DMX Capital Partners Limited
September 2024 – Investor Update

An investment company managed by:
DMX Asset Management Limited
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DMXCP directors: Roger Collison
Dean Morel (Chair)
Steven McCarthy

Opening NAV (31 August 2024) [1,2]	**$2.6570**
Closing NAV (30 September 2024 – cum div) [1,2]	**$2.7114**
Closing NAV (30 September 2024 – ex div) [1,2]	**$2.3971**
Fund size (gross assets)	$27m
% Cash held - month end	3%
Number of positions	45
Gearing	Nil

1-month return	2.1%
3-month return	5.0%
12-month return	17.0%
3-year return (CAGR p.a.)	1.3%
5-year return (CAGR p.a.)	15.5%
Since inception (*9 years, 6 months)* (CAGR p.a.)	15.6%
Since inception (*9 years, 6 months*) (cumulative)	298.34%

*DMXCP Share price = Closing NAV (**$2.3971**), 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, $1.31 of dividends & franking credits have been paid.

Dear Shareholder,

DMXCP's NAV increased 2.1% (after all accrued fees and expenses) for September 2024. On 30 September 2024, DMXCP went 'ex' a dividend of 22c plus 9.4c in franking credits. The dividend will be paid around 7 November 2024. The NAV as at 30 September 2024 was **$2.7114** (cum-dividend) and **$2.3971** (ex-dividend), compared to $2.6570 as at 31 August 2024.

Australian equity markets performed strongly during September on the back of US interest rate cuts and Chinese stimulus - the All Ordinaries increased 2.7%, the Small Ordinaries 4.4% & the Emerging Companies Index 6.6%.

September Developments

Following year end reporting in August, September was relatively quiet in terms of news flow. Findi (ASX:**FND**) continued its strong performance, with its share price reaching $5.00. In late 2021 we acquired our initial FND position at 60c, when FND was recapitalised and required funding to buy-out its majority partner in its Indian ATM/financial services business. It has been a pleasing journey so far, and we think a nice example of the opportunity to achieve significant upside from taking positions in very under-valued & under-the-radar but fundamentally attractive low market capitalisation companies.

Also of interest during the month were several of our positions in our basket of very beaten-up technology names with low market caps delivering some material gains. These included Knosys (ASX:**KNO**) +36%, RMA Global (ASX:**RMY**) +22%; Senetas (ASX:**SEN**) +43% and Pharmx (ASX:**PHX**) +18%. While still early days and recognising that the share prices of many of these companies have fallen a long way over the last several years, it may be that we are starting to see the beginnings of a return in interest to these types of names, consistent with a more risk-on investing environment.

On the flip side, two of the more significant detractors both fell on the back of regulatory uncertainty. Smartpay (ASX:**SMP**) fell 20% following concerns around a Reserve Bank review on card surcharging, while EDU Australia (ASX:**EDU**) fell 24% on concerns as to what a cap on international students might mean. Both developments clearly highlight the somewhat underappreciated risk of government policy threatening the profitability of an industry/business, and is an area where we, as investors, need to be better across the potential for such intervention.

During the month, we met with the management teams from many of our positions to discuss their FY24 results and outlook. Generally, these meetings were positive, with the likes of Advanced Braking (ASX:**ABV**), Medadvisor (ASX:**MDR**) & Austco Healthcare (ASX:**AHC**) confident they will continue their pleasing FY24 momentum and again deliver strong double-digit growth into FY25. Outside of our larger positions, we were particularly enthused following our meetings with Raiz (ASX:**RZI**) and Earlypay (ASX:**EPY**) – as noted in our August report, we believe both of these companies are well placed to deliver much improved profits in FY25, and we look forward to further updates through the year from them.

In addition to positions that we own, post reporting we met with a number of companies we don't own. One of the pleasures of our role is to meet with passionate founders and CEOs and learn about their back-stories and hear their plans for growth. While we can't own all these companies, the process of understanding the economics of different sorts of business and getting their sector and industry insights is helpful in the context of our broader portfolio management. Following these meetings, we have added some new names to our watchlist, and look forward to monitoring their progress.

Unlisted Exposures

We remain focussed on providing our investors with exposure to unique, compelling opportunities that are difficult to otherwise get access to, either personally or through other funds. One way we can provide these differentiated exposures is through our unlisted positions. Two key unlisted positions provided updates during the month.

Tambla - update

During the month, we attended an EGM for Tambla in which DMXAM is a substantial holder. Over the past year, Tambla has been undertaking a business sales process which is now concluding. To maximise proceeds, Tambla is selling each of its business divisions in separate transactions. The EGM was held to approve the capital return to shareholders of up to $1.50 cash per share, with the first tranche of cash expected to be paid out this month. While the exact amount that Tambla shareholders will receive is yet to be finalised, we expect it will compare favourably to our average entry price of 32c – noting that we supported a convertible note to fund the delisting from the ASX of Tambla in 2020, that we subsequently converted at 25c per share. We have previously re-valued our position to $1.17 on the back of Tambla's strong uplift in earnings, so achieving a result of ~$1.50 should result in a nice uplift to our carrying value here.

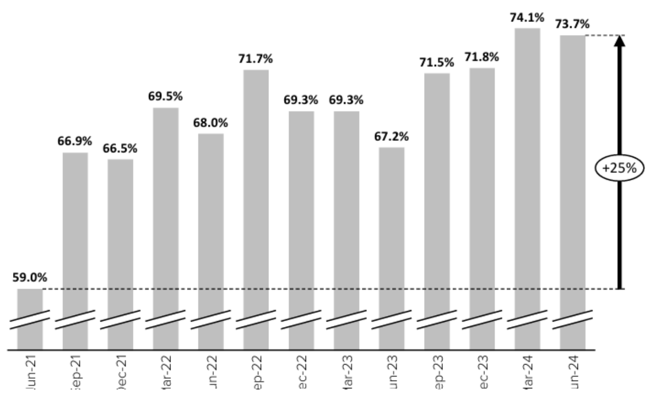
As we have previously noted, when Tambla delisted from the ASX in 2020, the strategy was to take out the public listing costs and grow the business with a three-year exit plan. While the three-year plan stretched to four years, the execution here under the leadership of Chris Fydler has been impressive, with significant value added since it delisted with a market-cap of ~$5m (a $1.50 per share return to shareholders, if achieved, implies a company value of >$50m).

Yellow Brick Road - update

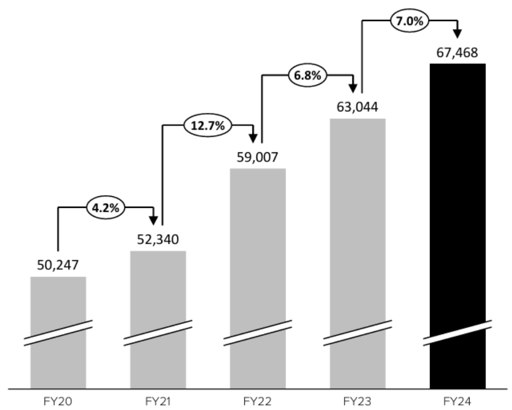
YBR reported its full year results in September: in a challenging environment, it achieved a small positive profit and free cash, and a small increase in its tangible assets. Adjusting for costs associated with its ASX delisting and redundancies, YBR reported cash EBITDA of $1.7m.

Australia is increasingly relying on mortgage brokers for originating home loans (now up to 73%) and YBR is a key strategic player in this fragmented market, controlling 1,200 brokers out of ~19,500 (~7%). YBR's originated loan book has now grown to $67.5 billion and represents a significant asset. These loans are forecast to generate $32m (net present value) in trailing broker commissions to be paid overtime to YBR primarily by the big 4 Australian banks that YBR has brokered loans for. Together with YBR's strong cash position, these commissions receivable underpin YBR's future cash flows. In addition to the balance sheet assets, we continue to think there is also significant strategic intangible value in YBR's extensive broker distribution footprint and its key market position in a fragmented market.

% of mortgage originations settled through Brokers (>70%)



Value of YBR loan book (YBR collects commissions)



In summary

As mentioned last month, we thought it was a solid reporting season for the portfolio, and our subsequent meetings with management teams during September has reinforced this belief.

As highlighted above with the likes of Tambla and FND, we continue to see success from a strategy of disciplined investing in under-valued, unloved and under-the-radar positions where we think the fundamentals support a much higher valuation. By focussing our efforts on part of the market that doesn't receive broad investor interest, and backing our research and judgement and often contrarian conviction, we think we are well placed to capitalise on in-efficient market pricing through adopting a long-term investing mindset.

This approach does require patience, but it has the potential to generate significant multi-bag results that we are keen to deliver to our investors. We are confident that our portfolio today contains many other positions similar to FND and Tambla that can deliver payoffs many times the value of our initial investment. We look forward to these playing out over time.

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We are optimistic about the period ahead, and we thank you for your continued support.

Kind regards

Steven, Michael, Chris & Roger
DMX Asset Management

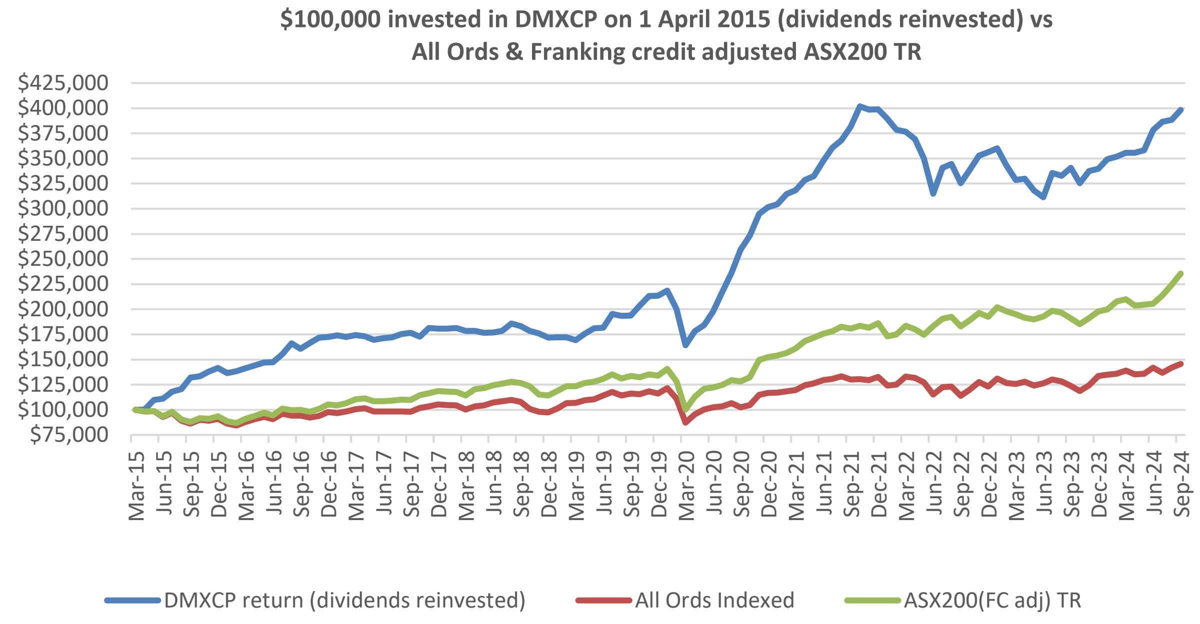
Note 1: Net asset value (NAV) is after income tax payable but includes an estimate of franking credits available. Refer note 4, unaudited
Note 2: Unaudited result
Note 3: All DMXCP disclosed returns include the payment of dividends and franking credits
Note 4: Franking credits per share are franking 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**
2024	+3.27	+0.77	+1.00	+0.06	+0.78	+6.18	+2.35	+0.52	**+2.05**				**+18.2**	**+9.2**

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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