DMX Capital Partners Limited
December 2023 – Investor Update

An investment company managed by:
DMX Asset Management Limited
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DMXCP directors: Roger Collison
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Opening NAV (1 December 2023) (1,2)	**$2.2774**
Closing NAV (31 December 2023) (1,2)	**$2.2949**
Fund size (gross assets)	$23m
% Cash held - month end	7%
Gearing	Nil

1-month return	0.7%
3-month return	0.0%
12-month return	-5.0%
3-year return (CAGR p.a.)	2.9%
Since inception (*8 years 9 months*) (CAGR p.a.)	15.0%
Since inception (*8 years 9 months*) (cumulative)	239.7%

*DMXCP Share price = Closing NAV (**$2.2949**), 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 0.7% (after all accrued management fees and expenses) for December 2023. The NAV as at 31 December 2023 was **$2.2949**, compared to $2.2774 (ex-div) as at 30 November 2023.

Markets continued their recovery in December - the All Ordinaries was up 4.7% while the Small Ordinaries increased 6.9% and the Emerging Companies Index was up 6.4%.

It was a more subdued end to the year for our portfolio. Contributors for the month included Careteq (ASX:**CTQ**) up 21% following the announcement of a small acquisition and Kinatico (ASX:**KYP**) which increased 25% on no news. Detractors included Soco Corporation (ASX:**SOC**) which declined 12% following a weak first half result, while Pure Profile (ASX:**PPL**) fell 10%.

Portfolio news – December

As is typically the case for December, there was limited portfolio news to close out the year. However, it was pleasing to see Earlypay (ASX:**EPY**) announce the resolution of all outstanding legal proceedings relating to its problem Revroof client. As a result, ~$8.4m of proceeds from the sale of the RevRoof business that had been held in trust were released to EPY. EPY also announced the refinance of its warehouse funding facility, which freed up a further $20m in funding and reduces EPY's borrowing costs by ~1%. EPY now has ~$30m in surplus cash available to fund a buy-back or retire higher interest debt in order to drive stronger earnings per share growth in FY24. EPY was up 16% for the month.

Less pleasing was the market update from SOC where project delays led to a revenue decline and a marginal operating profit for the half. However, with those delays having been now worked through, and its recent acquisition performing well, we are hopeful of a much improved second half from SOC.

Finally, CTQ announced an interesting acquisition of a niche platform business connecting doctors and pharmacists to facilitate home medication reviews. We discuss this acquisition and our CTQ thesis in a blog article here.

2024

Notwithstanding a recovery in the last couple of months of 2023, the XEC (Emerging Companies Index) finished 2023 down 2%. Two years ago, on 31 December 2021, the XEC Index was 35% higher. Whilst the broader market has staged a recovery in 2023, the XEC Index (currently at ~2000) remains significantly off its high of 2782, reached in early 2022 – suggesting that there is an opportunity for a material catch up in the share price performance from the smallest ASX listed companies.

An AFR article in late December, [Best microcap stocks: These 9 microcap stocks are tipped to surge in 2024 (afr.com)] discussed the opportunities in the microcap space, noting "*the riskiest end of the sharemarket offers a window of opportunity to pocket huge capital gains in 2024 as micro-cap stocks trade at historically cheap valuations created by an exodus of institutional money from the sector*."

In particular, we note the following comment from Andrew Smith, from Perennial Asset Management, "*Right now is unique. It's the best opportunity set since the bottom of the GFC. It's very unusual, the sector's been deserted by institutional investors, retail investors and offshore investors, it's significantly oversold*." This view is consistent with how we see the opportunity heading into 2024. In a more risk-off investing environment with rising rates and economic uncertainty, institutional investors have for the last two years preferred larger, more liquid stocks, while many retail investors left the industrial and technology micro-cap space, suffering bad experiences as the post-COVID exuberance turned into a bear market. With the interest rate cycle looking to turn, more confidence as to the resilience of the economy, and improved fundamentals of many micro-cap stocks, we expect investor interest to return to this part of the market. We firmly believe the valuations and the breadth of opportunities that we are observing now to be the most attractive since DMXCP commenced in 2015.

(For those without access to the AFR, we note that we own a couple of the names nominated in the article by other fund managers: Earlypay ("*could easily double in value if it delivers to its operational plan in 2024*" - Richard Ivers, Prime Value Asset Management) and Medadvisor (ASX:**MDR**) ("*People have missed how this business transformed dramatically in the last 12 months. It's now a profitable high-margin business, taking market share*" - Andrew Smith, Perennial Asset Management).)

As discussed last month, the bear market experienced by the smallest ASX companies has been ongoing for almost 24 months now, with the XEC index still 35% from its highs. However, improving market confidence in November and December would suggest that the worst has passed, and with the broader market performing strongly, we would expect conditions and confidence towards smaller companies to be more favourable heading into 2024. As we noted last month, we believe we are well positioned in generally difficult to replicate positions, to capture upside from these positions as interest returns to this part of the market.

Whilst this period has been challenging, the departure of investors from the smallest companies, and lack of interest in these companies, has given us the opportunity to double down on our strategy and acquire and add to positions at bottom of the cycle prices over the past 12 months, as well as participate in some very attractively priced re-capitalisation opportunities that we hope will reward us in 2024 and beyond. With a median market cap of less than $30m, we are invested in a unique, under-owned part of the market where expectations are low, valuations are attractive, and where genuine upside exists from low market capitalisations.

We thank all our investors for their support, patience, and for the confidence you have shown in us and our strategy.

Kind regards

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

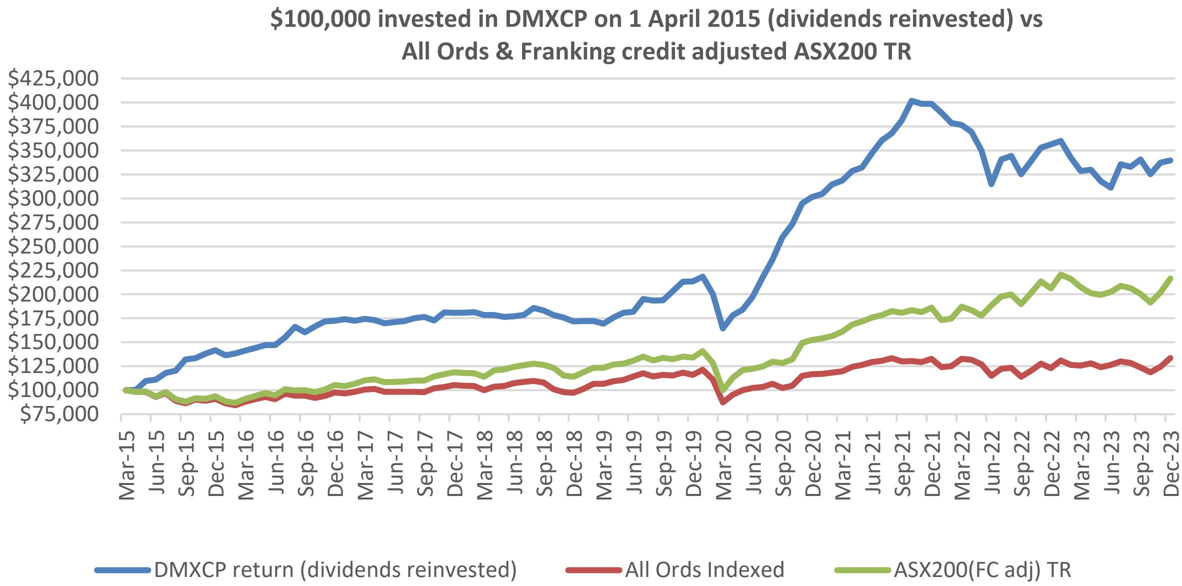
Note 1: Net asset value (NAV) is after income tax payable but includes an estimate of franking credits available. Refer note 4, unaudited
Note 2: Unaudited result
Note 3: All DMXCP disclosed returns include the payment of dividends and franking credits
Note 4: Franking credits per share are franking 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**
2023	+1.12	-5.17	-4.52	+0.47	-3.94	-2.30	+8.55	-0.91	+2.56	-4.86	+4.06	**+0.74**	**-5.07**	**+8.4**

The following chart illustrates the return from investing $100,000 in the fund (including dividends and attached franking credits) since inception (1 May 2015). DMXCP is an absolute return fund, focused on generating positive absolute returns over the medium to long term.



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