FAWKES CAPITAL MANAGEMENT

28 June 2024

May Monthly Report

Dear Investors

We are pleased to provide you with the May 2024 Monthly Report for the Fawkes Capital Fund ("Fund"). In this monthly report, we:

(1) Update our performance for May 2024.
(2) Provide a brief update on some of the Fund's investments

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Performance Update

The Fund registered an increase in value of 1.9% after fees in May. The main drivers of gains over the period stem from investments in AudioEye, Argan, Copper, Emcor, Hammond Power and Qualcomm. The main detractors of performance for the month were related to performance holdings in NRG Energy and Photronics. During the month, we also reduced the Fund's position sizing in some of the stocks that have experienced material price moves and appear more fully valued with lower risk/reward asymmetry based on our evaluation.

May-24	1 Mth	3 Mth	1 yr	2 Yrs	3 Yrs	SI (ann)	SI (cum)
Fund (Net)	1.9%	3.4%	18.1%	4.3%	8.8%	8.0%	26.9%
Blended Index	0.6%	1.2%	9.2%	5.9%	4.8%	5.1%	16.2%
All Ords	0.9%	1.2%	13.9%	7.8%	6.8%	7.3%	24.1%
RBA Cash	0.4%	1.1%	4.3%	3.5%	2.4%	2.3%	7.3%

Returns are calculated net of fees and represent the combined income and capital returns over the specified period.
All returns provided are in AUD. Blended Index returns are composed of 50% All Ords / 50% RBA Cash.

If we step back slightly, the Fund has gained a non-annualised 22.1% before fees in the last 6 months. While 6 months is too short of a period to draw any definitive conclusions, our analysis suggests that a portion of this performance can be attributed to systematic drivers and enhancements within our investment process. We're extremely pleased with the progress made in refining and improving our approach over this period and are committed to continually leveraging these advancements to strive for consistent and satisfactory results moving forward.

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Review of Investment Theses

As at the time of writing, the current investment concepts that we favour include:

(1) Artificial Intelligence (AI) Infrastructure and Energy Infrastructure (Including Renewables)

We remain invested in this force that is driving the earnings power of various companies higher. As described in a recently published research note, the infrastructure build-out is proceeding at pace. The existential uncertainty and institutional survivorship bias is leading to a major ramp in Big Tech's capex budgets. We're starting to see the increase in demand for electricity impact baseload growth across various segments of the US and Ireland.

We continue to pursue our conviction in this theme via a basket of companies, including Qualcomm, Argan, Celestica, Credo Technology Group, Vertiv, Vistra, NRG Energy, Hammond Power Solutions and Willdan Group.

(2) Infrastructure Investment

For the first time in decades and perhaps not since President Franklin D Roosevelt's New Deal, the governments of many developed nations are running an infrastructure policy. In the US, the signature Inflation Reduction Act (IRA), Infrastructure Investment and Jobs Act (IIJA) and the Chips and Science Act is driving significant domestic investment in commercial construction. On top of this, the global geopolitical bifurcation between the two leading powers of the world is causing companies to diversify their supply chains. Many laws and tariffs have been passed to encourage bringing production back on-shore. This phenomenon is global in nature. In Australia, the Labor government seems likely to pursue a Made in Australia bill. The European Union has recently put in place tariffs on Chinese EV imports, and other countries are seeking to do the same.

We believe Sterling Infrastructure, Bird Construction, Emcor and Primoris will continue to benefit from this trend. As we noted in our last research note, to-date in the US, only 18% of commercial construction projects have commenced build.

(3) Macro – Copper and EURCHF

We continue to hold favour owning both copper and EURCHF. Regarding the Fund's copper exposure, Chinese demand may take some time before it begins to fully stabilise, but we believe the supply-demand outlook for the metal is very imbalanced. In the medium-term, once Chinese demand stabilises, we'd expect the demand for copper to accelerate from the two themes mentioned above. Brownfield and greenfield supply is unlikely to keep up. We will be publishing a more detailed research note on our views on copper in the coming weeks.

As discussed in previous publications, we believe that the Euro is undervalued relative to the Swiss Franc. While we took profit earlier in the year, the price of the currency has fallen back to levels that make little economic sense. Fundamentally, Switzerland has solved its inflation and wage problem whereas Europe has not. We intend to publish our full thesis on this investment next month.

Kind Regards,
Fawkes Capital Management

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