

Investment Report & NTA Update

13 JULY 2022

Net Tangible Asset Value per share as at 30 June 2022

Pre Tax NTA	Post Tax & Pre Unrealised Gains Tax NTA	Post Tax NTA	Share Price	Number of Holdings
\$0.900	\$0.901	\$0.943	\$0.70	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	-4.96%	-20.35%	-	-	-	-	-4.28%

* 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 27 May 2021.

Key Points

- The portfolio is diversified across 37 stocks and maintains significant upside compared to our valuation.
- Strategy remains focused on a bottom-up driven blend of growth at a reasonable price; with a particular focus on companies with intellectual property (IP) and strong management.
- The investment strategy was compliant with the emerging companies investment requirements of the Australian Significant Investor Visa regime for the period ending 30 June 2022.

Market Insight

The portfolio generated a negative return in June 2022 of -4.96%.

While any negative return is disappointing the portfolio did outperform its most relevant benchmark by -8% during the month. The Small Ordinaries Accumulation Index generated a -13.09% return versus the broader market return of -9.51%.

The Australian small caps market continues to be affected by significant volatility as a result of domestic and international factors. During the month of June 2022, the Small Ordinaries Accumulation Index had fallen by -25% from its recent highs in the December quarter of 2021.

In June, the RBA announced an increase in the cash rate by another 50 basis points to 0.85%. However, the RBA noted a

resilient economy despite global and domestic headwinds such as COVID-related supply chain disruptions, the ongoing war in Ukraine, a tight domestic labour market and floods earlier this year. Households and businesses continue to have strong balance sheets, there is an increase in business investment and a large pipeline of construction work continues.

The current market volatility is presenting a unique opportunity to reposition the portfolio into quality companies at very attractive valuations. While we remain cautious in our approach to the deployment of capital, we are strongly of the view from current levels the portfolio is positioned for strong returns through the cycle.

Key Metrics – Summary Data

Portfolio Metrics	
Weighted Average Market Capitalisation of the Investments	\$206m
Cash Weighting	7.3%
Portfolio >300m mkt cap	25.9%
Portfolio 100-300m mkt cap	44.5%
Portfolio <100m mkt cap	16.1%
Unlisted Investments	6.2%
Shares on Issue	94,392,046

Portfolio Review

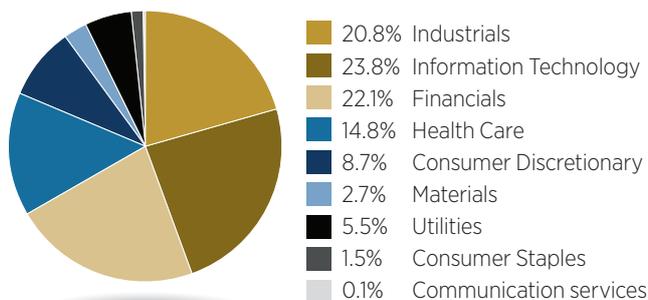
The Manager continued to rebalance the Fund to take advantage of opportunities to invest in businesses with high-quality balance sheets and proprietary IP with strong competitive moats at compelling valuations. Companies in which the portfolio increased its exposure included Ansarada Group (**AND**), Bigtincan Holdings (**BTH**), Catapult Group (**CAT**), Ai-Media Technologies (**AIM**) and Acrow Formwork (**ACF**).

In June, the Manager participated in BikeExchange (**BEX**)'s institutional equity raise. The company raised a total of ~\$7m through institutional and existing investors to support working capital and fund additional growth initiatives. BEX has indicated a positive trend for 4Q22 with the e-Commerce business, especially in the EU. The business has noted it is targeting a revenue CAGR of >80% over the next 3 years in order to achieve profitability in FY25.

In June, another SB2 portfolio company, PayGroup (**PYG**) announced it entered into a Scheme implementation Agreement with a Deel Inc and Deel Australia Holdings (together, "Deel"), under which Deel will acquire 100% of PYG's shares for a cash consideration of \$1.00 per share. The cash offer represented a c.172% premium to PYG's 1-month VWAP (pre-announcement) of \$0.367. Deel is a leading global compliance and payroll solution with presence in 150 countries servicing more than 8,000 customers. After the takeover announcement, the Manager fully exited out of the position close to the buyout consideration, a healthy realised gain for the aggregate portfolio in June.

On the last day of the month, Ardent Leisure Group (**ALG**) also completed the previously announced sale of its American business, Main Event Entertainment, to Dave and Busters (NASDAQ:PLAY). The company confirmed it would return \$455.7m (\$0.95 per share) to shareholders from the net proceeds, which would comprise a 'return of capital' component of A\$221.0m (\$0.46 per share) and an 'unfranked dividend' component of A\$234.7m (\$0.49 per share).

Portfolio Sector Weights



Top Holdings

Pacific Current Group Limited (ASX code: PAC)

OzForex Group Limited (ASX Code: OFX)

Probiotec Limited (ASX code: PBP)

RPMGlobal Holdings Limited (ASX code: RUL)

Core Investments – Spotlight

Ai-Media Technologies Limited (ASX code: **AIM**)

AIM is a global leader in the provisioning of high-quality live and recorded captioning, transcription and translation services. Its technology platform combines artificial intelligence with human expertise to deliver speech-to-text services.

In 3Q22, AIM reported revenue of \$14.6m (+28% YoY) with gross margins of >50% (vs 38% previous corresponding period (pcp)). The business reported positive cashflow from operating activities of \$0.1m (vs -\$1.6m pcp) and had total ending cash balance of \$14.3m. Full year revenue guidance of \$60-62m and positive EBITDA was also reaffirmed by the business.

The Manager is attracted to the quality of the AIM business and has built a position in the business in the month of June 2022. The growth opportunity remains significant and is supported by a strong balance sheet and a strong management team.

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Authorised for release by the Board of SB2.

Important information

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