DMX Australian Shares Fund

November 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 October 2024)	**$1.1595**
Unit price (mid) based on NAV (30 November 2024)	**$1.2155**
Number of Stocks	47
% cash held - month end	2%
Fund size (gross assets)	$14m

1-month return	4.8%
3-month return#	7.9%
12-month return#	24.5%
3-year return, p.a.#	3.7%
Since inception (1 March 2021, p.a.) #	9.2%
Since inception (cumulative) #	39.1%

 # Returns assume reinvestment of distributions.

Dear Investor,

DMXASF's NAV rose 4.8% in November, ahead of the ASX 200 Total Return Index which rose 3.8% as well as the ASX Emerging Companies Index, which fell 0.9% for the month.

Commentary

November was positive for the Fund, both in terms of the positive developments with a number of our holdings (and associated share price re-rates), and for what we believe to be value-adding re-positioning of the portfolio. We've been harvesting gains, and rotating that capital into the most prospective of our opportunity set.

A number of holdings made meaningful advances, and deservedly so where prospects have also improved and are supportive of continued price appreciation. Examples include **EML Payments**, which we discuss below, rising 51% following a very positive strategy day update and strong quarterly results. **Pharmx** too rose 61% while **Pureprofile** re-rated 43%. In each case, these businesses have updated positively and our view around their potential has been reinforced. Prior detractors saw some stabilisation with the likes of **Medadvisor** bouncing 32% in a partial recovery of its prior month decline. In terms of activity, while the portfolio as usual remains overwhelmingly consistent month over month, we've been quite active this month in rotating at the margin. **Findi**, which earlier in the month continued its rise, was the source of capital as we further trimmed this position. Gains on shares sold intra-period roughly offset the losses month over month as the shares sold off heavily near month-end. For the month, Findi was down 8%, and it's noteworthy that following our sales our position is down to the 6% range at month-end (and lower still, as we write). The company remains our largest holding, but only just, and it's no longer oversized to the extent we'd feel the need to continue to flag. In addition to reducing Findi, we sold most of our **RPMGlobal** position in November (going from a 5% weight to 1%). It's difficult selling what we consider to be such a high-quality business with great long term prospects. But we can't own everything, and we need to continually balance the prospectiveness of long-held and favoured companies against the financial attractiveness of other opportunities.

Proceeds from sales have been used to add to our holdings in EML Payments, **Sequoia Financial** (which has been under pressure following a failed attempt to overthrow management), and **Shriro** ahead of its equal access buyback to be completed in February. We also initiated a small position in **Austin Engineering**, which is a key holding for the Monash Fund for which we are now responsible for managing following our management company's merger with its manager, Monash Investors, in July. Austin is a mining services business, producing truck trays and buckets, selling to miners and OEMs globally. The company has a chequered past, having carried too much debt heading into a mining sector down-swing. But great progress has been made over the past few years, both with restoring its balance sheet – which was achieved through an equity raise and subsequent retention of earnings – as well as operational improvements. Most interestingly has been its production innovation and the focus on developing a moat with its cost-leadership position. While producing truck trays doesn't sound particularly exciting, the company's products are market-leading, and while the products do last some time, they are essentially consumables and need continual replacement over the life of a truck. With a net debt free balance sheet, a strong business model, and continued growth momentum, we believe a sub-10 times earnings multiple is too low for this business.

EML Payments Restructured and Refocused

We've been invested in EML for some time, having previously misjudged its prospects and experiencing an 80%+ decline on our original investment. Over time we've cooly reassessed the business's prospects, and have repositioned our holding accordingly. EML has faced substantial challenges since encountering regulatory issues with its Irish subsidiary, Prepaid Financial Services, in 2021. This business has now been wound-down and exited in 2024. EML's balance sheet had also been under pressure, but has been significantly strengthened by the sale of its Open Banking unit, Sentential, also this year. With the company having taken very tangible steps to consolidate its operations, including divesting non-core assets we'd become more favourably disposed toward the opportunity. What was a small position for us had been added to over the past few months as the situation improved, and its recent strategy day has further buoyed us and the market. The company reported a very positive first quarter update, highlighting a 64% increase in EBITDA and reaffirming full-year guidance. Interestingly, longer-term goals were articulated, targeting earnings per share of 13 cents by financial year 2028, driven by both growth initiatives and cost savings following the re-focusing of its business lines.

Clarity around EML's strategy and financial targets supports our positive investment case here, with significant upside potential inherent from current price levels. We believe EML holds the potential to perform handsomely as an independent and newly re-focused operation, while also potentially being on the radar of global strategic or financial acquirers who could extract even more value from the business. Recent additions to our holding, including immediately on the back of this month's very positive update, together with its strong recent share price performance have brought the position to a near-4% weight and a Top 5 holding for the Fund. We believe we're well positioned to benefit from this recovery story should it remain on track in the periods ahead.

A final note that the DMX Capital Partners report as usual contains additional useful commentary on a number of commonly held holdings, and we encourage you to read this alongside the DMXASF report. The DMXCP report includes updates on our education holdings, EDU and Academies Australia; our thoughts on Findi's recent update; and highlights Pureprofile and Pharmx which, as noted above, each performed well following positive updates and outlooks.

Summary

A positive month in terms of fundamental developments, prices following suit, and the rotation of capital through harvesting gains and adding to more prospective opportunities. As 2024 winds down, we're looking forward to the year ahead and to hopefully continued positive developments for our holdings. Valuations across the smaller companies sector, and among micro-caps in particular, remain very attractive; and we believe we're well-positioned with a thematically and fundamentally diverse portfolio of 40+ opportunities with multiple ways to win over time.

Thanks very much for your trust and support.

Steven, Michael, Chris & Roger
DMX Asset Management