



DMX Australian Shares Fund

July 2024 – 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 June 2024) (ex-dist.)	\$1.1152
Unit price (mid) based on NAV (31 July 2024) (ex-dist.)	\$1.1259
Number of Stocks	43
% cash held - month end	0%
Fund size (gross assets)	\$12m

1-month return	1.0%
3-month return [#]	6.3%
12-month return [#]	16.3%
3-year return, p.a. [#]	5.4%
Since inception (1 March 2021, p.a.) [#]	7.7%
Since inception (cumulative) [#]	28.9%

[#] Returns assume reinvestment of distributions.

Dear Investor,

DMXASF's NAV performance was positive in June, up 1.0%, lagging a stronger broad market with the ASX 200 Total Return Index up 4.2%, but slightly ahead of the ASX Emerging Companies index which rose 0.2% for the month.

Commentary

Modest declines in larger holdings cost us in July, with **Sequoia** down 8%, **Smartpay** down 7%, and **Findi** coming off the boil, down 13%. In the case of Findi, this was particularly costly with our position which had grown to and been maintained in excess of 10% of the portfolio. Fundamentals remain positive for the business, with earnings guidance in-line with expectations, the medium to long-term opportunity being highly attractive, strong short-term operating momentum, and valuation metrics that remain attractive – especially after the stock's recent pull-back. Having trimmed our position in early July, we're very comfortable with our still large though no longer outsized position in the 7-8% range, and believe the portfolio can continue to benefit meaningfully in the periods ahead should the stock enjoy another substantial leg up.

Offsetting the drag from the deflation to the above, the portfolio benefited from a 29% increase to **Advanced Braking** in anticipation of a strong full year result, which didn't disappoint with sales and margins growing handsomely. **PharmX** also rose 29% perhaps in anticipation of a positive resolution to a protracted legal battle. Having been awarded a material sum in 2023, the counter-party appealed this. Unfortunately, the result of this appeal – announced in August – was the overturning of the award, and PharmX's shares have given up those strong July gains. There are potentially interesting learnings here not so much around the specifics of this case, but with companies getting caught up in these long battles that cost considerable money, and are inevitably a great distraction for management. We believe PharmX's underlying business remains attractive, and we're hopeful with this distraction behind them, the team can focus on accelerating its business development in the periods ahead.

Other interesting recent developments include the proposed takeover (via Scheme of Arrangement) of **Ansarada**. As discussed in prior reports, Ansarada has agreed to be bought for \$2.50 per share – a healthy premium to its prior market price. The deal hit a snag in May with the ACCC commencing a public review of the Scheme, delaying the transaction at best and rejecting it at worst. Its shares rightly traded down as the deal completion risk became baked in, but with the ACCC giving the all-clear in July, that discount reversed and the shares rose 12% to very near the \$2.50 agreed price. It's highly likely the deal will proceed, and we expect news on timing shortly. We'd previously reduced this holding, treating it as a cash source, but our remaining position is around 1.5% of the Fund and we expect will soon provide further liquidity for us.

The DMX Capital Partners report includes detailed commentary on commonly-held **Pureprofile** and **Medadvisor**. Medadvisor is our second largest holding within DMXASF at 6% of the Fund and we encourage you to review this content within the DMXCP report for an update to our thinking on this fast-growing business with an attractive emerging earnings profile.

Prime Financial Group (PFG)

During the month we invested in PFG via a placement DMX sub-underwrote. PFG has been held by DMXCP for some time, and we took the opportunity through this window of liquidity to boost our holding for DMXCP and initiate a position for DMXASF. PFG is a Melbourne-based financial services business with integrated interests across accounting, wealth management, capital markets, SMSF compliance, and advisory services. The company is founder-led with significant insider ownership across its team. Its growth profile is both organic and through strategic acquisition, and to fund an interesting acquisition in a sensible adjacent business vertical. A small capital raise was conducted, with strong insider take-up, and we at DMX took a meaningful position across various associated accounts. DMX Asset Management secured an underwriting fee which was then passed on pro-rata to the associated accounts that were allocated stock, including DMXASF.

PFG is enjoying growth across its business, and has executed well in terms of acquiring businesses in logical adjacencies with the potential to cross-sell services. We're pleased to have had the opportunity to invest meaningfully in this otherwise illiquid micro-cap (at \$50m market capitalisation), with our recent entry point at a sub-10 X multiple of earnings despite the strong growth profile inherent within the business. Its continued growth together with eventual re-rating to its market multiple carry the potential for substantial returns from this investment in the years ahead.

Summary

In particular with Findi having been further trimmed back, followed by its shares coming off modestly, and some investor inflow into the Fund, the individual 'stock selection' risk profile has moderated somewhat. Cash proceeds from trimming have been helpful as we selectively top-up other existing holdings, and in initiating a new position in Prime Financial Group. Some investor inflow into the Fund as we move into August, together with the expected proceeds from the Ansarada takeover, are providing valuable liquidity as we continue to rotate the Fund into the most prospective of our opportunity set.

We're enthused about the prospects for our portfolio of businesses, and look forward to continue to benefit from the long-term ownership of attractively priced, growing smaller companies.

Thanks very much for your trust and support.

Steven, Michael, Chris & Roger

DMX Asset Management

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