DMX Australian Shares Fund
August 2024 – Investor Update

A wholesale unit trust managed by:
DMX Asset Management Limited
AFSL 459 120
13/111 Elizabeth Street, Sydney, NSW 2000
Trustee & Administrator:
Fundhost Limited AFSL 233 045

Unit price (mid) based on NAV (31 July 2024)	**$1.1259**
Unit price (mid) based on NAV (31 August 2024)	**$1.127**
Number of Stocks	44
% cash held - month end	6%
Fund size (gross assets)	$13m

1-month return	0.1%
3-month return#	6.2%
12-month return#	16.1%
3-year return, p.a.#	4.3%
Since inception (1 March 2021, p.a.) #	7.5%
Since inception (cumulative) #	29.0%

 # Returns assume reinvestment of distributions.

Dear Investor,

DMXASF's NAV was virtually unchanged in July, up 0.1%, and slightly under the ASX 200 Total Return Index which rose 0.5%. The smaller companies indexes were mixed, with the ASX Emerging Companies index up 1.9% while the Small Ordinaries was down 2.0%.

Commentary

As is often the case, the flat month masked some pretty substantial volatility across individual names in the portfolio. Large holding, **Medadvisor**, fell 12%, and has continued to fall into September reversing some of its recent gains. Modest declines in some of our smaller technology names including **Knosys**, **Pharmx**, and **RMA Global** – each of which fell 16-19% – weighed. A 25% decline to our small position in **EML Payments** was a drag, as was the 43% collapse to **Academies Australia** as that company deals with company-specific issues, accentuated by the government's planned cap on international student numbers.

These decliners were offset by meaningful fundamental developments, and share price appreciation, across a number of others in our portfolio. Our largest holding, **Findi**, recovered 9% as it secured a strategic deal with CBI India for Findipay services in co-branded branches. **Kip McGrath** rose 32% as it reported strong second half results. Sentiment around this company is seemingly turning. The company has a number of levers to further improve, and we're pleased things are moving in the right direction fundamentally with this long-held investment. The recently initiated **Prime Financial** (discussed in detail last month) returned 15% for the month (on our purchase price via its cap raise, net of sub-underwriter's fee we earned for the Fund). **Sequoia** recovered 9% on the back of its reassuring full year result, and ahead of paying a ~11% dividend (including special). And other decently-sized positions including **Fiducian Group** and **Pureprofile** contributed, rising 10% and 13%, again, on the back of positive full year results and strong outlooks for the year ahead.

The DMX Capital Partners monthly report includes brief updates on most of its largest holdings, almost all of which are owned by DMXASF, and most with similar conviction. An important update on the Federal Government's proposed international student number cap is included. This impacts both Academies Australia, noted above, as well as **EDU Holdings**, also held across both DMX Funds. We encourage you to read that update alongside this DMXASF report.

In terms of DMXASF-specific holdings, results overall were generally positive. Examples include:

- **Fiducian Group** reported strong revenue and earnings growth, with a positive outlook for the period ahead. This serial acquirer has had a quieter patch in terms of tucking-in and integrating new financial planners, but this has supported a focus on reducing costs. Improved margins together with modest top-line growth saw underlying NPAT increase 17%. Absent the need to retain earnings for growth, a healthy dividend increase was announced. While its shares have performed well since we invested around a year ago (up ~40%), the company remains attractively priced around 13 times earnings. We believe Fiducian is an under-appreciated quality company, with a strategically integrated financial services business. It's highly cash generative with limited capital required to support organic growth. Fiducian is a top-5 holding for DMXASF.

- **Frontier Digital Ventures** reported mixed results. Frontier has been a disappointing investment for us, with some interesting digital & marketplace assets in supposedly-fast-growing developing markets. But overall, it's failed to meet the perhaps too lofty expectations of both the market, and us. The shares reflect this though, and despite its troubles, there are bright spots within its portfolio, and the company is more or less break even. With a recovery in the Pakistan economy and/or continued execution in LATAM, value can still emerge from this now-small holding for us.
- **General Capital** (NZ) declined 9% despite a strong Q1 (June 2024) results. The company has made solid progress in further building its operating infrastructure, and its balance sheet remains very strong with the capacity to support another leg of growth. At around 10 times earnings, little more than net asset value (including some surplus capital which can support somewhat higher earnings as its loan book expands), and the prospect of a maiden dividend in the next few months, we see good value here.

<u>Summary</u>

While the month was flat in terms of the bottom-line, and we did suffer some material declines across a number of names, fundamentals on the whole were positive with most companies reporting strongly, and commentary around the period ahead similarly encouraging. With some net investor inflow into the Fund, and the receipt now of proceeds from the takeover of Ansarada, we're carefully rationing our cash and seeking to deploy into topping up the most prospective of our existing holdings, and potentially initiating one or two new ones.

As we move further into the 2025 financial year, with full-year reporting now essentially behind us, our focus in the short-term is on further engagement with a number of our holdings and prospective investments, and preparing for AGM season in the next couple months. All this, of course, in the context of seeking to identify and invest in a range of quality, smaller, growing businesses that remain attractively priced and hold the potential for meaningful growth and eventual re-rate as others cotton-on.

Thanks very much for your trust and support.

Steven, Michael, Chris & Roger
DMX Asset Management