

# Investment Report & NTA Update

11 MARCH 2022

## Net Tangible Asset Value per share as at 28 February 2022

| Pre Tax NTA | Post Tax & Pre Unrealised Gains Tax NTA | Post Tax NTA | Share Price | Number of Holdings |
|-------------|---|--------------|-------------|--------------------|
| \$1.023     | \$1.029                                 | \$1.023      | \$0.755     | 36                 |

## Investment Portfolio Performance\*

|            | 1 Month | 6 Months | 1 Year | 2 Years p.a. | 3 Years p.a. | Inception p.a. <sup>^</sup> | Inception (Total Return) <sup>^</sup> |
|------------|---------|----------|--------|--------------|--------------|-----------------------------|---------------------------------------|
| <b>SB2</b> | -5.07%  | -7.91%   | -      | -            | -            | -                           | 7.50%                                 |

\* 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 27th May 2021.

## Key Points

- Valuation upside of portfolio remains compelling with significant upside to our valuation, diversified across 36 stocks.
- Strategy remains focused on a bottom-up driven blend of growth and cyclical exposures with upside and away from 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 28 February 2022.

## Market Insight

The portfolio generated a negative return in February 2022 of -5.07%.

The Small Ordinaries Accumulation Index was flat during February 2022 versus the broader market which increased 0.76%.

Volatility continued throughout February, however inflation took a back seat to geopolitical concerns with the invasion of Ukraine by Russia during the month.

Markets generally dislike uncertainty and have understandably therefore taken a risk-off stance throughout reporting season. Broadly, smaller companies whose results have missed prevailing consensus have been punished, particularly if they were high growth businesses. Even those delivering consensus results have, in the main, struggled to find share price support.

## What are we looking at?

- Geopolitical concerns will weigh heavily on markets for the foreseeable future as uncertainty will continue to impact risk premia.
- Valuation metrics, particularly for high growth companies, are continuing to be revised downward with the addition of geopolitical risk.
- Any change to the assumed pace of monetary policy tightening will further drive markets, with the added navigation difficulty for central Banks as any perceived dovish response to cater for geopolitical issues will probably be viewed negatively given the current inflationary backdrop.

## Key Metrics – Summary Data

| Portfolio Metrics   |            |
|---|------------|
| Weighted Average Market Capitalisation of the Investments | \$272m     |
| Cash Weighting  | 1.7%       |
| Portfolio >300m mkt cap                                   | 43.8%      |
| Portfolio 100-300m mkt cap                                | 37.3%      |
| Portfolio <100m mkt cap                                   | 11.9%      |
| Unlisted Investments                                      | 5.3%       |
| Shares on Issue   | 94,392,046 |

## Portfolio Review

February proved a challenging month for the company as several holdings reported disappointing results, namely PPS, VEE and ALC whilst others raised equity at discounted prices such as GNX and NXS.

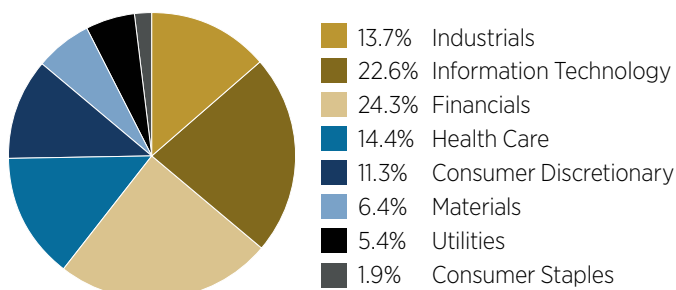
The largest drags on portfolio performance were Praemium (PPS), given their earnings report and the removal of a corporate activity premium, Genex Power (GNX), which traded down post their capital raise, Alcidion (ALC), who hosed down expectations for near term sales from its new acquisition and Veem (VEE), whose earnings report highlighted concern with the pace of gyro-stabilizer sales – their growth engine.

In addition, our high growth names remained under pressure with negative attribution from RPMGlobal Holdings (RUL), Bigtincan (BTH) and Raiz (RZI).

On a positive note Pacific Current (PAC) reported solid earnings and should cycle c 20% earnings growth for FY22/23, implying the stock is trading on a forward P/E multiple of c 10.5x. Should the next 12 months prove challenging for investment markets, we expect the robust nature of PAC's business model will become more appreciated by investors.

Ardent Leisure Group (ALG) also provided positive attribution as well as Ansarada (AND) and EVZ Limited (EVZ).

## Fund Sector Weights



## Top Holdings

Pacific Current Group Limited (ASX code: PAC)

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Genex Power Limited (ASX code: GNX)

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Probiotec Limited (ASX code: PBP)

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OzForex Group Limited (ASX Code: OFX)

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## Contact

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Authorised for release by the Board of SB2.

### Important information

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