

PERFORMANCE SUMMARY

	1 MONTH	3 MONTHS	1 YEAR	3 YEARS p.a.	4 YEARS p.a.	INCEPTION p.a.
SSCF ¹	-3.1%	11.3%	-13.7%	8.7% ¹	12.2% ¹	8.9% ¹
Benchmark ²	-4.0%	7.0%	-20.7%	-1.2%	3.3%	-0.5%
Value Added	0.9%	4.3%	7.0%	9.8%	8.9%	9.4%

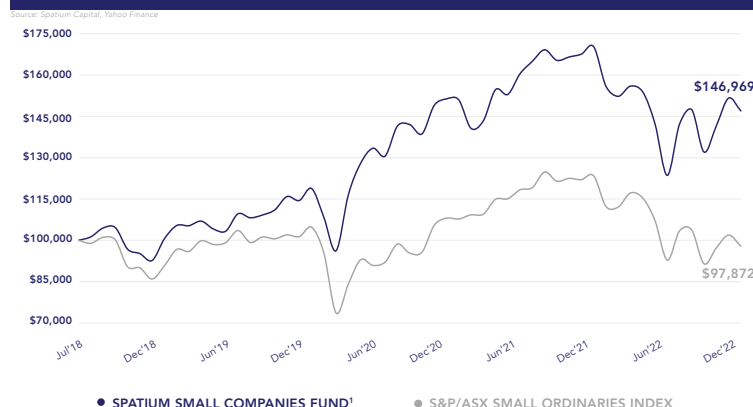
MONTHLY CONTRIBUTORS & DETRACTORS

Viva Energy Group Ltd (VEA)	0.4%
Liontown Resources Ltd (LTR)	0.2%
South 32 Ltd (S32)	0.1%
Allkem Ltd (AKE)	(0.5%)
Core Lithium (CXO)	(0.5%)
Star Entertainment Group Ltd (SGR)	(0.8%)

¹The SSCF is a composite calculation of the SMA's inception (1 July 2018), through to the Fund's inception and is net of fees, before tax, and assumes reinvestment of distributions.

²Benchmark is the S&P/ASX Small Ordinaries Index.

PERFORMANCE GRAPH



'The more we know, the less we can predict.'³

Despite this newsletter being published for December 2022, there is a natural tendency to want to reflect and share on what 2023 may have instore. However as this newsletter will reach you approximately around the middle of January 2023, there seems little value in over-analysing our thoughts for the year ahead considering most of the major local and international finance institutions have already released their forecasts. That said, it is worthwhile highlighting that we do agree with the below headline issues that may continue to add volatility to the markets in 2023:

- Inflation seems to be tapering but may pose a persistent problem;
- Local and international cash rates may reach their peak soon, but could that signal a sharp return towards low-interest rates once again (?);
- The War in Ukraine and is a 'peaceful' conclusion within reach soon (?);
- Global energy input costs may keep rising as clean options continue to be politically and functionally impacted; and
- Low-migration over the last few years may continue to impact ongoing shortages in the domestic job market.

In addition to the above there is still the chance of a US and global recession. With what veracity that these economic contractions affect the Australian market is still too difficult to ascertain. Especially given Australia's economic dependence on China (namely through resource exports) and given the 'slack' that still remains in the job market (per dot-point 5 above) there's potential for Australia to once again avoid a 'real' recession. So with such significant macro factors continuing to cast a shadow over 2023, consensus expectations for the ASX are anywhere between +4 and +7%.

However, and we cannot emphasise this enough; the fact remains that aside from the above known-knowns, there will likely be many known-unknowns (the Ukrainian war resolution) and unknown-unknowns (such as what we saw with COVID) that the market cannot foresee and therefore, cannot price-in. Put another way, there will be events, decisions, outcomes, movements, challenges, threats and opportunities that the

market does not anticipate in 2023 that will have either positive or negative impacts on stock prices and the wider economy as a whole. For example, consider the forecasted return for the S&P500 in January 2022 by Wall Street goliath Goldman Sachs alongside Wells Fargo, Royal Bank of Canada and Credit Suisse. These firms predicted between +6 and +11% growth for the S&P500 over the 2022 calendar year. The S&P500 concluded 2022 down, -19.44%. Assuming that some of the smartest analysts and economists work at these institutions, even with their access to vast data and technology resources, their forecast was some ~25% off at the lower end and some ~31% off at the higher end. That's a significant miss.

In conclusion, it's worth repeating a sentiment we shared in January 2021: "through obscurity...one may strive to find reasons for explanation through hindsight. The risk with hindsight bias, especially in the investment landscape, is that it creates a false sense of certainty that past events were more predictable than they were. Conversely through foresight bias, one may overestimate or oversimplify future investment outcomes".

As far as December 2022 is concerned, whilst the Small Ordinaries shed -3.98%, the Fund was able to preserve capital and outperformed by +91 basis points, returning -3.07%. This result takes the Fund's calendar year performance to -13.7% against the Benchmark's return of -20.7%. An outperformance of +7.0%. Or put another way, our investors were +7.0% better off by being invested with us versus the Benchmark. For the Financial Year, the Fund is +18.9% versus the Benchmark's return of +5.4%. Or on many of the other timeline returns – the Fund is outperforming and most importantly, doing so by staying true to the investment thesis we continue to promote.

In other markets, the US Small Companies index returned -6.9% to closeout CY 2022 and the UK Small Companies segment eked out +0.22% for the month of December.

DISCLAIMER: This report has been prepared by M&Q Capital Pty Ltd t/as Spatium Capital as a Corporate Authorised Representative (001279779) of D H Flinders Pty Ltd ACN 141 601 596 AFSL 353001. Spatium Capital is the investment manager (Investment Manager) of the Spatium Small Companies Fund (Fund), an unregistered managed investment scheme. The Investment Manager's authority under its Corporate Authorised Representative Agreement with D H Flinders Pty Ltd is limited to general advice regarding the Fund only. Any other advice provided is not provided pursuant to this agreement. Vasco Custodians Pty Ltd (Trustee) is the trustee of the Fund. This document contains information about the potential issue of interests in the Fund to investors that are wholesale clients as defined in s761G of the Corporations Act 2001 (Cth). It is not intended to be used by any other persons in any other jurisdiction if and to the extent that to do so would be in breach of Australian laws, or the laws of any foreign jurisdiction. This report contains general information only and is not intended to provide any person with financial advice. It does not take into account any person's (or class of persons) investment objectives, financial situation or particular needs, and should not be used as the basis for making an investment in the Fund. Neither the Investment Manager, D H Flinders Pty Ltd nor Trustee make any representation as to the accuracy, completeness, relevance or suitability of the information, conclusions, recommendations or opinions contained in this report (including, but not limited to any forecasts made). No liability is accepted by any of these entities or their respective directors, officers, employees, agents or advisors for any such information, conclusions, recommendations or opinions to the fullest extent possible under applicable laws. This publication may contain forward looking statements regarding our intent, belief or current expectations with respect to market conditions. Readers are cautioned not to place undue reliance on these forward-looking statements. The Investment Manager does not undertake any obligation to revise any forward-looking statements to reflect events and circumstances after the date of this publication. Neither the Investment Manager, D H Flinders Pty Ltd nor Trustee guarantee the repayment of capital, the performance of any investment or the rate of return for the Fund. Past performance is not necessarily indicative of future performance. This document is not an Information Memorandum for the purposes of the Act. Accordingly, it does not purport to contain all information that potential investors may need to make an informed assessment as to whether or not to invest in the Fund. Some numerical figures in this publication have been subject to rounding.

FUND CHARACTERISTICS

UNIT PRICE (AT 31 DECEMBER 2022)	\$1.02
FY2022 DISTRIBUTION YIELD	Nil
FY2021 DISTRIBUTION YIELD ⁴	12.9%
FY2020 DISTRIBUTION YIELD ⁵	16.5%
SUGGESTED TIMEFRAME	5 to 7+ years
STRUCTURE	Open-Ended Fund
SUBSCRIPTIONS/REDEMPTIONS	Monthly
DISTRIBUTIONS	Annually
STRATEGY INCEPTION ¹	1 July 2018
MANAGEMENT FEE ⁶	1.25% per annum

OTHER KEY METRICS OF INVESTMENT STRATEGY³

	SSCF ¹	MARKET
Average monthly return	0.9%	0.2%
Beta	0.88	1.00
Portfolio variance	6.2%	6.3%
Up-Market capture ratio	102.9%	100.0%
Down-Market capture ratio	69.1%	100.0%

RESEARCH & RATINGS

ORGANISATION	RATING
SQM Research (REPORT AVAILABLE ON REQUEST)	Acceptable
FE Fund Info	5 Crowns

PLATFORMS

HUB²⁴ NOW AVAILABLE ON
[HUB24.COM.AU](https://hub24.com.au)

FIND OUT MORE

The Fund currently remains open to new investors.

To set up a time to discuss with one of our team, please email us at contact@spatiumcapital.com

³Harari, Y. N., 2017. Homo Deus: A Brief History of Tomorrow. 1st ed. Manhattan: Random House.

⁴On the 30 June 2021 pre-distribution unit price of \$1.28, the Fund distributed \$0.16 per issued unit; equivalent to a 12.9% distribution yield.

⁵On the 30 June 2020 pre-distribution unit price of \$1.27, the Fund distributed \$0.21 per issued unit; equivalent to a 16.5% distribution yield.

⁶Other fees and expenses apply. Please refer to the Information Memorandum for the SSCF for further details.

DISCLAIMER:This report has been prepared by M&Q Capital Pty Ltd t/as Spatium Capital as a Corporate Authorised Representative (001279779) of D H Flinders Pty Ltd ACN 141 601 596 AFSL 353001. Spatium Capital is the investment manager (Investment Manager) of the Spatium Small Companies Fund (Fund), an unregistered managed investment scheme. The Investment Manager's authority under its Corporate Authorised Representative Agreement with D H Flinders Pty Ltd is limited to general advice regarding the Fund only. Any other advice provided is not provided pursuant to this agreement. Vasco Custodians Pty Ltd (Trustee) is the trustee of the Fund. This document contains information about the potential issue of interests in the Fund to investors that are wholesale clients as defined in s761G of the Corporations Act 2001 (Cth). It is not intended to be used by any other persons in any other jurisdiction if and to the extent that to do so would be in breach of Australian laws, or the laws of any foreign jurisdiction. This report contains general information only and is not intended to provide any person with financial advice. It does not take into account any person's (or class of persons) investment objectives, financial situation or particular needs, and should not be used as the basis for making an investment in the Fund. Neither the Investment Manager, D H Flinders Pty Ltd nor Trustee make any representation as to the accuracy, completeness, relevance or suitability of the information, conclusions, recommendations or opinions contained in this report (including, but not limited to any forecasts made). No liability is accepted by any of these entities or their respective directors, officers, employees, agents or advisors for any such information, conclusions, recommendations or opinions to the fullest extent possible under applicable laws. This publication may contain forward looking statements regarding our intent, belief or current expectations with respect to market conditions. Readers are cautioned not to place undue reliance on these forward-looking statements. The Investment Manager does not undertake any obligation to revise any forward-looking statements to reflect events and circumstances after the date of this publication. Neither the Investment Manager, D H Flinders Pty Ltd nor Trustee guarantee the repayment of capital, the performance of any investment or the rate of return for the Fund. Past performance is not necessarily indicative of future performance. This document is not an Information Memorandum for the purposes of the Act. Accordingly, it does not purport to contain all information that potential investors may need to make an informed assessment as to whether or not to invest in the Fund. Some numerical figures in this publication have been subject to rounding. For the SQM Research disclaimer, please visit the following [link](#).