



DMX Australian Shares Fund

June 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 May 2024)	\$1.0869
Unit price (mid) based on NAV (30 June 2024)	\$1.1417
Number of Stocks	43
% cash held - month end	2%
Fund size (gross assets)	\$12m

1-month return	5.0%
3-month return [#]	5.8%
12-month return [#]	25.1%
3-year return, p.a. [#]	6.2%
Since inception (1 March 2021, p.a.) [#]	7.6%
Since inception (cumulative) [#]	27.7%

[#] Returns assume reinvestment of distributions.

Dear Investor,

DMXASF's NAV performance was strong in June, up 5.0% in a flattish broad market with the ASX 200 Total Return Index up 1.0%. Smaller companies were generally weaker, with the Small Ordinaries down 1.6% and the ASX Emerging Companies Index, which declined 4.6% for the month. Having been strong in recent months in a broad-based recovery for many very over-sold smaller companies, tax loss selling perhaps put pressure on this end of the market. We weren't immune, with many of our holdings falling under heavy selling pressure, but a few stand-out performers offset these and carried the portfolio higher.

Commentary

The smaller end of the market to which we're exposed suffered the impact of tax-loss selling coming into financial year-end. While the impact wasn't as pronounced as that experienced in 2023, there was clearly selling pressure with many small companies continuing to trade well below previous highs, and in particular where capital was raised at those higher levels. In terms of our portfolio, **Frontier Digital** falls into that category, down 10% for the month. Likewise, real estate industry ratings/review platform operator, **RMA Global**, was down 24%. These companies, while off their lows to some degree, each trade for a fraction of their prior highs and are attractive tax-loss candidates. Elsewhere, **Fiducian Group** came off 7% following a fairly strong run over the past few months, while **Sequoia** fell 10% in the wake of an unsuccessful attempt to overthrow its CEO. Sequoia is fundamentally more attractive now, with shareholder activism catalysing the sale of non-core assets, and we expect, the return of surplus capital. Its shares though are under pressure we presume as dissenters seek now to exit. We're positive on all the above-mentioned detractors, and view their recent weakness as boosting the prospectiveness of their shares from these lower levels.

The portfolio benefited from some pleasing outcomes from a number of companies. **Schrole Group** rose 142% on the back of a takeover offer. While only a small position, the premium price being paid certainly helped the portfolio. But most interestingly was the signal that in fact deals can be done at multiples of prevailing market prices when purchasers recognise the value, and Boards/key shareholders hold out for appropriate pricing. The Schrole premium was over 200% on its last trade. We also benefited from the continued re-rate to **Medadvisor**, up 14%, and on the back of a 47% increase in the prior month. As mentioned last month, Medadvisor is restructuring its cost base and its earnings are expected to grow strongly in the years ahead. **Energy One** rose 16% following a small rights issue to help strengthen its balance sheet, and in which we participated. The capital raise was likely keeping a lid on its shares as some shareholders may have taken advantage of the arbitrage to sell some shares in order to exercise their rights. Finally, and the principal contributor to returns for June as well as the strong recovery year we've had, **Findi** rose another 39% in June as its interesting Indian ATM & fintech potential become more widely appreciated following the strong trading results that it reported in May.

The DMX Capital Partners report includes some interesting thoughts as we head into financial year 2025. Here we again highlight the broad range of prospective smaller companies to which we're exposed. The opportunity set is vast and diverse, and we believe well-constructed portfolios of these offer the potential for strong returns over time and in a way that is differentiated and blends well with other assets that investors are exposed to.

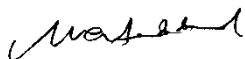
Please refer to the DMXCP report for brief commentary on a range of holdings commonly owned across both funds.

To this, and reflecting on the recent success of Findi in particular within our portfolios, it's interesting to note that within a 40-stock portfolio, just one ordinarily-sized holding can generate most of our total return over a 12-month period. We've talked about the concept in the past of taking a *coffee can* approach to investing, owning a wide range of prospective investments and sizing these large enough that they can contribute meaningfully when successful enough, but small enough that we can fit a decent number in. Conceptually, 30-40 positions of 2-4% each feels about right. And in the case of Findi, this was initially less than 2%, taken to 5% in exercising our options in January, allowed to run to over 10% of the portfolio – and maintained at this significance as the stock has ~5X'd over the past six months. Prudently, we've been reducing into strength, keeping the position size under control while generating cash to deploy into other prospective opportunities.

Summary

We've clearly had a strong run with Findi which on its own represents most of our 12-month return. Looking through to the rest of the portfolio, in aggregate, performance has been much softer, and most of the portfolio remains very attractively priced, holding the potential for strong future returns from these low levels. Much of our Findi gain has been harvested, with these proceeds being rotated into more attractively-priced opportunities, so despite the strong overall recent result for the portfolio, we don't consider that this has borrowed from the future at all considering the rotation we've been doing, and the implied value still within the broader portfolio. Rather, we're as enthused today about our portfolios' potential as we were near their lows a year ago.

Thanks very much for your trust and support.



Michael Haddad
Portfolio Manager



Chris Steptoe
Research Analyst

This document is issued by DMX Asset Management Limited (DMXAM - AFSL 459 120) in relation to the DMX Australian Shares Fund (DMXASF). The information provided in this document is general information only and does not constitute investment or other advice. The content of this document does not constitute an offer or solicitation to invest in DMXASF. DMXAM accepts no liability for any inaccurate incomplete or omitted information of any kind, or any losses caused by this information. Any investment decision in connection with DMXASF should only be made based on the information contained in the relevant disclosure document.