

# Investment Report & NTA Update

11 OCTOBER 2024

## Net Tangible Asset Value per share as at 30 September 2024

Pre Tax NTA	Post Tax & Pre Unrealised Gains Tax NTA	Post Tax NTA	Share Price	% Discount to NTA*
\$1.047	\$1.058	\$1.060	\$0.730	-31.13%

\* Percentage discount to NTA is calculated from the post tax NTA.

## Investment Portfolio Performance<sup>†</sup>

	1 Month	3 Months	1 Year	2 Years p.a.	3 Years p.a.	Inception p.a. <sup>^</sup>	Inception (Total Return) <sup>^</sup>
<b>SB2<sup>#</sup></b>	2.48%	10.08%	25.10%	2.81%	-2.38%	3.15%	10.62%

<sup>#</sup> Salter Brothers Emerging Companies Limited (ASX:SB2)

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

## Key Listed Contributors & Detractors

Key Contributors for September 2024			
#	Company Name	Price Chg. (%) (Absolute)	Weighted Avg. Price Chg (%)
1	Ai-Media Technologies Ltd (AIM)	+37.3%	+3.5%
2	PYC Therapeutics Ltd (PYC)	+21.4%	+0.9%
3	Asset Vision Co Ltd (ASV)	+47.4%	+0.9%

Key Detractors for September 2024			
#	Company Name	Price Chg. (%) (Absolute)	Weighted Avg. Price Chg (%)
1	Top Shelf International Ltd (TSI)	-45.2%	-1.4%
2	Alcidion Group Ltd (ALC)	-13.9%	-0.8%
3	Felix Group Holdings Ltd (FLX)	-17.9%	-0.6%

## Key Features of the SB2 Portfolio

- 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 capital.
- Growth and income from its investments and generating attractive risk adjusted returns over the long term.
- As such, the weighted average investment profile of our portfolio (as at 30/09/2024) features:
  - Weighted average FY25-26F Revenue growth of c.+18%
  - Weighted average FY25-26F EBITDA margin of 18%
  - Weighted average FY25-26F NPAT margin of 7%
  - Weighted average FY25-26F P/E multiple of 6.2x

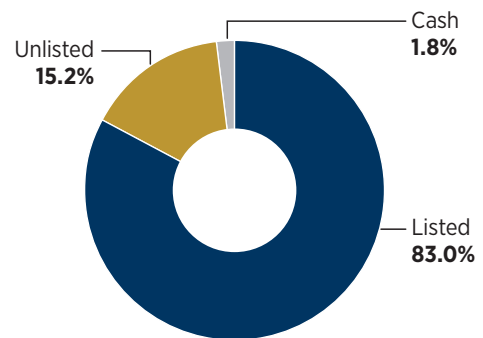
## Metrics of the Listed Portfolio\*\*

	FY24A	FY25F	FY26F
<b>Key Ratios</b>			
EV / Revenue (x)	1.7x	1.6x	1.4x
EV / EBITDA (x)	4.9x	8.8x	6.9x
EV / EBIT (x)	7.4x	10.4x	8.3x
P / E (x)	5.7x	4.9x	7.5x
<b>Portfolio Financials</b>			
Revenue Growth (%)	14%	17%	18%
EBITDA Margin (%)	12%	16%	20%
EBIT Margin (%)	2%	8%	13%
NPAT Margin (%)	-1%	5%	9%

\*\*All metrics reflect weighted averages of the combined portfolio based on SB2 forecasts, as at 30/09/2024, adjusted for abnormalities.

## Portfolio Composition

- The SB2 Portfolio has 24 Listed holdings (83.0% of the total value), 7 Unlisted holdings (15.2% of the total value) and 1.8% Cash.
- The weighted average market capitalisation of the stocks in the listed portfolio is -\$228m.
- The investment strategy was compliant with the emerging companies' investment requirements of the Australian Significant Investor Visa regime for the period ending 30 September 2024.
- A key requirement of the Australian Significant Investor Visa regime is that the portfolio invests in companies with a market capitalisation of less than \$500m. As such the portfolio has a microcap bias and the portfolio performance is driven by the performance of this sector of the market.



## September 2024 Monthly Update

In September, the portfolio posted a solid return of 2.48%, lifting the 12-month gain to 25.10%. The ASX Emerging Companies Index rose 6.55% for the month, reflecting a notable recovery in the small-cap market. After a difficult 24 months, marked by high inflation and rising interest rates, sentiment is finally starting to turn more positive for small caps. The combination of stabilising economic conditions and easing monetary policy, particularly in the US, is driving renewed growth across the industry. This shift, along with stronger balance sheets and improved earnings from many of our portfolio holdings, bodes well for the immediate future, positioning the portfolio to capitalise on these positive developments.

Global markets saw a resurgence in September, driven by coordinated interest rate cuts, particularly in the U.S., and renewed policy support in China. The shift in central bank focus from fighting inflation to supporting growth has been a catalyst for the broader recovery. This change has lifted the outlook for small caps, which tend to thrive in a more favourable macroeconomic environment. With the Australian economy also stabilising, the portfolio is well-positioned to continue benefiting from these improving conditions.

During the month, the top three positive contributors to the portfolio were Ai-Media Technologies Ltd (**AIM**), PYC Therapeutics Ltd (**PYC**), and Asset Vision Co Ltd (**ASV**). The top three key detractors were Top Shelf International Holdings Ltd (**TSI**), Alcicion Group Ltd (**ALC**), and Felix Group Holdings Ltd (**FLX**).

Ai-Media Technologies Ltd (**AIM**) continues to perform strongly, driven by the announcement of two key partnerships that position the company for significant growth. AIM announced a landmark partnership with ITV, the UK's largest commercial broadcaster, to revolutionise their captioning services through AIM's AI-powered LEXI solution. Additionally, AIM expanded its existing partnership with Speechmatics, further enhancing its suite of AI-driven products. These developments underscore AIM's market-leading position in captioning technology and AI-based transcription services, with the potential for further upside as these solutions are rolled out across broader markets. The Manager remains confident in AIM's long-term growth trajectory, particularly as it targets significant revenue and EBITDA growth in the coming years.

PYC Therapeutics Ltd (**PYC**) also had a strong month, with the company announcing that its PYC-001 drug program was granted Rare Pediatric Disease designation by the FDA. This key milestone allows PYC to potentially receive a Priority Review Voucher upon approval, adding considerable value to its drug development pipeline.

PYC is now set to begin human trials for PYC-001, which targets Autosomal Dominant Optic Atrophy (ADOA), a blinding eye disease with no current treatment options. The company's

innovative approach in addressing rare genetic diseases, positions it well for future growth. The Manager remains bullish on further positive announcements in the near term.

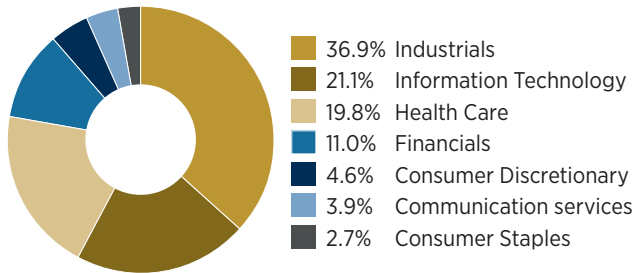
Asset Vision Co Ltd (**ASV**) had a strong performance in September, driven by strong FY24 results. The company posted impressive growth across key financial metrics, including an 11% year-on-year increase in operating revenue and a 121% improvement in operating cash flow. Asset Vision's cost reduction initiatives, combined with increased cash receipts, have resulted in improved profitability and positive operating cash flows. With a growing base of recurring licensing revenue and a robust pipeline of opportunities, the Manager believes ASV is well-positioned to continue delivering strong results moving forward.

Top Shelf International Holdings Ltd (**TSI**) experienced a continued downtrend in its share price, exacerbated by the company's request for a trading suspension in late September. TSI is currently negotiating with its senior lender and largest creditors to address short-term liquidity needs, while also exploring strategic options to strengthen its balance sheet. Despite these challenges, the Manager remains optimistic about TSI's long-term prospects, particularly in its premium spirits segment. The nationwide launch of Act of Treason Australian Agave and operational improvements, have positioned the company for future growth.

Alcicion Group Ltd (**ALC**) experienced a share price decline in September, largely due to the lack of any contract announcements that investors were anticipating. Despite this, the Manager remains confident that new contract wins are likely. Alcicion delivered a strong financial performance, particularly in the second half of FY24, with operating cashflow turning positive at \$4.3m for H2 after a challenging start to the year. The company's proactive cost reductions, removing approximately \$6.4m in annualised expenses, contributed to this improvement. The Manager views Alcicion as a core position in the portfolio and considers the recent price weakness as an opportunity, with confidence that the company's strong cash flow and operational efficiencies will drive long-term value.

Felix Group Holdings Ltd (**FLX**) faced pressure in September despite a solid FY24 reporting season. The company signed a record 17 new customer contracts, expanding beyond its core construction and engineering sectors into mining and resources. Felix's growth in annual recurring revenue of 29% year-on-year is a testament to its platform's increasing demand. However, short-term concerns around cash flow and profitability weighed on the stock. The Manager remains confident in Felix's ability to capitalise on its expanding market opportunities, particularly with the recent international customer wins and sees potential for further upside as the company continues to execute its strategy.

## Listed Portfolio Sector Weights



## Top 5 Holdings

1. Ai-Media Technologies Ltd (ASX:**AIM**)
2. Alfabs Australia Ltd (ASX:**AAL**)
3. OFX Group Ltd (ASX:**OFX**)
4. Alcidion Group Ltd (ASX:**ALC**)
5. PYC Therapeutics Ltd (ASX:**PYC**)

## Investment Team



### Gregg Taylor

Investment Director  
25+ years' experience  
Previous:  
Schroders Investment Management and  
Bombora Investment Management



### Tineyi Matanda

Investment Director – Funds Management  
17+ years' experience  
Previous: PwC



### Keegan Cuolahan

Analyst  
3+ years' experience



### Francis Crossle

Analyst  
2+ years' experience

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Authorised for release by the Board of SB2.

### Important information

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