MEREWETHER CAPITAL

Merewether Capital Inception Fund Performance Summary (at 30 September 2022 net of fees and expenses)					
1 Month	3 Months	6 Months	1 Year	2 Years (p.a.)	Since Inception* (p.a.)
-7.14%	5.26%	-22.16%	-	-	-29.29%

Indicative performance is reported net of all fees and assumes reinvestment of distributions. Past performance is not a reliable indicator of future returns. * Inception Date 26 November 2021

Dear investor,

The Merewether Capital Inception Fund (the “Fund") began the month with an indicative unit price of $0.7628 and ended the month with a unit price of $0.7083 for a -7.14% return.

How quickly the market can humble us as investors! In August we exited reporting season with a strong month, buoyed by the operating results of our portfolio businesses and remained cautiously optimistic on the outlook for the new financial year. Fast forward thirty days and the ugly themes of the first six months of the year reared their heads again, with some alarming developments in the UK capping off a tough month for asset prices globally.

With the speed at which central banks globally have raised interest rates in 2022 it was inevitable we would start to see cracks in the financial plumbing and the first sign of this was reports that the Bank of England was forced into emergency bond purchases to stabilise prices and prevent pension funds from becoming insolvent.

While it does appear the issues are contained to the UK where a deadly cocktail of a plunging currency and sovereign bond prices hit a leveraged pension industry who was forced to take additional risk to meet defined benefit returns, waking up to headlines of the UK avoiding a “Lehman” moment evokes memories no investor wants to relive.

There was very little in the way of portfolio news given we have just been through reporting season, however I was able to meet with some of the management teams of our portfolio companies during the month to get a deeper view of how businesses are performing and how management are preparing for what may be a tough future.

8Common (8CO) management highlighted the sticky nature of their government and enterprise clients and the locked in growth from the roll-out of the GovERP Federal Government contract which is continuing as planned. The CEO remains confident in the capital position of the business and pointed out the heavy investment in the new CardHero product is largely behind them with the company likely to tip back into cash flow positivity at some point in financial year 2023.

Aerometrex (AMX) management remained very bullish on the outlook for growth in the business, particularly the emerging 3D model segment expanding in the US. With the on-going growth the business is also likely to tip back into profitability in financial year 2023. It was pleasing to see directors buying on market after the result.

Austco Healthcare (AHC) management were excited about the pent-up growth in their business as they emerge from the effects of Covid. While some issues remain around supply chains, the business continues to grow revenue and the order book, providing great earnings visibility over the next couple of years.

CPT Global (CGO) management highlighted the strength of their business despite a pullback from the record 2021 result last year. Management is still very bullish on outlook for their core database optimisation business but highlighted the potential to shift into new verticals to serve their blue chip client base.

Global Health (GLH) remain focused on executing on the sales pipeline they have built over the last few months after optimising their systems and processes to refine their approach to market. A recent large contract with Latrobe Community Health was a good start to converting that pipeline, with management confident of more to come.

intelliHR (IHR) management highlighted the range of operational changes they have made to drastically bring forward their operational cash flow positive inflection point. With a $2.2m cash loss in the last quarter and only $5.5m left in the bank the market remains rightfully sceptical, but management are confident they can avoid destruction dilution and noted they have performance rights tied to cashflow metrics.

Kip McGrath Education Centres (KME) management re-iterated the focus on margins in the new financial year, with the investment to create the platform for a corporate centre network largely behind them. As that segment scales up, I expect we will see strong profit growth.

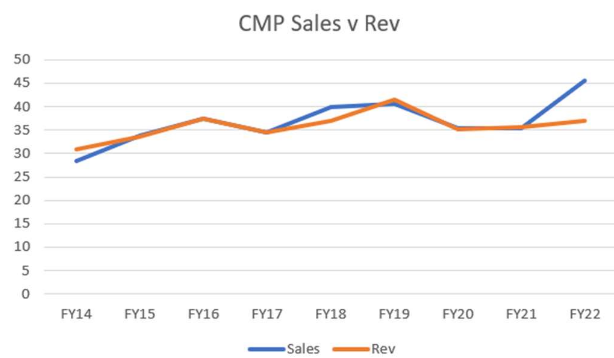
Smart Parking (SPZ) management provided good context to their strong financial results and highlighted that the tailwinds they are experiencing are continuing with the business growing strongly. When questioned on the potential of UK regulation re-emerging management stated they expect it to return in the future but after consultation with industry will likely be more favourable than the previous regulations that were tabled.

Xref (XF1) management remained excited by the growth prospects available to them as the tailwinds experienced in the HR tech space continue even as the tight labour market starts to unwind. The US is a key area for growth in the new financial year, alongside the launch of new modules to try and upsell existing clients.

XRF Scientific (XRF) management continued to see tailwinds for their business as mining customers in particular ramp up XRF testing in their operations. The European operations continue to grow and the potential for further acquisitions could also juice growth further.

Finally, a weak September wasn't entirely bad as we were able to finish building a position in **Compumedics** (CMP), a medical device manufacturer with products leaders in their fields of brain and sleep monitoring. The stock is quite illiquid as the founder owns over 50% of shares outstanding, but our patience was rewarded through the month as shares slid in a tough market and we were able to acquire shares at a discount.

I am in the process of writing a blog post to further explain my investment thesis for CMP but this graph helps to sum it up:



Source: Compumedicvs annual reports

Historically CMP's sales orders have closely matched their reported revenue but due to supply chain issues with Covid, the business reported flat revenue in 2022 despite signing a record level of sales orders.

This leaves the business in a fantastic position starting FY23 as supply chains normalise, with some pent-up sales to be recognised alongside growth in some emerging segments.

With the vast majority of sales in overseas markets in USD, the business will also benefit from the weak AUD and looks set to report extremely strong earnings this year with momentum in the future.

As always, if you ever have any questions about the Fund or its holdings, please call me on 0423 510 004 or email luke@merewethercapital.com.au

Thanks for your on-going support.

Luke Winchester (Portfolio Manager)