DMX Capital Partners Limited
December 2022 – Investor Update

An investment company managed by:
DMX Asset Management Limited
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DMXCP directors: Roger Collison
Dean Morel
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Opening NAV (1 December 2022) (1,2)	**$2.5054**
Closing NAV (31 December 2022) (1,2)	**$2.5294**
Fund size (gross assets)	$25m
% cash held - month end	3%
Gearing	Nil

1-month return	1.0%
3-month return	10.0%
12-month return	-11.4%
3-year return (CAGR p.a.)	17.8%
Since inception (*7 years 9 months*) (CAGR p.a.)	17.8%
Since inception (*7 years 9 months*) (cumulative)	256.2%

*DMXCP Share price = Closing NAV (**$2.5294**), being: Share portfolio value + cash – fees payable – tax payable + franking credits*
Returns include dividends reinvested and franking credits paid.
Inception date of 1 April 2015 (Inception NAV: $1.00). Since inception, $1.02 of dividends & franking credits have been paid.

Dear Shareholder,

DMXCP's NAV increased 1.0% (after all accrued management fees and expenses) for December 2022. The NAV as at 31 December 2022 was **$2.5294** compared to $2.5054 as at 30 November 2022.

Markets finished the year on a soft note – the All Ordinaries fell 3.4% during December while the Small Ordinaries decreased 4.0%, and Emerging companies Index was down 3.6% for the month.

<u>December Portfolio Developments</u>

December was a mixed month in terms of portfolio developments, with positive news from several companies offset by a couple of disappointments. Positive contributions came from Soco Corporation (ASX:**SOC**), a new IPO which closed the month up 50% (discussed below), while AVA Group (ASX:**AVA**), Pure Profile (ASX:**PPL**) and Medadvisor (ASX:**MDR**) were each up between 20% and 25%. AVA announced two contract wins (a fibre optic security detection system and an Aura IQ conveyer belt monitoring contract) while MDR advised it was expecting a very strong first half of sales, with revenue on track to increase (organically) by up to 60% over last year. The digitialisation of MDR's large US pharmacy network is attracting increasing business from large pharmaceutical companies looking to access MDR's distribution network.

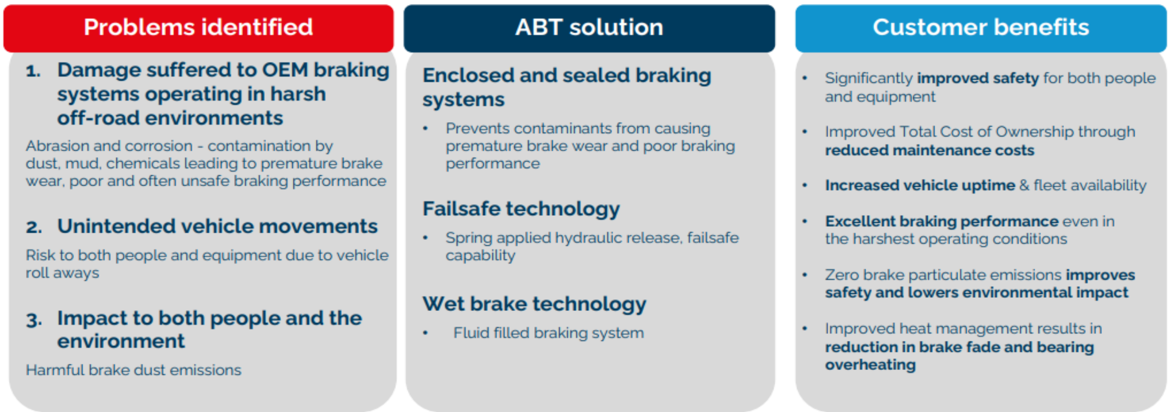
On the other side of the ledger, after initially reconfirming its FY23 forecast early in December following the voluntary administration of a key client, EarlyPay (ASX:**EPY**) then withdrew its guidance later in the month, advising the market of potential uncertainty around its security position, but without explaining the reasons behind this change in view. The uncertainty arising from this announcement saw the EPY share price fall 51% for the month. We await further details as to the impact of this development on EPY's FY23 earnings. Readytech (ASX:**RDY**) was also a significant detractor when it announced that its private equity suiter had withdrawn its takeover offer, with its shares subsequently falling 15%. RDY's largest outside shareholder, Microequities, had been vocal in its opposition to the offer, believing the pricing to be too low, which may have made the transaction unworkable.

<u>New positions</u>

We continue to be active in reviewing new portfolio opportunities as we look to redeploy capital from recent takeover proceeds. During the month, we established positions in two small companies that we consider attractively priced and with some significant medium-term upside potential.

- 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.

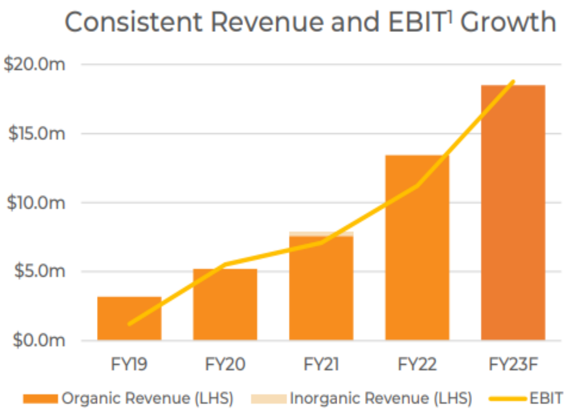
ABV's core business is currently benefiting from strong mining conditions, improving export sales, and mining companies increasingly focussing on environmental impacts; and as a result, ABV is delivering consistent double digit revenue growth. ABV is on track to record FY23 revenue of ~$12.5m and, on 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.

The year ahead

Despite the continued economic challenges and headwinds, we enter 2023 with confidence. We continue to believe there will be opportunities for well run, small, nimble companies to prosper and grow and add value to their business, government or consumer customer base, notwithstanding a weaker broader economic environment.

We own a diversified portfolio of these under-the-radar and often difficult to access, small businesses with good growth prospects that are likely to continue to grow over time into much larger businesses, with their growing revenues and cash flows driving valuation and portfolio growth. And, as mentioned above, we continue to identify interesting new investment opportunities to rotate funds into.

We will continue to stick to our knitting and focus on our strategy of owning attractively priced, under-the-radar growing small businesses, and look forward to these companies performing positively in 2023.

We thank all our investors for their support and look forward to updating you again next month.

Kind regards

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

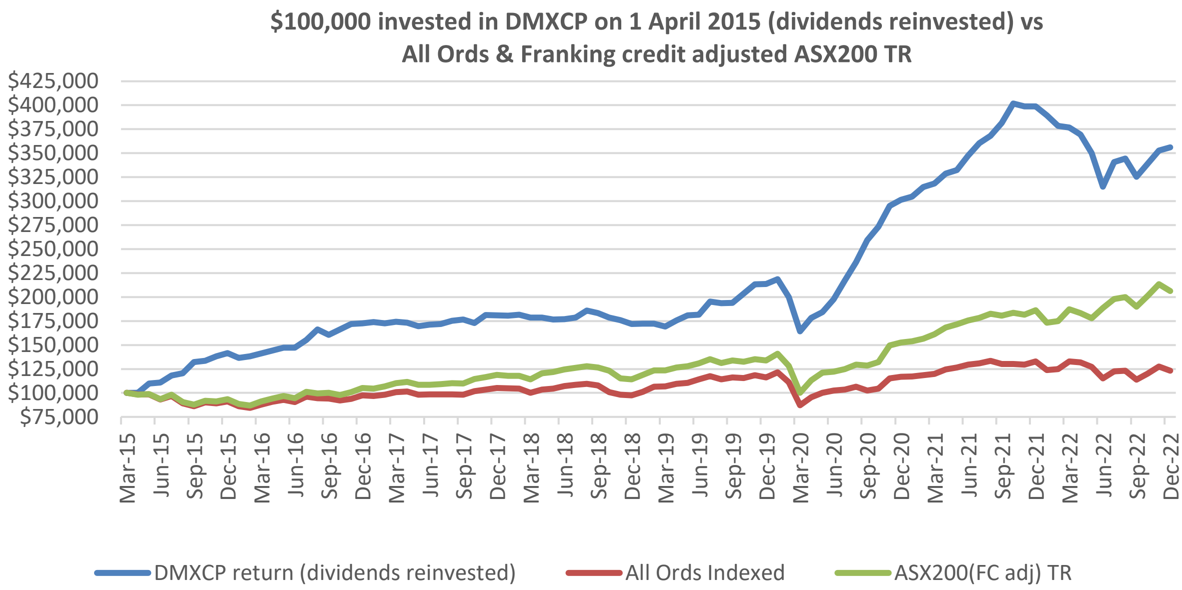
Note 1: Net asset value (NAV) is after income tax payable but includes an estimate of franking credits available. Refer note 4, unaudited
Note 2: Unaudited result
Note 3: All DMXCP disclosed returns include the payment of dividends and franking credits
Note 4: Franking credits per share are franking 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	+4.52	+4.50	**+0.96**	**-11.4%**	**-7.2%**

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.



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