DMX Capital Partners Limited
September 2022 – Investor Update

An investment company managed by:
DMX Asset Management Limited
ACN 169 381 908 AFSL 459 120
13/111 Elizabeth Street, Sydney, NSW 2000
DMXCP directors: Roger Collison
Dean Morel
Steven McCarthy

Opening NAV (31 August 2022) [1,2]	**$2.6552**
Closing NAV (30 September 2022) [1,2]	**$2.4987**
Fund size (gross assets)	$23m
% cash held - month end	5%
Gearing	Nil

1-month return	-5.9%
3-month return	3.6%
12-month return	-14.3%
3-year return (CAGR p.a.)	18.2%
Since inception (*7 years 6 months*) (CAGR p.a.)	17.1%
Since inception (*7 years 6 months*) (cumulative)	225%

*DMXCP Share price = Closing NAV (**$2.4987**), being: Share portfolio value + cash – fees payable – tax payable + franking credits*
Returns include dividends reinvested and franking credits paid. Since inception 81c of dividends & franking credits have been paid

Dear Shareholder,

DMXCP's NAV decreased 5.9% (after all accrued management fees and expenses) for September 2022. The NAV as at 30 September 2022 was **$2.4987** compared to $2.6552 as at 31 August 2022. Following a recovery in the first two months of the new financial year, the market turned decidedly negative in September on the back of heightened macro concerns – the All Ordinaries was down 7.5% during the month while the Small Ordinaries fell 11.8%.

September portfolio developments

September was a quiet month for news, with the majority of our portfolio companies having released their full year results in August. In the absence of news, and with weak equity markets on the back of inflation and rate concerns and risk-off sentiment, small companies in particular were heavily sold off during the month.

As a result, there were few bright spots for the month - Joyce Corp (ASX:**JYC**) was up 17% on no news while Credit Clear (ASX:**CCR**) increased 10% after reporting strong operating metrics for August. However, the majority of the portfolio saw weakness, with a number of holdings falling 20% to 30%, including Pure Profile (ASX:**PPL**, which disappointingly, saw a director sell down his holdings), Corum (ASX:**COO**) and AVA Group (ASX:**AVA**) which both fell on no news.

Company meetings

Following the full year results, we have spent much time over the past six weeks meeting with our portfolio companies, as well as with a number of other companies on our watchlist that we have been monitoring. After a long period of Covid disruptions limiting in person meetings, we were able to conduct a large number of these meetings face to face, as well as undertaking several site visits - giving us an opportunity to look behind the numbers and get a better appreciation of current operations and how management is responding to current business challenges. On the whole, these meetings have been helpful in reinforcing our thesis and our confidence in the positions, and in Management's ability to successfully navigate through what may be some uncertain future trading conditions.

Some of the interesting site visits conducted during the month included:

- Joyce Corporation - KWB showroom tour. JYC's key business unit is Kitchen Connection (KWB) - Australia's largest kitchen renovation company, in which JYC has a 51% interest. During the month, management hosted a showroom tour in their largest NSW showroom at Artamon, Sydney, which was followed by a presentation from the KWB CEO, John Bourke, who has been integral in driving the significant growth of KWB in recent years. John became CEO of KWB over 10 years ago, following a career with multi-national companies including McDonalds. With this background, he saw an opportunity to build a business based on consistent standards, processes and professionalism in the kitchen renovation market. This is a $4b highly fragmented cottage industry dominated by unsophisticated participants - often tradesman based with poor retailing skills where hand drawn designs are still common. KWB, in contrast, has proprietary planning, project management and

customer management systems, fully digital, paperless showrooms, computer aided designs, and computer driven precision cutting that minimizes rework costs. KWB rework costs are ~1.2% of net sales, versus typically 5%+ in the industry) significantly improving KWB's profit margins.

Another attractive feature of the KWB business is its working capital model – KWB receives 100% of a customer's cash prior to installation (15% deposit on signing, 25% progress payment upon final measure and 60% final payment ahead of delivery). KWB expect to be able to increase their number of showrooms from 26 to 50 over the coming years, as well as adding new product lines, such as flooring, which would drive sales from $100m today towards $250m. While economic conditions and rising interest rates would be expected to impact demand at some point, at the moment the forward order book of ~2,000 kitchens and ~1,000 wardrobes (at $60m in value) is significant. Given this backlog, if you were to order a new kitchen today, installation would not be possible until February/March of next year. The market opportunity remains substantial - an Australian kitchen is typically updated after 10 to 15 years and there are ~7.5m homes in Australia older than 15 years, providing a large pool of potential future business for KWB.

- Credit Clear (ASX:**CCR**) - visit to Sydney's operation centre. The visit provided an opportunity to meet with senior management of CCR, in particular the ARMA side of the CCR business which CCR purchased earlier this year. Prior to the acquisition, CCR was a technology focused business with strong IP, but had difficulty getting traction selling its technology offering. Merging with a leading traditional debt collection agency in ARMA, provided CCR with access to key decision makers in insurance, banking and utilities space, which has enabled CCR to successfully market a tailored collection offering that none of its competitors can provide (technology driven collections at the earlier stage of the collection cycle; and traditional for more difficult collections). Recent new customer wins with large government organisations, and significant financial services and utility businesses are evidence of the success of this strategy.

  Aside from a favourable operating environment as consumers come under increasing financial pressure, and businesses begin to ramp up collection activities after easing off collections during COVID, management highlighted recent consolidation of competitors. illion (previously Dun & Bradstreet) has recently acquired Recoveries Corp, while ASX listed Credit Corp acquired Collection House's contingent collection business. Sector consolidation provides government bodies with less panel options, giving CCR better access to panels from where they can get a foot in the door to illustrate its competitive offering.

  A key aspect of the CCR investment thesis is its ability to take its technology into global markets. The first partnership with Techub in South Africa has seen progress, with batch testing completed and the payments gateway working. Revenue is expected to ramp up from the October quarter. This is a revenue sharing partnership with Techub, and with onboarding costs completed ongoing costs are expected to be limited and should therefore drive a high margin revenue stream to CCR. The tailwinds and business momentum here remain significant.

- Cryosite (ASX:**CTE**) - cold storage warehouse tour. CTE logistics' business focusses on temperature sensitive storage and distribution. During the month we toured CTE's Granville, Sydney, cold storage warehouse (including experiencing staying inside a minus 25 degree storage room for several minutes).
  CTE is servicing an attractive niche within the logistics space, which lacks the size to attract larger logistics players. Similar to JYC's KWB, the warehouse is completely paperless, and fully digitally monitored by scanners which assists CTE in delivering market leading cold storage services (a less than one in a million failure rate). CTE currently has a 30% market share in servicing the clinical trial logistics market in Australia, but is keen to expand that to north of 50% in coming years. CTE continues to attract new customers with a recent product offering providing minus 60 degree storage for oncology product generating its first revenues in June, and which is expected to ramp up its capacity over the coming months. We had been concerned given the strong demand CTE had experienced, and the increase in its offerings in recent years, how much capacity was left in their Sydney warehouse. CTE advised that they continued to have 3 to 5 years of growth until they reached capacity, and also had an opportunity to further expand its mezzanine platform within its current location. The program of digitalising the warehouse process has resulted in staff efficiencies, meaning CTE has been able to expand without requiring a material step-up in employees. And with rent being a fixed cost, operating leverage has resulted in strong increases in profit in recent years.

In the short term there are clearly challenges that will impact growth of various companies – the ability to find good staff is still a big limitation on growth, while wage and cost inflation requires a pricing response where possible, and there is uncertainty around domestic demand in this environment. Notwithstanding the macro headwinds, the businesses mentioned above all have solid growth outlooks, which is consistent with what we are seeing across our portfolio. Other interesting company meetings with some of our top 10 holdings during the month were with Kip McGrath (ASX:**KME**), Laserbond (ASX:**LBL**) and PPL - all reinforcing the growth opportunities that those companies are expecting for FY23 (KME, expected revenue growth of >30%, expected EPS growth of >100%; LBL, expected revenue growth of >30%, expected EPS growth of >40%; PPL expected revenue growth of 25%, expected EBITDA growth of 25%).

While these companies are small relative to many ASX listed companies, they are market leaders in the particular niches in which they operate. They are all profitable with strong balance sheets. As discussed above, they demonstrate a commitment to invest into business improvement initiatives (digital processes, automation and efficiencies (paperless workplaces)) to further strengthen their competitive positions.

In challenging markets, with much negative media commentary and a focus on declining share prices, it is often easy to lose sight of the attractive business qualities that sit behind the ASX ticker codes. Our site visits and meetings, where we have a chance to engage with staff and management, are helpful in enabling us to maintain a wider perspective as to the qualities of the business, and support our confidence in the position to hold through periods of share price weakness.

While we would certainly prefer to see the share prices of our investments going up, and the portfolio NAV increasing, we do take comfort that our companies are well managed, are performing well and, importantly, are in better positions than their competitors to trade through any difficult conditions that they may face. Given this, we are confident that their competitive positions will strengthen and earnings will increase, and this should be reflected in stronger share prices over time.

We continue to remain very enthused with our diversified portfolio of compelling small company names supported by strong growth and value theses, as we continue our long term investing journey in attractively valued, under-the-radar companies.

We look forward to updating you again in November.

Kind regards

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

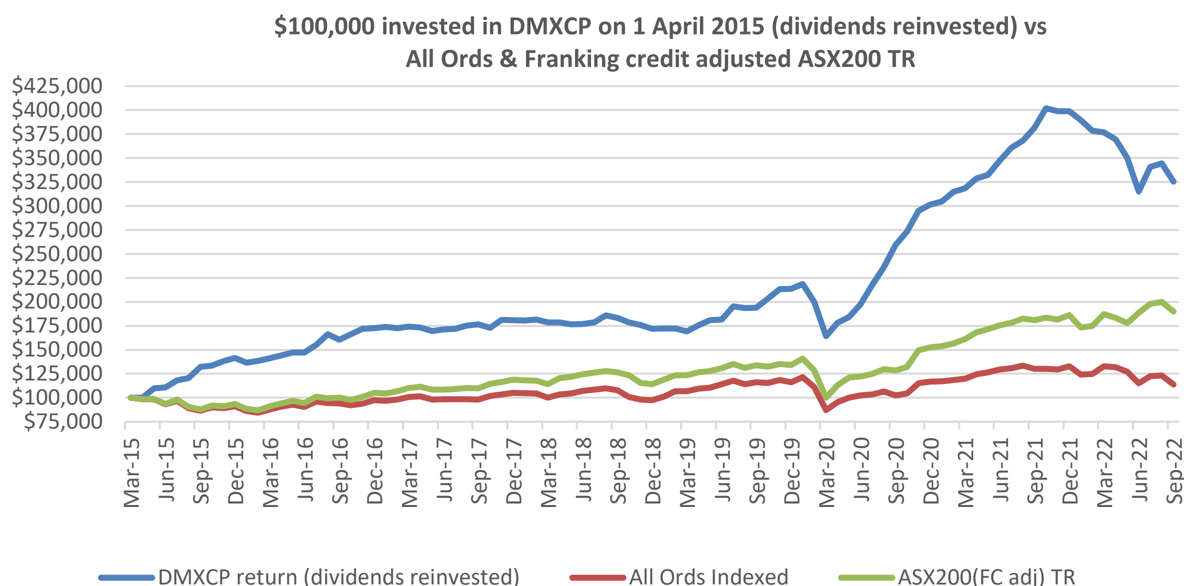
Note 1: Net asset value (NAV) is after income tax payable but includes an estimate of franking credits available. Refer note 4, unaudited
Note 2: Unaudited result
Note 3: All DMXCP disclosed returns include the payment of dividends and franking credits
Note 4: Franking credits per share are franking credits arising from dividends received and for tax paid or payable on realised portfolio gain

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	+3.20	+1.10	+0.70	+3.96	+2.12	+3.80	+5.51	-0.84	+0.04	**+28.06**	**+13.55**
2022	-2.48	-2.93	-0.51	-2.04	-5.50	-10.64	+8.72	+1.20	**-5.90**				**-16.2%**	**-14.1%**

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.



This document is issued by DMX Asset Management Limited (DMXAM - AFSL 459 120) in relation to DMX Capital Partners Limited (DMXCP). The information provided in this document is general information only and does not constitute investment or other advice. The content of this document does not constitute an offer or solicitation to subscribe for shares in DMXCP. DMXAM accepts no liability for any inaccurate incomplete or omitted information of any kind, or any losses caused by this information. Any investment decision in connection with DMXCP should only be made based on the information contained in the relevant disclosure document.