



SALTER BROTHERS
EMERGING COMPANIES LIMITED
(ASX CODE: SB2)

AUGUST 2024



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EXECUTIVE SUMMARY



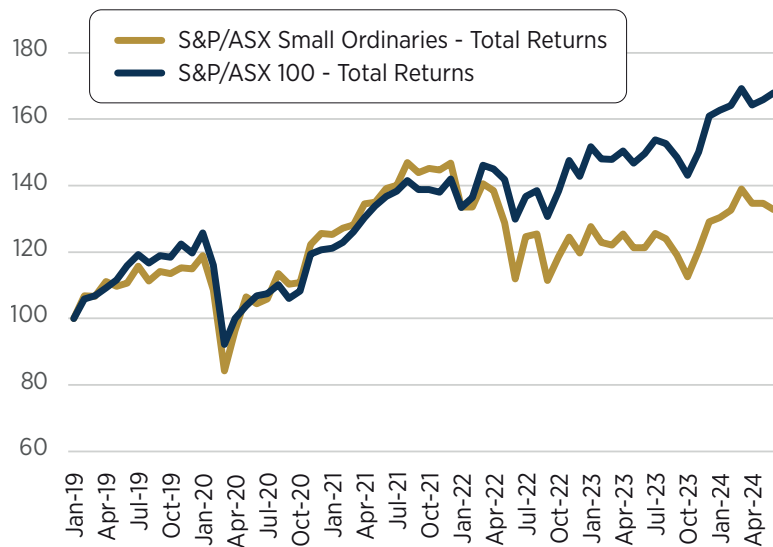
- Salter Brothers is a global fund manager with over \$3.5B of group assets under management.
- Salter Brothers Emerging Companies Limited (ASX-SB2) is a listed investment company (LIC) dedicated to investing in small cap Australian companies with a market capitalisation of under \$500M. It offers a professionally managed and diversified exposure to the Australian small cap sector
- SB2 is managed by a large and proven investment team. Gregg Taylor is the Lead Portfolio Manager with over 25 years small cap investing experience.
- SB2 has a strong three-year track record of outperforming the small cap market.
- As at 31 July 2024 the current share price of SB2 trades at a ~41% discount to the underlying post tax NTA value.*
- The relative valuation of Australian small cap equities versus Australian large cap equities is at 20-year lows, offering a unique time in the cycle to invest in the sector.

* See July 2024 SB2 Investment Report & NTA Update

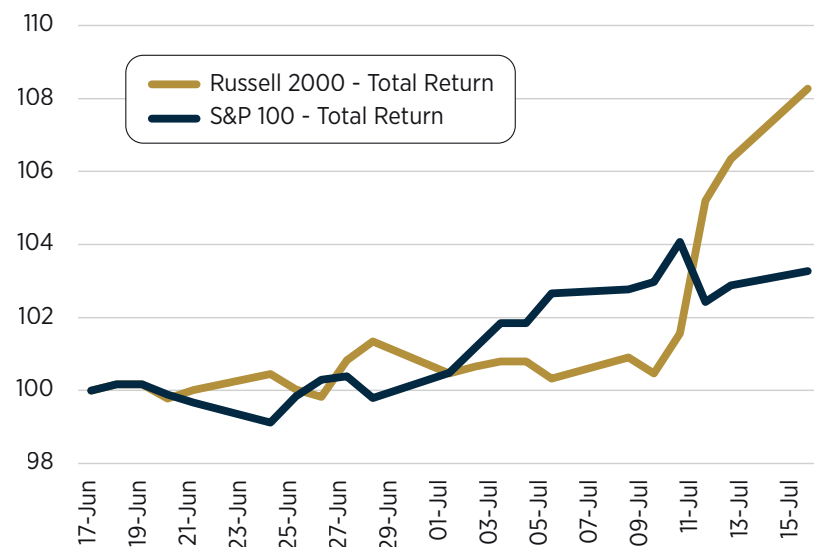


SMALL CAPS - STATE OF PLAY

- › Since Q4 2021, there has been a noticeable divergence between small cap and large-cap performance, with small caps underperforming both in Australia and globally, as depicted in the below chart.
- › Despite this underperformance, the fundamentals of small cap companies have strengthened significantly since the Global Financial Crisis, with balance sheets now more robust than during previous periods of underperformance.
- › Given the current valuation discounts and the expectation of an improving macroeconomic environment in 2025, small caps appear well-positioned for a potential rebound.



- › The month of July 2024 has shown promising signs of a potential small cap revival, with some commentators even suggesting it could be a turning point. Some market volatility in August, driven by fears of recession in the USA and changes to Japanese monetary policy, doesn't change our medium term view on the attractiveness of small caps.
- › Although it's too early to confirm a definitive trend, recent data indicates that small cap investors should remain vigilant and monitor the situation closely.
- › The month-to-date performance of the Russell 2000 and S&P 100 indices, as shown in the below chart, reveals a notable divergence. Given that US market trends often precede similar movements in the Australian market, this divergence is particularly worth watching.



SB2 PERFORMANCE

Performance Summary	SB2	ASX Emerging Companies Index	Outperformance
1 Months	7.94%	0.23%	+ 7.71%
3 Months	11.24%	-3.01%	+ 14.25%
12 Months	14.78%	-0.47%	+ 15.25%
Inception*	8.54%	-1.17%	+ 9.71%

* Inception is 27 May 2021

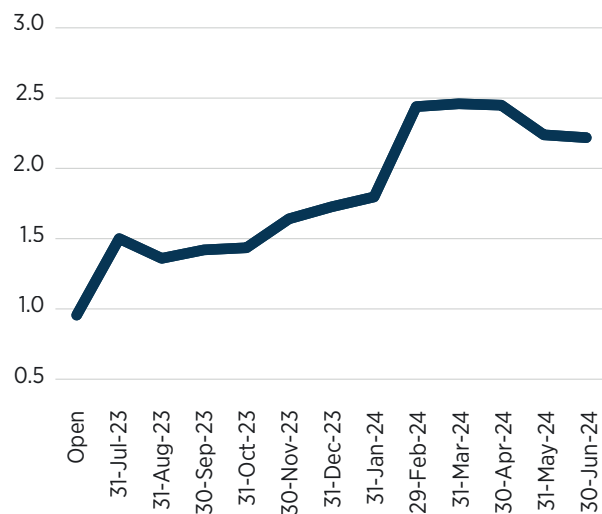
- Despite the ongoing challenges and volatility within the small cap market, the Salter Brothers Emerging Companies Portfolio has consistently outperformed its peer benchmark, the ASX Emerging Companies Index.
- This consistent outperformance reflects the Investment Team's disciplined processes and thorough due diligence as well as their commitment to extensive research and careful market analysis.
- Led by Portfolio Manager, Gregg Taylor, the portfolio has achieved 14.78% for the 12 months to 31 July 2024, significantly outpacing the broader market. Key contributors to this outperformance are outlined on the next slide.



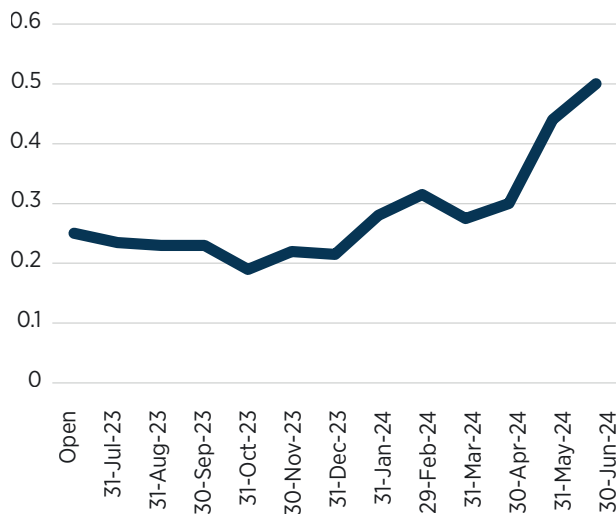
TOP 3 CONTRIBUTORS FY24

Rank	Ticker	Company	Industry	Absolute Performance (%)
1	AND	Ansarada	Business/Productivity Software	131%
2	MDR	Medadvisor International	Healthcare Services	100%
3	RUL	RPMGlobal Holdings	Automation/Workflow Software	95%

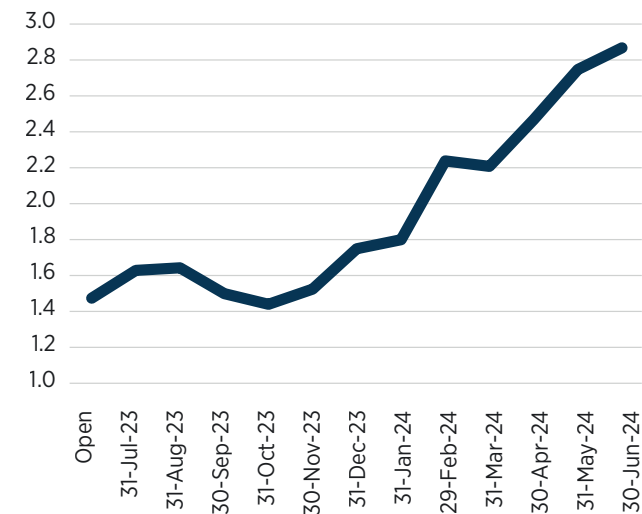
**Ansarada (ASX:AND)
FY24 Performance**



**Medadvisor (ASX:MDR)
FY24 Performance**



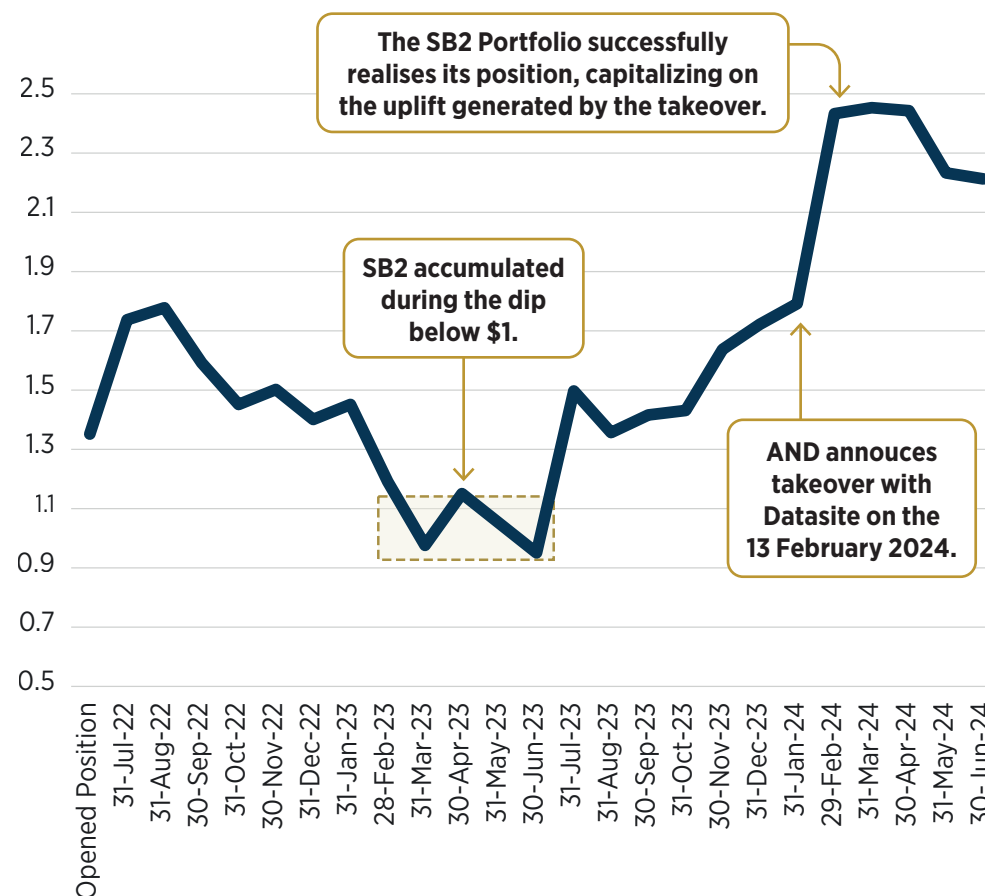
**RPM Global (ASX:RUL)
FY24 Performance**



Ansarada Group Ltd (ASX:AND) was our #1 contributor for Fiscal Year 2024.

- › The Investment Team began building a position in Ansarada in 2022 and increased the position to a top 5 holding in mid 2023 as the price dipped below \$1 per share.
- › In February 2024, Datasite entered into a Scheme Implementation Deed with Ansarada to acquire 100% of its share capital at \$2.50 per share.
- › Following the announcement, the share price quickly surged and the Investment Team took the opportunity to realise profits.
- › This case study highlights a strategy where the Manager effectively mitigated the risk of the deal falling through by exiting the position and securing profits on the news.

Ansarada Performance



TOP 5 HOLDINGS AND PORTFOLIO METRICS

Top 5 Holdings

	Market Cap	Sector	Company Description
1. Ai-Media Technologies Ltd (ASX:AIM)	\$93m	Business Software	Provider of live and recorded captioning, transcription, subtitles, translation, and speech analytics using a proprietary, cloud-based technology platform.
2. OFX Group Ltd (ASX:OFX)	\$530m	Other Financial Services	A low-cost international multicurrency payments provider via its online platform and network of global bank accounts. The company's two products are international payment services and international payment solutions.
3. Smart Parking Ltd (ASX:SPZ)	\$201m	Facility Services	Global platform provider who engages in the provision of design, development, and management of parking technology.
4. Alfabs Australia Limited (ASX:AAL)	\$72m	Construction & Engineering	Provides a design-to-delivery solution for its clients across heavy steel fabrication, construction and maintenance services, mining equipment, protective coatings, and transport.
5. Alcidion Group Ltd (ASX: ALC)	\$101m	Healthcare	Provider of intelligent informatics software. The company builds, sells, delivers, runs, and supports solutions for healthcare provider organizations.

Portfolio Metrics

- › Taking a two year view, the weighted average valuation upside of the listed holdings in the portfolio based on SB2 forecasts is greater than 80%.
- › The SB2 equity portfolio quantitatively reflects the investment philosophy of the Investment Team – that is focused on capital preservation and long-term growth.
- › Growth and income from its investments and generating attractive risk adjusted returns over the long term.
- › The SB2 Portfolio currently comprises 29 holdings, including 23 listed and 6 unlisted investments.
- › As such, the weighted average investment profile of our portfolio (as at 31/07/2024) features:
 - Weighted average FY24-25F Revenue growth of c.+18%
 - Weighted average FY24-25F EBITDA margin of c.18%
 - Weighted average FY24-25F NPAT margin of c.6%
 - Weighted average FY24-25F P/E multiple of 6.7x

Metrics of the Listed Portfolio*

	FY23A	FY24F#	FY25F
Key Ratios			
EV / Revenue (x)	2.3x	2.0x	1.6x
EV / EBITDA (x)	10.3x	9.7x	7.4x
EV / EBIT (x)	10.4x	7.5x	6.5x
P / E (x)	11.6x	8.0x	5.4x
Portfolio Financials			
Revenue Growth (%)	30%	16%	19%
EBITDA Margin (%)	10%	15%	20%
EBIT Margin (%)	3%	6%	12%
NPAT Margin (%)	-2%	3%	8%

* All metrics reflect weighted averages of the combined portfolio based on SB2 forecasts, as at 31/07/2024, adjusted for abnormalities.

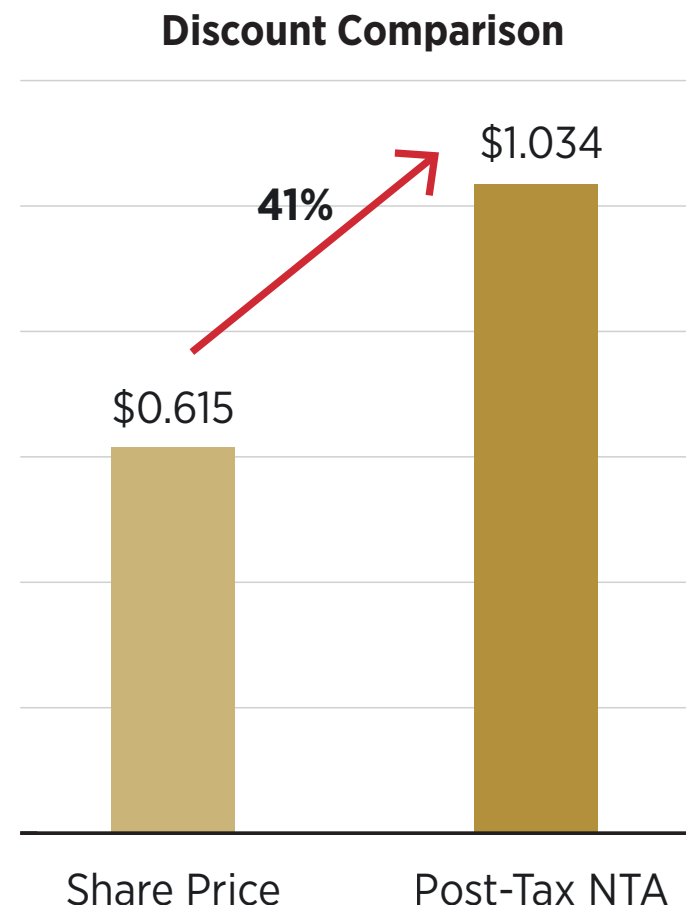
FY24 actual data will be released in the coming earnings month.



DISCOUNT TO NTA

Steps to Narrow the NTA and Share Price Gap:

- › SB2 is currently trading at a ~41% discount to its Post-Tax NTA as at 31 July 2024
- › Hosting an investor webinar on Wednesday, 14th August at 10:30 am to provide an overview of recent performance, positioning, and outlook.
- › A recording of the webinar will be available for those unable to attend live.
- › Following the release of the SB2 annual results in late August, the share buy back will be reactivated along with an update on the dividend policy provided at the AGM.
- › Gregg Taylor will be undertaking a national roadshow in mid-September 2024 to meet with investors.



Q&A



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