

Investment Report & NTA Update

14 JULY 2021

Net Tangible Asset Value per share as at 30 June 2021

Pre Tax NTA	Post Tax & Pre Unrealised Gains Tax NTA	Post Tax NTA	Share Price	Number of Holdings
\$1.041	\$1.046	\$1.029	\$0.96	37

Investment Portfolio Performance

	1 Month	6 Months	1 Year	2 Years p.a.	3 Years p.a.	Inception p.a. [^]	Inception (Total Return) [^]
SB2 Investment Portfolio Performance*	3.76%	-	-	-	-	-	5.90%

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

[^] Inception date is 27th May 2021.

Key Points

- Positive start for SB2 with **5.90%** performance delivered since inception[^]
- Strategy is bottom up driven with a current weighting towards a blend of growth and cyclical exposures as opposed to lower returning defensives.
- The investment strategy was compliant with the emerging companies investment requirements of the Australian Significant Investor Visa regime for the period ending 30 June 2021.

Market Insight

The small cap market continued its rise, gaining 3% in June to cap a 33% gain for the financial year ending June-21. Small caps outperformed the broader market gain of 28% for the year.

During the month, small industrials delivered a 3.9% return compared to a negative return of 0.4% from small resource stocks. Resource stocks were impacted by weaker copper and gold prices during the month that more than offset stronger energy prices. Technology stocks staged a recovery during the month recovering some of the earlier weakness in the year as bond yields stabilised.

A few things to monitor over the next few months;

- **Australian reporting season.** Market is forecasting strong growth in earnings in FY22 of +15% with potential for upgrades on stronger commodity prices, and a speedier recovery out of COVID19;
- **Inflation.** Is the current spike temporary or structural and the ramifications for asset prices;
- **Peaking growth rates** as we cycle COVID19 induced weakness and the implications for the recovery.

Key Metrics – Summary Data

Portfolio Metrics	
Weighted Average Market Capitalisation of the Investments	\$249m
Cash Weighting	2.40%
Unlisted Investments	2.50%
Portfolio >300m mkt cap	33.30%
Portfolio 100-300m mkt cap	45.60%
Portfolio <100m mkt cap	18.70%
Shares on Issue	94,392,046

Portfolio Review

The portfolio benefitted from the strong performance of technology names held within the fund, with positions in **Praemium**, **RPMGlobal**, **Bigtincan**, and **Raiz Invest** all delivering positive contributions. Positive trading updates from a number of these names plus **Probiotec Limited** and **Swick Mining Services** also contributed positively.

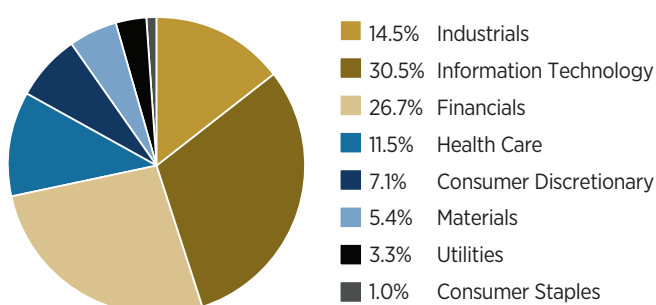
Detractors in the portfolio included **Genex Power**, **OFX Group** and **Aldicion**. However, there was little news to suggest any real drivers of these share price declines.

New names added to the portfolio include **Ardent Leisure** and **Viva Leisure** which are attractive from an economy

re-opening trade perspective as life normalises post the vaccine rollout globally. Ardent Leisure is benefitting from increased attendance at its Main Event venues in the US. Viva Leisure is currently undertaking an aggressive gym rollout strategy in Australia as it uses its efficient IT platform to offer affordable gym membership, whilst still earning industry leading margins.

Importantly, we believe the portfolio still has embedded upside in a market that is increasingly looking fair value to expensive. This illustrates the opportunities that are still available for an experienced investment team in SB2's target market.

Fund Sector Weights



Top 4 Holdings

Praemium Limited (ASX code: PPS)

Pacific Current Group Limited (ASX code: PAC)

Probiotec Limited (ASX code: PBP)

RPMGlobal Holdings Limited (ASX code: RUL)

Core Investments – Spotlight

Praemium Limited (ASX code: PPS)

PPS – Value Catalysts a Plenty

PPS is a financial technology company that provides an investment platform that allows financial planners to manage accounts, undertake portfolio administration, reporting and financial planning via their software. We have been long standing investors in PPS which is a large position in the LIC. The recent merger/takeover of Powerwrap was a strategic event in the development of the business with significant opportunity for operational synergies. The company's long standing CEO has also exited recently and the board is carrying out a review of the Australian and UK businesses. There is significant opportunity for consolidation in the sector and it is our view that a potential demerger of the UK and Australian business can create value to shareholders. Our current valuation of the combined business is \$1.22. This excludes any takeover premium that should be expected from a strategic buyer.

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Authorised for release by the Board of SB2.

Important information

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