DMX Australian Shares Fund
November 2022 – 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 October 2022)	**$1.0287**
Unit price (mid) based on NAV (30 November 2022)	**$1.0813**
Number of Stocks	47
% cash held - month end	7%
Fund size (gross assets)	$11m

1-month return	5.1%
3-month return#	4.0%
12-month return#	-9.2%
Since inception (1 March 2021, p.a.)#	7.3%
Since inception (cumulative)	13.2%

 # Returns assume reinvestment of distributions.

Dear Investor,

DMXASF's NAV increased 5.1% (after fees and expenses) for the month of November, building on its October recovery, and in a strong market environment with the ASX 200 Total Return Index returning 6.6% return.

Portfolio Commentary

It was another eventful month with some big movements on each side of the ledger. Challenged investments in each of **AF Legal**, **Global Health**, and **Raiz** cost us with their declines of 33%, 12% and 25% respectively. We've not added to holdings as these names have fallen, so they're naturally becoming less problematic. **Academies Australia** and **EarlyPay** also declined, falling 8-9% each. We're relaxed with the stock price gyrations for each of these, with Academies Australia simply handing back some of its recent strong performance, and EarlyPay falling to attractive levels where we have added to our position.

Once again, the portfolio has benefited in the short term from private equity-sponsored opportunistic takeover activity. This month, each of **ReadyTech** and **PropTech** received takeover offers that saw their share prices increase 26% and 106% for the month. Further, speculation around a potential takeover of **Janison** saw its share price recover 28%. The portfolio also benefited from positive re-rates for **Gentrack** (discussed below), **Smartpay** (discussed in the Appendix); as well as partial recoveries to each of **Medadvisor** and **Pureprofile** (each up 25-27%).

We were pleased with the overall tone from updates, and in particular AGM commentary, for our companies over the month. The DMX Capital Partners report contains our commentary on a number of these, including commonly-held stocks **Smartpay**, **EarlyPay**, and **Aeeris**. These notes are included in an Appendix to this report. In terms of companies held just within the DMX Australian Shares Fund portfolio, the most notable positive upgrade was to **Gentrack**.

Gentrack Pivots, and Begins to Deliver

While a small position for us, the 65% re-rate to Gentrack this month was helpful. The company has taken investors on a wild ride since its 2014 listing, but we believe the company is finally making tangible progress with the business change initiatives of the past couple years. With strong organic revenue growth in the UK market, and acquisitions to augment that growth, the company achieved market darling status, tripling from its IPO through to its 2018 peak. But growth stalled in 2019 as UK energy retailers were adversely affected by regulatory price caps. Capital spending came to a halt in that sector, and many retailers went out of business, both leading to reduced work for Gentrack, and ultimately the expectation of substantial revenue declines. By 2020, the shares were down to the $1 zone, reflecting a major de-rating and change in sentiment toward the business.

Around that time, the Board brought in a new well-credentialled CEO, Gary Miles. With a strong track record at US-based Amdocs, Gary has set about to transform the business including refreshing the management team, upgrading its software stake, offshore much of its development work, and set a path for the resumption of growth. Two years into the role, the new team are starting to deliver with the release of a very positive full year result this past month.

The company has surprised to the upside with its 24% underlying revenue growth within its utility segment, and total group revenue up around 20% year on year. Growth is forecast to continue into the 2023 year and beyond. This, despite the above-mentioned headwinds from losing meaningful UK energy sector revenues. Asian ambitions have been articulated, including the opening of an office in Singapore. The company is projecting strong margins from 2024, on a much larger revenue base. Brokers are scrambling to upgrade their own forecasts, and if the company continues to deliver in its understated fashion, the set-up here for the years ahead may turn out to be very attractive.

So while the UK energy retailer issues have dogged Gentrack for the past few years, its looking increasingly likely that the company will emerge in a stronger position with its upgraded technology stack, and global potential as utility companies seek to modernise and focus on cleantech and their own transitions to the cloud. For us, the investment thesis has de-risked significantly, and we look forward to the company continuing to execute on its strategy.

In Summary

The portfolio continues to 'benefit' in terms of short-term NAV from the takeover flurry on the ASX. As we've articulated in past reports, and in particular the October report, we're not pleased with this dynamic and would much prefer these great global growth companies remain in public hands. Nevertheless, as we've also highlighted, we do have a broad portfolio exposure and are enjoying a steady and prospective flow of quality opportunities. We remain enthused about the long-term prospects for the portfolio as we rotate out of a number of holdings (in particular, through takeover) and re-deploy into highly prospective new opportunities, and augment other favoured holdings.

If you'd like to discuss the portfolio or the potential to invest or add to an existing investment, please contact Michael any time at michael.haddad@dmxam.com.au or 02 80697965.

Thanks for your trust and support.

Kind regards

Michael Haddad
Portfolio Manager

Chris Steptoe
Research Analyst

Appendix – DMXCP Common Holdings Commentary

- Payment terminal provider, Smartpay (ASX:**SMP**), released its half year results during the month delivering exceptionally strong organic revenue and EBITDA growth of 68% and 119% respectively. 1H23 has seen an acceleration of the number of terminals sold to Australian SMEs where payment surcharging (the SMP model) is becoming increasingly accepted. SMP's strategy has been to target bank customers that have historically provided low levels of service and are easily displaced. Importantly, SMP estimate it has only penetrated 5% of their Australian TAM, so there is plenty of room for growth. The acceleration over the last 6 months can be attributed to a focused marketing campaign and a strong customer referral program. An example given was where SMP sold a terminal to one customer in a food court and the rest of the food court subsequently switched. We also got a peek into the future with its Android platform to be released later in the year. The platform will allow for multiple applications on the terminal. Examples such as POS and rewards programs were highlighted. SMP is currently trading on valuation metrics at a steep discount to its closest peer, Tyro (ASX:**TYR**), yet has a stronger growth profile and stronger profit margins.

- EarlyPay (ASX:**EPY**) provides invoice (debtor factoring), equipment, and trade financing to SMEs. With a new CEO on board, James Beeson, we were keen to hear what he had to say as he presented EPY's outlook for the first time. James is keen to re-focus the business on invoice financing, where EPY has a clear competitive advantage and sees opportunities as alternative financiers struggle in the current environment. An FY23 forecast was highlighted by 25% growth in the Invoice Finance loan book, but higher funding and provisioning costs are expected to result in a flat PBT for the year. Subsequent to month-end, EPY reconfirmed this forecast (earnings of 4c, dividend of 3.2c), notwithstanding the voluntary administration of a key client. One of the attractions of the EPY model is the various layers of security that EPY takes (including trade credit insurance), which provides protection against losses in the event of a borrower default. While EPY is confident they will see a full recovery of funds due to their security, it does have an impact on the growth profile of the business, and the risk of further defaults in the current environment remains high.

  EPY is 20% owned by fellow-ASX listed COG Financial Services (ASX:**COG**). COG were buyers of EPY stock at 55c earlier in the year. With a large broker network, COG has a strong distribution capability to grow EPY. Given EPY's current soft share price believe it is possible that COG, at some point, will make another takeover offer for EPY, after previously failing to take EPY over in 2019.

- Aeeris (ASX:**AER**), a provider of weather forecasts, alerts and climate risk reporting, for the first time, released a market update/presentation at its AGM. This improved market communication likely reflects the more compelling story that AER now believes it has to tell shareholders and the market. After several years of limited sales growth, a larger sales pipeline and increased marketing has resulted in an impressive 30% increase in its annual recurring revenue as of November 2022. Its ARR growth is accelerating due to contract wins in insurance, retail and construction sectors, supported by a growing sales pipeline and increased deal conversion. The tailwinds here (climate change, erratic weather which requires forecasting, alerts and risk management) are powerful and the opportunity for AER compelling, particularly given its low enterprise value ($5m) and an emerging blue sky new opportunity where AER is well placed to have a first mover advantage: providing climate risk disclosures which will soon be mandatory for corporate reporting entities.

information. Any investment decision in connection with DMXASF should only be made based on the information contained in the relevant disclosure document.