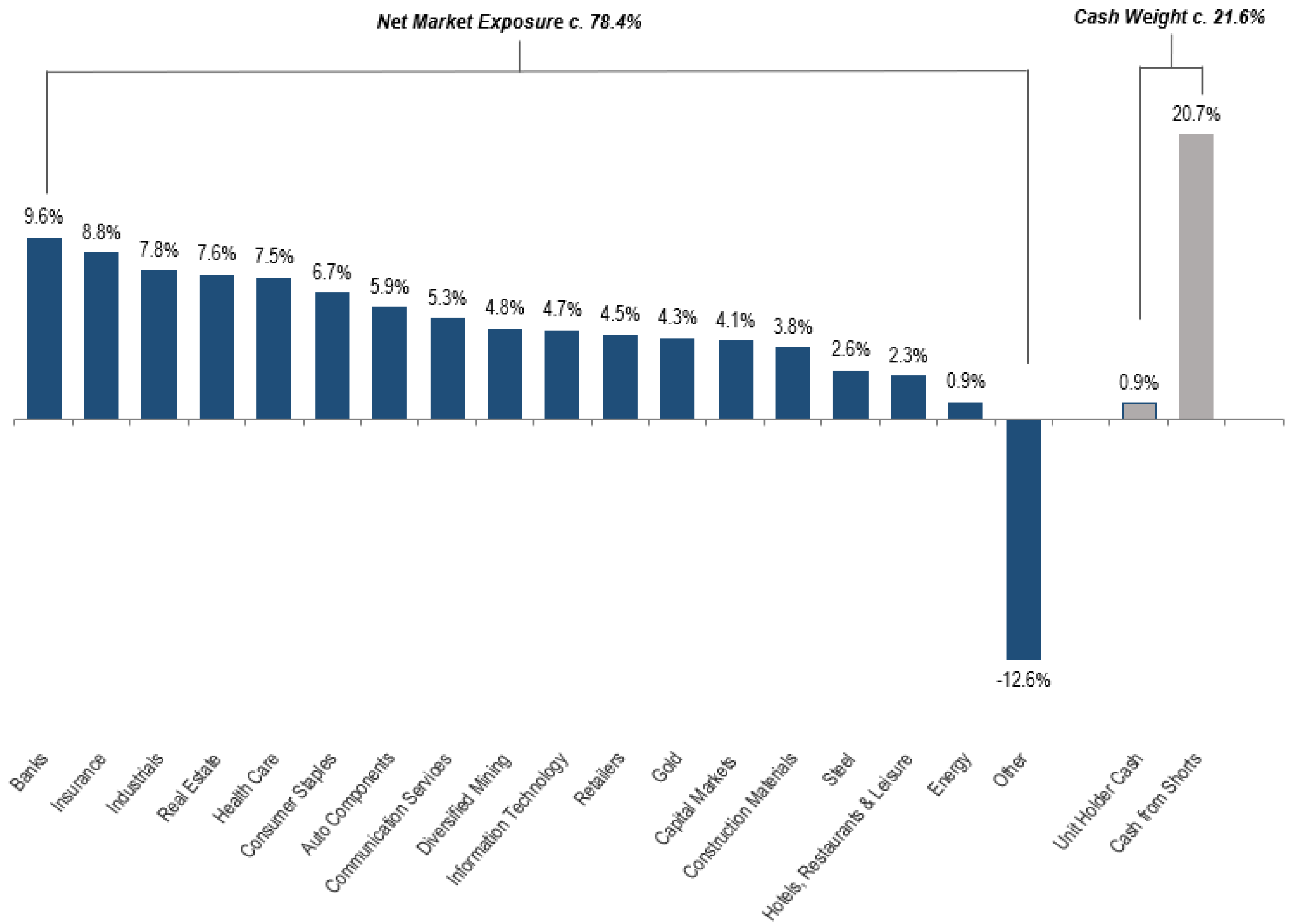
INDIAN PACIFIC FUNDS MANAGEMENT

Performance (net)	Main series	All Ords	Alpha
3 Month	8.7%	8.1%	0.6%
6 Month	12.3%	10.7%	1.6%
FY 2021	**30.8%**	**26.4%**	**4.4%**
FY20	3.3%	-10.4%	13.7%
FY19	6.8%	6.5%	0.3%
Inception (Feb 2018)	**49.1%**	**26.8%**	**22.3%**

Top 5 Holdings	% Fund
INTEGRAL DIAGNOSTICS LTD	5.1%
INSURANCE AUSTRALIA GROUP	5.0%
WOOLWORTHS GROUP LTD	4.6%
MACQUARIE GROUP LTD	4.6%
ABACUS PROPERTY GROUP	4.5%
Top 5 Holdings as % AUM	23.9%

Month end exposure	
Long Exposure	99.1%
Short exposure	-20.7%
Gross exposure	119.8%
Net exposure	78.4%

Portfolio Positioning



Month in Review

The fund finished the year with a rise of 1.7% (net) in June, versus the ASX All Ords +2.4%, taking our 2021 return to +30.8% (net) versus the All Ords +26.4%. That was achieved with an average 75.2% net exposure throughout 2021, or in other words we carried circa 25% less "market risk" than the index but still generated returns 4.4% above it. This follows a tumultuous 2020 financial year where the fund managed to deliver a positive return despite the market falling by 10.4%, so whilst the last two years have been a testing time for us as a fund manager, it's been very pleasing to see the fund perform to its design in both negative and positive markets. It's worth reminding investors that our process was designed with the mindset that it had been a long bull market leading into 2018 (when the fund was started), so it was a good time to build flexibility into our mandate to allow us to hold high cash levels if desired, and to hold a short portfolio to increase the opportunity set and to help buffer us from potential selloffs, rather than just invest 100% of your (and our) cash into the market. Over the long term we believe this will deliver superior risk adjusted returns and allow us to ride the market's natural cycles with confidence.

Best performers for the fund in June came from a three of our long held small cap team members with online women's fashion retailer **City Chic Collective** (CCX.AU, +18%) the best performer (for not the first time), and world leading vehicle air-cooling technology business **PWR Holdings** (PWH.AU, +14%) also having a good month. There was no specific news in either name but both stocks probably benefited from an up-draft in "growth stocks" in June as long bond yields globally sold off. The third small cap name that did well for us in June was **ReadyTech Holdings** (RDY.AU, +18%). **ReadyTech** has been a frustrating position we have held for a number of years and at times we have wondered what we were missing given how cheap it looks on any measure compared to similar stocks in the software as a service (SaaS) space in Australia, most of whom trade on nosebleed valuation metrics however you cut it. With a market cap of only c.$250m, ReadyTech is likely too small for most institutional investors which might be part of the reason. Nonetheless, with 90% of ReadyTech's revenue recurring in nature, customer retention of circa 95%, EBITDA margins close to 40% (with almost 90% cash flow conversion), and a big pipeline of growth opportunities ahead, we think this is a very cheap way to gain exposure to the migration of old-world processes and systems within the Education, HR/Workplace, and Government and Justice verticals to much more efficient and capable online platforms such as those offered by ReadyTech. We really look forward to hearing how their recent acquisition (Open Office) is performing at their upcoming full year result as most councils in Australia (where Open Office operate) are running 10-year-old systems with no remote access, which really impacted them during COVID-19.

These companies are three examples of where the fund invests your (and our) money outside of the better-known large cap names held in the portfolio. Since inception the fund has generally held around half of its invested capital in stocks outside of the ASX100 ("small cap"), and half in the "Top 100" or large cap stocks (the current split is 57% large cap, 43% small cap). Whilst not a defined rule in our process, we believe this provides a good balance in the portfolio between the security, liquidity, and stability that the 10-15 select large cap names provide to the portfolio, and the often higher growth, cheaper valuations but higher beta (volatile), and less liquid nature of small cap stocks. In this context it is worth highlighting how much our fund differs from the typical "index" that many investors and fund managers follow religiously. Our normal "Top 5" holdings disclosure generally shows you where 25-35% of our fund is invested, whereas below we provide a table of our 10 biggest "active" or "overweight" positions relative to the S&P ASX300 index. As you will see most of these stocks have almost zero weighting in the index and if they are in the index our position size is many times larger than their index weighting. That is, where we take a position, we don't take the stocks' index weight into our consideration at all. A snapshot of our "underweight positions" versus the market would show the reverse as we run a concentrated portfolio of 20-30 stocks, hence we do not own 90-95% of the ASX300 and in fact we are short some stocks that have high index weights. Investing this way means that our returns will, at times, differ greatly from the index and this can lead to volatility in returns when compared to the index. In investment circles this is referred to having a high "Active Share" (do your own reading on this well researched topic if you like!). Despite having a high active share, we believe our mix of large and small cap stocks, when combined with our short portfolio, provide a safer and lower risk portfolio structure than that seen in typical long only small or large cap dedicated funds whilst also providing you with exposure to some very exciting small cap names. As you can see below, Indian Pacific's highest "active positions" are a very interesting group of industrial companies and many of them are well off the radar of many larger, less nimble, managers in Australia. We believe they all have great medium to long term prospects, and we look forward to them delivering strong returns for us in the future.

Indian Pacific Funds Top 10 "Active positions"

Company	IPFM Weight (%)	ASX300 Weight (%)	% "overweight"
INSURANCE AUSTRALIA GROUP	5.1%	0.6%	4.5%
ABACUS PROPERTY GROUP	4.6%	0.1%	4.5%
SEVEN GROUP HOLDINGS LTD	4.3%	0.1%	4.2%
PSC INSURANCE GROUP LTD	3.7%	0.0%	3.7%
PWR HOLDINGS LTD	3.6%	0.0%	3.6%
TOURISM HOLDINGS LTD	3.5%	0.0%	3.5%
DETERRA ROYALTIES LTD	3.0%	0.1%	2.9%
JAMES HARDIE INDUSTRIES-CDI	3.8%	1.0%	2.8%
READYTECH HOLDINGS LTD	2.8%	0.0%	2.8%
CHARTER HALL GROUP	3.1%	0.3%	2.7%

Where to from here?

In assessing where we have come from and where to from here, the last 12 months has been one of the great reflation driven (policy stimulated) recovery markets of all time whereby high growth stocks were initially the winners due to artificially record low interest rates and as the recovery evolved that flowed into cyclicals who have benefited most from the fiscal stimulus (government spending), economic recovery, and slowly rising interest rates (which hits growth stock valuations more than cyclicals). We are now in a more balanced environment whereby the massive dispersion between those two groups has narrowed significantly. Despite the much talked about "record markets", we are really just back to where we started in February last year (ASX200 on June 30 was +2% from Feb. 2020, and if you want to go right back to 2007, we are only 7.1% above the index level at that point!).

The recovery in our view still has some way to play out but at some stage in the next, say 6 months, that will moderate because the market may have fully priced in a return to "normal" (it has already done this in many areas). With a slowing recovery comes slower growth and with gradual monetary policy (interest rate) tightening to come, the market will understandably have some degree of caution as the growth versus inflation arguments play out. At that point (possibly in the last quarter of the calendar year 2021 depending on the trajectory of the recovery) it will therefore become less about the recovery, and less about valuation tailwinds (driven by low interest rates and elevated fiscal spending), and we believe it will return to a more normal market where stock selection becomes most important (rather than sector or style investing such as "growth versus value", cyclical versus tech etc.).

As we start a new financial year, it is currently our thinking that we want to hold fewer stocks (higher concentration) in companies that exhibit both long term growth attributes (not short-term cyclical recovery attributes) and also value characteristics as the next phase of this cycle evolves. This plays well into our style of investing and with that being the task at hand, we look forward to working hard on your behalf in financial year 2022.

Regards,

Preston Hamersley
Portfolio Manager

INDIAN PACIFIC
FUNDS MANAGEMENT

About the fund

The Indian Pacific Fund is an Australian Equity long/short fund founded in February 2018. The fund has an absolute return focus (with long bias), has no cash limit, and can invest in both large and small cap companies. The investment process is a fundamental bottom-up investment process with a focus on balance sheet risks and identifying companies with strong cash flows, in good industries, with strong management teams. The fund was founded with the view that whilst markets rise in the long term it is always prudent to maintain the flexibility to hold more cash when markets are overly optimistic, and selectively short stocks if opportunities arise.

Holdings	Typically 15-25 long, selective short positions	**Investor Eligibility**	Wholesale Clients
Management Fee	1.0% of the GAV of the Fund, plus GST	**Prime Broker**	Morgan Stanley
Performance Fee	20% of Outperformance over RBA Cash, high water mark	**Fund Administrator**	Apex Fund Services Ltd

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