



DMX Australian Shares Fund

Investing in the most compelling smaller company opportunities

Wholesale Unit Trust Launching 1st March 2021

Fund at a Glance

Name of Fund	DMX Australian Shares Fund
Trustee & Administrator	Fundhost Limited
Launch Date	1st March 2021
Investment Manager	DMX Asset Management Limited
Investment Objectives	Provide differentiated investment exposure to a difficult to access asset class
	Generate strong absolute returns for Investors over the medium to long term
Investment Strategy	Identify and construct a portfolio of attractively priced ASX & NZX listed smaller companies that have yet to be recognised by the market and therefore offer asymmetrical upside potential
Benchmark	RBA Cash Rate +5%
Investor Eligibility	Wholesale Investors
Auditor	Ernst & Young
Custodian	NAB Asset Services
Management Fee	Fees and expenses capped at 1.5% (incl. GST)
Performance Fee	15.38% (incl. GST) of benchmark outperformance, subject to a high water mark
Minimum Initial Investment	A\$50,000
Minimum additional Investment	A\$10,000
Unit Pricing Frequency	Monthly
Applications/Redemptions	Monthly, 1 day prior to month-end for Applications; 10 business days' notice before month-end for Redemptions. 0.5% buy/sell spread.

About DMX Asset Management



We specialise in identifying highly prospective smaller company opportunities on the ASX. Strong track record with flagship fund, DMX Capital Partners, returning over 22% pa pre-tax, post-fees from inception (April 2015) through 31 December 2020.

A small firm with c.\$20m in AUM, we're well-resourced as a subsidiary of a profitable unlisted investment company, and have a team focused on delivering for clients

Strong alignment with the Investment Team and their family interests significant co-investors across DMX funds

Focused team of experienced, passionate value investors with complementary skill-sets and a shared long-term orientation



Chris Steptoe	Michael Haddad	Steven McCarthy	Roger Collison
Co-Portfolio Manager DMX ASF	Co-Portfolio Manager DMX ASF	Portfolio Manager DMX Capital Partners	Investment Committee Chair
20 years' micro-cap investment experience specialising in global equities with a technology focus	20 years' global & Australian equities investment experience, principally at Peters MacGregor Capital Management	20 years' micro-cap investment experience specialising in valuations, corporate finance & due diligence	28 years' investment experience as analyst and fund manager including head of research at Tyndall Asset Management.

DMX Australian Shares Fund: Investment Strategy



- ▶ Focused on identifying 20-40 high quality investment opportunities taking a 'bottom-up' approach.
- ▶ The Fund is generally focused on higher quality companies with a growth profile, and within the market capitalisation range of \$20m to \$200m – our 'sweet spot'. Though investments may be sought and made both above and below that range.
- ▶ The Fund overlaps in focus with the highly successful DMX Capital Partners which has a focus on sub-\$100m market capitalisation companies. The DMX Australian Shares Fund is targeted to have >50% overlap with DMX Capital Partners.
- ▶ We believe high quality smaller growing companies offer interesting potential as oftentimes their valuations can be quite undemanding. The impact on returns from the combination of strong growth in earnings, together with multiple expansion as others become aware of an emerging growth story, can be powerful.
- ▶ Our Investment Strategy can be broadly categorised thematically as:
 - ▶ **growing companies** with a **history of profitability** but where multiples do not fairly reflect the inherent growth potential;
 - ▶ **growing companies** that are **not presently profitable** but where **equity valuations are overly short-term focused and fail to recognise the very real profitability potential as a business scales**; and
 - ▶ to a lesser degree, **companies trading at least to some degree on the basis of a material discount to underlying asset value**. These asset-based opportunities can be particularly interesting when a catalyst exists such as a return of capital, sale of a business unit or key asset.

Features & Benefits

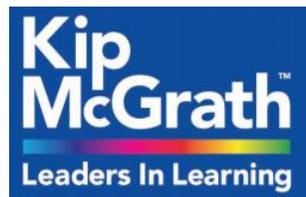
- ▶ **Focused on smaller companies.** A large universe, but underinvested by most. Portfolio constituents differentiated from each other, and portfolio itself differentiated from other investment exposures of clients. Blending exposures to differentiated/lowly-correlated assets helps investors reduce overall risk without reducing expected return.
- ▶ **Smaller companies as an asset class performs well.** Today's leading companies all started small, and the Australian public capital markets with relatively low regulatory burdens have been an attractive source of funding for many leading companies. Australia enjoys a strong share of multi-bagger winners. An investment in the DMX Australian Shares Fund means investors have the opportunity to invest in a diverse basket of quality opportunities, and the potential to capture strong returns from successful investments over time.
- ▶ We're **value-conscious**, but **apply this across a range of thematically different opportunities.** The Fund will seek exposure to lower multiple, higher-yielding, stalwarts; higher multiple, faster-growers; high-growth not-yet-profitable companies but where the upside potential has been misassessed; asset-backed companies trading below assessed value; and cash as a by-product. For investors, this means a thematically diverse portfolio that holds the potential to generate returns in varying market environments, and less correlation/exposure to any single style/thematic.
- ▶ Our process is **research intensive** and backed by **strong direct relationships with company management teams and the broking community.** For investors, this means we may glean insights that assist us in assessing opportunities and adding value, and it helps us access unique placements, lines of stock, and capital raisings that are difficult to access otherwise.
- ▶ We have **strong alignment with investors through our incentive structure.** All investment staff are significantly co-invested in our funds, equity of our firm itself, or both. Key investment staff share in performance fees generated. Our direct investments in our funds together with compensation tied to performance mean that we are intensely focused on both capital preservation and generating strong returns over time. Our incentives and time horizon are well-matched to clients!

Portfolio Guidelines

	<i>As a % of Portfolio Value</i>	
	Min.	Max.
Cash (or cash equivalents)	0%	30%
Securities	70%	100%
New Zealand securities	0%	20%
Unlisted securities	0%	10%
Number of positions (typically but not always)	20	40

- ▶ We are strongly focused on the ASX smaller companies universe. With over 1300 ASX-listed companies with a market capitalisation between \$5m and \$500m; and many of these high-quality, high-growth, under-researched, under-invested, and potential future leaders, we find the space highly prospective.
- ▶ While not a major focus area, the Fund has flexibility to invest to a smaller degree in NZX-listed and unlisted securities.
- ▶ Our team, experienced across many market cycles and market environments, are conservative by nature. We take the responsibility of being stewards of investors' capital seriously. Accordingly, **prospective investors please note that during the implementation phase of the portfolio, cash may exceed 30% of the portfolio as we carefully scale in to various holdings.**

Sample Intended Key Holdings



Kip McGrath Education (KME)

PTB Group (PTB)

Dusk Group (DSK)

Why we like it?

- Fast growing, global student tutoring business
- Expanding presence with online capability
- Increasing gross-margin through online and franchisee buyback
- Family-led business with inside ownership
- Possible takeover candidate
- Strong record of revenue growth

- Global maintenance and service provider to airline industry
- FY20 Revenue up 52% to \$78m and EBITDA up 30%
- Diversified operating footprint and its strong liquidity
- Significant growth opportunities exist for each of PTB's operating divisions
- Strong FY21 guidance implying PE of less than 10x and 6% yield

- Fast growing candle and home fragrance retailer
- High GMs captured through controlling the supply chain
- Strong industry growth tailwinds for home fragrances
- Recurring sales from oils/candles consumables
- LFL sales growth in H1 FY21 were approximately 49%, including online growth of approximately 120%

M/Cap – Feb 21

\$93m

\$88m

\$161m

All profitable, well managed companies with solid growth outlooks on reasonable multiples

The Opportunity

Since 2015, DMX Asset Management has built a strong following and investor engagement, through its management of the highly successful DMX Capital Partners, a fund which has generated annualised pre-tax, post-fees returns of over 22% pa (to 31 December 2020).

We are delighted to be offering investors a further opportunity to participate in a new wholesale fund, the DMX Australian Shares Fund (DMX ASF). The DMX ASF is a complementary product, with a similar investment philosophy but with a wider investment universe.

We expect the DMX ASF to launch with strong investor interest from both new and existing investors.

We welcome your contact at any time and look forward to engaging with you directly on this new Fund. Key contacts are Michael Haddad, michael.haddad@dmxam.com.au; Chris Steptoe, chris.steptoe@dmxam.com.au; and Steven McCarthy, steven.mccarthy@dmxam.com.au. Or call us on Sydney 02 80697965. Our Information Memorandum is at www.dmxam.com.au.



Both our funds,
DMX CP and
DMX ASF, are
open to
investment from
wholesale
investors
pursuant to
Investment
Memorandums

Disclaimer



The DMX Australian Shares Fund (**Fund**) is available to wholesale clients in Australia and New Zealand. DMX Asset Management Limited (ABN 33 169 381 908 AFSL 459120) (**DMX Asset Management**) is the Investment Manager of the Fund. Fundhost Limited (ABN 69 092 517 087 AFSL 233045) is the issuer, trustee and administrator of the Fund. An investment in the Fund will only be available through a valid application form attached to the Information Memorandum (**IM**). Before making any decision to make or hold any investment in the Fund you should consider the IM in full. DMX Asset Management and Fundhost do not guarantee investment performance or distributions, and the value of your investment may rise or fall. Past performance is not an indicator of future performance.

DMX Asset Management may provide general information to help you understand our investment approach. Any financial advice we provide has not considered your personal circumstances and an investment in the Fund may not be suitable for you.

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