28th January 2024

To the Unitholders of Blue Stamp Trust,

The Lead Class unit price at the end of December 2023 was $5.9598/unit – representing a gain of +34.90% for the 2024 financial year to date.

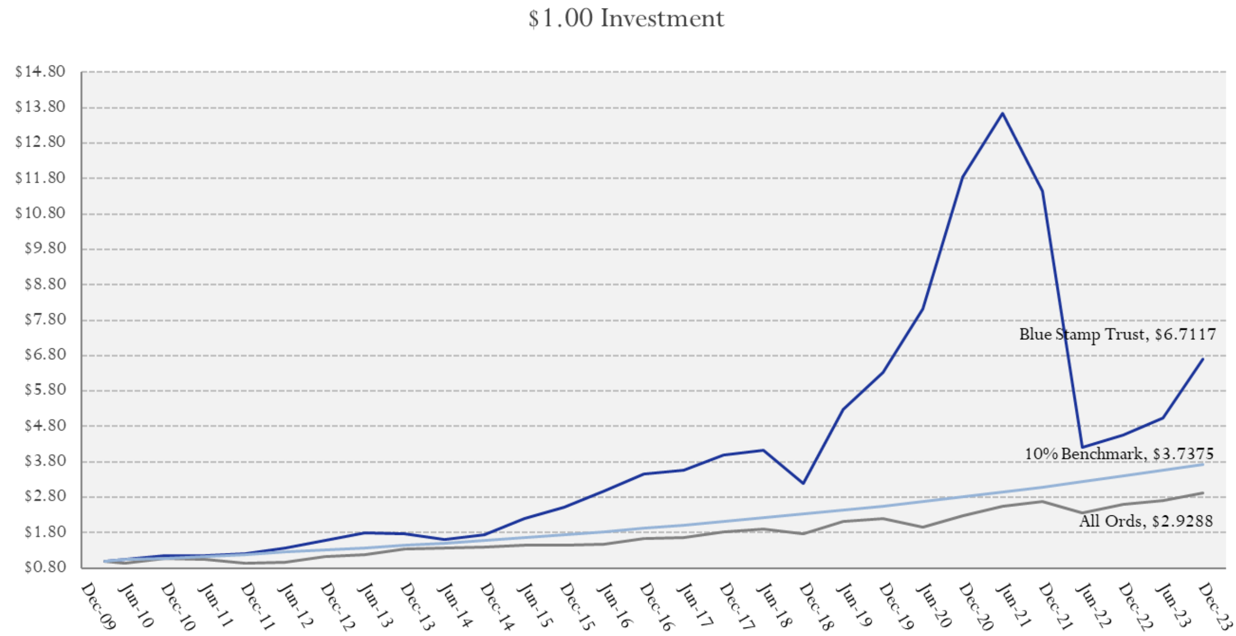
If you hold units in classes other than the Lead Class, please login to your account at www.bluestampcompany.com/investors/ to find the relevant pricing information.

A summary of the Trust's performance – before and after Performance Fees (PF) – for the FY24 year to date is shown in the table below, together with a comparison to the 10% Benchmark and the All Ordinaries Accumulation Index (Index), the broadest measure of performance for the Australian stock market.

	Blue Stamp Trust (Lead Class units)		**10%**	**XAOI**
	Before PF	**After PF**	**Benchmark**	**Index**
1-Jul-23	$ 4.4178	$ 4.4178	$ 15.3354	88,991.44
31-Dec-23	$ 5.9598	$ 5.9598	$ 16.1064	96,066.70
Return	**+34.9%**	**+34.9%**	**+5.0%**	**+8.0%**

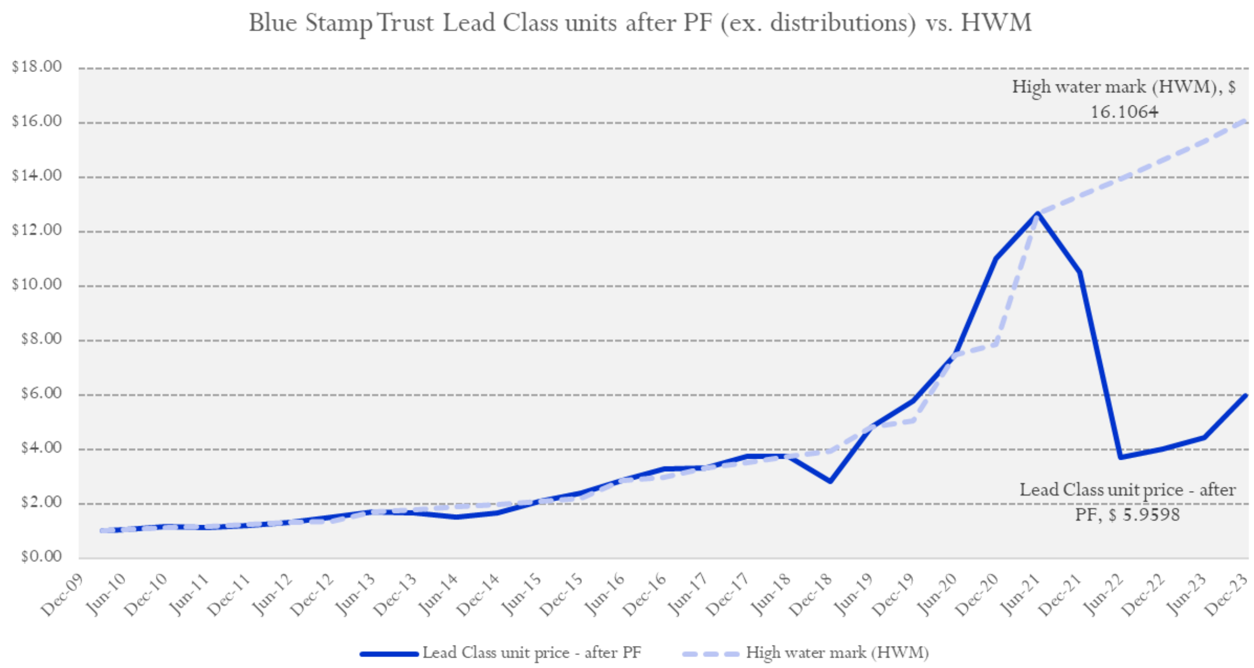
Since inception (nearly 14 years ago), the Trust has provided an after-fee return of 14.76% p.a. to Lead Class Unitholders compared to the Index return of 8.08% p.a. over the same period. From another lens, a $100,000 investment made at inception is now worth $671,168 against $292,876 for the Index and $373,752 at the Benchmark rate of return of 10% p.a.

The following graph compares the historical performance of $1 invested in the Trust versus the Index and the 10% p.a. benchmark. The investment in the Trust is for *Lead Class units, after all fees and includes the reinvestment of any distributions which have been paid*.



The eagle eyes among you may have noticed that the Lead Class unit prices both before and after Performance Fees are the same in the above table, meanwhile the benchmark is much higher than the current unit price. There has been no Performance Fee accrued for Lead Class units (and many other Classes) for the first six months of FY24. In fact, the last time Lead Class Unitholders paid a Performance Fee was in FY21, over two and a half years ago. This is because our benchmark is not only subject to a high-water mark (HWM) that ensures a Blue Stamp Trust Unitholder will never pay a dollar in Performance Fees for the same performance, but it also *increases* by 10% per annum (p.a.) year in, year out.

In other words, for us to generate a Performance Fee from Lead Class investors again, the solid blue line in the chart below must catch up and exceed the dashed line – again, which will continue increasing at a rate of 10% each year.



High water marks aren't unique in funds management, but a high water mark that *compounds at 10% per annum* certainly is… We think there is no justification for a fee structure other than this. That is, at any point in time that we either accept capital into the Trust or we are paid a performance fee, then Unitholders should only pay for performance from ***that*** point in time – and only when their investment performance has been absolutely positive (not merely relatively positive), and that absolutely positive performance is greater than the market's average (as approximated by the 10% benchmark).

For the Lead Class units to be in Performance again, converging on the dashed line, the Fund needs to produce some extraordinary returns – 31.8% p.a. over the next 5.5 years or 22.1% p.a. over the next 9.5 years. If you include the impact of our Management Fee Rebates, the annual returns required for your Managers to start earning Performance Fees from the Lead Class may be another percentage point higher again.

Unlike the last 20-30 years in markets, which were characterised by falling interest rates, our efforts toward delivering investment performance (and converging on that dashed line) are unlikely to get much help from 'multiple expansion' – i.e. where investors pay a higher price for the same dollar of earnings.

Thus, most of the circa 22% annual return that's required over the next 10 years will likely need to come from per unit growth, of at *least* that rate, in the underlying earnings of the businesses we own. To even get close to achieving that, the Trust is going to need to be invested in a select few extraordinary businesses, run by exceptional management teams, and available for purchase at bargain prices.

Concentrating our attention on businesses that produce very high returns on incrementally invested capital (ROIIC) is a good start. Though the trouble with these kinds of businesses is not just that they're few and far between, but that you are rarely able to purchase their shares for a price allowing for an attractive rate of return, let alone 22% p.a. compounded over 10 years!

Remaining patient and disciplined in our investment decisions whilst maintaining a high degree of activity in our research efforts will help maximise our chances of being able to identify and take advantage of these rare opportunities when they arise. With the Fund's size being relatively small compared to the industry average, we like our odds of achieving this return. Our smaller size allows us to be nimble when it comes to purchasing meaningful interests in great businesses with low (or no) liquidity in their shares that are otherwise neglected by much larger asset managers.

Portfolio commentary

On the Q3'23 earnings call of our core portfolio holding **Block (SQ.NYSE)**, founder and Block 'Head', Jack Dorsey announced Cash App's refocused strategy on "earning the primary banking relationship of our existing customer base in the US", which, candidly, gave us a great degree of relief that they weren't going to pursue the international expansion of Cash App further. Despite their currently sizeable customer base, we view the remaining opportunity available to Cash App in its home market to be quite large and far lower risk than international expansion.

The fact that Cash App doesn't pay interest on customer deposits yet has over 22 million Americans (~6.6% of the population) using it like a bank is a testament to their incredible product craft, customer-centricity, and ability to make money and financial services simple, relatable, and accessible[1]. While thousands of commoditised national and regional banks in the US compete viciously over customer deposits, primarily through savings rates on deposits and credit card rewards, Cash App continues to attract customers based on their simple mobile app and powerful network effects surrounding their widely used P2P service.

To sustainably outcompete the large banks, Cash App needs to both generate higher monetisation per customer whilst being able to acquire them at a lower cost – all up yielding a higher rate of return for Cash App. While their core P2P payment service is facing increasing competition from the rapidly growing Zelle (with its real-time bank transfer service), this still remains a significant driver of Cash App's customer growth, helping to reduce their average customer acquisition costs (CACs). Though, Cash App's P2P payment service is now waning in importance for continued customer acquisition and retention with other simple adjacent services such as Cash App Taxes, Cash Boost (debit-based rewards program), Bitcoin exchange, Stock brokerage, Cash App Borrow, Savings 'Vaults', and more now driving new users and engagement.

For instance, Cash App's position as a trusted brand to many millions of financially-underserved Americans has allowed them to scale their short-term loan product, Cash App Borrow, to over $900 million in originations and over two million in active users in the Sep-23 quarter in less than two years

[1] US population is estimated to be around ~341 million.

since ramping the feature to a wider subset of its user base – whilst also maintaining loss rates of less than 3%. This is particularly impressive when considering that Square Loans took over nine years to get to its current level of ~$1.2 billion in originations. Block is well on its way to capturing more of US individuals' financial lives.

It's not difficult to imagine how much more growth Cash App could drive through paying top of market interest rates on customer savings deposits – an interest-bearing savings account is one of the last traditional financial services that Cash App is yet to offer, with credit cards being another. Though, with large portions of Cash App's current profitability originating from interchange fees on debit cards and instant deposit fees on real time withdrawals, the business remains vulnerable to changes in regulation of interchange fees and increasing competition from the "Zelle alliance", so Block will need to continue to diversify their revenue streams.

In the meantime, we will continue to watch Block's ecosystem-of-ecosystems strategy closely whilst ensuring we have a growing bench of high-quality businesses to recycle capital into, if need be. With the rapid rise in its share price toward the end of the quarter, we chose to fund some liquidity requirements with the sale of some of our Block holding as our other portfolio holdings offered better risk-adjusted returns at the time.

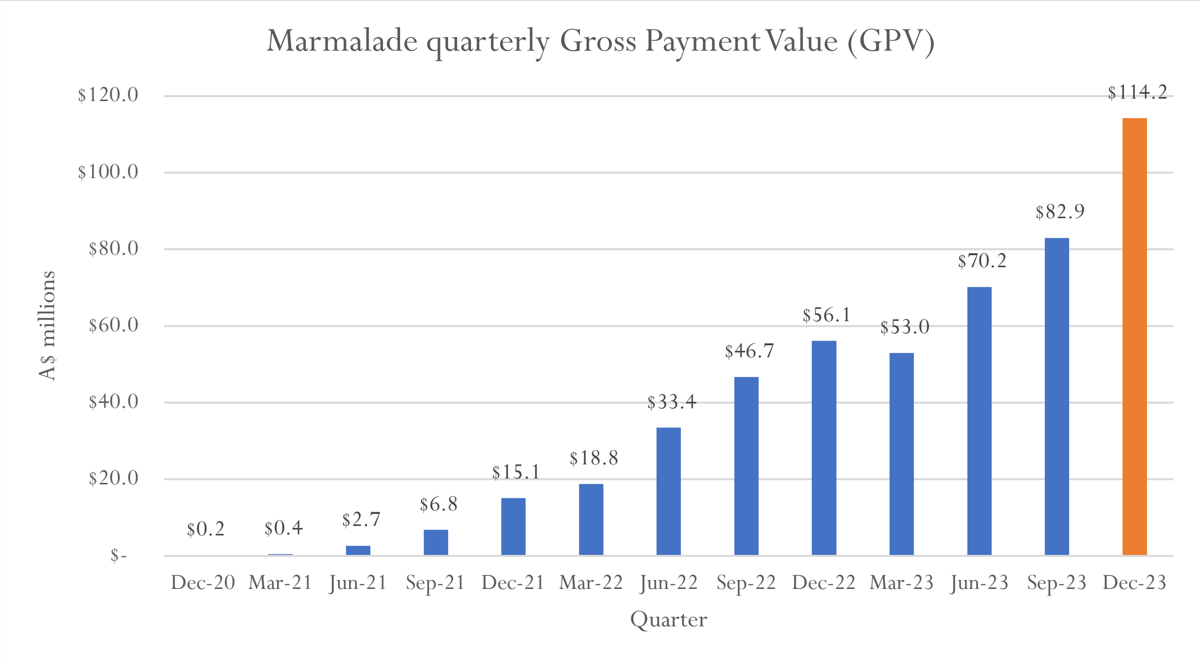
Megaport (MP1.ASX) released another set of improving results for the Sep-23 quarter (reported after we sent our Sep-23 letter), with annual recurring revenues (ARR) growing over +36% on the prior corresponding quarter to ~$190 million, primarily driven by increasing prices, increasing uptake of higher value services such as MVE, and to a lesser extent, growth in Megaport's customer base. At the same time, Megaport produced its second quarter (ever) of consecutive free cash flows (coming in at $2.9 million in Q1'FY23 despite some unfavourable working capital movements) and margins continued to expand as the benefits of the recent layoffs, price increases, and Port consolidations flowed through during the quarter.

On a more operational perspective, we were pleasantly surprised with the speed with which CEO Michael Reid and the team have been able to rebuild the sales team (which was done without paying a single dollar to external recruiters), though it will be a while yet before they're trained and have a meaningful impact on the momentum of the businesses. We were also surprised at the velocity with which Megaport has been innovating on their leading software-defined networking platform, with the launch of an Enterprise Internet Service as well as some other initiatives that will make it easier, and cheaper, to expand their data centre footprint, whilst strengthening their competitive advantages and proximity (and utility) to new and existing customers.

So how did the market react to what we deemed a pleasing set of short-term results? With a single-day share price decline of over -16%. Since then, the MP1.ASX share price has drifted even lower as buying activity from index funds seems to have slowed or even reversed course. We believe the market reaction to Megaport's Sep-23 result is a clear example of the short-term approach that most investors have toward allocating capital. Many shareholders don't have the patience to stick out more than a year of 'meagre growth' in anticipation of future years of extraordinary growth – as today's investments in rebuilding Megaport's sales capabilities take time to bear fruit. If we look at the trading activity in Megaport's shares, we can see why the market seems to react so wildly to short-term developments – the average holding period over the last two years for MP1.ASX shares has been just over 5.5 *months*… less than two quarterly reporting periods[2]!

Compared with the rest of the market participants, we're in the small minority who look at and view Megaport as what it is – a business, rather than a trading instrument. Like any real-world business, there is lumpiness from month-to-month or quarter-to-quarter in terms of the number of opportunities in a salesperson's pipeline, among other things, and we fully expect significant volatility in Megaport's growth in services, customers and revenues to persist. We still view the opportunity ahead of Megaport as being incredibly large and we're quite impressed with the new management team and their ability to 'right the ship' and align the company towards efficient growth. We have every confidence that Megaport will be generating meaningful earnings and cash flows in the next five years that will likely see us earn an attractive return on our investment in the business.

Invoice payments company **Marmalade** finished calendar year 2023 with a bang, more than doubling Gross Payment Value (GPV), the dollar value of payments received by Marmalade and matched to an invoice, to $114 million (~$457 million annualised) in the Dec-23 quarter compared to the prior corresponding period.



While payments volume itself isn't yet *directly* monetisable, it is an important measure of engagement across the Marmalade invoice payments platform, and a leading indicator of future cash-in volumes and revenues. Other top-of-funnel metrics such as TIV (Total Invoice Value) and GIV (Gross Invoice Value) also grew strongly, up +116% and +124% respectively on a year-on-year (YoY) basis, and +33% and +39% on a quarter-over-quarter (QoQ) basis. The strong uptick in the last quarter seems to be a result of Marmalade's refocused approach to outbound sales, with record levels of new TIV (a target metric for the sales team) being achieved through the quarter.

[2] Average holding period of 5.5 months is calculated by dividing total MP1 shares on issue (~159 million) by the total volume of trades completed over the past 2 years in MP1 shares (~688 million) and dividing that result by ~2 years.

GCV, the dollar value of cashed-in invoices, grew slower than the other top-of-funnel KPIs we look at, increasing 'only' +55% YoY (+16% QoQ) to $30.7 million in the Dec-23 quarter. Though revenues grew at a faster rate than GCV, largely as a result of new GCV carrying a higher average 'cash-in rate', increasing +89% YoY to $1.26 million in the Dec-23 quarter, or 4.11% of GCV. For more detail on Marmalade's performance over the last five quarters, please see the below table[3].

		Dec-22 Qtr	Mar-23 Qtr	Jun-23 Qtr	Sep-23 Qtr	Dec-23 Qtr	YoY %
Active Suppliers	#	102	114	134	154	169	+ 66%
Gross Payment Value (GPV)	$ millions	56.1	53.0	70.2	82.9	114.2	+ 104%
Total Invoice Value (TIV)	$ millions	80.4	85.4	128.3	130.8	173.9	+ 116%
Gross Invoice Value (GIV)	$ millions	67.1	71.8	106.2	108.4	150.5	+ 124%
GIV / TIV	%	83.5%	84.0%	82.7%	82.9%	86.6%	
Gross Cash-in Value (GCV)	$ millions	19.8	21.1	25.9	26.4	30.7	+ 55%
GCV / GIV	%	29.4%	29.4%	24.4%	24.4%	20.4%	
Revenue	$	669,010	731,750	886,266	980,739	1,262,488	+ 89%
Average cash-in fee % of GCV	%	3.38%	3.46%	3.42%	3.72%	4.11%	

Over the last quarter, Marmalade also released some major updates to the product, allowing for greater transparency over how cash-in fees are calculated, a tiered fee structure that incentivises better behaviour from Suppliers, as well as providing more visibility and transparency over which invoices are eligible to cash-in or not. Marmalade also introduced a new product experience which allows Suppliers to see their payments and related metadata, such as when the payment was received, when it was matched to an invoice and when the payment was paid out, in one intuitive interface. This was a highly requested feature and lack of visibility over a Supplier's payments was the number one reason for Supplier's contacting Marmalade's operations team. Pleasingly, since its release, the team has seen a ~50% drop in customer support questions relating to payments, and most importantly, is demonstrating that they can build a more operationally efficient business that will scale its way to profitability.

These new updates, which aim to improve the Supplier experience whilst enabling improvements in the scalability and financial performance of Marmalade's business, provide additional utility which will see Marmalade's product become more of a one-stop-shop for small business owners to better manage their cash flow (sound familiar? Ahem, CashApp or Square anyone…?). While it's still early days, the team is exploring a number of new features to add to the product which will enable Suppliers to have a better picture over their accounts receivable and insights on a customer-by-customer basis.

Despite these new product initiatives proving to be promising opportunities for Marmalade to deepen its engagement with Suppliers and widen its market opportunity, there is still significant runway for Marmalade to drive greater adoption of its core cash-in product among Australian SMBs. To that end, the team is investing in a number of initiatives that will enable small businesses that currently utilise debtor finance facilities to more easily switch to Marmalade.

[3] Active Supplier is defined as a Supplier who in the last 30 days has issued an invoice with Marmalade as the payment service
Gross Payment Value (GPV) is defined as the value of payments received by Marmalade and matched to an invoice.
Total Invoice Value (TIV) is the value of invoices created by Active Suppliers.
Gross Invoice Value (GIV) is the value of invoices with Marmalade payment details created by Active Suppliers.
Gross Cashed-in Value (GCV) is the value of invoices cashed-in by Active Suppliers.

Lastly, the company held an offsite in November where the management team revealed some big goals. There was strong, positive feedback from employees surrounding this offsite and we believe that the renewed alignment and eagerness of the team to collectively work towards those goals will serve us as shareholders quite well, whilst enabling immense value for small businesses all over.

Managerial quality & long-term holding periods

When weighing up investment opportunities, we feel it's always more prudent to assume that *exit liquidity* will be an issue. Thus, we like to think about each investment as if we were buying the whole business and taking it 'private' despite only buying minority interests in practice. It can be tempting to use liquidity as a 'crutch' for justifying otherwise unjustifiable risks – i.e. "if x or y event happens, we can just sell our shares". While this approach may work for some, we certainly prefer a more conservative stance. By being far more selective than most when it comes to finding new investments, we feel the combination of this patience and discipline will help to protect our capital and generate strong risk-adjusted returns over the long run for our investors – and drive that solid blue line toward the dashed line in the years ahead.

Over the last quarter or two, we have peered underneath the hood of many different businesses of varying maturity and size to understand if they are worthy investment candidates for Blue Stamp Trust. Most don't progress very far as they may fall too far outside our existing circle of competence (we prefer to own assets we understand well), be too early stage in nature, possess a weak financial position, occupy a weak position in a competitive industry, or be run by management teams we don't feel we can trust.

Whilst the quality of a business is of high importance, when looking for long-term investment candidates, we feel that managerial quality is an often under-weighted characteristic by the market. For instance, there's not much point owning a race car if the driver can't get it around the track in one piece. The impact that management can have on shareholder returns over long periods of time is immense. If you're merely 'renting' a business's shares for periods less than two years (which many market participants do) then managerial quality matters far less and anticipating the change in other investors' sentiment surrounding a stock is a lot more important. We do not 'rent' shares, and we do not play that game.

In the long run, a shareholder's returns are a function of both the quality of the business you own, and the quality of management's capital allocation decisions – i.e. what they do with shareholders' money. As a long-term owner of any business, we are effectively outsourcing decisions surrounding capital allocation to the manager of that business.

> "After ten years on the job, a CEO whose company annually retains earnings equal to 10% of net worth will have been responsible for the deployment of more than 60% of all the capital at work in the business." – Warren Buffet, 1987 letter to Berkshire Hathaway shareholders.

Therefore, we spend a lot of time trying to judge the character of the management teams running a business. Given it's more art than science, we try to ask thoughtful questions that reveal the way our management teams think about allocating capital, managing people, the passion they have for the business, their ability to learn from mistakes, and, generally, what makes them tick. A favourite question of ours that we borrowed from Marathon Asset Management is "why grow?", which often gets us puzzled looks, but quickly sorts the wheat from the chaff. We were quite active on this front throughout the Dec-23 quarter, meeting with many different management teams to understand more about how they *think* about their businesses and the way that they run them. Humans often make mistakes, and no one is perfect, however we will continue to strive towards finding businesses and management teams that are as close to perfection as possible. It was great to hear some managers are also looking for high quality shareholders too – "Businesses aren't built on short-term traders," said Roby Sharon-Zipser of trades services marketplace Hipages (HPG.ASX).

Just as you trust us to do the right thing with your money and act in your best interests, we expect that the managers of our investee companies behave in a similarly trustworthy, and high integrity manner. Done well, this is capitalism at its best.

Our intention at Blue Stamp is to build and maintain what Nomad Partner's Nick Sleep called the "terminal portfolio" – a concentrated portfolio of the right businesses, run by the right people, at the right price – and sit on our assets. While this is the goal, facts (or our opinions) can change, business quality may deteriorate, and managers may move on to the next career opportunity, meaning that we may always need to have some degree of portfolio turnover over the longer term.

We came very close to adding two new companies to the portfolio throughout the Dec-23 quarter. The first was Lovisa (LOV.ASX), a business we mentioned in the Jun-23 letter. After management ignored all of our attempts at organising a meeting, we decided to fly down to Melbourne and attend their AGM to get some face-to-face time and ask a few questions we had on our minds. Unlike at most AGMs, what we saw at Lovisa was an intelligent discussion between shareholders and the Board around capital allocation, appropriate debt usage, and other interesting topics. It was clear from these discussions, and our own conversations with management after the meeting, that the Board and senior executives are incredibly considered when it comes to the allocation of every single dollar of shareholder capital. This was evident across their store-by-store approach to acquiring new leases, which favours returns on investment metrics over speed of growth, their flexible approach to the payment of dividends (which are only paid when they can't find enough available new store locations that meet their stringent requirements at their desired rate of return), and the fact that the executives of the company only fly economy class. The company's focus on efficiency and return on investment is not just a recent 'end of zero-interest-rate-period phenomena', but one that has long been part of the company's culture since it was established in 2010, instilled from Chairman and co-founder, Brett Blundy (who owns ~40% of the business). This alignment of the interests of insiders and management with other minority shareholders is highly attractive, yet incredibly rare. Simplistically, what's good for Brett and senior management, will be good for minority shareholders of Lovisa as well.

We came away from the Lovisa AGM with a far better appreciation for the calibre of their management and their ability to allocate capital in a shareholder-friendly manner. The only problem that remained (to a larger degree now), was the price tag of the business. With markets continuing to whipsaw about and with earnings season around the corner, we may be presented with another opportunity yet to become owners and add this high-quality business to the Blue Stamp 'stable' (fingers crossed).

The other company we came close to purchasing was of far lesser business and managerial quality, though we were nearly seduced by the price its shares were available at – 'cheap' and 'value' have very different outcomes over the long term, but up close and over the short-term, they can look devilishly similar. Like many other tech companies, this business is highly vulnerable to some very large dominant tech businesses entering their market. How does one think about making long-term investments in a business where there is a non-zero possibility of being crushed by a much larger and competitively positioned sleeping giant? Some may again try to use the liquidity crutch here to justify an investment. We prefer to avoid these kinds of low probability, very high impact risks altogether, seeking to concentrate our investments in businesses with durable earning power, run by competent and trustworthy management teams.

Fund update and closing remarks

In the Sep-23 letter, we mentioned that we were closing the fund by December 31, 2023. Since we wrote that, prospective returns have been crimped marginally by the recent rally in equities markets, however we still feel each incremental dollar of new capital invested in the fund today will be accretive to existing investors and highly likely to compound at attractive rates of return over the long term – thus we are tentatively keeping the fund open.

In the endless pursuit of uncovering the next great (and attractively priced) business, we've been doing a considerable amount of research on a business which seems to have a lot of the characteristics we like, though it operates in an industry we have less experience in. While there is a higher learning curve required than when we look at adjacencies in industries we're already quite knowledgeable in (such as payments and financial services for example), expanding our circle of competence can be quite a valuable task as it provides us with a wider vantage point and better context to analyse other industries and businesses with. The constant tug of war between being a generalist (i.e. possessing shallow knowledge about a wide range of industries, products and problems) and a specialist (having deep knowledge in a few specific areas) is quite a balancing act to maintain, though it also helps to build the competition for our capital and keeps things interesting for your managers!

Thank you for the opportunity to invest on your behalf.

Kind regards,

Luke Trickett and Brock McCamley
Blue Stamp Company Pty Ltd

Performance Summary (Lead Class units)

	Dec-23 Qtr	FYTD	1 year	3 years	5 years	2-Mar-10*
BST^	6.58%	34.90%	49.00%	(18.50%)	16.19%	14.76%
Benchmark	2.50%	5.00%	10.00%	10.00%	10.00%	10.00%
AOAI	8.67%	7.95%	12.98%	8.88%	10.66%	8.08%

^Blue Stamp Trust returns are net of all fees and charges and assume the reinvestment of distributions. Annualised returns are shown for periods of 1 year or greater.
*Blue Stamp Trust commenced on 2 March 2010
AOAI – All Ordinaries Accumulation Index
FYTD – Financial Year To Date