

CALTHA  
CAPITAL

# Caltha Equity Fund

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## Quarterly Report

July - September 2024



# Executive Summary



## 13.84%

per annum. since inception.



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Our portfolio has delivered another great quarter, with the fund increasing 7.25% in the three months to September 30th.

The anticipated initial rate cut from the Federal Reserve, which exceeded expectations by dropping rates 50 basis points. We expect the RBA to keep the cash rate steady until early-2025, with the first potential rate cut anticipated at the April meeting. We don't see any material effects on the portfolio once the RBA begins its cutting cycle, other than typical overall market fluctuations. Towards the end of the quarter, China announced a possible stimulus response to address its slowing economy, the news provided a significant lift to global commodities. As a result, the Resources sector surged, returning a much needed 13% in September alone.

The Australian Government recently appointed Tony Burke as the new Minister for Immigration. Tony has publicly stated his eagerness to work with universities to continue the intake of foreign students into Australia. These small changes are vital steps in the right direction for governments and our IDP Education holding.

We continue to remain constructive on the medium term dynamics of the oil and gas sector and will look to opportunistically increase our exposure at a favourable entry point. Our internal view is that once the US elections are over in November, the oil markets will focus on physical fundamentals and correct themselves to appropriately price in the risk exposures in the Middle East. Since the quarter end, we have seen the US exert pressure over Israel targeting Iranian oil assets, further strengthening our view that the US is doing all it can to keep oil and gas prices suppressed leading up to the elections, causing a deviation between physical fundamentals and market pricing. In the likely event Trump wins the election we expect to see tensions between China increase again and the SPR refilled creating strength in demand.

# Returns



During the reporting season, our holdings delivered encouraging results. We saw robust growth through both market share gains and sector wide expansion, cost reductions that protected the bottom line while sustaining growth and the execution of various strategic initiatives. These developments reinforce our high conviction in these positions.

In managing a concentrated portfolio, it's essential to be highly selective about the companies included, as position weights mean individual holdings can significantly influence short term returns. However, each company is chosen based on thorough fundamental research, with a focus on long term investment horizons. While short term market fluctuations are inevitable, we believe that true business fundamentals will ultimately prevail over time. Once we establish a position, our attention is on the five year return metrics.

Returns	3 Months	1 Year	2 Year per annum	Since Inception per annum
Caltha Equity Fund	7.25%	8.49%	13.75%	<b>13.84%</b>
ASX 200	6.47%	17.33%	13.87%	<b>11.52%</b>
Out-performance	0.78%	(8.84%)	(0.12%)	<b>2.32%</b>

# Holdings



## TOP 3 HOLDINGS

Magellan Financial Group 31%

IDP Education 27%

Woodside Energy 24%

## Positioning of the portfolio remained consistent with the prior quarter.

Magellan demonstrated its management team's effectiveness in executing their expense reduction strategy, achieving a 16% decrease in costs. Barrenjoey's net profit after tax (NPAT) rose to \$34.7 million, with operating expenses increasing by only 4%, indicating the completion of its start up phase and a shift in focus towards growth. Additionally, during the quarter, Magellan announced a strategic partnership with Vinva Investment Management, acquiring a 29.5% stake for \$138.5 million. We believe this acquisition represents prudent capital allocation for Magellan, offering immediate bottom line benefits and potential for growth in the coming years.

IDP Education continued to gain market share in the student placement sector, growing by 17% in FY24, even as overall industry volumes declined by 13%. This supports our thesis that, during periods of tightened government policies, students will increasingly choose IDP Education, the industry's highest quality provider. Despite challenges faced by the broader industry, IDP Education successfully managed expenses and maintained its net profit after tax, demonstrating the strength of its business fundamentals. This reinforces that the current drop in share price is driven by market fear rather than any fundamental changes in the company's performance.

We remain supportive of Woodside's strategy to leverage its high cash generating oil and gas assets to fund its transition into hydrogen. While recent acquisitions may initially drain cash, they are essential investments for long term growth. Woodside is also continuing to develop new oil and gas assets, ensuring sustained production growth well into 2035 and positioning itself to capitalise on the global supply and demand dynamics of the oil and gas market.

# Fund Snapshot



## Portfolio Structure

The equity fund is well positioned, with a focused portfolio of six holdings that balances sector and strategy diversification. By combining targeted value investments to leverage inefficiencies in specific companies with macroeconomic growth plays, we have effectively hedge against potential risks and optimised returns in a wide range of scenarios. Though concentrated, each position plays a distinct role, creating a robust and diverse portfolio.



Unit Price

**\$1.072**

Management Fee

**0.00%**



Cash Holding

**3.64%**

Performance Fee

**15.00%**

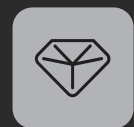


Investments

**6**

Minimum Investment

**\$500,000**



# Strategy



Our fundamental objective as investment fund managers is to generate alpha returns.

## High Conviction

A curated portfolio of 6 investments within the ASX200 each with a specific and strategic diversification target.

Positioned the portfolio to generate outsized returns, as top ideas receive more capital allocation

A more focused, in-depth analysis and monitoring, leading to a better understanding of each investment and uncovering unique opportunities.

## Style Agnostic

A strategic mixture of bottom-up individually driven thesis and top-down macroeconomic driven investments.

Allowing us to create a portfolio concentrated enough to outperform and sector diverse enough to be safe.

Ability to structure the portfolio investments to hedge risk against each other and macroeconomic influence.

## Long-Term Outlook

Decisions based on company fundamentals, intrinsic value and growth potential, rather than short-term trends.

Maximising benefits from companies management teams, growth and turn around strategies.

Minimising short term market pricing risks, volatility and irrational geopolitical interference.

## Research Driven

Each investment has been deeply researched backed by facts, data and sound reasoning, supporting consistent portfolio performance.

Utilise our concentrated focus and time to research investments and uncover insights that are overlooked by the broader market.

Thorough research enables us to identify potential risks early and implement strategies to mitigate them effectively.

# Areas of Focus



Domestic Economic  
Data

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RBA Rate Outlook

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Global Student  
Immigration Policies

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Physical Oil & Gas  
Markets

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Global Geopolitical  
Tensions

# Thank you.

For taking the time to read this report. If you have any questions or would like to discuss our findings further, please don't hesitate to reach out to us.

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