DMX Australian Shares Fund
December 2022 – 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 (30 November 2022)	**$1.0813**
Unit price (mid) based on NAV (31 December 2022)	**$1.0964**
Number of Stocks	47
% cash held - month end	3%
Fund size (gross assets)	$11m

1-month return	1.4%
3-month return#	12.2%
12-month return#	-8.4%
Since inception (1 March 2021, p.a.) #	7.8%
Since inception (cumulative)	14.8%

 # Returns assume reinvestment of distributions.

Dear Investor,

DMXASF's NAV increased 1.4% (after fees and expenses) for the month of December, again, building on its recovery of the past few months. The broad market was soft for the month, with the ASX 200 Total Return Index declining 3.2%.

Portfolio Commentary

Material detractors this month were **EarlyPay** (down 51% on bad news), **ReadyTech** (down 14% on a withdrawn takeover offer), and **Xref** (also down 14%, on no particular news). EarlyPay announced the voluntary administration of a key client and counterparty, and has taken a lead and active role in the process through appointing receivers to hopefully minimise the financial impact on EarlyPay. The market has punished the company with the halving of its shares. And unfortunately, at this stage, the genuine uncertainty means we're all in wait and see mode. The market has possibly over-reacted to this news. But until we can obtain better information to be able to assess the financial impact, and the potential need/desire for EarlyPay to raise capital to shore up its balance sheet, we believe the prudent course of action is to wait rather than to either quit or add to our holding at this stage.

ReadyTech declined 14% as its private equity suitor withdrew its takeover offer. This either reflects an acknowledgement that the deal was going to fail with key shareholder Microequities Asset Management rejecting the bid, or the discovery of something off-putting through its due diligence process. We believe considering the nature of the business and strong historical financial performance it's most likely due to the former. Indeed, the shares had been trading at a material discount to the takeover price ahead of its being pulled – reflecting the market's expectation the deal would fail in its current form. We're pleased with the outcome, look forward to remaining continuing investors in the business, and may look to opportunistically add to our position in the periods ahead.

Despite taking a hit on EarlyPay in particular, and the general softness in markets, our portfolio edged up thanks to gains in each of **Medadvisor** (up 24%), **Pureprofile** (up 21%), and one of our largest holdings – **Sequoia** (up 10%). We also benefited from the 50% rise in **SOCO Corporation** which IPO'd during the month and in which we were granted a significant cornerstone position. All of these are – in our estimation – quality companies with significant growth potential – both in Australia, and in the case of Medadvisor and Pureprofile, abroad. Each continues to trade at attractive levels relative to current earnings and/or their genuine potential.

New Positions & Top-Ups

During the month we participated alongside DMX Capital Partners (DMXCP) in the discounted sell-down of **Advanced Braking Technology** by its largest shareholder, as well as joining the SOCO Corporation register through its IPO process as a cornerstone investor. Each of these are discussed in detail in the DMXCP report and included here as an Appendix.

In addition, we continue to rotate the proceeds from the recent spate of takeovers into adding to favoured and highly prospective other holdings. This month, for example, we added to each of **Kip McGrath**, **Michael Hill**,

Sequoia, and **Shriro**, each at prices that are well below recent highs, and on an absolute value basis, we consider are highly attractive. All the purchase activity this month was aided by trimming of **Cryosite**, reducing each of **ELMO Software** and **PropTech** (ahead of their almost certain takeovers in the period ahead), and exiting a small position in **GenusPlus**.

In Summary

Despite having absorbed some adverse outcomes at the individual stock level, a number of solid performances have offset these. Considering the portfolio heading into 2023, we're pleased with the breadth of the opportunity set. We are effectively fully invested across a range of businesses, most of which share key attributes: good quality businesses, ably managed, and trading at attractive prices.

We continue to review our most marginal holdings as we seek liquidity to pursue new opportunities or add to other favoured holdings. This process is active, ongoing, and – we believe – healthy.

Fund flows have been minimal the past few months, with liquidity coming from trimming, exiting, and takeover activity. We will continue to generate liquidity internally in this fashion, and also are welcoming of top-up investment or new investors seeking to join us in the Fund. To this end, if you'd like to discuss the portfolio or the potential to invest or add to an existing investment, please contact Michael any time at michael.haddad@dmxam.com.au or 02 80697965.

Thanks for your trust and support.

Kind regards

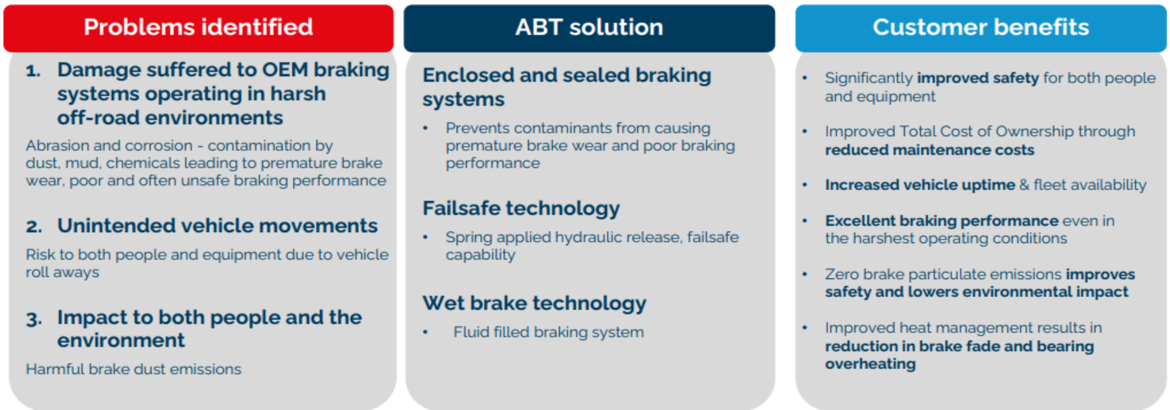
Michael Haddad — *Portfolio Manager*

Chris Steptoe — *Research Analyst*

Appendix – DMXCP New Holdings in Advanced Braking & SOCO Corp

- Advanced Braking Technology (ASX:**ABV**) is a small ($15m market cap), profitable, under the radar Australian company that provides global leading aftermarket braking solutions. Customers are predominantly mining companies that operate underground mining vehicles (where safety brakes are mandated, but are not installed on new vehicles – hence the aftermarket requirement), but also include military, waste management and industrial customers. Because the ABV brake is fully enclosed, there is also no toxic brake dust emitted (which can represent ~25% of all diesel vehicle emissions). These environmental benefits from the ABV brakes are becoming an increasingly strong selling point for ABV's technology.

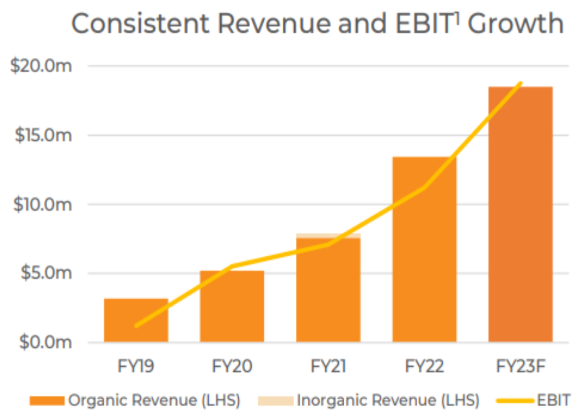
  ABV's core business is currently benefiting from strong mining conditions, improving export sales, and mining companies increasingly focussing on environmental impacts; and as a result, ABV is delivering consistent double digit revenue growth. ABV is on track to record FY23 revenue of ~$12.5m and, on the back of strong gross margin expansion, profit before tax of ~$1.5m in FY23 (up from $644k in FY22). While the market for ABV's products is relatively niche, its solution is a market leading product that solves multiple problems for its customers.



  ABV also has recently announced an opportunity, that if successful, would significantly expand its market and transform the scale and valuation of the business. In the mining space, ABV has traditionally been focused on selling its solutions to smaller utility type vehicles that travel underground. ABV is now beginning to focus its attention on a new market - larger heavy-duty vehicles that haul ore from underground. These are expensive vehicles ($1m+), and while Caterpillar trucks come with failsafe brakes installed, Volvo construction trucks do not. Global miner, and long term ABV customer, Glencore has a large fleet of Volvo FMX construction trucks that do not have safety brakes installed and which are having safety issues. Glencore has recently entered into a JV with ABV to develop a braking solution for these Volvo trucks, so Glencore (and, following the end of an exclusivity period, other users of Volvo construction trucks) can safely operate these trucks underground and in other heavy ruggedised industrial applications. Based on the number of these Volvo trucks that would require aftermarket fitting of these brakes, and the expected gross margin on the product, successful completion of this new opportunity, is expected to be meaningful. ABV would have a heavy vehicle braking solution to then take to other global customers. Glencore is funding $2.8m to progress this opportunity – highlighting Glencore's commitment and desire for a solution.

  We have had ABV on our watchlist for some time and have had regular engagement with the company. On the back of this interest, we were invited to participate in a sell down from an ABV shareholder in early December, providing us an entry into what is a very illiquid company.

- During the month we also participated in our first IPO for over 2 years, when we took a cornerstone position in the IPO of SOCO Corporation (ASX:**SOC**) which raised $5m, listing with a market capitalisation of $25m. Started in 2013 by five founders, SOC provides Microsoft consultancy services to corporate and government clients. The business has grown strongly on the back of cloud adoption and digital transformation, with 71% of its FY22 revenue coming from government and not for profit entities. Employee retention during FY22 was 98%, which is an impressive achievement in the tight IT labour environment.



Whilst we typically approach IPOs with skepticism, we viewed SOC as having a number of attractive features:

- Consistently strong organic revenue growth, averaging over 60% CAGR over the last 3 years, underpinned by a growing customer base, and existing customers spending more, and strong tailwinds of digitalization and increasing use of technology. We expect this strong growth trajectory to continue as SOC looks to expand its footprint into NSW and VIC, and continues with its successful business development initiatives.
- The founder/principals did not sell any shares during the IPO and hold ~80% of the company's shares post IPO. In addition following the IPO, 74% of all SOC staff became shareholders.
- An attractive valuation on listing at 7x EBIT – being a significant discount to the multiples of its listed competitors and to the multiples that similar ASX listed businesses have been taken over at.
- Low capex and low working capital requirements, resulting in strong cash conversion and an attractive dividend policy.

Upon listing, SOC shares have traded strongly, and we look forward to further developments here in the coming months, and the SOC story becoming more widely known in the market.