



PRESENTATION TO ETHIUM WEALTH
SMALL-CAPS SUMMIT

16 JUNE 2023

SPECIALIST MICRO AND NANOCAP MANAGER



Founded in 2014, we focus on identifying undervalued, prospective, unique nano and micro-cap opportunities on the ASX.

Two funds focussed on the opportunity open to sophisticated investors:

- DMX CAPITAL PARTNERS LIMITED
- DMX AUSTRALIAN SHARES FUND

Focused team of experienced, passionate investors with differentiated backgrounds, but with a shared long-term orientation. Strong alignment with management owning ~15% of FUM,

Strategy has recorded a 15% per year compound annual return since inception.



Steven McCarthy

Portfolio Manager

20+ years' experience in corporate finance & funds management, each focussed on Australian nano & micro equities



Michael Haddad

Portfolio Manager

20+ years' experience as a fund manager, focused on both global and Australasian equities



Chris Steptoe

Analyst

20+ years' micro-cap investment experience specialising in equities with a technology focus

STRATEGY / OBJECTIVE



“To provide our investors with exposure to a diversified portfolio of difficult to access, undiscovered, small companies with strong growth prospects and attractive valuations that are likely to grow over time into much larger, more valuable, businesses”

Strategy commenced in 2015 - has delivered 15%+ CAGR over last 8+ years.

We are confident that this strategy will continue to deliver attractive long-term returns to our investors.

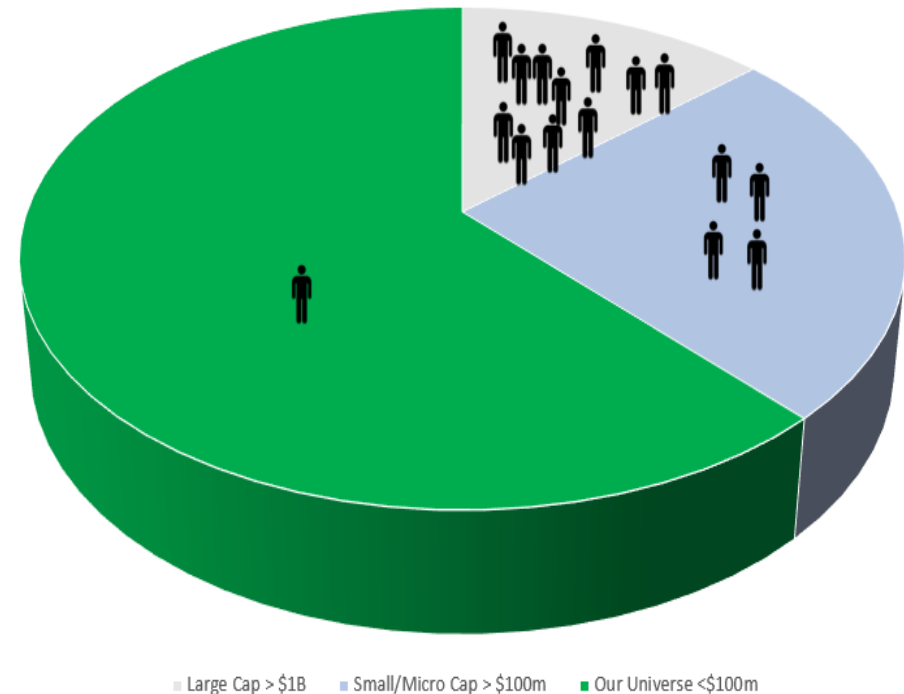
THE NANO AND MICRO-CAP OPPORTUNITY

We look to support under-the-radar Australian businesses.

~1100 ASX companies with market caps below \$100m.

These smaller companies perform differently from the broader market, and:

1. There are much more of them
2. They are severely under researched and under the radar
3. Valuations are more attractive / inefficiently priced
4. They have significant upside potential from low bases



OPPORTUNITY: TARGETING LONG-TERM UPSIDE

Significant potential “multi-bagger” upside from growing companies with low market capitalisations

 realestate.com.au



47241%

MC \$24m in May 2003
Price from 29c to \$137

promedicus
OUR SUPPORT. YOUR SUCCESS.



11587%

MC \$52m in May 2013
Price from 52c to \$60.25



9100%

MC \$55m in Jun 2007
Price from \$1 to \$91



JUMBO



10292%

MC \$11.8m in Aug 2011
Price from 13c to \$13.38



6345%

MC \$20m in May 2007
Price from 96c to \$61



18100%

MC \$89m in Jan 2010
Price from 20c to \$36.50

OPPORTUNITY TODAY IS VERY ATTRACTIVE

- Emerging companies underperforming ASX 200 by ~20%
- Flight to liquid and larger names - lack of liquidity currently commands a significant discount
- Many retail and institutional investors have vacated the space
- Creates opportunity for us with genuine long term and patient approach

Last 12 month return – ASX Emerging Companies Index minus ASX 200 Index



TAKING ADVANTAGE OF THE OPPORTUNITY

1. Genuine under the radar opportunities

We swim in a different pool to most investors & fund managers

Opportunities are under-analysed and under-researched

More likely to come across unique ideas that are inefficiently priced

Not afraid of illiquidity

2. Focussed opportunity set

We are absolutely committed to supporting emerging companies

We turn over a lot of stones in the space

Not distracted by what is happening in other parts of the market

Very strong knowledge of the opportunity set

3. Pragmatic investment approach

We seek out the most compelling investments, unrestricted by investment style

Our flexible approach sees us invest in the most attractive opportunities

Opportunities may range from a cashed-up shell to a high dividend yield company and unlisted companies

4. Access to Management & Deals

Extensive network across brokers, management and industry participants

Provides access to deal flow: placements, lines of stock, underwriting, IPO and pre-IPO opportunities that are difficult to access

Also provides us with high quality company and industry insights

SUPPORTIVE LONG-TERM SHAREHOLDER



Top 10 holder in 15+ under-the-radar ASX-listed companies, and a substantial shareholder in ~5.

Well recognised supporter of emerging companies, often sought out to participate in raisings

Genuine long-term holder of emerging Australian companies, with many positions held for >5 years

Supporting management and providing capital across an emerging company's growth journey

Engage constructively with management and voicing feedback and concerns where appropriate

Joyce Corporation (ASX:JYC)	Diverger Limited (ASX:DVR)
First purchased: 2016 (7+ years holding)	First purchased: 2017 (6+ years holding)
Growth:	Growth:
FY16 Profit: \$2.3m	FY17 Profit: \$1.5m
FY22 Profit: \$7.5m	FY22 Profit: \$3.8m
Dividend 6c to 18c	Dividend 2c to 4.5c

PORTFOLIO CONSTRUCTED TO MINIMISE RISK

1. A focus on valuation

A strong value thesis to underpin buying decisions.

Dividends, near term earnings and assets provide valuation support, limiting downside

Avoid paying for hype or story where the fundamentals don't justify the market cap

Avoid value traps – we want to be buying growing businesses with supportive tail winds

2. Detailed Fundamental Analysis

We want to buy good businesses with resilient business models that we are happy to hold for the medium to long term.

With illiquid holdings, once we hold a position it is often difficult to get out – so we need to get it right.

Avoid – story stocks, concepts, early stage businesses where the earnings profile is uncertain

3. Appropriate position sizing

Limit position sizes at cost to ~5%

Not trying to be heroes and take over sized positions that put the portfolio at risk.

Scale into positions as we gain confidence or milestones are reached

Higher risk positions given a lower weighting.
More established businesses have a higher weighting.

4. A diversified portfolio

30 – 50 names

Typically uncorrelated

Diversified across sectors and by investment style

There are a large number of interesting small company opportunities, we want to be able to capture as many of these opportunities with significant upside

SUB \$25M NANO-CAP OPPORTUNITIES



Unique ideas, that offer significant upside from a low base. Undiscovered, ignored and genuinely under-the-radar; therefore, more likely to be inefficiently priced.

Typically up to 25% of portfolio.

Often only institutional holder on the register, and in some cases we are a substantial shareholder.

Current names include: Aeeris (**AER**), Kip McGrath (**KME**), Corum (**COO**), Datadot (**DDT**).



Aeeris Limited (AER)

- Provides environmental data and weather/risk monitoring services to corporate and government clients
- AER is seeing increased relevance for its products - which help its clients prepare for climate volatility and ESG reporting compliance.
- Cashflow break even

\$8m M/C



Kip McGrath (KME)

- Global remedial tutoring
- \$100m network turnover
- Strong cash balance
- Tight register, illiquid
- Has paid dividends for last 10 years
- Global expansion opportunities

\$24m M/C

Illiquid, unique ideas with significant upside

\$25M-\$100M MICRO-CAP OPPORTUNITIES



Companies slightly larger/more mature, but still very much under-the-radar and attractively valued.

Further through their journey and with a longer track record - often dividend paying, geographically diverse opportunities.

Typically comprise bulk of portfolio.

Current names include: Cirrus (**CNW**), Pure Profile (**PPL**), Diverger (**DVR**), Sequoia (**SEQ**) Laserbond (**LBL**), Prime Financial (**PFG**), Ava Risk (**AVA**).



Sequoia (SEQ)

- Fast growing diversified financial services provider
- \$20m net cash
- PE of <10x
- Will pay out an 8% dividend
- Ambitious growth targets (\$300m revenue by FY26)
- Very strong organic and in-organic growth runway and positive tailwinds

\$78m M/C



Laserbond (LBL)

- Engineering technology company – unique technology that lengthens the life of heavy duty equipment by 5-10x
- Multiple growth drivers (its own products, licensing technology, servicing customers)
- PE of ~15x
- FY25 growth target of \$60m revenue

\$81m M/C

Portfolio sweet-spot: track record of growth with increasing liquidity

\$100M+ SMALL-CAP OPPORTUNITIES



Larger, more mature, more widely owned opportunities.

Provides important quality, liquidity and diversification to the portfolio.

Interested in these opportunities if we can see clear value and upside.

Current names include: Michael Hill (**MHJ**), RPM Global (**RUL**), DDH1 (**DDH**), Smartpay (**SMP**), Energy One (**EOL**), People Infrastructure (**PPE**).



DDH1 (DDH)

- Largest drilling company in Australia
- 87% of revenue from recurring contracts
- FY23 PE of 6x
- Dividend yield of 7%
- Good organic and in-organic growth runway

\$334m M/C

Smartpay (SMP)

- Fast growing terminals payments company
- Benefitting as merchants switch away from banks
- H1 revenue growth of 91%
- EBIT has increased from ~0 two years ago to ~\$7m this year
- FY24 PE of 12x

\$405m M/C

Larger, more liquid opportunities, providing portfolio diversification and liquidity

WHERE WE ARE TODAY

We own a diversified portfolio of **unique, undiscovered and undervalued investments**, with strong long term growth potential.

These positions are unique, **different, and often difficult to otherwise access**, with the portfolio quite differentiated from the broader market.

We remain **disciplined and focused upon our core strategy**: identifying small, growing, well-managed, under-the-radar companies trading below our assessment of intrinsic value.

When interest does return to these small companies, the combination of improving fundamentals, low liquidity and low valuations, should provide the **opportunity for strong re-rates**.



WHERE TO FROM HERE?



Sign up to receive our monthly reports:

www.dmxam.com.au/subscribe

Arrange a follow up meeting / coffee

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