

Merewether Capital Inception Fund Performance Summary (at 30 September 2024 net of fees and expenses)

1 Month	3 Months	6 Months	1 Year	2 Years (p.a.)	Since Inception*
4.55%	18.56%	30.19%	25.37%	14.52%	-7.11%

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 \$0.8885 and ended the month with a unit price of \$0.9289 for a 4.55% return.

September was a strong month for global markets with a Pavlov-like reaction to the US Federal Reserve cutting rates by 50 basis points late in the month signalling to the market that a likely rate cutting cycle was about to commence.

Despite the somewhat tongue-in-cheek comment above, it is a rational response with all things equal as a falling risk-free investment rate should push the valuations of risk assets higher. However, the phrase "all things equal" is doing a lot of heavy lifting in the previous sentence, as the Fed (and other central banks around the world who have recently cut rates) are doing so because they are seeing signs of economies weakening. Rising unemployment, slowing retail sales and sluggish GDP growth are all starting to creep into economic data, and we wait and see whether recessions are inevitable or "soft landings" can be achieved.

Within the Inception Fund, September brought few developments as the market continued to digest financial results from August and meet with management teams on post-reporting roadshows.

The most significant piece of news in the Fund came from **Change Financial** (CCA) who announced a small capital raise that we participated in. In general, we expect our portfolio company management teams to be skilled in capital allocation and mindful of unnecessary dilution, but we will support capital injections for the right reasons.

As I wrote about CCA in a previous blog post (which can be found [here](#)), they are currently onboarding several New Zealand credit unions to their digital payment processing platform Vertexon. Unfortunately, CCA has a 6-8 week working capital cycle (payments going out before receipts coming in) which is easily manageable in times of modest growth however can create a squeeze on cash when growth spikes.

CCA approached shareholders early in the month advising that faster than expected card usage from existing customers and the successful roll-out to Unity credit union as their new largest customer would see a working capital squeeze and a small cash injection was required.

As growth normalises I expect the current run-rate of the business will see CCA cashflow positive and look forward to the management team executing on growth and winning more customers digital payment programs.

SKS Technologies (SKS) continued its stellar growth path with another \$42m of contracts won in the data centre segment, with both contracts extensions of existing work. Despite the continued contract wins the SKS share price was sold off quite heavily early in the month and we took the opportunity to modestly add to our position. Despite the market capitalisation of the business growing dramatically, the liquidity of the stock remains very low and I suspect the bulk of the selling came from one party.

When the selling dried up the share price rebounded quite strongly, though I believe the market is still underestimating the growth SKS can achieve over the next few years and we remain very happy holders.

Our only other stock with news was **Vysarn** (VYS) who announced a very large capital raise to make the acquisition of CMP Consulting Group, an engineering consultancy group with a focus on the water industry.

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MEREWETHER
CAPITAL



September 2024
Investor Update

While the size of the acquisition (\$40m fully diluted after potential earn outs) itself may bring some teething issues with integration, the strategic rationale cannot be argued.

VYS has seen fantastic success with the organic launch of their Pentium Water consulting arm to integrate themselves earlier into their customers workflows and better understand the issues and problems facing their businesses and how best VYS can assist in solving them.

CMP Consulting Group operates solely on the east coast, giving VYS a national view across the growing water services industry and the potential foothold to launch their other segments across the country as the integrated CMP Consulting Group identifies cross selling opportunities.

After the strong run in the share price and the potential for some integration risk with a large national diversification we took some profits during the month, but VYS remains one of our largest holdings and we remain committed to the long-term vision outlined by the management team to further access more verticals in the diversified water services industry.

Thanks for your on-going support.

Luke Winchester (Portfolio Manager)

A handwritten signature in black ink, appearing to read 'L. Winchester', written in a cursive style.

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