



# DMX Australian Shares Fund

## March 2026 – 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 (28 February 2026)	\$1.3013
Unit price (mid) based on NAV (31 March 2026)	\$1.1975
Number of Stocks	46
% cash held - month end	2%
Fund size (gross assets)	\$14m

1-month return	-8.0%
3-month return <sup>#</sup>	-12.0%
12-month return <sup>#</sup>	11.9%
3-year return, p.a. <sup>#</sup>	11.1%
Since inception (1 March 2021, p.a.) <sup>#</sup>	7.5%
Since inception (cumulative) <sup>#</sup>	44.1%

<sup>#</sup> Returns assume reinvestment of distributions.

Dear Investor,

DMXASF's NAV declined 8.0% in March, adding to losses from February in a continued tough market environment. Investor sentiment has been weakened by uncertainty arising from the Middle East conflict and its ripple effect on global supply chains and inflation. This has been reflected across the board with the ASX 200 Accumulation Index down 7.2%, and smaller companies faring worse with the ASX Small Ordinaries Index down 11.0% and the ASX Emerging Companies Index down 11.4%.

### Commentary

One of February's key contributors, **Verbrec**, handed back its prior-month gains to become our principal detractor this month. On no news, Verbrec declined 27% and cost us over 2% of NAV. As we've previously highlighted, Verbrec is executing well, has a strong underlying earnings stream supported by multi-year maintenance contracts. It is well-positioned to benefit from the electrification theme, and investment in renewable energy. The company has performed well for us over the past year or so, with its shares up around 100% on our average purchase price (despite the March pull-back). It's grown to become a top holding, and remains highly prospective with a robust balance sheet and single digit earnings multiple.

Elsewhere, most of the portfolio fell in sympathy with the broader market. Notable impacts include from **Austin Engineering**, which fell another 18%, EML Payments which fell 13%, while larger declines to a few small positions were costly: **Evolve Education** (down 27%), **Income Asset Management** (down 31%), **RMA Global** (down 42%, and handing back its prior month strong performance), and **RPM Automotive** (down 24%). In addition to market weakness, Austin may have suffered from dropping out of the All Ordinaries index. Aside from some potential technical overhang there, we were pleased to see the company report a resolution to its pricing problem with a key OEM contract (which has been renegotiated to now-commercial terms), and also pleased to see three directors (including its CEO) purchase shares on-market. EML Payments announced the promotion of a divisional CEO to Group CEO, and at the same time highlighted some regulatory issues to navigate with its Australian business. We don't expect any material impact from these issues, and were comforted earlier in the month by its Executive Chairman's purchase of an additional 1m shares on-market. While some of our companies are managing through short-term operational challenges, if you believe – as we do – in the medium to long-term potential for these businesses, the significant price declines are making these companies particularly attractive.

In a broadly weak market environment we had little to offset NAV impact, but again highlight **SDI** which rose over 40% on its takeover announcement and contributing 1% to NAV. SDI is a Melbourne-based manufacturer, distributor and marketer of dental materials. The company produces in Melbourne and sells both domestically and abroad. SDI's long-term growth objectives have required a major expansion of its production facilities which require significant up-front investment but are expected to yield greater efficiencies (and profitability) at the same time as enabling continued growth. We've been attracted to the investment for this medium to long-term earnings uplift potential, and particularly liked its foreign currency revenue & Australian dollar cost base as a risk mitigant in an otherwise Australian domestic-centric portfolio. However, a deal done to sell to a more substantial operator seems sensible, and the price looks good. We have exited in the \$1.25-\$1.30 range, versus a \$1.40 offer price. From a merger arbitrage perspective, the implied annualised return in the 30-40% zone from the last 10-15cps is interesting, but two factors lead to our preference for the cash now: 1) we believe the odds of a higher offer are

remote. \$1.40 is fair, and there is execution risk and balance sheet strain from otherwise completing its expansion project independently. 2) the risk of the deal falling over is in our estimation non-trivial. Since the deal was announced the macro-backdrop has deteriorated which could lead to buyer's remorse. And the deal is subject to Foreign Investment Review Board approval, in addition potentially to regulatory hurdles in key selling markets of the US and Europe. These latter hurdles provide an easy out for the buyer if they change their mind, but in any case are risks to the deal's closing. From \$1.25, downside is potentially 30%+ if the deal fails, while expected upside is ~12%. With plenty of other value emerging across portfolio holdings and prospective new investments, we preferred to lock-in our SDI proceeds now, and have used these proceeds to add incrementally to other holdings at what we consider to be very much distressed pricing (including Earlypay, Embark Education, and ReadyTech), and initiate a new small position in Change Financial.

The DMX Capital Partners (DMXCP) update includes commentary on Count which has announced the acquisition of fellow accounting and wealth services firm, Oracle Group, and conducted an equity capital raise to help fund this. It also includes commentary on Change Financial, which we've initiated across our funds, and an update on now-delisted, Yellow Brick Road, which has reported very positively. We encourage you to review the DMXCP report alongside this one.

As a final observation, we note that in addition to our own opportunistic re-positioning of the portfolio as the market and many of our holdings decline, it's pleasing to see boards and management taking advantage of mispricing to scoop up shares themselves, or to utilise company stock buybacks to manage capital and enhance value. In addition to the significant EML insider purchase noted above, and that of multiple Austin directors, we again highlight **Shriro Holdings** which is in the process of tendering to buy in up what could be up to 25% of its shares outstanding. **Earlypay** is returning surplus capital via its buyback, and has pleasingly repurchased ~4% of itself in just the past six weeks, while **Kip McGrath** has repurchased ~2% of itself over the same timeframe. Our largest holding – **EDU Holdings** – which is gushing cash and having only just completed the selective buyback of 12.5% of its shares outstanding in February, took advantage of price weakness during March to repurchase another ~1.5% of its shares on-market. These companies are all following rational capital allocation frameworks, re-purchasing shares not for the sake of, but because they recognise the market is undervaluing them, and knowing that meaningful purchases below intrinsic value will enhance value for remaining investors. For small, profitable, and growing businesses, retiring shares in this fashion will likely help support meaningful re-rates in the fullness of time.

#### Summary

We continue to navigate a tricky broader market environment, and remain squarely focused on the risks and potential for each of our individual portfolio constituents. While it's never enjoyable watching share prices head south, we remain dispassionate about these movements and instead focused on managing our portfolio with a view to enhancing embedded value and upside. This involves rotating out of the least and into the most prospective of our opportunity set. The process is consistent through the market cycle, but holds extra importance through the downdrafts as we seek to position as well as we can for the bounce-back when market conditions improve.

Thank you for your interest, trust and support.

Steven, Michael, Chris & Roger  
**DMX Asset Management**

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