

The Datt Capital Absolute Return Fund is a long-only fund targeting double digit returns over the medium term, managed by a performance orientated and differentiated boutique fund manager. Our objectives are to minimize the risk of permanent capital loss, achieve an absolute return throughout the economic cycle and temper the market risks typical of equity funds. We believe utilizing a multi-asset approach reduces downside risk and volatility in returns.



Datt Capital Absolute Return Fund - October 2021

To our valued investors and followers,

Thank you for entrusting your capital and co-investing with us.

For October the Fund provided a net return of -6.90% for the month.

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD
FY19		2.6%	-1.22%	-4.8%	3.53%	-2.07%	6.97%	1.66%	0.76%	-3.64%	-2.45%	0.79%	1.57%
FY20	4.85%	3.01%	1.72%	0%	1.31%	0.84%	2.02%	-5.85%	-13.66%	12.00%	9.22%	8.24%	23.23%
FY21	10.84%	11.82%	-2.05%	-0.37%	-1%	0.30%	-0.1%	3.63%	-0.98%	4.46%	6.26%	-7.17%	26.86%
FY22	3.21%	-6.32%	7.63%	-6.90%									-3.12%

October was flat month for broader markets, whilst the Fund performed negatively. This was largely as a result in a pullback in some of the Fund's fringe positions.

Our performance this financial year so far, has been under our own expectations. Accordingly, we have reduced our exposure out of some higher risk positions; augmenting our cash holdings as we head into the quieter months in the market.

The Fund's core positions continue to enjoy superb business fundamentals and sound industry conditions. However, we feel their stock prices have diverged from the underlying improvement in fundamentals, as we discuss one of our positions below.

Fund Features		Portfolio Analytics ¹	
Investment Objective	To achieve absolute double digit returns over 2-year periods, irrespective of market conditions	Sortino Ratio ²	1.11
Min. Investment	\$100,000	Sharpe Ratio	0.76
Management Fee (p.a.)	1.025%	Standard Deviation (annualised)	18.90%
Performance Fee (p.a.)	20.5% > benchmark	Winning Month Ratio	59%
Benchmark	RBA rate + 5%	Cumulative Return	53.81%
Fund Administrator	Fundhost	1 year rolling return	1.61%
Auditor	Ernst & Young	3 year rolling return	16.81%
Custodian/PB	NAB Asset Services	5 year rolling return	-
Responsible Entity	Fundhost	Annual Return since Inception (Aug-2018)	14.23%

¹ Actual performance will differ for clients due to timing of their investment. Returns are calculated net of all fees, since inception.

² Sortino and Sharpe ratios assume the Australian cash rate as the applicable risk-free rate.

Investment Review:

The Fund has held a core position in Selfwealth (SWF:ASX) for sometime now. Over the last 12 months, the company has grown in excess of 100% within the extremely competitive niche of Australian online retail broking. Whilst the company's rapid growth has been written off by many as a mere 'COVID beneficiary', this perception has masked the underlying fundamentals that continue to improve.

Since January 2020, the local online broking market has doubled to an estimated 1.4 million participants; with Commsec the largest incumbent. Selfwealth was ranked number 6 by market share in the local market 12 months ago however, has grown to number 3 and strongly catching up to the number 2 position. We expect that the company will be the number 2 online broker by market share by the conclusion of this financial year.

Whilst the company has experienced its challenges on the product side, this does not appear to have materially affected its retention rate nor its continued market-leading, outsized capture of market share. This is also despite the entry into the market of a slew of lower priced, but lower value competitors.

There is no doubt that the company now has more maturity in its internal functions, with the recruitment of a strong product development team along with other core divisions. The product roadmap lends itself to further monetisation of its captive audience and feature parity with the market leader, Commsec.

Despite this positive business momentum, the company trades at around half its enterprise value relative to 12 months ago. We consider that the company appears to be extraordinarily undervalued considering its trusted brand value as well as the clear opportunity to roll out additional products across its platform which has achieved critical and sustainable mass.

The higher market share that Selfwealth captures, the higher the strategic premium of its customer base. Accordingly, shareholders should remain aware of the potential for M&A on the horizon and position themselves accordingly.

Media

- 1) Why it's time to get bullish on Whitehaven Coal (Ausbiz)- shorturl.at/zEVWX
- 2) Why I'd hold this coal-mining ASX share for 4 years (Motley Fool)- shorturl.at/hnqHN
- 3) 2 ASX shares set to double in the next month (Motley Fool) - <https://shorturl.at/fxPZ9>

For now, the Fund remains open for investment.

To join our Waitlist and Register your interest in the Fund please register via this link:

<https://bit.ly/Datt-Interest>

Please click the link below to view the Fund disclosure documents and apply for an investment online.



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