DMX Australian Shares Fund
December 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 November 2024)	**$1.2155**
Unit price (mid) based on NAV (31 December 2024)	**$1.1791**
Number of Stocks	46
% cash held - month end	2%
Fund size (gross assets)	$13m

1-month return	-3.0%
3-month return#	3.1%
12-month return#	19.2%
3-year return, p.a.#	2.5%
Since inception (1 March 2021, p.a.) #	8.1%
Since inception (cumulative) #	35.0%

 # Returns assume reinvestment of distributions.

Dear Investor,

DMXASF's NAV declined 3.0% in December, reversing some of its strong November result. The broader market was mixed with the ASX Emerging Companies Index flat at -0.1%, while the ASX 200 Accumulation Index was down 3.2%. Calendar 2024 was strong for us, up 19.2% versus 13.7% for the Emerging Companies Index and 11.4% for the ASX 200 Accumulation Index.

Commentary

The month was mixed in terms of both developments and individual stock price action. **Frontier Digital Ventures** fell 14% following an update on its previously-announced strategic review. Its effective non-update, we think, came across a little desperate. We'll need to see how this one plays out over the next few months and note this is now a relatively small position for us. **EML Payments** declined 17% following the surprise departure of its new CEO, Ron Hynes (discussed below), while **Medadvisor** fell 27% following yet another negative update. Other holdings fell for no fundamental reasons, with **Findi** further de-rating, down another 20%, **Pureprofile** down 15%, and NZ-listed **General Capital** down 36% (also discussed below). Findi remains our largest holding in the 5% position size range, and with both its share price and sizing coming off, we're increasingly comfortable here.

These declines were somewhat offset by meaningful gains elsewhere. Each of **Energy One** and **Raiz** rose 22-23% while **Sequoia** recovered 13% and **Austco** continued its ascent, up 10%. Our returns from each of these have been enhanced through having added at lower prices. In the case of Energy One, we added to our holding via its rights issue last year at much lower prices; a small position in Raiz was re-introduced also in 2024; Sequoia was added to in the low-30c range in November; while we added to our Austco stake via the sell-down of a former director in September. In addition to capturing dividend income and longer-term capital gains from our holdings, we also aim to enhance returns and manage risk through opportunistically re-positioning in response to changes in prices relative to our ongoing assessments of individual holdings.

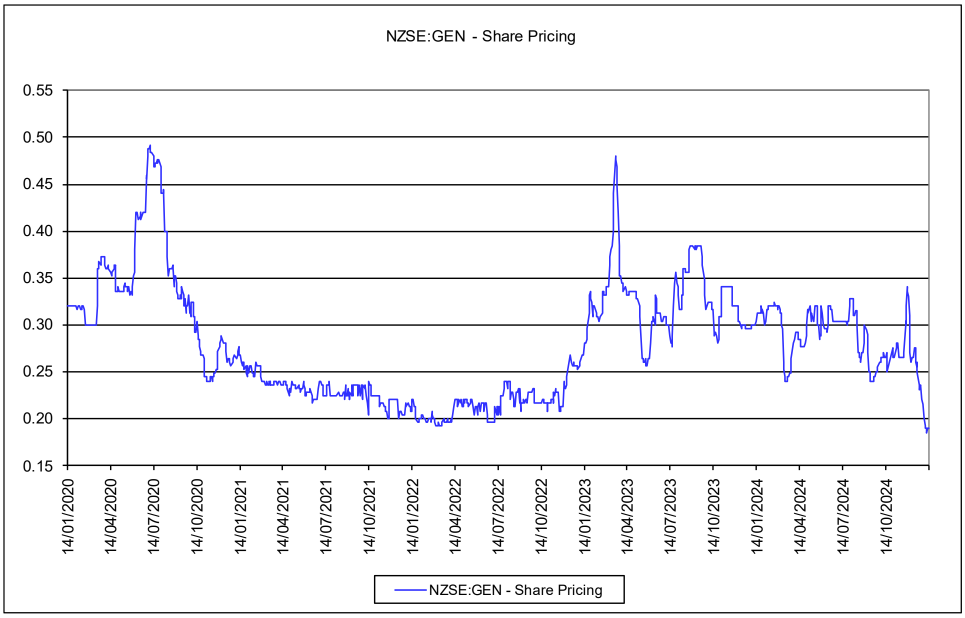
In terms of activity for the month, we completed our sales of **RPMGlobal**, closing out what's been a profitable investment. We continue to rate the company and its prospects, but we simply need capital to pursue the even more prospective opportunities we face. These funds have been set aside to help fund an underwrite of a small option exercise for **Senetas Corporation**. Senetas is a DMX Capital Partners holding that we've not held at DMXASF up to this point due to liquidity constraints. Our opportunity to help underwrite this option exercise has provided that needed liquidity to establish a 2% position for the Fund, while also adding to our holdings for DMXCP. Elsewhere, we'd expected additional proceeds from **Tambla**'s business sale and capital return programme, but this has been deferred into the new year.

Select Stock Updates: EML Payments & (NZ-listed) General Capital

As noted above, EML Payments declined following the departure of its new CEO. Having joined the business less than six months earlier the Board terminated Hynes's employment just before Christmas citing the need for alternative leadership to execute the company's newly adopted EML 2.0 strategy. While never nice news to receive, it's important to take a balanced approach in re-assessing companies in these situations. The CEO was very new to the role and the Board has decided he's not the right guy for the role. It would be much worse to keep the wrong person in place, though the impact from the latter wouldn't be felt until well into the future, if at all. EML has made clear strides in its turnaround, as we reported last month. Non-core assets have been divested, the business is re-focused on growth in addition to reducing costs, and valuation metrics are attractive. In a global payments landscape, we believe EML may be appealing to a number of strategic or financial acquirers and with its patchy past and wide-open register we wouldn't be surprised to see corporate activity here at some stage.

In the case of General Capital, this small and illiquid company's shares have suffered for the market having to absorb a couple large parcels recently. We initially invested in General Capital in 2022 in the low-20c range (post consolidation). We'd been sellers into strength as the shares subsequently re-rated, and have otherwise been patient and supportive shareholders with our remaining small position (around a 2% weight). The company has made great progress, expanding its loan book and operating prudently in its niche as a second-tier first mortgage lender. As a micro-cap in the $20-30m market cap zone, tightly held with the top four holders (including its CEO) owning around 80% of the company, the shares are thinly traded and – as per the below 5-year chart – have been quite volatile. This volatility isn't reflective of its underlying fundamental developments or our ongoing assessment of *value*, which have been quite positive and steady.

We learned in early December that a vendor (which we presumed was a former director) was seeking to sell some shares. Then in the high-20's, we sat patiently on-screen with a low-ball offer at 20c. Over some period of time, we believe the low-ball offer in volume, together with perhaps word spreading that there was a large volume, saw the share price inch closer to our bid. The shares ended the month down 36% at 21.5c, and in early January the vendor capitulated, selling into our 20c bid. We subsequently bid lower still, eventually dealing on-market for more at 18.5c. We've taken this opportunity to move the DMXASF holding from just over 1% to nearly 3%, and have initiated a position for DMX Capital Partners at these levels. For context, the company's net asset value is closer to 30cps and we expect EPS of 4-5c for the year ahead. If the company continues to execute we believe this could be a comfortable double over the next 2-3 years.



<u>Summary</u>

Having now absorbed material de-rates to the likes of Findi, and other key holdings having deflated, we're enthused about the embedded value in the portfolio, and the breadth and diversity of the opportunity set to which we're exposed. Key holdings that have performed well have done so deservedly, and remain prospective for the portfolio. With a rich vein of new opportunities, we continue to look to our most marginal positions as a source of liquidity to help fund these.

Thanks very much for your trust and support.

Steven, Michael, Chris & Roger
DMX Asset Management

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