DMX ASSET MANAGEMENT

DMX Capital Partners Limited

Investing in the most compelling nano and micro-cap opportunities

An investment company managed by:
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DMX Capital Partners Limited

March 2021 – Investor Update

Opening NAV (1 March 2021) (1,2)	**$2.6899**
Closing NAV (31 March 2021) (1,2)	**$2.7213**
Fund size (gross assets)	$18m
Gearing	nil
% cash held - month end (4)	10%

1-month return	1.17%
3-month return	5.60%
12-month return	94.88%
3-year return (CAGR p.a.)	22.41%
Since inception (*6 years*) (CAGR p.a.)	22.08%

*DMXCP Share price = Closing NAV (**$2.7213**), being: Share portfolio value + cash – fees payable – tax payable + franking credits*
Returns include dividends reinvested and franking credits paid. Since inception 41c of dividends & franking credits have been paid

Dear Shareholder,

DMXCP's NAV increased 1.17% (after all accrued performance and management fees and expenses) for March 2021. The NAV as at 31 March 2021 was **$2.7213**, compared to $2.6899 as at 28 February 2021. Indices were mixed for the month, with the All Ordinaries up 1.01% and the ASX Small Ordinaries Index increased 0.22%, while the XEC Emerging Companies Index declined 3.13%.

DMXCP has returned 62.78% for the financial year to date (since 1 July 2020) (after all accrued performance and management fees and expenses).

March portfolio news

After a busy February, March was relatively quiet in relation to portfolio news, however there were some notable positive portfolio developments:

- Janison Education (ASX:**JAN**), the provider of digital education assessments, announced it had been accredited by the Organisation for Economic Cooperation and Development (OECD) as the sole provider of the PISA for Schools assessment in Australia. With JAN already providing online NAPLAN, ICAS and various state-based assessments, this further strengthens JAN's market leading position within Australia for schools' assessments. While the take up by schools of the PISA test is still unknown, the target opportunity of 2775 secondary and combined schools in Australia, at $7,000 per school, is significant. We supported the JAN IPO in 2017, when it listed with a market cap of $39m. We have added to our position since then, as it has grown into a $145m market cap company. Even at the higher market valuation, it looks attractive as it continues to win large value, high margin, contracts with highly credible counterparties.

- Proptech Group (ASX:**PTG**) which provides technology solutions to real estate agents, announced the acquisition of the Harcourts real estate agency's customer relationship management (CRM) platform. The acquisition enables the Harcourts' franchisees to then migrate from the old platform on to PTG's market leading Vault CRM platform. Harcourts has described Vault as "*a truly exceptional product*" that will "*play a key role in a significantly enhanced technology offering*". The transaction takes PTG's market share to an impressive 33% of all real estate agents in Australia and NZ (including the three largest networks of real estate agents (Raine & Horne, Ray White & Harcourts) and up from 26% from when PTG bought the Vault CRM asset from Domain last year). This is particularly important when it comes to the next stage of the PTG growth strategy, which is to upsell additional PTG offerings to its real estate agent customer base.

PTG and JAN represent an attractive type of set up for us – both profitable businesses with clear market leadership positions in Australia (which they continue to grow), with substantial upside as they look to take their compelling and scalable technology offerings into offshore markets. We feel the potential of both has been underestimated. During March both stocks were well bid up to trade at all-time highs, so it is pleasing to see the increased market recognition they are now receiving. We remain excited about their ongoing future growth potential.

The key detractors during March were in the wealth management sector with Easton Investments (ASX:**EAS**) down 15% and Sequioa (ASX:**SEQ**) down 18%. During the month there was significant sector weakness, in part due to margin concerns among wealth management platform providers (ASX:**HUB**, ASX:**NWL**, ASX:**PPS**). We remain confident in the business models of both EAS and SEQ, which operate in a different part of the wealth management space than the platform providers, and took the opportunity to add to both our EAS and SEQ holdings during the month.

Nano-cap activity

While strong market conditions can make it more challenging to find attractive nano-cap positions (as many of the smallest companies can re-rate higher on low volumes in a bullish environment) we continue to remain focused and active in this space. During March we initiated, and added to, a range of interesting positions - we highlight below three such companies that we have recently been active in.

Company	Market Cap	Enterprise Value	Opportunity	% of Co. owned by DMXCP	DMXCP entry
Cryosite (ASX:**CTE**)	$11m	$7m	Growing, low multiple, misunderstood	~5%	On market – large shareholder sell-down
Design Milk (ASX:**DMC**)	$17m	$15m	Fast growing, heading to CF breakeven	~2.5%	Cornerstone of placement
ICS Global (ASX:**ICS**)	$22m	($1m)	Cash box transitioning to shell	~4.5%	Off market crossing, and on market buys

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CTE, a specialist provider of outsourced clinical trials logistics services, has been on our radar for some time, as its cash flow and profit has been trending positively over the last couple of years. In February 2021, we observed its second largest shareholder beginning to sell some shares, initially at a price of 40c. CTE reported a strong half year profit result, but the shareholder continued to sell, driving the share price down to 20c by the end of February. The selling continued into March at prices as low as 16c, with significant volumes being traded. We were able to take advantage of this liquidity event, acquiring a meaningful position in CTE at an average price of 17c. At this share price, CTE had a $8m market cap, and an enterprise value of $4m.

We are attracted to CTE due to the following:

- It operates in a niche area where there are high barriers of entry (storing and transporting of drugs on behalf of large pharmaceutical companies requires compliance with significant global and Australian regulations and licensing requirements, as well as the appropriate controlled temperature storage facilities).
- CTE's largest customers include a number of major global pharmaceutical companies that have been utilizing CTE's storage and logistics services for many years, providing sticky, high quality revenue.
- A strong growth profile with the company targeting 20-30% annual revenue growth over the medium term, including an opportunity for CTE to expand into the broader market of logistics for TGA listed products.

CTE is a genuinely under-the-radar, misunderstood, profitable small company, with a strong balance sheet and attractive growth profile. It ticks a lot of boxes for us, and we think the odds are in our favour for a positive return from our opportunistic entry price.

DMC, a modern design ecommerce platform, completed a capital raise in late February that we participated in. Similar to CTE, DMC had been on our watchlist for some-time. Whilst we had previously considered its business model to be of interest, we had been reluctant to invest given its cash burn and declining cash balance. In late 2020, the company began communicating its confidence in its ability to become cash flow positive, and we approached the company and expressed our interest in supporting a capital raise. A raise was subsequently undertaken, heavily backed by Directors and insiders.

DMC owns and operates multiple e-Commerce websites that support independent brands and designers from around the world. These websites have attracted an audience of over 9 million followers. While the business is still in its early stages, there exists significant potential to monetise this substantial audience through various revenue streams including advertising, media content creation and affiliate publishing and e-commerce.

A key part of the DMC thesis is backing the high-quality board and management team, with two of the DMC board members being closely associated with the growth of online luxury fashion retailer The Net-A-Porter from a start-up concept to its buyout in 2010 for in excess of $500m. (The valuation of Net-A-Porter has more recently been reported as being in excess of $3.5b).

ICS completed the sale of its UK medical billing company in February, and now has net assets (after receiving the sale proceeds) of ~$23.1 million including cash of $22.9m. We added to our ICS position following the sale announcement, at a ~10% discount to cash backing.

Once the majority of this cash is returned to shareholders, we expect ICS to trade at a premium to its remaining cash backing, as the market attributes value to its shell potential.

In summary

The three companies discussed above highlight the unique type of opportunities available in the nano-cap space that are attractive to us: misunderstood and under-the-radar, profitable, growing companies, fast growing companies approaching cash flow positive, and companies trading below cash backing.

We continue to scour this part of the market for further interesting and compelling opportunities, as we refine our watchlist of potential portfolio candidates. We pro-actively engage with companies where we see opportunities.
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We remain steadfastly committed to investing in undiscovered and misunderstood quality small businesses, with strong business models, where we are comfortable to take long term positions and support those companies as they grow their profits over time.

We look forward to updating you in early May with further portfolio news.

Kind regards

Roger Collison	Steven McCarthy	Chris Steptoe
Chairman	*Portfolio Manager*	*Research Analyst*

Note 1: Net asset value (NAV) is after all tax accruals but includes an estimate of franking credits available. Refer note 5, unaudited
Note 2: Unaudited result
Note 3: All DMXCP disclosed returns include the payment of dividends and franking credits
Note 4: Excludes cash received during the month for the application of new DMXCP shares to be issued
Note 5: Franking credits per share are franking credits arising from dividends received and for tax paid or payable on realised portfolio gains

Appendix 1: Performance

Monthly DMXCP Net asset value (share-price) returns (after fees) since inception (April 2015) [3] (%):

Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	All Ords
2015	n/a	n/a	n/a	+0.201	+9.448	+1.104	+6.524	+1.971	+9.711	+0.958	+3.568	+2.470	**+41.62**	**-8.83**
2016	-3.590	+1.323	+2.049	+2.045	+2.143	+0.020	+5.389	+7.056	+2.156	+1.058	+1.520	+0.321	**+23.10**	**+7.01**
2017	+0.885	-0.816	+1.790	-0.741	-1.990	+0.210	+1.071	+1.208	+0.822	+3.494	-0.267	-0.055	**+5.54**	**+7.83**
2018	+0.445	-1.625	+0.008	-1.173	+0.310	-0.211	+1.017	+4.112	+1.604	-3.438	-2.827	-2.257	**-3.66**	**-7.24**
2019	+0.122	-0.010	-1.624	+3.754	+3.014	+0.418	+7.482	-0.889	+3.279	+4.567	+2.997	+0.140	**+25.10**	**+19.02**
2020	+2.33	-8.42	-17.91	+8.521	+4.525	+6.213	+10.09	+8.669	+6.518	+11.10	+7.86	+2.24	**+42.47**	**+0.72**
2021	+1.02	+3.31	**+1.17**										**+5.60**	**+2.52**

The following chart illustrates the return from investing $100,000 in the fund (including dividends and attached franking credits) since inception (1 April 2015). DMXCP is an absolute return fund, focused on generating positive absolute returns over the medium to long term.