

Merewether Capital Inception Fund Performance Summary (at 31 Dec 2021 net of fees and expenses)

1 Month	3 Months	6 Months	1 Year	2 Years (p.a.)	Since Inception* (p.a.)
0.2%					

* Inception Date 26 November 2021

Dear investor,

Before I begin this first update for the Merewether Capital Inception Fund, I would just like to say thanks again for your support and capital as we begin this journey together. I trust everyone had an enjoyable holiday season and while there were plenty of challenges throughout 2021, I hope we can all look forward to 2022 and what it will bring.

I have been pleased with our start in the Inception Fund, returning 0.2% in December as we patiently deployed our cash. Trading volumes across the entire market seemed low in the lead up to Christmas and this lack of liquidity was only exacerbated in the micro-cap space. We continue to hold roughly 30% in cash but hope to be fully invested in the next couple of months as we enter quarterly and half yearly reporting season in January and February, which always brings opportunities through new ideas and price volatility.

Entering a new year always invites reflections of the year that was and outlooks for the year ahead. While I struggle to see growth in the broader ASX200 with banks, iron ore miners and REIT's all facing structural issues while trading on high valuations, I am optimistic of continuing to find opportunities in our preferred micro-cap space.

2021 was a year where speculation reigned, with pre-revenue technology, mining explorers and crypto investments all performing strongly. When markets are exuberant the focus is on what could be rather than what is, and opportunities began to present themselves in steady, profitable businesses trading on reasonable valuations.

We are taking advantage of those opportunities and slowly accumulating a portfolio of businesses that exhibit those characteristics. We have only scaled one position to what I would consider a full weighting: Xref (XF1).

I have attached a more detailed write-up for Xref to this letter which will also be posted on the Merewether Capital website. But in short, the rationale for scaling up Xref to a full position so quick was because when a business is growing its sales by nearly 100% year-on-year while trading on a low valuation it is better not to be cute and try to time a position entry.

The attached write-up details the investment case from a business and valuation point of view, but I also find Xref attractive through an understanding of micro-cap market dynamics. The stock is underfollowed with no sell-side broker coverage and just one larger fund (Australian Ethical) on the register. With founders owning a quarter of the business creating a tight share register, I believe Xref's share price can move quickly as it continues to grow and attracts larger market participants.

Moving forward I will be more transparent with our holdings but for the time being as we are still actively buying most of our positions, I will remain tight-lipped. That said, I am always happy to speak with investors about our portfolio and can be reached at luke@merewethercapital.com.au.

Luke Winchester (Portfolio Manager)

