

# Investment Report & NTA Update

10 AUGUST 2022

## Net Tangible Asset Value per share as at 31 July 2022

Pre Tax NTA	Post Tax & Pre Unrealised Gains Tax NTA	Post Tax NTA	Share Price	Number of Holdings
\$1.020	\$1.045	\$1.028	\$0.72	39

## Investment Portfolio Performance\*

	1 Month	6 Months <sup>#</sup>	1 Year	2 Years p.a.	3 Years p.a.	Inception p.a. <sup>^</sup>	Inception (Total Return) <sup>^</sup>
<b>SB2</b>	12.97%	-4.63%	-1.63%	-	-	-	8.00%

\* Investment portfolio performance is calculated net of Management fees but before taxes, other fees, and expenses. Performance has not been grossed up for franking credits received by shareholders.

<sup>#</sup> includes 0.41% increase due to the Directors' adopting revised valuations of Unlisted investments conducted for FY end audit process not previously recognised in prior NTA update.

<sup>^</sup> Inception date is 27 May 2021.

## Key Points

- The portfolio is diversified across 39 stocks and maintains significant upside compared to our valuation.
- Strategy remains focused on a bottom-up driven blend of growth at a reasonable price; with a particular focus on companies with intellectual property (IP) and strong management.
- The investment strategy was compliant with the emerging companies investment requirements of the Australian Significant Investor Visa regime for the period ending 31 July 2022.

## Market Insight

The portfolio generated a positive return in July 2022 of 12.97%, again outperforming the ASX Small Ordinaries Accumulation Index. The broader equity markets enjoyed a relief rally after a torrid 3 months of negative returns. The market continues to struggle to price the likely equity valuation impacts of domestic and international factors on the economy, including a rising cash rate, supply chain disruptions, the ongoing war in Ukraine, a tight labour market and floods earlier this year.

In July, the RBA increased the cash rate by another 50 basis points to 1.35%. The RBA reiterated that while Australia was seeing high inflation (though not as much as other countries), inflation was forecast to peak in late 2022 before declining back to 2-3% from 2023 onwards.

The Australian economy remains resilient with unemployment in May 2022 at 3.9% (the lowest in -50 years). Underemployment has also fallen with job vacancies and job ads both at high levels. This is driving wages growth at a higher rate than the historical average, as competition by employers to find staff increases.

While remaining cognisant of the movements within the broader macroeconomic environment, the Manager remains focused on discipline to our process to invest in quality companies at attractive valuations. We reiterate that the key financial profiles of our portfolio companies constitute strong earnings growth, sustainable business models and strong balance sheets.

As such, the Manager will continue its work in rebalancing and reweighting the portfolio to best take advantage of favourable listed investment opportunities as they arise.

## Key Metrics – Summary Data

Portfolio Metrics	
Weighted Average Market Capitalisation of the Investments	\$212m
Cash Weighting	10.7%
Portfolio >300m mkt cap	33.5%
Portfolio 100-300m mkt cap	29.1%
Portfolio <100m mkt cap	21.3%
Unlisted Investments	5.4%
Shares on Issue	94,392,046

## Portfolio Review

The portfolio returned +12.97% in the month of July 2022, which is a pleasing outcome as the portfolio begins to benefit from the recent repositioning undertaken in the June quarter.

During the month of July, the key positive contributors to the portfolio included BigTinCan Holdings (**BTH**), Veem (**VEE**), OFX Group (**OFX**), Praemium (**PPS**) and Ai-Media Technologies (**AIM**).

BTH released its 4Q22 update in July in which the company noted \$120m of Annual Recurring Revenue (ARR) ending FY22 as well as its third consecutive quarter of positive operating cash flow, both broadly in line with the Manager's forecasts. The company reiterated its expectations to announce a positive FY22 EBITDA result, with a forecast uplift from 1H22 adjusted EBITDA of \$1.2m. In July, BTH also announced its single largest contract signed to date using Brainshark technology (acquired in September 2021) of \$3.3m.

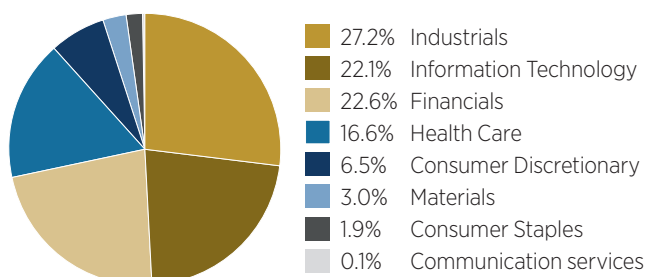
PPS also provided its 4Q22 quarterly update in the month of July, noting a number of positive outcomes for the business. Total funds under administration (FUA) grew +10% year on year (YoY) to \$40.5 billion (with Platform FUA growing +6% YoY and Portfolio Administration and Reporting Service FUA up +15% YoY). PPS also noted it successfully divested its international business on 30 June 2022 for £35 million and declared a special dividend of 5 cents per share as at 30 June 2022.

A third portfolio company, AIM also announced its 4Q22 results to the market in July. AIM noted FY22 revenue of \$60m which was in line with expectations, reflecting a growth of +22% YoY. The business noted positive operating cashflow for both 4Q22 (of \$1.1 million) and for the full year FY22 (of \$3.5 million). The business ended 4Q22 with a strong cash balance of \$15.2 million (-+6% YoY from \$14.3 million).

Acrow Formwork and Construction Services (**ACF**) saw a share price decline in July 2022 despite no material announcements to the market. ACF provides engineered formwork, scaffolding and screen systems solutions as well as in-house engineering and labour supply services to construction sector clients. The Manager took advantage of the share price volatility to add to its position in the business.

The Manager continues to take advantage of recent extreme volatility to reposition the portfolio. During July, the Manager took advantage of some strong short term share price performance to reduce its exposure to holdings such as Genex (**GNX**), Praemium (**PPS**), Alcidion (**ALC**) and Ore Explore Technologies (**OXT**). Key additions to the portfolio include: Veem (**VEE**), Ai-Media Technologies (**AIM**), and Cogstate (**CGS**).

## Portfolio Sector Weights



## Top Holdings

Pacific Current Group Limited (ASX code: PAC)

OzForex Group Limited (ASX Code: OFX)

Probiotec Limited (ASX code: PBP)

VEEM Limited (ASX code: VEE)

## Core Investments – Spotlight

### Ansarada Group Limited (ASX code: AND)

Ansarada Group Limited (ASX:AND) is a SaaS-based information governance software platform used to support transaction management. Its product suite includes virtual data rooms, board management and compliance. In its recent quarterly update, the business noted 5,251 customers and 2,851 subscribers ending 30 June 2022, reflecting growth rates of +52% and +11% YoY respectively. Top-line growth remained strong with revenue for FY22 at \$48.3m (unaudited), reflecting an increase of +75% YoY.

The Manager remains attracted to AND's high quality management personnel, the product suite and blue-chip customer set and continues to monitor the position closely.

## Contact

**E** | [info@salterbrothersemergingcompanies.com.au](mailto:info@salterbrothersemergingcompanies.com.au)

**P** | 03 9258 2100

**W** | [www.salterbrothersemergingcompanies.com.au](http://www.salterbrothersemergingcompanies.com.au)

Authorised for release by the Board of SB2.

### Important information

This information has been prepared by SB2 and Salter Brothers Funds Management Pty Ltd ABN 94 608 295 683, an authorised representative of Salter Brothers Asset Management Pty Ltd ABN 33 119 833 760 (Australian Financial Services Licence 308971) (**Disclosers**).

This is general information only and is not financial advice and does not consider any individual's objectives, financial situation or particular needs. Before making an investment decision an individual should assess whether it meets their own needs and consult an appropriately licensed financial adviser. No warranty (express or implied) is made as to the accuracy, completeness or reliability of any statements, estimates or opinions or other information contained in these materials (any of which may change without notice) and to the maximum extent permitted by law, the Disclosers disclaim all liability and responsibility (including, without limitation, any liability arising from fault or negligence on the part of any or all of the Disclosers) for any direct or indirect loss or damage which may be suffered by any recipient through relying on anything contained in or omitted from these materials.

Past performance is not a reliable indicator of future performance.