Frame Funds.

Reporting Season July 2021

Contents

Introduction

Every six months Frame Funds produces a reporting season document. We identity five companies that are key investments within the Frame Long Short Australian Equity Portfolio. We explore why we believe these businesses may continue to perform well during this reporting season, outline their possible near-term catalysts and also review a selection of risks facing each business.

This report has focused on businesses that have benefited from good management and their proactiveness throughout the COVID-19 pandemic. This allowed them to expand margins and sales. We also note that the majority of these companies are in sectors of the market which have rebounded due to the unprecedented level of stimulus seen around the globe.

**Please note the businesses mentioned in this report are substantial holdings of the Frame Long Short Australian Equity Fund and Primary Investment Board - Class V - Frame Long Short Australian Equity Fund.*

Frame Long Short Australian Equity Portfolio

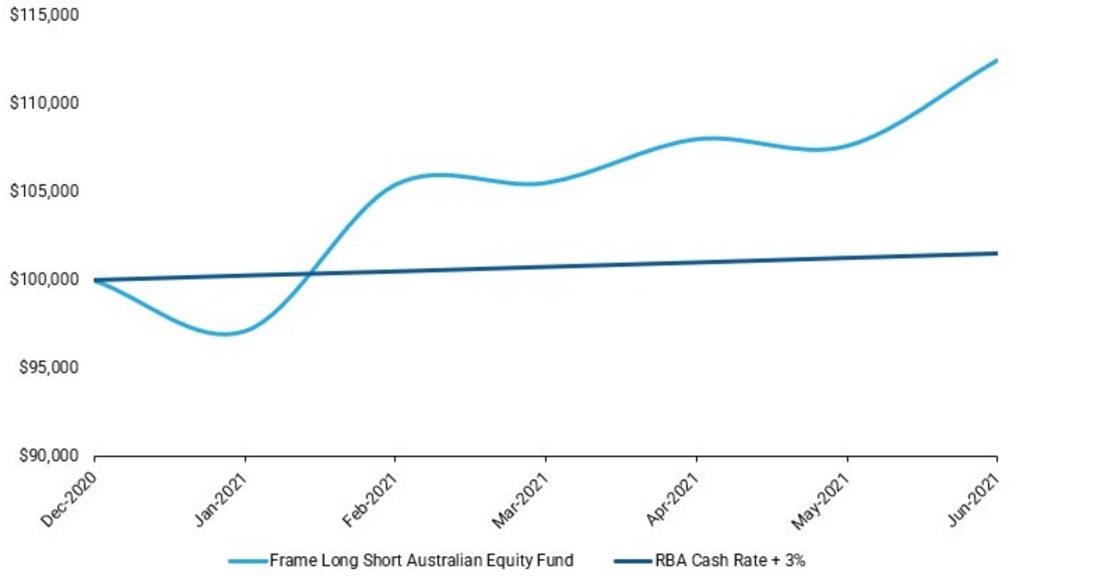
Frame Funds actively manages the Frame Long Short Australian Equity Portfolio which invests in Australian listed equities with a long-term outlook while also identifying positions that may have excellent risk/reward characteristics in the short-term. The portfolio can use short sales and listed Derivatives to generate absolute returns, and to hedge the exposure of the portfolio.

Frame Funds applies and manages this portfolio for the Frame Long Short Australian Equity Fund, an Australian unregistered open-ended wholesale unit trust, and the PIB- Class V Frame Long Short Australian Equity Fund, a retail registered managed investment scheme.

The portfolio is constructed with approximately 75% of the assets invested using a systematic momentum strategy, and the remainder managed actively by our Portfolio Managers.

Our approach seeks to fulfil the investment objective of the Portfolio – to deliver income and capital growth over the long term.

Frame Long Short Australian Equity Portfolio
Value of $100,000



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CYTD
2021	-2.85%	8.53%	0.10%	2.34%	-0.35%	3.51%	-	-	-	-	-	-	11.40%

Past performance is not an indication of future performance. Investments may rise and fall in value and cannot be guaranteed.
The returns quoted above is after fees, but before tax. YTD returns are calculated using the cumulative returns formula.

ASX:BSL

Bluescope Steel Ltd

Business overview

Bluescope Steel Limited (ASX: BSL) is a provider of innovative steel materials, products, systems and technologies. They are headquartered in Australia but have operations spread across North America, Australia, New Zealand, the Pacific Islands and throughout Asia.

Why they are in play this reporting season

In late April BlueScope Steel upgraded earnings forecasts for the second half of the 2021 financial year. This was due to higher-than-expected steel prices and increased demand for building materials. In our view BlueScope are well positioned to capitalise not only on the rising prices of their underlying product, but the enormous stimulus unleashed by governments around the world in the aftermath of COVID-19. Additionally, they are well positioned to take advantage of market trends such as the move to e-commerce and the demand for lower density regional housing. Furthermore the North Star steel mill expansion in North America remains on track despite COVID-19 complications.

Risks

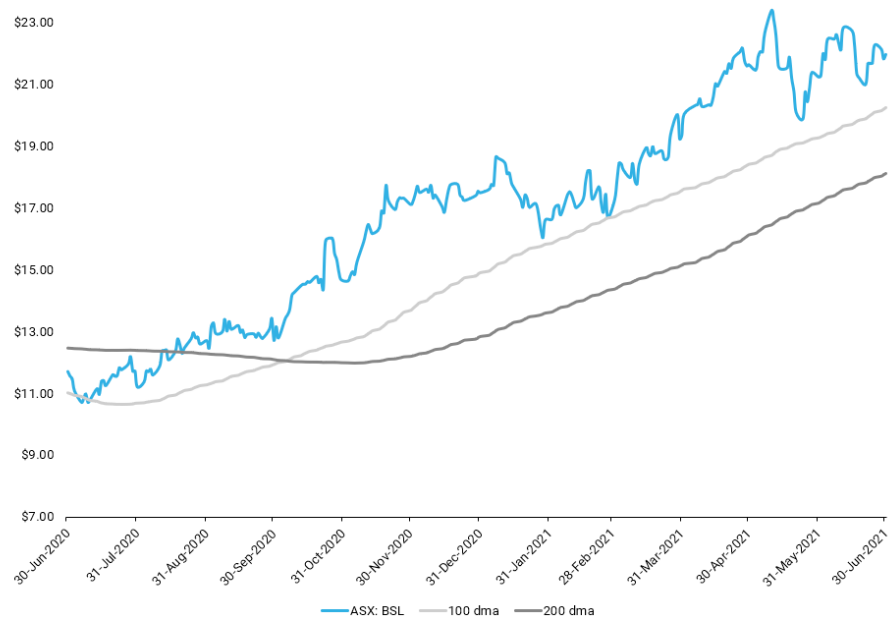
One of the main risks to investing in Bluescope Steel is a sudden material decline in the price of steel. They cited higher steel prices as one of the key drivers of their increased profitability. Issues with steel production are another risk to monitor with Bluescope Steel. If they are unable to produce at their usual levels for an extended period of time, earnings will be negatively impacted. While no material can fully replace steel in the construction process, developments in the alternative building materials space is another thing to watch that would adversely impact Bluescope's business.

** data as of 30th June 2021*
** source: Commonwealth Securities, Eikon, Company Presentations*

Financial data

Price	$21.96
Market Capitalisation	$11.06bn
52-week high	$23.99
52-week low	$10.64
Dividend Yield	0.64%
Price/Earnings Ratio	48.5x
Earnings per Share	0.455

52-week price chart



ASX:BKW

Brickworks Limited

Business overview

Brickworks Limited (ASX: BKW) is engaged in the manufacture of a diverse range of building products across Australia and North America. They are also involved in development and investment activities to realise surplus manufacturing property and participate in diversified investments as an equity holder.

Why they are in play this reporting season

On June 9 Brickworks announced they were expecting record property earnings in the 2021 financial year, citing the increase in value of its property trust. The strong demand for prime industrial property assets is cited as the driver of higher valuations. Managing Director Mr. Lindsay Partridge noted the role COVID-19 had to play in fuelling growth in industrial property, noting "(the pandemic) … has accelerated industry trends towards online shopping and increased the importance of well-located distribution hubs and sophisticated supply chain solutions". Additionally, US dollar EBIT from North American operations is expected to be higher than the previous year despite the lower first half due to COVID-19. We see this as very positive for Brickworks and is demonstrative of their strong growth potential in North America as infrastructure stimulus continues to be rolled out.

Risks

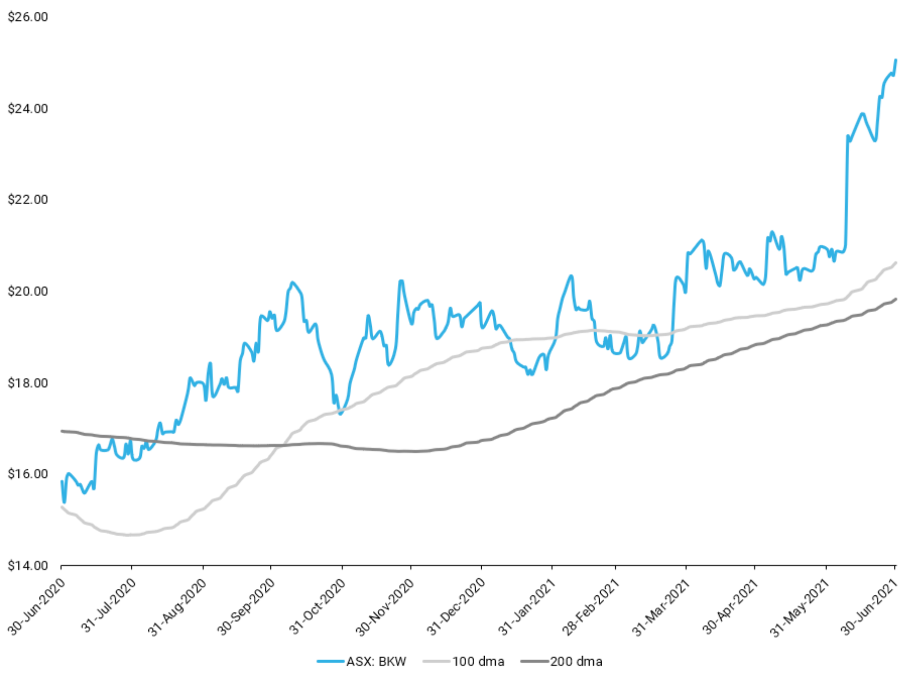
As they have already increased guidance prior to reporting season, there is a risk that the market may be expecting EBIT and profit reports that are unrealistically high. This could cause the share price to fall after the end of financial year report is released. Another risk is that Brickworks' growth is peaking as we move out of the COVID-19 pandemic and the demand for raw materials begins to decline. This would also occur if infrastructure-based stimulus was decreased in the United States, which would adversely impact their North American operations. A stronger Australian dollar would also impact the profit from US operations.

** data as of 30th June 2021*
** source: Commonwealth Securities, Eikon, Company Presentations*

Financial data

Price	$25.07
Market Capitalisation	$3.80bn
52-week high	$25.14
52-week low	$15.29
Dividend Yield	2.24%
Price/Earnings Ratio	11.5
Earnings per Share	2.148

52-week price chart



ASX:MIN

Mineral Resources Ltd

Business overview

Mineral Resources Limited (ASX: MIN) is a mining services company with a portfolio of mining operations across lithium and iron ore. MIN has been providing safe, high-quality, low-cost mining, mining construction and mining infrastructure services in Australia. The business consists of three core pillars in mining services, commodities and innovation and infrastructure.

Why they are in play this reporting season

After a very strong first half of the financial year, we believe MIN is positioned to continue their growth for the rest of the accounting period. With lithium and iron ore prices increasing steadily for the last 6 months, the value of Mineral Resources' projects in that space should increase commensurately (Iron Valley, Parker Range, Koolyanobbing and Wonmunna for iron ore; Wodgina, Mt Marion and Kemerton for lithium). Furthermore, they have a strong 5-year growth plan in place which means they are well positioned to capitalise on the continued strength of the underlying commodities. This plan includes more than quadrupling iron ore production and converting all spodumene concentrate into the more utilitarian lithium hydroxide.

Risks

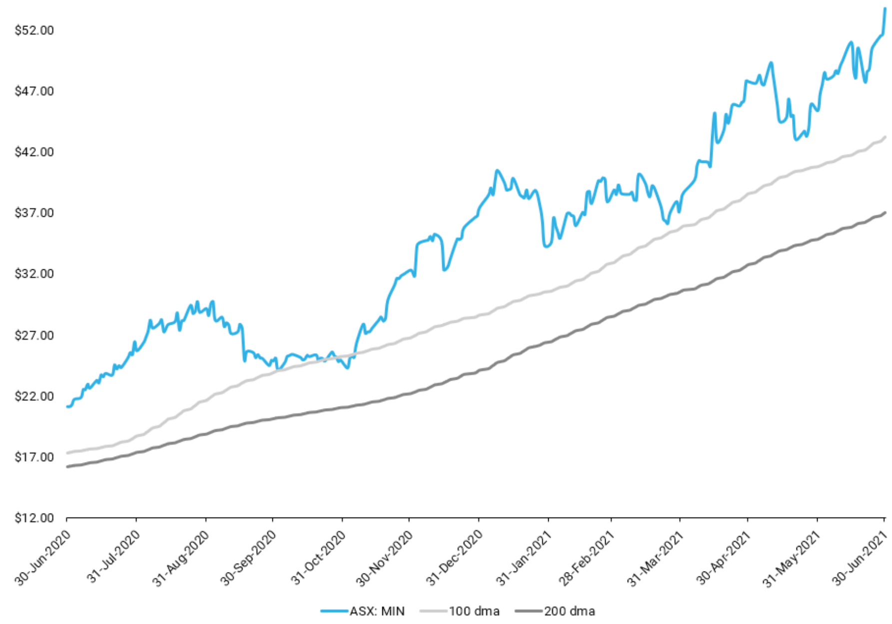
If the fundamentals of the underlying commodities were to deteriorate, this would materially impact the value of the deposits Mineral Resources owns. In addition, loss of contracts and timing of contracts with companies they provide mining services to may be viewed negatively by the market. Since Mineral Resources reported so strongly in the first half of the financial year, there is also the risk they report strong numbers but do not match market expectations.

** data as of 30th June 2021*
** source: Commonwealth Securities, Eikon, Company Presentations*

Financial data

Price	$53.73
Market Capitalisation	$10.13bn
52-week high	$54.30
52-week low	$20.92
Dividend Yield	3.42%
Price/Earnings Ratio	15.2x
Earnings per Share	3.384

52-week price chart



ASX:REH

Reece Ltd

Business overview

Reece Limited (ASX: REH) is a supplier of plumbing, bathroom, heating, ventilation, waterworks, air conditioning and refrigeration products, with operations in Australia, New Zealand and the US. Their main business activities include importing, wholesaling, distribution, marketing and retailing, focusing on supplying customers in the trade, retail, professional and commercial markets.

Why they are in play this reporting season

During the pandemic of 2020, REH focused on digitising their customer experience in Australia and New Zealand, which ensured their business was stable during numerous lockdowns. They have also been expanding into the US market by investing in market research, new store design trials and rebuilding their eCommerce approach. REH has also benefited from the fiscal stimulus packages rolled out by governments in Australia, New Zealand and the United States. All three countries have focused on an infrastructure led recovery and have planned to invest record amounts over the next decade. Focused stimulus programs such as JobKeeper, and stimulus checks in the US also assisted growth in Reece's retail focused business. During lockdown, people stuck at home spent more time and money on 'fix up' jobs which benefited Reece. Although the market has priced in a solid FY21, we expect the spike in home improvement and online spending to continue.

Risks

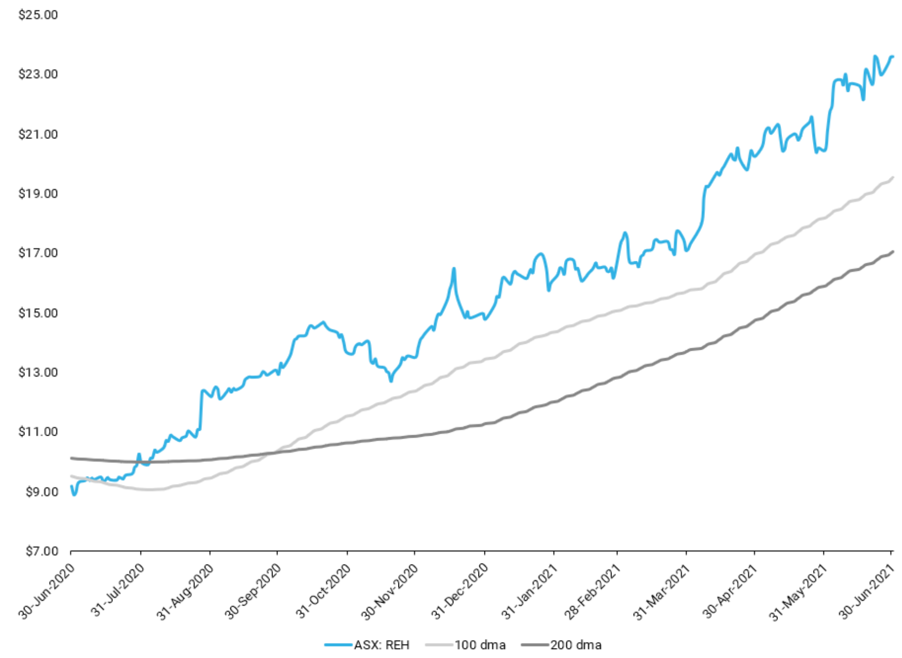
Given Reece Limited has been performing so strongly in the lead up to their report, one risk is that their growth has already been priced in. This means any underwhelming news could cause the share price to fall. Another risk is that Reece reports strong numbers but below market expectations causing the share price to decline. If fiscal plans for investment in infrastructure were to change suddenly, Reece's business would be adversely impacted.

** data as of 30th June 2021*
** source: Commonwealth Securities, Eikon, Company Presentations*

Financial data

Price	$23.61
Market Capitalisation	$15.24bn
52-week high	$24.02
52-week low	$8.75
Dividend Yield	0.50%
Price/Earnings Ratio	58.0x
Earnings per Share	0.402

52-week price chart



ASX:SGM

Sims Ltd

Business overview

Sims Limited (ASX: SGM) is a global metals and electronics recycling company, involved in the buying, processing and selling of ferrous and non-ferrous recycled metals. They provide solutions for the disposal of post-consumer electronic products, including IT assets recycled for commercial customers. The company operates in North America, Australasia, and Europe.

Why they are in play this reporting season

Sims Limited have already upgraded their EBIT guidance significantly for FY21, citing increased intake volumes, high scrap margins and improved margin management. We view this as especially favourable as improved business practices have resulted in expanded profit margins. Furthermore, the guidance suggests the fourth quarter will match the record third quarter, which we expect to be favourably received by the market. We also expect SGM to continue to benefit from the increase in the recycling culture that is sweeping across the globe. Government spending on infrastructure projects should also lead to an increase in scrap metal. We would also expect this to be a positive tailwind for SGM.

Risks

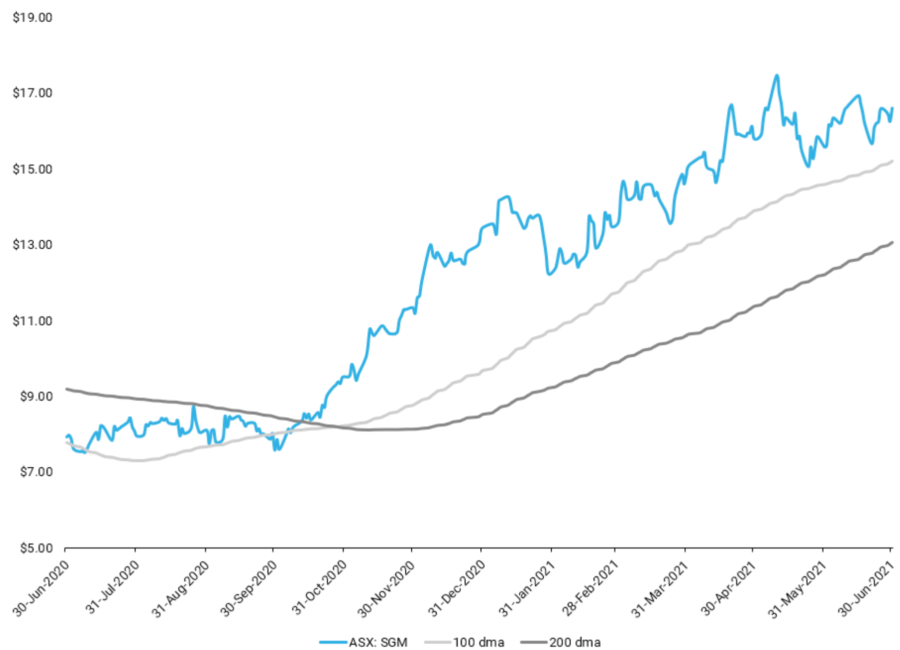
The main risk is Sims missing their recent guidance. Their CEO and Managing Director have commented this could happen if the June shipping schedule is delayed. Another risk to investing in Sims Limited is the market having already priced in record EBIT and net profit numbers – if they post strong numbers but fail to meet the record figures expected the share price may decline. Longer term risks include less technology recycling, as product robustness improves. We may also see a gradual decline in the scrap metal market, as infrastructure stimulus reaches its conclusion.

** data as of 30th June 2021*
** source: Commonwealth Securities, Eikon, Company Presentations*

Financial data

Price	$16.60
Market Capitalisation	$3.34bn
52-week high	$17.69
52-week low	$7.25
Dividend Yield	1.10%
Price/Earnings Ratio	-
Earnings per Share	-0.649

52-week price chart



How to invest

There are two ways to invest into the Frame Long Short Australian Equity Portfolio.

Wholesale

Under the Corporations Act, Section 708, you can invest as a Wholesale Investor if you qualify as a Professional or a Sophisticated Investor.

To qualify as a Sophisticated Investor, you must have:

- net assets of at least $2.5m; or
- gross income of $250,000 or more for each of the last 2 financial years.

Apply online

Retail

You can also invest into the Frame Long Short Australian Equity Portfolio via the Primary Investment Board - Class V feeder fund.

The Primary Investment Board - Class V **only invests** into the Frame Long Short Australian Equity Portfolio.

Apply online

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