

Investment Report & NTA Update

11 NOVEMBER 2021

Net Tangible Asset Value per share as at 31 October 2021

Pre Tax NTA	Post Tax & Pre Unrealised Gains Tax NTA	Post Tax NTA	Share Price	Number of Holdings
\$1.164	\$1.172	\$1.118	\$0.79	39

Investment Portfolio Performance*

	1 Month	6 Months	1 Year	2 Years p.a.	3 Years p.a.	Inception p.a.^	Inception (Total Return)^
SB2	2.49%	-	-	-	-	-	21.73%

* 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.

^ Inception date is 27th May 2021.

Key Points

- Valuation upside of portfolio remains compelling with significant upside to our valuation, diversified across 39 stocks.
- Strategy remains focused on a bottom-up driven blend of growth and cyclical exposures with upside and away from lower returning defensives. During the month we have tactically increased exposure to value, and continued reducing technology exposure due to valuation.
- The investment strategy was compliant with the emerging companies investment requirements of the Australian Significant Investor Visa regime for the period ending 31 October 2021.

Market Insight

The portfolio generated a positive return in October driven by continued corporate activity and the continued momentum of names held from reporting season. The fund was up 2.49%.

The Small Ordinaries Accumulation Index generated a positive 0.92% return during October versus the broader market falling 0.10%.

During the month small industrials fell 0.60%, whilst resources rebounded 6.50% on the back of stronger energy prices and a recovery in base and precious metal prices.

Increased concerns over rising inflation as supply chain disruptions and labor shortages raise fears that these cost pressures are not transitory continues to cause angst in markets. We are starting to see these concerns being voiced by corporates, especially consumer facing companies as AGM season has gotten underway. Disappointing updates from a number of industrial names saw the sector underperform resources during the month.

What are we looking at?

- The main uncertainty over the next 12 months remains COVID-19 disruptions which are weighing in the near term. The impact of lockdowns and COVID-19 disruptions are also affecting supply chains with higher costs both in terms of product as well as freight costs, which have almost quadrupled over the last 12 months.
- The spectre of inflation and rising inflationary expectations is gaining more prominence in investors' minds. As already highlighted, whether these cost pressures prove to be transitory or more symptomatic of rising inflation will have implications for monetary policy globally. Central Bank commentary regarding inflation will be crucial over the next month with a number of central bank meetings including the RBA and The US Federal Reserve.
- The combination of these factors has seen a significant percentage of corporates not issue any guidance, which makes the current AGM season (October to December) defining in terms of evaluating the impact of these new lockdowns and supply chain disruptions.

Key Metrics – Summary Data

Portfolio Metrics	
Weighted Average Market Capitalisation of the Investments	\$300m
Cash Weighting	0.9%
Portfolio >300m mkt cap	41.6%
Portfolio 100-300m mkt cap	38.7%
Portfolio <100m mkt cap	14.3%
Unlisted Investments	4.5%
Shares on Issue	94,392,046

Portfolio Review

The portfolio broadly benefitted from a thematic of corporate activity during the month.

Swick Mining Services received an all scrip merger proposal from listed peer DDH Drilling for its drilling business. The OreExplore assaying technology business will be spun off to share holders as a separately listed entity. We believe that further bidders are possible given the recent consolidation within the industry and would not be surprised to see a higher price paid.

Ansarada a provider of data room and corporate governance software has been a beneficiary of the mergers and acquisitions boom currently underway, with quarterly revenues +44%.

Bailador Investments which specialize in unlisted equity investments was also stronger as one of its key investments SiteMinder completed its IPO process valuing the stake at a 21% premium to its book value.

With the Australian 10 year bond yield rising from 1.5% to 1.85% during October this has impacted interest rate sensitive stocks. Genex Energy fell during the month despite providing a positive update regarding the opportunities available in battery storage as a stabilising force in the National Electricity Market. Tech names held in the portfolio were also not immune from the sell off, with **BigTinCan**,

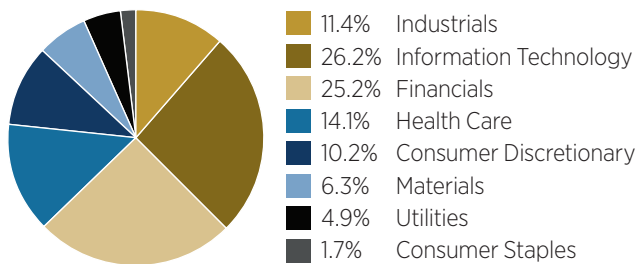
Nuheara and **Oventus** all weaker during the month. Ardent Leisure also gave back some of the gains of the previous few months.

Our investment process continues to identify selective opportunities in established Australian small and microcap businesses and our experienced investment team is committed to maximise investment returns on these opportunities.

We added **Vita Group** to the portfolio given the value on offer post the disappointment over the sale price achieved for its Telstra Store network. Based on our estimates post the special dividends and franking credits received, the market is valuing its Artisan Beauty business on an enterprise value of \$30m which is 1x sales. Its listed peer Silk Laser Australia is trading on 4x sales. The Artisan business is experiencing strong growth post the lifting of COVID restrictions in NSW and Victoria. We also rate the management team very highly given the extensive retail experience of founder and CEO Maxine Horne.

Lastly, during the month we added to the unlisted securities portfolio, by acquiring shares in MediSecure Limited, an unlisted Public Company. MediSecure is a national medical technology company, co-owner and operator of Electronic Transfer of Prescription (ETP) and Prescription Monitoring (RTPM) platforms. The company also has 10% of the Pharmacy Dispense and POS software domestic market.

Fund Sector Weights



Top Holdings

Pacific Current Group Limited (ASX code: PAC)

Praemium Limited (ASX code: PPS)

Probiotec Limited (ASX code: PBP)

OzForex (ASX Code: OFX)

Core Investments – Spotlight

OzForex (ASX code: OFX) | **OzForex – Payments Disruptor for the Value Investor**

OFX is a top 10 holding within the fund. The company provides a foreign exchange transfer and management service to both personal and corporate users. The space is very competitive, but we view their offering as adding significant value to users. The corporate offering is now well developed and gaining traction in key markets. Expansion into the US has gathered pace and is a key growth opportunity. Recent listings of competitors in offshore markets at significant premiums to OFX further validates our view that the business is being undervalued. A key catalyst for a re-rating would be the half yearly update in November which should provide more insight to the growth in corporate customers who are significantly more valuable than personal. Our valuation for the business is \$2.04, which does not factor in any corporate synergies and potential scale benefits to an acquirer.

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Authorised for release by the Board of SB2.

Important information

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