August Update

Dear Fellow Investors,

Thank you once again for your choosing to invest alongside us. Many of you continued to add to your investment during the month for which we are grateful for the trust that you have placed in us.

The majority of our initial capital is now deployed. We ended the month of August with a **net cash position of 40%** and intend to continue steadily deploying our cash to arrive at a more typical cash position of 5-30% within the next couple of months. Although phase one may be nearing completion it is very much still Day 1 in the life of Maven Funds Management. We feel that we have only just scratched the surface of what we are capable of and look forward to continuously improving our investment process. Step-by-step, ferociously.

In today's update we're going to talk about the changes that Covid-19 has brought to society and how we are positioning the portfolio in response. In our next update we will also release the first of our more detailed research reports as we are now approaching full positions in our top holdings.

First though we will provide a quick update on the month of August - the fund's first earnings season. It was another busy month, but the kind of busy that we love. We took part in over 50 company meetings, analyst calls, and company presentations. Being able to virtually meet with dozens of companies each week without wasting any time on uber trips (or flights!) is a significant productivity boost. Now that everybody is comfortable with video meetings, we look forward to using this medium to meet with the leadership of many more potential investment ideas than would otherwise be possible. We expect this shift to video to continue long after COVID19 is over.

This earnings season saw a period of strong fundamental growth for our portfolio businesses. We calculate that for our holdings that released results, the average revenue growth over the past twelve months was a robust 36%. What's more, during the most recent six months, that average growth rate accelerated further to 46%. As you might suspect this reflects that many of our portfolio companies have been beneficiaries of the huge changes that COVID19 has brought. We'll dig into those changes, and how we are thinking about life post-COVID19, in a moment.

During the month of August the Fund returned 6.09% net of all fees. The Benchmark increased 7.2% over the same period. We ended the month with 18 individual positions in total and with a net cash position of 40%. As noted above this cash position reflects our plan for steady deployment, and we expect to arrive at our more typical cash position of 5-30% within the next couple of months. In the meantime, we are vigilantly searching for outstanding companies that meet our strict criteria for establishing a long-term part-ownership stake.

Maven Smaller Companies Fund (as at 31 August 2020)

Performance	June	July	August	Since inception
Maven SCF	2.1%	7.62%	6.09%	16.57%
Benchmark	-2.37%	1.39%	7.24%	6.16%

As we noted earlier, now that we are approaching full positions in some of our high conviction investments we look forward to sharing more of our detailed research in our next update. Stay tuned.

Today we want to dig into what we are seeing in company fundamentals and how we are positioning our portfolio to benefit.

The Great Inflection Point

We are living through one of the greatest inflection points in human history. Covid didn't create the inflection point - but it has significantly *accelerated* it.

First, let's be clear on what we mean by an inflection point. Investopedia defines an inflection point as:

An inflection point is an event that results in a significant change in the progress of a company, industry, sector, economy or geopolitical situation and can be considered a turning point after which a dramatic change, with either positive or negative results, is expected to result.

To be clear, we are interested in changes in the underlying cash flows of the businesses we invest in, not 'charting' share price changes. We are interested in *fundamental* inflection points: periods of time when the underlying cash flow performance of our businesses improve significantly.

There are several types of fundamental inflection points that we look out for:

- Turnarounds (with a major catalyst sparking the revival)
- A new fast growing product/segment, ideally whose early growth has been hidden by a larger flat or declining segment
- A major demand side break-through such as a new distribution agreement
- Growth company tipping in to profitability (with strong operating leverage)
- **Hyper-growth company that has just 'crossed the chasm'**
- Corporate spin-offs

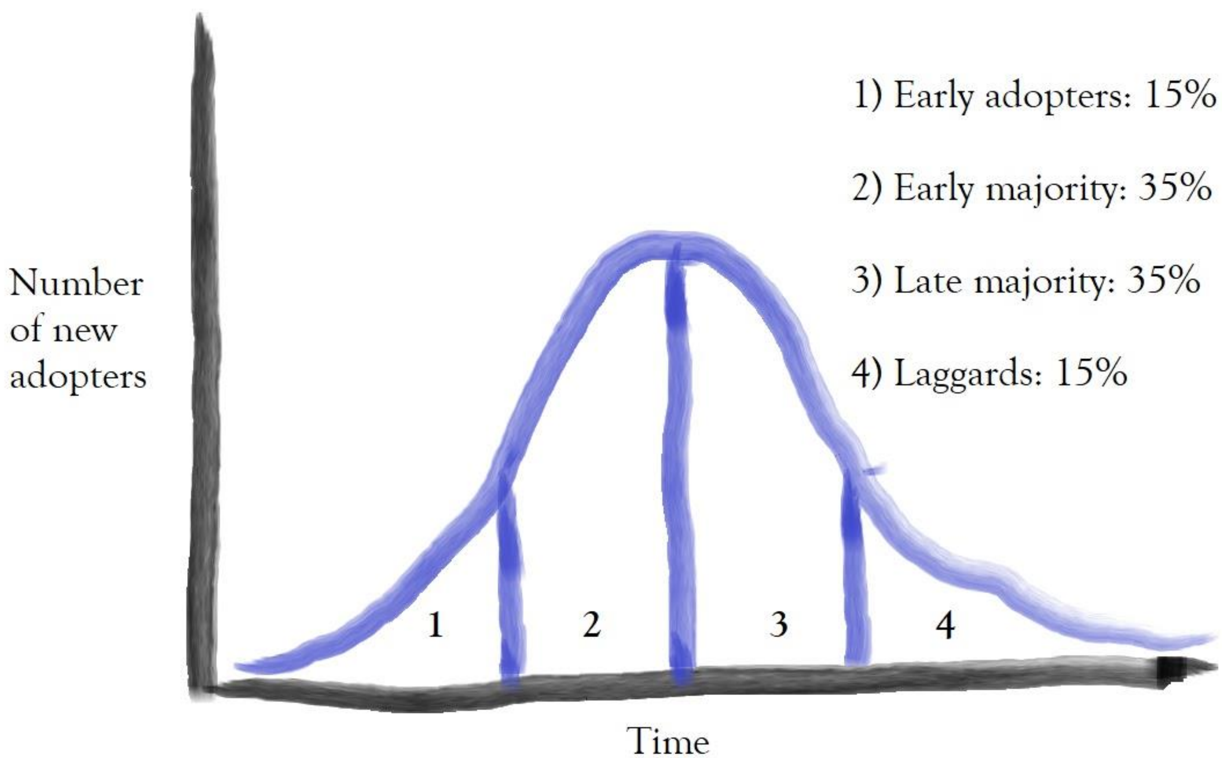
We believe that COVID19 has launched many businesses through what we call the hyper-growth inflection point.

The Hyper-Growth Inflection Point

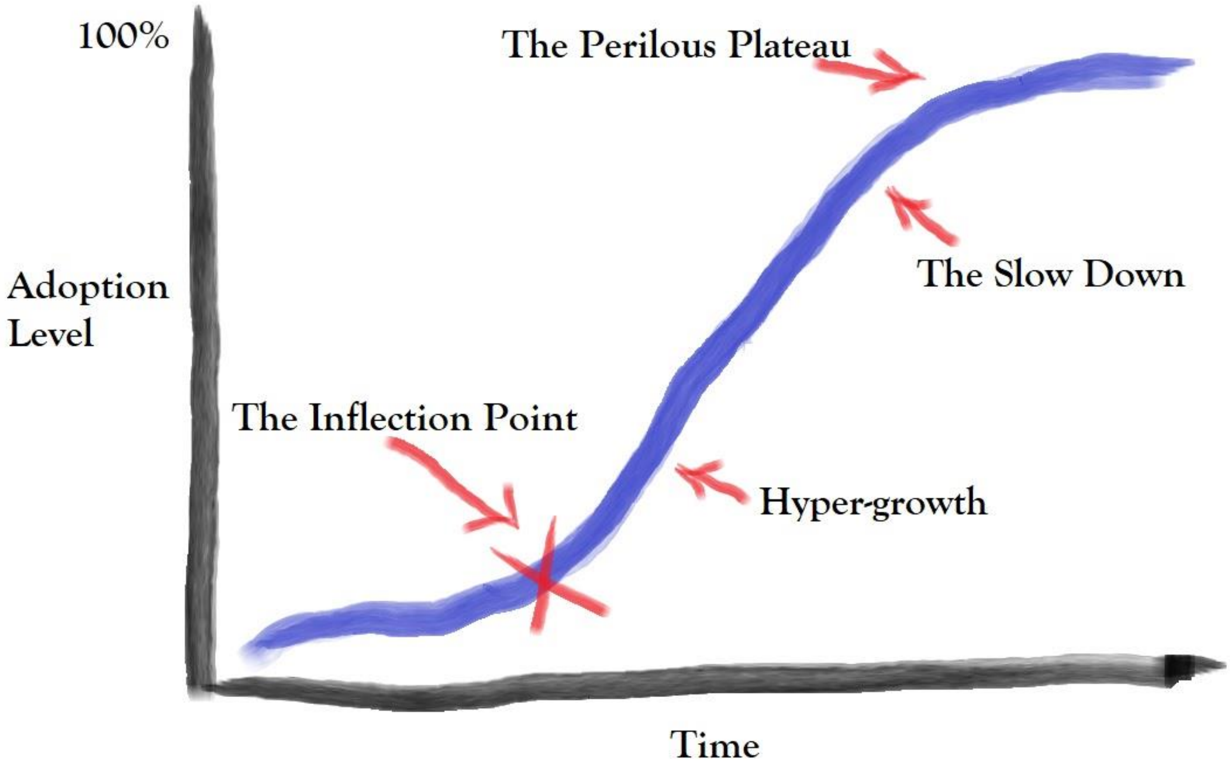
When a new product is released it doesn't get used by everybody right away. Let's cast our minds back to the early 2000s when smartphones took over the world.

It started with your early-adopter (aka tech geek) friend that always seemed to own the latest gadget. He had been claiming for years that he was holding the future in his hands but whether it was the Palm Pilot or the Blackberry, that future never seemed to arrive. Then in 2007 the iPhone happened. A slick presentation in a black turtleneck along with incredible ease of use resulted in an intuitive device. The whole world took notice. It was no longer just tech geeks, the majority of people started upgrading to a smartphone. The adoption seemed slow at first and then it seemed to happen all at once as you bought one and so did everyone else you knew. Some people that we will call the 'late majority' waited until the second or third generation before taking the plunge, but then they jumped in with both feet. Finally, there were (and still are) the laggards. With any new technology there are those that drag their heels, but today over 84% of Australians have a smartphone.

That pattern: Early adopters > Early majority > Late majority > Laggards, describes the adoption of every successful new product, service, or idea. It is best visualised as the adoption lifecycle.



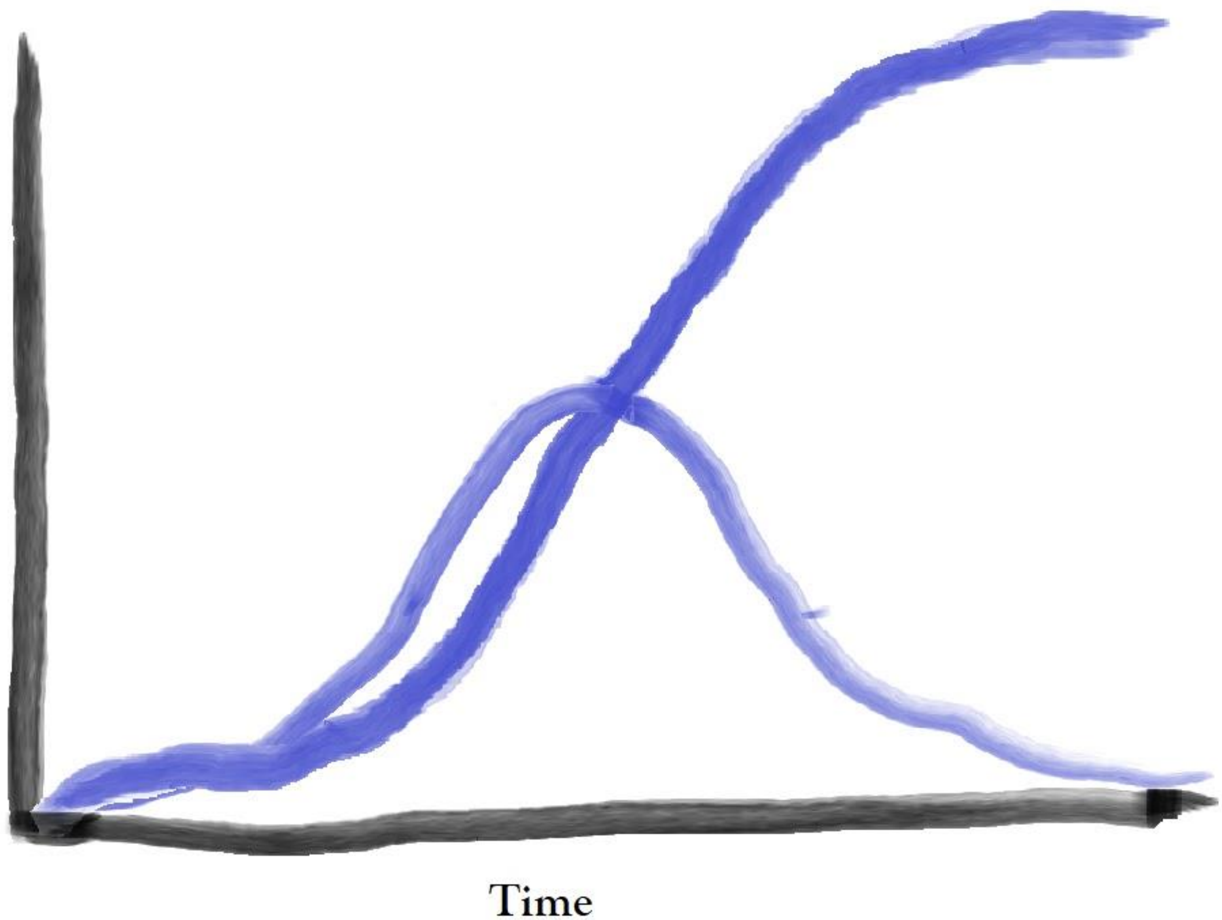
The adoption lifecycle starts with a small group of early adopters that spot a trend early. These thought leaders typically make up around 15% of the total population. It then spreads to a much larger group, the mainstream of society, and then it tails off when pretty much everybody who could possibly want to adopt the product already has. This pattern of adoption can also be seen by summing up the total number of people that have adopted the new technology at a given point of time. It is a chart that we think about a lot at Maven Funds, the S-curve of growth:



The spread of virtually every new idea, product, or service follows this pattern. It is also mirrored in biological systems. There is a slow start, then explosive growth as the business enters a phase of Hyper-Growth. At some point the growth starts to hit a limiting factor. That could be a supply or distribution constraint, or it could simply be due to running out of new customers to buy the product because everybody already has one. This limiting factor causes the Slow Down and eventually the company reaches what we call the Perilous Plateau as a 'mature business'. The business then needs to either reinvent itself, find a new source of growth, or just gracefully manage its decline.

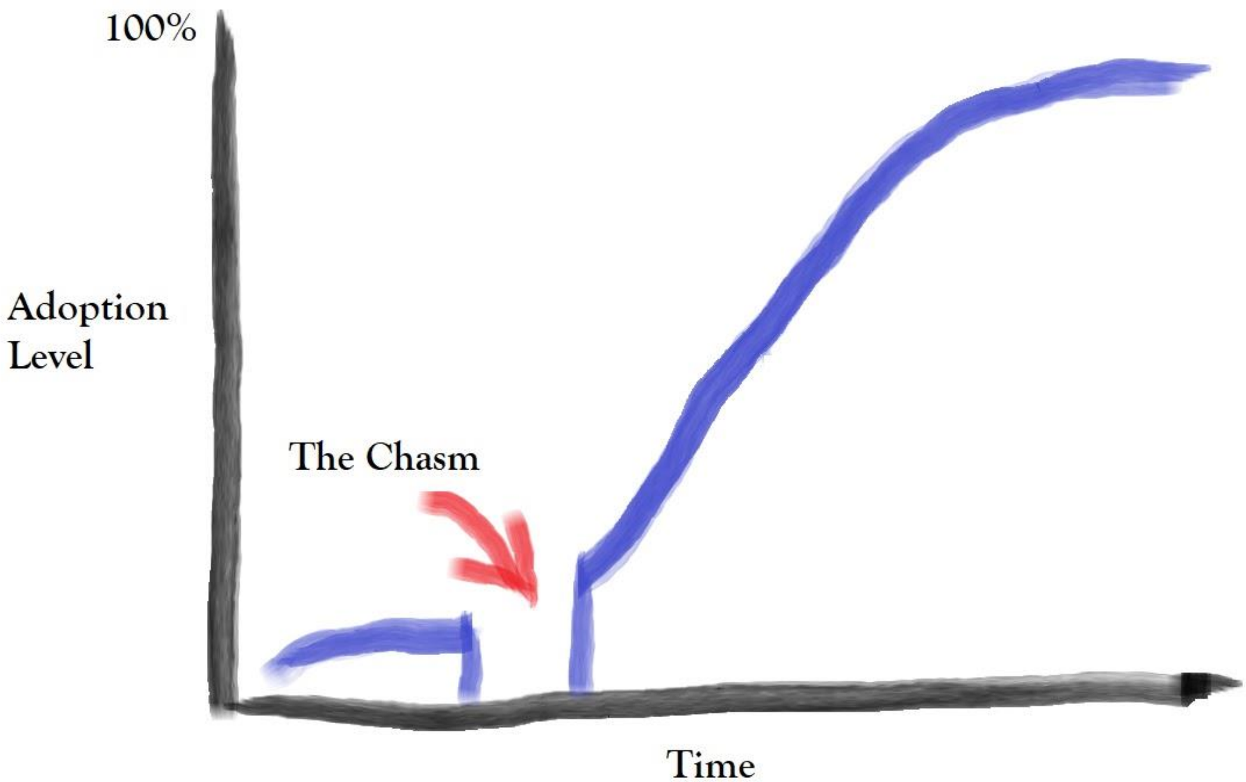
We think about this process a lot at Maven Funds. When we say we want to identify high growth businesses early and hold on for the duration of the high-growth period, this is the growth curve that we have in mind. We seek to identify smaller companies that are just tipping past this fundamental inflection point, then we want to develop the conviction to hold on throughout the Hyper-Growth explosion, before finally selling if and when the growth has begun to plateau.

To make the connection crystal clear, if we overlaid the adoption lifecycle and the S-curve of growth it would look like this:



There is one further wrinkle though that makes it a challenge. If every new product followed this path then investing would be super easy. You could just buy whatever is new and wait for the novelty oversized cheques to be sent in your direction. But as history has proven, not every product makes it. In fact, the vast majority do not.

Between the early adopters and the early majority there is a chasm that must be crossed. It takes a magical mix of design, marketing, technology, timing, and just plain old good luck, for a product to make the transition from the passionate early adopters into the mainstream of society.



Think back to 2012 when Google Glass was supposed to be the next big thing. This revolutionary technology was going to replace smartphones by overlaying digital information over our world. Who needs to follow directions on a map when you can magically see the path on the street in front of you? Who needs to use their hands to take a photo when they could be using their hands to...play a ukulele? That part felt a bit forced, but to immerse yourself in the hype once again check out this promotional video from 2012:
https://www.youtube.com/watch?v=5R1snVxGNVs

Yet despite one of the world's biggest technology companies pushing it, Google Glass never made the transition to the mainstream. It never crossed the chasm. There were various reasons: design, marketing, functionality, internal politics, bad timing, etc. Google Glass never broke through and got widespread adoption in society. It never made it to the promised land of mass adoption. Instead it got stalled out with early adopters like this guy:

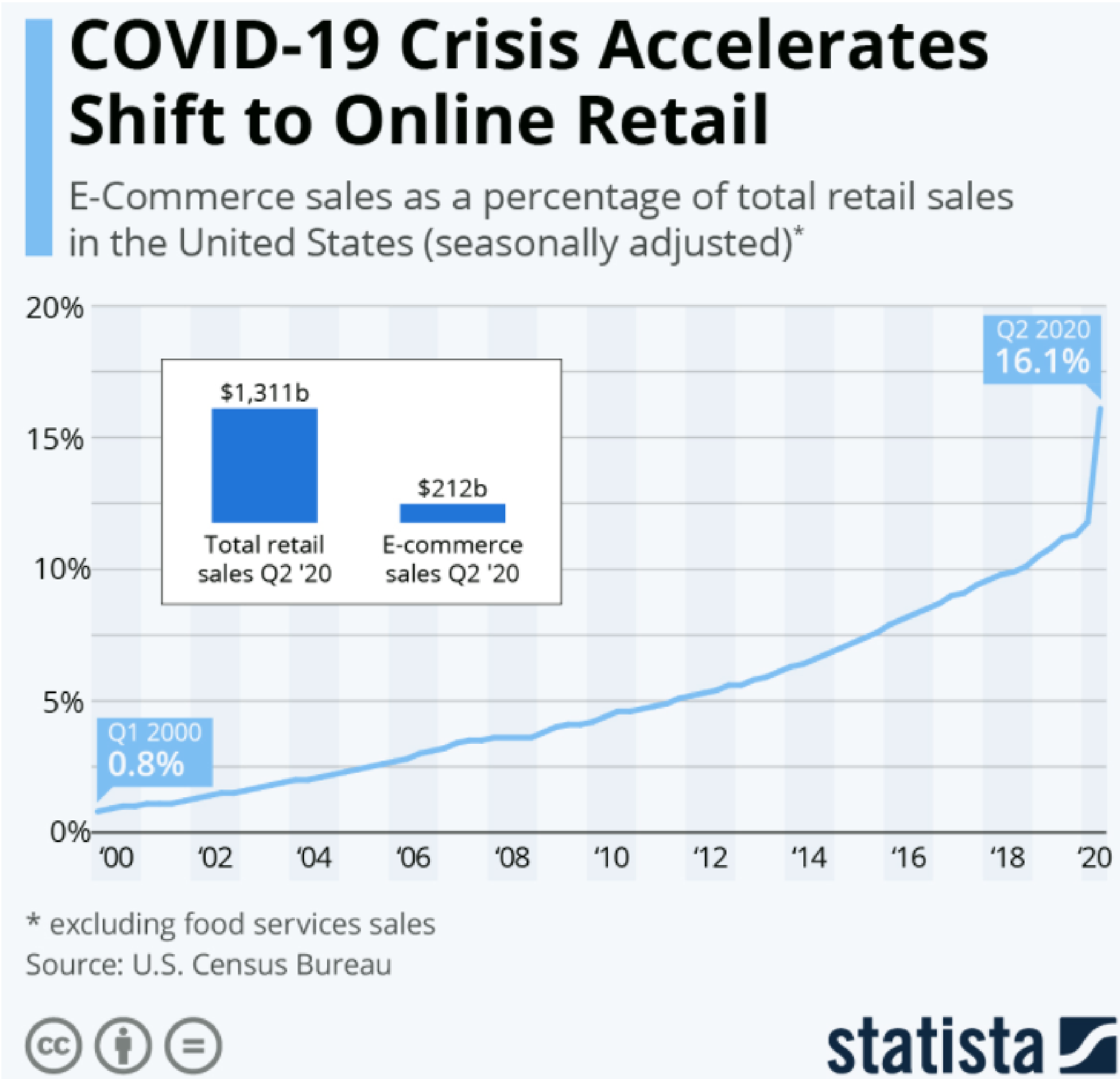
That doesn’t mean that augmented reality glasses are gone forever, Apple is strongly rumored to be releasing its own - probably much cooler - version within the next year.

But Google’s bungling of Google Glass likely set back the adoption of augmented reality glasses by many years. It is only now, eight years later - a lifetime in the tech world - that another company is preparing for a shot at crossing the chasm after such a well-known failure.

COVID19 Collapses the Chasm

Which brings us back to the present day. In March most of the planet went into lockdown to control the virus. Suddenly everybody in the developed world that had been lagging on digital adoption didn’t have much other choice. Except for essential workers, we were all stuck at home, doing our shopping online, working remotely, learning remotely, and for those with school age children, learning a newfound appreciation for schoolteachers. In just a few weeks the people that had been avoiding digital technology were forced blinking into the light.

To give one example, e-commerce penetration of total retail sales in the United States has increased by as much in the past few months as it had in the prior *five years*. And it appears that habits have shifted. Based on the latest data from Visa and Mastercard, that boost in online spending has generally continued to hold up, despite lockdown coming to an end in most areas.



COVID19 has driven two major changes. First it accelerated adoption of digital technologies that had already entered the early mainstream of adoption. This includes e-commerce, video calls, working from home etc. The disruption of COVID19 moved these technologies further up the S-curve of growth. We expect that when life settles back into a 'new normal' many of these habits will stick, bringing forward several years of high growth.

Secondly, the enforced technology adoption has temporarily collapsed the gap between early adopters and the early majority so much that some new products will have crossed the chasm that, like augmented reality glasses, may have otherwise been lost to the sands of time for a decade or more.

Stronger growth for existing winners, and new products that have leapt across the chasm that might have otherwise been delayed for years. Exciting times!

Our move

Where we are seeing the most opportunity right now is when we can find a potent combination of these three inflection points:

- A major demand side break-through such as a new distribution agreement
- High growth company that has has just ‘crossed the chasm’
- Growth company tipping in to profitability (with strong operating leverage)

This takes a lot of searching but is a beautiful combination when we can tick all three boxes. It goes like this: COVID19 has the effect of being a major demand-side break-through that accelerates adoption. Tick. Those new customers tip the business past the hyper-growth inflection point and into the early majority. Tick. The surge in cash flows also launches the business past break-even and into profitability, allowing it to demonstrate the strong operating leverage that is inherent in the model. Tick, tick, tick.

We are constantly searching out businesses that are exhibiting these unique characteristics, and then finding ways to closely monitor their progress to determine which changes are temporary and which are likely to stick around. If we can find just a few businesses that have crossed the chasm into mainstream adoption we think we will be very well positioned for the new world that lies on the other side of COVID19.

What’s next?

This is one of our favourite times of the year. The whirlwind of earnings season has rolled through and we get to dig into hundreds of new fundamental updates on the businesses that we are monitoring. We enjoy the hunt for our next Monster and are looking forward to continuing putting our collective capital to work.

As mentioned, we also look forward to sharing our first deep dive on a business that we own in our next update.

In the meantime, thank you all once again for choosing to invest your capital alongside ours and joining us on this long-term investing journey.

Best,
Matt Joass, CFA

Fund Information

As at	31 August 2020

Buy Price	1.1687
Redemption price	1.1628
Mid price	1.1657
Portfolio value	71,054,809
Positions held	18
Cash weighting	40%