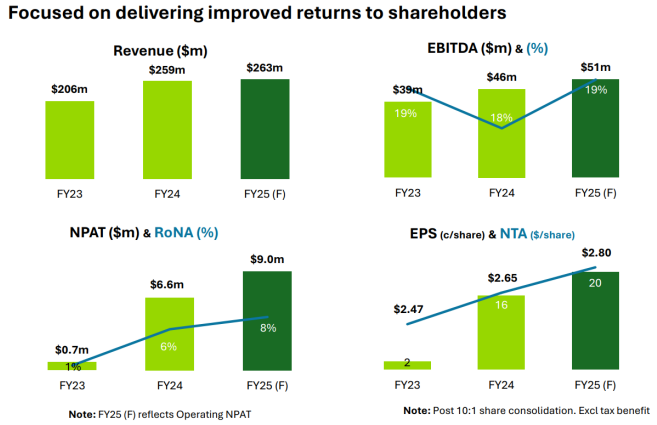
30 June Share price	CSAM Valuation
$0.60	$1.16

Boom Logistics

Boom (ASX:BOL) is one of Australia's leading providers of complex lifting, moving and project logistics solutions for the mining, renewables, infrastructure, and industrial sectors.

Despite five recent upgrades to earnings, an ongoing share buy back, and a reduction in competition from the recent exit of one of their major competitors, Boom

Logistics has struggled to capture the imagination of the investment community or see a material improvement in its share price.



Source: Boom Logistics half yearly presentation

Management has taken several steps in recent years to simplify and improve Boom's market perception. Besides the flurry of upgrades, the company's ongoing sale of under-utilised equipment and an on-market buy back were expected to generate share price improvements.

At 30 June Boom traded at $1.36, had a price to earnings ratio of just 8x and Net Tangible Assets of $2.83.

We expect to see continued consolidation in the industry and believe that Boom is well placed to participate in that activity. Additionally, we believe the reintroduction of a consistent dividend may have a material impact on investor sentiment and the share price going forward.

On an earnings basis, we think BOL ought to be trading at a blended valuation of its earnings (at 12x) and its NTA. As such, we believe BOL should be valued at approximately $2.50 (an 80% premium to its 30 June share price).

30 June Share price	CSAM Valuation
$1.36	$2.50

Carnarvon

Carnarvon (ASX:CVN) holds the rights to a 10%-20% stake in a number of offshore oil & gas projects it shares with Santos in the Bedout Basin.

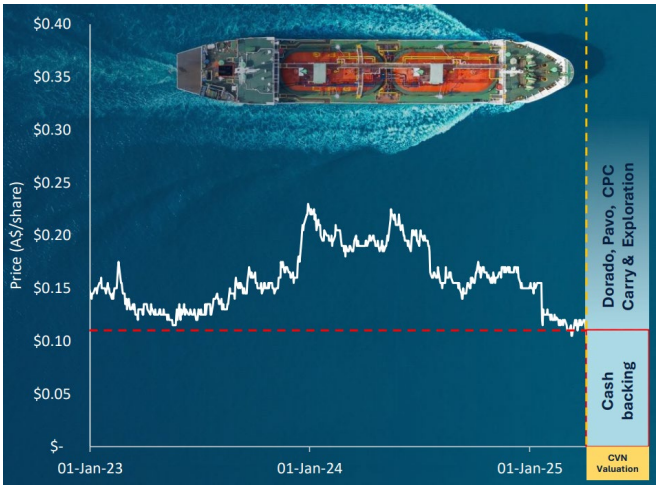
The major projects (Dorado and Pavo) are flagged to contain over 500 million barrels of oil (or gas equivalent) and are one of Australia's largest undeveloped offshore oil resource, and the largest discovery in the region for decades.

Carnarvon has reported that the undrilled potential of the area could be as high as 1.6 billion barrels of gas and liquids once the surrounding tenements are developed.

Being located just off the coast of WA, the projects are in a Tier One jurisdiction and are ideally placed and to supplement the increasing shortfall of oil and gas for Australian markets.

CVN's share of the Dorado project is equivalent to ~50 million barrels, which at $10 per barrel would equate to $500 million.

Carnarvon at 30 June held $186 million in cash, had no debt, and had an additional cash call of ~$140 million owed to them once the work has been completed for the Final Investment Decision.



Source: Carnarvon half yearly presentation

The challenge for Carnarvon has been that its fortunes are tied to Santos' willingness to make progress on the Dorado project. Unfortunately, after two years of delays investors have lost patience and faith in the Dorado Project.

At the time of writing this report CVN's market cap is the same as the cash it holds at bank – ascribing zero value to the ~$140 million cash call and no value to the existing projects or prospects.

Recent activity in the oil & gas sector has seen an offer made to purchase Santos. We believe this would be a positive for CVN's interest in the Bedout basin, as we believe the proposed purchaser would not suffer from the same political or capital restrictions that seem to be holding Santos back from making a final decision on Dorado. A new partner with a live interest in development would have a material impact on the perception and realisation of value of Dorado and by extension CVN.

In the absence of any change at the JV project level, CVN management have taken several steps to generate value to investors.

- Proposed a return of capital (7c, which equates to approximately two-thirds of the current share price),

- Attempted to engage with Santos to progress the projects,
- Allocated capital for additional drilling in 2025 and 2026,
- Engaged with advisors to seek out potential corporate activity on the Carnarvon level.

We can't be sure which of these initiatives will ultimately drive the value, but we are confident that given a share price of 10.5c against actual cash of 10.5c, a cash call of a further 7.5c, and a project that according to reports should generate another 5c per year for many years to come, that Carnarvon is far too cheap at these levels.

We assume that the Bedout basin (given its scope and early economics) will be developed. On that basis we ascribe a base value to CVN of its cash and cash call at 18c. However, we note that when development is confirmed, we believe CVN's value to be materially over 30c per share.

**We note that since 30 June, CVN announced a strategic investment in Strike Energy (ASX: STX). We will provide more details on this deal and its implications for CVN in the future.*

30 June Share price	CSAM Base valuation
10.5c	18c

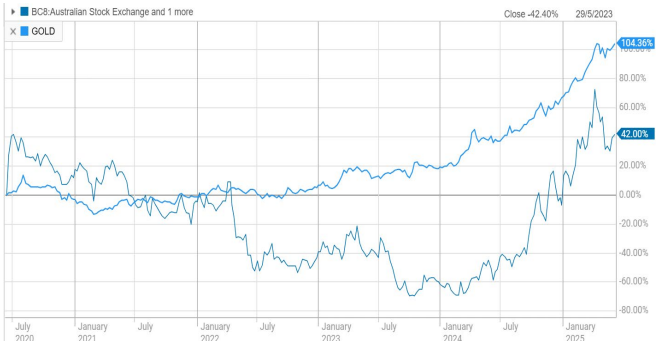
Gold Holdings

A basket of gold holdings has played a material role in the performance of the Value Fund over the last six months. We continue to believe the price of physical gold will increase as investors seek safety in these uncertain times, and governments seek a pathway to decouple from reliance on the US dollar.

However, from an investment perspective we believe that the outlook for our holdings will be driven by the existing value of our positions rather than a reliance of increasingly higher gold prices.

An increased gold price has driven gold company share prices, but even given the very strong recent returns gold stocks continue (on average) to be trading at levels that suggest a much lower gold price of US$2,500 per ounce rather than the prevailing price of US$3,300 per ounce.

If current gold prices remain the same, the disparity between the performance of gold prices and gold companies becomes unsustainable.



Black Cat Syndicate (ASX:BC8) is a good example o one of our gold company's prices rapidly catching up to spot gold.

While the June quarter saw several of our gold holdings pull back and impact the quarter's performance, we have opportunistically reduced our holdings to maintain our ideal gold weighting. It remains our largest portfolio exposure.

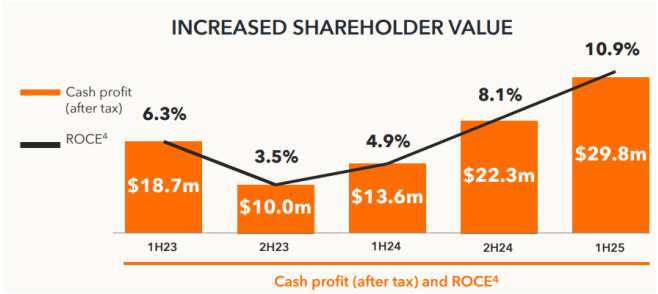
Given the huge increase in gold prices over the last 2 years and the fact that gold companies have lagged expectations, we believe that there remains plenty of upside still to come from our position.

HUMM Group

HUMM Group (ASX:HUM) provides financing solutions to consumers and businesses. Originally named Flexigroup, HUM used to focus on providing financing for the purchase of furniture and white goods (the original buy now pay later) in stores like Harvey Norman.

As a result of increased competition from Afterpay and others, recent years have seen HUM develop their business lending division, which is now the major driver of the company's earnings.

Performance has been strong for HUM:



Source: HUMM Group half yearly presentation

Notwithstanding the strong performance and the strong tail winds for the company due to falling interest rates (and resultant improved margins), HUM's share price has struggled.

Recently, Andrew Abercrombie (major shareholder and Chairman of HUM) made an offer to purchase all of HUM's shares at 58c per share, a 30% premium to the share price at the time of the offer. Noting that Mr Abercrombie previously rejected an offer equating to

90c claiming that such an offer was too low and opportunistic, this offer seems all the more unreasonable and opportunistic.

Given that there are a number of institutional investors on the registry who would view the current offer as too low, we anticipate a revised offer in the coming weeks. We do not expect Mr Abercrombie to offer what HUM is worth (which we believe to be 90c - $1), but we do anticipate that his offer will either attract other parties to bid for the company or see an increase from Abercrombie himself to ensure a successful takeover.

30 June Share price	CSAM Valuation
56c	97c

Litigation Capital Management

Now listed on the London Stock Exchange, Litigation Capital Management (LON:LIT) is a business that finances litigation, and profits from the successful outcome of court cases.

Having been in the industry for over 25 years, LIT is one of the longest standing and historically successful litigation funders in the world.

Until this year, LIT had a success rate of over 90%. However a string of recent losses (most being appealed) has seen the market lose faith in LIT's management and the business and seen the share price fall from £1.20 (November 2024) to as low as 28p (June 2025). This has had a material impact on our Fund's performance.

We are in regular and close contact with management and recently sat down with CEO Patrick Maloney to better understand what has led to the recent losses. Interestingly, Patrick explained that they have continued to win on the legal aspects of the case, but the recent losses have been on the commercial/ damages outcomes

For instance, LIT brought a claim against a company (and its auditors) that had allegedly raised capital off the back of falsely inflated assets. In essence, the company had allegedly overvalued their (agricultural) assets by about 50%, and investors who subsequently suffered a loss brought a claim against the company. Though the judge found that the company had knowingly and falsely reported the value of its assets, the judge could not be convinced that a correlation exists between the value of the assets of the company and the value of the company.

We are advised that there have been a couple of cases where the eventual commercial judgment seems at odds with the facts of the case, but that in most circumstances, LIT is confident of winning the commercial judgement on appeal.

In other recent matters, LIT had a win worth approximately $40 million in a claim against the Polish Government (which cannot be appealed) and are expecting a similar sized win in the September quarter.

Despite several big wins and prospective wins, the recent initial losses have seen the company's market cap fall to just $60 million.

In a wind-up scenario, where management do not re-invest any of their future wins but instead simply pay it out to investors, we estimate that there is £0.76 of NTA which could be worth as much as £1.50 in distributable value to shareholders (based on historical outcomes).

Litigation Capital Management has a long track record of success. We are comfortable that the market will reward them with increased interest once the company is able to string together a couple of wins.

In the meantime, we have suggested that management take a more proactive approach to communicating and simplifying their business so investors can more easily understand its value.

We have suggested they could:

- seek to monetise some of their individual cases
- sell a portfolio of cases
- introduce a significant dividend,
- switch from buying back shares to making significant capital returns after each case is won.

Any of these steps would help bring into sharper focus the intrinsic value of LIT.

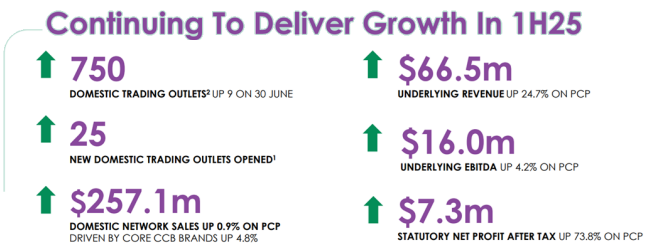
Whatever approach LIT takes, we believe that they will find a way through the current crisis of confidence, and with pressure from us and other shareholders, we are confident they will find a way to monetise their successes (for shareholders) moving forward.

30 June Share price	CSAM Valuation
28p	£1.20

Retail Food Group

Retail Food Group (ASX:RFG) have turned their business around after a checkered past (pre-2020).

Over the last couple of years RFG have refined their offering, exited from underperforming sites, and have recently begun the process of growing once again.



Source: Retail Food Group half yearly presentation

The company now operates 750 stores domestically with their core brands including Donut King, Gloria Jeans, Brumbies, and Crust Pizza.

As customer sentiment and appetite began to improve, the business attracted new interest from substantial and potentially strategic holders.

The most significant new holder is the United Petroleum group. The Hirsch family and its related parties initially bought a 10% stake in RFG in June 2024, before gradually increasing the holding to 21% as at June 2025.

We have spoken to RFG's management who have acknowledged that there are synergies between their brands and United Petroleum (which includes the Pie Face brand), but there have been no formal approaches as yet.

Given that the United group continues to accumulate shares and given the apparent synergies, we expect that some sort of corporate activity is the natural outcome.

In any event, we continue to believe that RFG is trading too cheaply. Trading on an estimated 8.5x Earnings multiple, we think that RFG should be trading at closer to the multiples that its peers attract (~15-20x earnings).

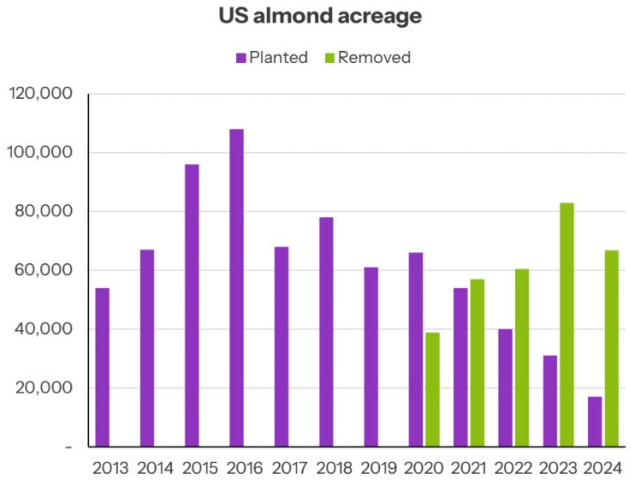
30 June Share price	CSAM Valuation
$2.00	$3.20

Select Harvest

Select Harvest (ASX:SHV) is a Victorian-based company that grows, processes, packages, and sells almonds, its derivatives and by-products.

We first became interested in the company early this year when we saw the genuine beginnings of a turnaround for the industry after an eight-year bear market.

Though almond demand has been consistently strong and growing, the fall in almond prices was driven by a glut of supply becoming available. However, due to the persistent decline in prices, much of that supply was uprooted and we recently began to see an improvement in almond prices ($4 to $7.50 since 2022).



Source: Somar Capital Partners

We haven't yet seen the increase in almond prices reflected in the company share price.

Still, despite the relatively good news, almond prices remain below the global average cost of production – suggesting that either demand needs to fall or prices need to rise.

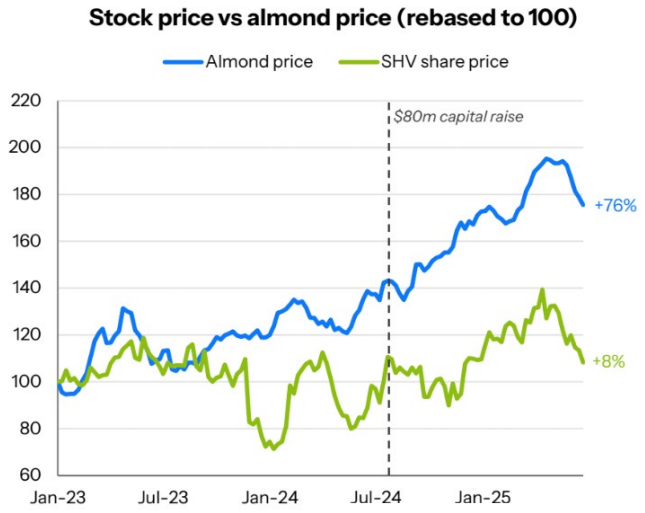
SHV remains one of the limited number of producers that is making a profit at current prices, with an average cost of production of $6.77/kg. Though margins may remain slim, when compared to the average cost of production in California ($8.70/kg), it's clear that SHV has a competitive advantage.

California remains the dominant region for producing almonds (even as production has fallen for the last 4 years), but the Australian market should not be under-estimated. Indeed, as the US and China tariff war was underway earlier this year, it was the Australian producers that picked up the slack for China.

After a prolonged period of lower almond prices SHV had stretched their balance sheet. To revitalise it the company raised $80 million in late 2024. That raise resolved any concerns for the business' wellbeing.

We think Select Harvest is among the best placed producers of almonds in the world to benefit from what we expect will be higher prices over the coming years.

Currently trading on a forward cash flow multiple of just 58x, we think SHV should be more reasonably trading at 10x. On that basis, shares should be trading at closer to $6.80. Yet, if almond prices continue to rise, there is no reason that SHV shouldn't attract market multiples of 15-20x.



Source: Somar Capital Partners

30 June Share price	CSAM Valuation
$4.10	$6.80

Sky City Entertainment

Sky City (ASX:SKC) owns and operates the (monopoly) casino and entertainment complexes in Adelaide and Auckland.

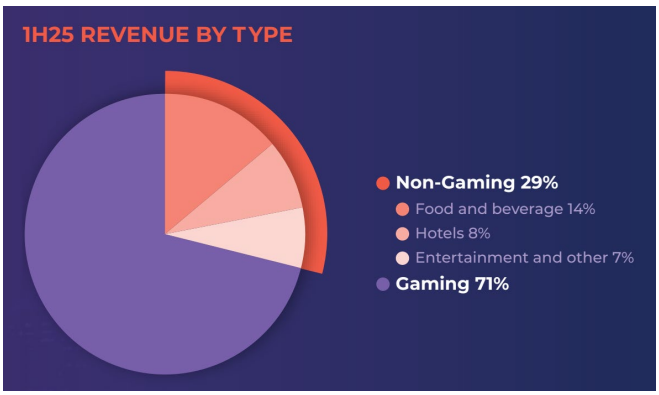
Despite the challenges faced by Crown and Star, SKC has been able to broadly avoid the type of controversy faced by its competitors. The same cannot be said for Sky City's share price, which has fallen from as high as $4 before COVID19 to as low as 82c as at 30 June 2025.

Sky City have suffered from a number of problems, some global and some of their own creation:

- Due to recent controversies, the sector is deeply unloved,
- The fear of regulatory issues (both known and unknown) has accentuated investor concern
- One off costs require 'normalisations' for an accurate depiction of performance,
- Due to the impacts of COVID, the slow economic recovery, and their debt position, dividends were recently suspended.

The business has generated solid returns over the last couple of years, generating 17.5c of earnings last year (against a current share price of 83c).

Driven by the two casinos, their convention centre in Auckland, the newly established online casino business and Auckland's Sky Tower (and carpark), we anticipate EPS of 16c for FY27 which puts Sky City on a PE of just 5x.



Source: SKC half yearly presentation

Notwithstanding the value apparent from the company's earnings and the prospect of the re-introduction of a dividend, we expect SKC to drive significant value for shareholders via the sale of their non-core assets (Sky Tower and carpark). The tower and carpark alone are expected to generate $415 million or almost 65% of the existing market cap.

Given our expectations for the sell down of assets, the repayment of debt, and the re-introduction of a dividend, we believe there is upside in this unloved business.

Historically SKC has traded on a PE multiple of approximately 17x earnings. If instead we apply a PE of just 12x, the shares ought to be trading at $1.90. We think this is conservative given the upside potential for the business.

30 June Share price	CSAM Base valuation
$0.83	$1.90

Seven West Media

Seven West Media (ASX:SWM) is one of the most misunderstood and unloved media companies in Australia.

Trading at just 4x earnings, the market appears to have completely disregarded the company's digital business and appears to be assuming that the company is in terminal decline.

This couldn't be further from the truth. SWM continues to dominate the Australian TV and media space, currently controlling over 40% of the free to air advertising market.

Whereas once the brand relied heavily on it's free to air channel to drive advertising revenue, their shift in focus to digital a few of years ago has provided much benefit, with those businesses now representing over 40% of their profits. Indeed, their focus on digital has allowed them to tailor their advertising messages to the viewers

preferences via their Phoenix platform – driving better outcomes for the advertisers.

SWM's exclusive free-to-air access to AFL and cricket (via 7, 7+, and 7Mate) has also driven significant value for the company.

From a valuation perspective, we believe that the content contracts that SWM have in place are worth more than the company's current market cap.

We believe that SWM is the best of the traditional free-to-air stations in Australia and is amongst the cheapest mainstream media businesses in the world.

We expect that as economic activity improves and we begin to see an increase in demand for advertising, SWM's earnings will increase substantially.

If SWM were to trade on the same multiples as its peers e.g. Nine Entertainment, its share price would be closer to 50c per share.

As long as SWM trades at so steep a discount, we wonder if it may become a target for international players looking for an entry into Australia and for access to their programming.

We think that SWM should be trading at over 10x earnings, or at approximately 35c per share.

30 June Share price	CSAM Base valuation
15c	35c

Uncorrelated and Concentrated

By design, the Fund has sought positions in its favourite risk adjusted ASX listed ideas, without consideration for market or sector weightings. We only concern ourselves with:

1. Is there value?
2. Can we extract that value over time?

In taking this approach, we have constructed a concentrated portfolio that does not replicate market returns.

Instead, when our underlying holdings perform well (and that performance is reflected in their share prices), our Fund performs well, irrespective of what the market is doing.

The clear positive from this approach is that even when markets are performing poorly (or normally), our portfolio can perform exceptionally. The downside of this approach is that when markets become unreasonably optimistic, our holdings may not participate in all the exuberance and upside – and thereby underperform the market.

We have accustomed ourselves to being comfortable holding good businesses that are trading too cheaply, but even so, will admit that we too can be frustrated when markets perform irrationally for extended periods and our good quality holdings aren't recognising their intrinsic value.

Where we see the upside

In ordinary times, our portfolio is made up of a range of holdings all of which are at different stages of their value appreciation cycle.

Some are deeply undervalued, some are approaching value, and some are being assessed for sale (having achieved their intrinsic value).

Our portfolio has never traded at such a large discount to our assessment of its intrinsic value.

Though markets can behave irrationally for some time, experience has shown that eventually companies will trade at what they are worth. When our holdings inevitably do become appreciated by the market, we believe the upside is exceptional.

Collins St Convertible Notes Fund

Distribution payments currently made quarterly

Inception: April 2022 Status: CLOSED

Investment Team




Vas Piperoglou Michael Goldberg

- Native Mineral Resources repaid $3m and completed its first gold pour
- Revised agreement with GBZ adds significant value
- Large special distribution expected this quarter

	Performing	Maturity	Interest	Conversion
Native Mineral Resources Limited*	Yes	September 2027	10.0%	N/A
Matrix Composites & Engineering Limited	Yes	December 2025	10.5%	$0.3063
GBM Resources Limited	N/A	Early repayment agreement for September 2025	N/A	N/A
Allegiance Coal Limited	N/A	In wind-up	N/A	N/A

Formerly Ashby Mining Limited

Asset Summary

Native Mineral Resources (ASX:NMR)

(loan: $16.6m, royalty 2%)

Native Mineral Resources has made excellent progress in the last three months.

Having formally taken over the project in November 2024, the team appears to be working at full force to refurbish and restart the Northern Queensland Blackjack processing plant and surrounding tenements.

On 7 July, NMR announced that it had completed its first gold pour and that it was continuing with commissioning of all critical plant systems, progressing toward full operational readiness.

This achievement is a testament to the hard work of NMR management and reflects the prospects for the plant and surrounding tenements.

Native Mineral Resources 12-month performance



Partial Loan Repayment: We previously flagged that NMR's first loan repayment in the amount of $3 million was due before 30 June. We are pleased to have received that payment. Further payments are scheduled from February 2026, but feedback from management suggests a preference to repay the loan sooner if practicable.

Royalty: The first gold pour occurred in June using material collected during the recommissioning of the facilities. However, recent activity on the mine site suggests that the company is already progressing with drilling and blasting activity on the nearby Blackjack starter-pit. The Fund will receive a 2% royalty on all gold sourced from the area as well as product processed through the processing plant.

Broker and analyst reports have suggested that NMR will produce between 20,000-30,000 ounces p.a. during the first couple of years. If this eventuates it should generate $2m-$3m p.a. as a royalty to the Fund.

Matrix Composites and Engineering (ASX:MCE)

(loan: $7.5m interest 10.5%)

Matrix continues to perform well, though its share price does not in our view properly reflect that performance,.

During the quarter, the AFR reported that MCE had been approached by a British competitor (AIS Limited) offering a deal that saw MCE being valued at a 100% premium to the share price at the time.

MCE's management subsequently announced that the offer was more complicated than had been reported, and that those complexities meant that it could not be accepted.

AIS Limited has since engaged with brokers to gauge the demand for an independent listing on the ASX and is reportedly seeking to raise $500 million.

Though no deal has been done yet, our view is that the sector is ripe for consolidation. We anticipate that there is more to come from this space before the maturity of our Note in December.

GBM Resources Limited (ASX:GBZ)

(loan: $6.17m, conversion price 2c)

As previously flagged, we expected that GBZ would do a deal to repay our Note and position itself for growth. We are pleased to report that those expectations have been fulfilled.

In June GBZ announced that it had firm commitments to complete a capital raise in the amount of $13 million. These funds will be used to repay our Convertible Note and to fund the development of its major projects.

Coupled with this new injection of capital, the Board welcomed Ian Middlemas, Robert Behets and Peter Fox as Directors. Peter Rohner stepped down as Managing Director and is expected to retire as CEO in late July.

As part of our agreement with GBZ, the Collins St Convertible Notes Fund will:

- Have the full amount of our $6.17m loan repaid
- Receive 179.9m shares in GBZ
- Be issued with 100m options with a 3 year maturity and a conversion price of 0.9c

We anticipate repayment of our Note in the September quarter. The shares and options are subject to shareholder approval, which we anticipate will be received in early September.

Equity position at 30 June 2025	Number held	Value*
Shares held	99.8 million	$1,690,000
Shares entitled	179.9 million	$3,050,000
Options entitled	100 million	$800,000

**As at 30 June, GBZ last traded at 1.7c and has risen to 2.3c at the close of trade on 20 July.*

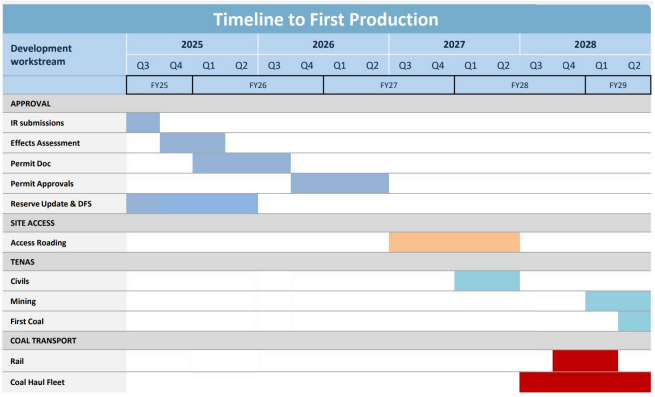
Allegiance Coal Limited

The two remaining assets within Allegiance are:

1. Telkwa/Tenas coal project in British Columbia
2. The New Elk Coal mine in Colorado.

Telkwa/Tenas (British Columbia): The Fund sold Telkwa to Australian-listed company Bathurst Resources for a small up-front payment, with the bulk of the proceeds (US$7m plus a royalty) due once final permits are received and the project moves into production.

Bathurst continues to make good headway and recently released this timeline for the Tenas project:



Most pertinent to the Convertible Notes Fund are the permit approvals which trigger the first and second contingent payments of US$4 million and US$3 million. As indicated in the above table, permit approvals are expected to be received in 2026.

Additional payments of up to US$3 million will be received subject to coal being produced and other conditions being met. As indicated in the above table, coal is expected to be produced in 2028.

New Elk Coal Mine (Colorado): We are in the latter stages of negotiating the sale of the Colorado coal mine. We anticipate the agreement will include a small upfront cash payment (to cover the costs of the agreement) with the bulk of value being derived from a royalty. We will share details of this deal as we near a formal and finalised agreement.

This report is issued by Collins St Convertible Notes Pty Ltd (ACN 657 773 754) ('CSCN'), the investment manager of Collins St Convertible Note Fund, an unregistered Australian unit trust ('Fund'). CSCN is a Corporate Authorised Representative (AR 001298333) of Collins St Asset Management Pty Ltd (ACN 601 897 974) (AFSL 468935) ('CSAM'). The information contained in this report is of a general nature only and is not to be taken to contain any financial product advice or recommendation. It does not take into account any person's investment objectives, financial circumstances or specific needs. This report is neither an offer to sell nor a solicitation of any offer to acquire interests or any other investment and should not be used as the basis for making an investment in the Fund. Past performance is not a reliable indicator of future performance.

Collins St Special Situation Fund No. 1

Global Basket of Offshore Oil and Gas Services Companies

Inception: July 2021 Status: CLOSED Unit Price: $0.911

Investment Team




Vas Piperoglou Michael Goldberg

- The Fund has generated an internal rate of return over 20% p.a. since inception
- Day rates and utilisation rates remain near historic highs
- Strong free cashflows look to sustain share buybacks and dividends in 2025 and 2026

How the market performed

Though the underlying businesses within the offshore oil and gas services industry have maintained their strong earnings recovery since 2020, industry share prices have broadly followed oil prices down.

This is a little strange as margins and profitability within the services industry is much less correlated to oil prices than markets seem to suggest.

Pleasingly, the quarter saw a rebound from its lows for both oil prices — continuing good results from the industry — and an improvement in share prices for our holdings.

Positive drivers for the market looking forward include:

- Utilisation rates remain at historically high levels (over 90%),
- Day rates have been sustained at near historic highs,
- a backlog in demand for oil rigs has increased to US$1.1 billion for 2025,
- Increased M&A activity has taken surplus assets and competition out of the market, and
- Increased new demand from producers for drill equipment, attempting to fill unmet hydrocarbon demand.

We previously noted that some projects had seen delays in late 2024 and early 2025. Those delays appear to be correcting as the sector ramps up for a very promising 2026.

How our Fund performed

The Fund produced a 4.2% return in the June quarter.

Having seen a pullback in share prices in the second half of 2024, it was pleasing to see the value of our portfolio rebound. These returns were driven by solid results and the outlook for our individual holdings in particular and the wider sector more generally.

Significant Holdings

Major contributors to the Fund's strong returns this quarter include Valaris (NYSE:VAL) up 7.25% and Noble Corporation up 12% for the quarter.

Matrix Composites and Engineering Ltd

In May, the media reported that AIS Limited (a private British company that competes with MCE) was endeavouring to merge with MCE. The arrangement was said to have valued MCE at a 100% premium to the share price at the time and would have allowed AIS to list on the ASX without the requirements, time and cost of a new listing.

Synergies between the companies are said to be considerable, not least of which would be the reduction in competition within the local markets.

Though the headline 'offer' appeared to approximate 40c per MCE share, MCE's management explained (via an ASX announcement in response to the newspaper article) that the deal was more complicated than reported and that the proposed reverse merger agreement was unacceptable.

Subsequently, AIS sought an independent IPO on the ASX at 8x EV/EBITDA (were MCE to trade at the same multiple, based on our forecasts, it would be circa 36c). AIS is looking to raise $200 million and is expected to have a market cap of $500 million (if priced at 8x EV/EBITDA).

That said, we expect that a deal with MCE could and should still be made and we will continue to follow the story as it develops.

COLLINS ST
ASSET MANAGEMENT

June 2025 Quarterly Report

Collins St Special Situation Fund No. 2

Global Gold and Precious Metals Fund

Inception: April 2023 Status: CLOSED Unit Price: $1.753

Investment Team




Vas Piperoglou Michael Goldberg

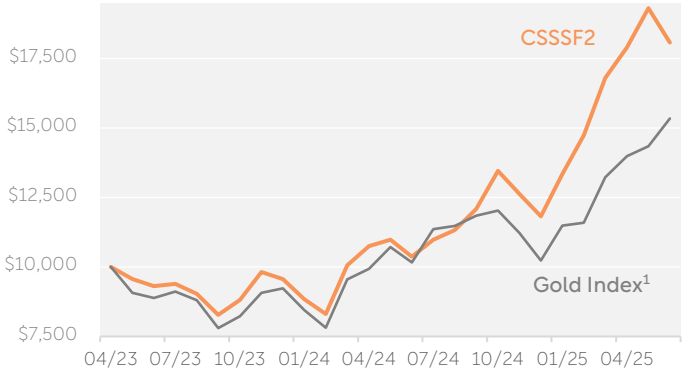
- Gold prices reached new highs, exceeding US$3,300 and AUD$5,200 per ounce
- Fund returned 7.7% for the June quarter
- Significant gold price increases still not fully reflected in share prices

Net Returns

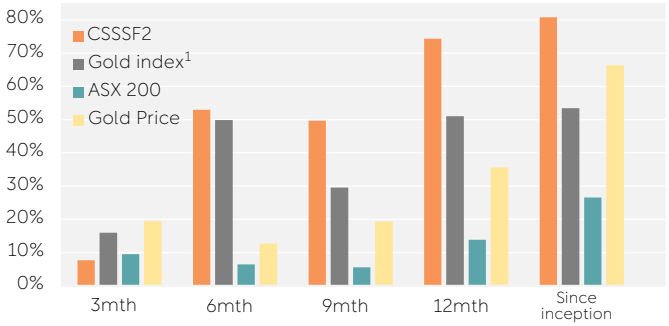
	CSSSF2	Gold Index[1]	Value Add
3 months	7.7%	16%	-8.3%
6 months	53%	49.9%	3.1%
12 months	74%	50.1%	23.9%
Since inception	75.3%	53.4%	21.9%

Past performance is not a reliable indicator of future performance.

Value of $10,000 since inception[1]



Returns comparison



Past performance is not a reliable indicator of future performance.

How the market performed

As a result of continued global uncertainty, the war between Israel and Iran, turbulence on American streets and the efforts of some nations to shift away from the US dollar as a reserve currency, gold set new highs during the quarter, peaking at US$3,482 (AUD $5,425).

Gold prices have since settled at slightly lower level (US$3,354, AUD $5,017) but the outlook for gold and in particular gold companies remain strong.

How the Fund performed

The Fund continued to perform strongly in the June quarter. Despite some opportunistic capital raisings leading to minor pull backs in some of our positions, the Fund returned 7.7% in the three months to 30 June, bringing the total return since inception of the Fund to just over 75%

The case for a basket of gold stocks remains intact. Not only has the price of gold continued to perform strongly (though we note that it has not sustainably surpassed the inflation adjusted highs of 1980), but the performance of listed gold companies has not yet reflected the improvement in gold prices, thus providing an upside.

In our estimation, the price of listed gold companies (on average) appears to suggest a long-term gold price that is no greater than US$2,500 (over 25% below current prices). We believe that there is significant additional upside for listed gold companies and remain positive about what the next 24 months holds.

Selection of material holdings

	Listed in	Projects	Stage
Equinox Gold	New York	Canada	Producer
Catalyst Metals	Australia	Australia	Producer
Black Cat Syndicate	Australia	Australia	Producer
Discovery Silver	Toronto	South America	Developer
Barton Gold	Australia	Australia	Developer

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[1]*XAU is the Philadelphia Gold and Silver Index, composed of large-cap US-listed precious metal miners.*