DMX
ASSET MANAGEMENT

DMX Australian Shares Fund
Investing in the most compelling Australian smaller company opportunities

DMX Australian Shares Fund

September 2021 – Investor Update

A wholesale unit trust managed by:
DMX Asset Management Limited
AFSL 459 120
13/111 Elizabeth Street, Sydney, NSW 2000
Trustee & Administrator:
Fundhost Limited AFSL 233 045

Unit price (mid) based on NAV (31 Aug 2021)	**$1.1374**
Unit price (mid) based on NAV (30 Sep 2021)	**$1.1837**
Number of Stocks	39
% cash held - month end	9%

1-month return	4.07%
3-month return	11.14%
Since inception (1 March 2021)	18.37%
Fund size (gross assets)	$9m

Dear Investor,

DMXASF's NAV increased 4.07% (after fees and expenses), ahead of the ASX 200 Total Return Index which declined 1.85% for the month. Across the portfolio we experienced a wide range of individual stock outcomes. On the whole, these cancelled each other out with, in effect, the strong month being fully attributable to **Pureprofile**'s more-than-doubling. With reporting season complete, we took the time in September to catch up to a number of our portfolio holdings' managements, with a few updates highlighted below.

The portfolio suffered in September for declines in **Cryosite** (down 11%), **Global Health** (down 26%), and **Raiz** which fell 12% on the back of a boardroom scuffle. Gains were recorded in **PTB Group** (up 20%, including dividend), **Laserbond** (up 18%) and **Janison** (up 19%). The stand-out performer was recently acquired **Pureprofile** which re-rated 106%. This was on the back of strong quarterly guidance together with *not* conducting an equity capital raise, which we believe the *potential for* had been previously suppressing the shares.

<u>Management Meeting Wrap</u>

This time of year is seasonally our busiest from a research perspective as we seek to engage directly with the CEOs and management teams of many of our portfolio holdings. To give a flavour for these, we share below our notes from meetings we held with the management of three companies. **Cryosite** (of which we are a Substantial Shareholder, and is owned by both DMXCP and DMXASF), **Easton Investments** (in which we are long-time investors via DMXCP and have a relatively large position now for both funds), and **Frontier Digital Ventures** (which is on the larger side at ~$500m market value and in which DMXASF has a small position):

<u>Cryosite</u>

We've been shareholders across both DMXCP and DMXASF since opportunistically acquiring shares when the then-second-largest shareholder indiscriminately dumped its shares, causing a 50% decline, back in March. We had been following the company for some time prior to that event, and through continued research including two management meetings, have grown increasingly confident in its long-term prospects.

Cryosite is a specialist provider of outsourced clinical trials logistics services. We met with biotech veteran and Chairman, Bryan Dulhunty, to talk about the opportunity set ahead for Cryosite. Bryan was very positive on current prospects and noted that while the business is currently enjoying the tail-winds of on-shoring due to COVID, longer-term prospects are equally bright. The Company is extending its logistics services outside clinical trials and is now providing specialised solutions for oncology drugs that require temperature-controlled storage and logistics. Bryan sees this as the tip of the iceberg of these types of opportunity and views this as a substantial growth avenue for the business. Additionally, there are opportunities in the Cannabis field given its high security and capabilities with controlled substances. Cryosite is very much a fixed cost business, which may provide substantial profitability leverage should the opportunities highlighted above come to fruition.

Outside of the logistics business, the Cord Blood business is an intriguing opportunity, and in our view, a developing hidden asset. Cryosite has been providing Cord Blood services for over 18 years. Its contracts were typically provided with an upfront payment or 5-year plan from the customer for long-term storage. With many of these now expiring, Cryosite is re-engaging with these customers to bring them onto new yearly contracts. The uptake has been "encouraging" and augers well for a potential long-term earnings stream from this customer base.

Overall, we are enthused by the opportunities ahead for the company. Cryosite is consistent with the attributes we look for in an investment: a quality growing company with plenty of upside that we believe the broader market has yet to recognise.

Easton Investments

Via DMXCP, we have been long-term shareholders of Easton, so with the departure of its Managing Director, Greg Hayes, earlier in the year, we were looking forward to getting an updated vision for the company from his replacement, Nathan Jacobsen. Easton has two divisions: Accounting and Wealth. Accounting has provided the bulk of profits in recent years, but it is the Wealth division that is likely to drive future growth as the wealth services sector consolidates. With the large banks exiting and smaller players enduring increasing compliance costs, listed companies like Easton and Sequoia (which we also own) are acquiring smaller players on attractive and accretive multiples, and obtaining economies of scale. Easton has set a target of tripling net revenue from its Wealth division over the next three years. As Nathan explained, part of this will come from acquisitions. But part will also come through providing innovative technology services to self-licenced advisors, and extending their CARE offering outside their immediate dealer groups. We were pleased to have confirmation that acquisition targets will need to adhere to a strict acquisition criterion.

Together with our holding in Sequoia, we consider Easton an exciting prospect with strong annuity-like revenues and strong growth prospects. While it's still early days, Nathan certainly appears to have a strong grasp of the Easton business and the industry as a whole. A strategic partnership with HUB24 provides technology innovation to the company as it expands its wealth services offering. While FY21 accounts are somewhat messy after some recent corporate activity, FY22 should provide a clean set of accounts and along with a high dividend yield, attract the attention of the broader market.

Frontier Digital Ventures

Frontier owns a portfolio of marketplace assets across Asia, Africa/MENA, and Latin America. We caught up with Founder and CEO, Shaun Di Gregorio, in particular to drill down on their Zameen business and understand how Frontier is looking to move their revenue model to own more of the transaction. The growth in Zameen has been quite astounding with revenue growing from under $6m in FY16 to a run-rate of over $60m in FY21. Zameen has used their No.1 position and trust in the market to expand from pure traditional website advertising to owning more of the transaction through seller commissions. Commissions now account for more than half of the revenues. Zameen is gaining widespread acceptance in the marketplace and is becoming the first call from developers looking to sell apartments. With up to 10% commissions, it is not hard to see why revenue growth has been so strong. The opportunity now for Frontier is to replicate the success at Zameen across their other portfolio marketplaces. As Shaun highlighted, each market is different and will require different solutions for each type of portal and geography. However, the strength and trust of being number one in the marketplace puts the portal in an enviable position to achieve this.

Frontier ticks a number of interesting boxes from a portfolio construction perspective. It's very much a back-the-jockey situation, with Shaun being a dynamic leader and focused on generating shareholder value over the very long-term. It provides international exposure to an otherwise mainly Australian-centric portfolio, and in particular, that exposure is concentrated into fast-growing developing economies via structurally advantaged businesses.

In Summary

We're pleased to continue to be 90%+ invested across a broad range of nearly 40 diverse, interesting and attractively priced businesses. Market conditions have been buoyant and we've clearly benefited from that during the short life of this fund to date. We expect volatility in both directions, both in terms of the market and our portfolio, and we spend little energy being explicitly concerned about this. Rather, we are wholly focused on what we can control, which is our disciplined and methodological process of identifying quality opportunities at sensible prices, re-positioning as prices wriggle around over time, exiting when the investment's thesis is no longer compelling, and thus rotating into the next opportunity we identify. The short-term is always unpredictable, but we're focused on what our portfolio holdings can deliver over *many* years to come.

Thank you for your trust and support.

Kind regards

Michael Haddad
Co-Portfolio Manager

Chris Steptoe
Co-Portfolio Manager