

# Investment Report & NTA Update

13 JANUARY 2022

## Net Tangible Asset Value per share as at 31 December 2021

Pre Tax NTA	Post Tax & Pre Unrealised Gains Tax NTA	Post Tax NTA	Share Price	Number of Holdings
\$1.146	\$1.154	\$1.112	\$0.795	36

## Investment Portfolio Performance\*

	1 Month	6 Months	1 Year	2 Years p.a.	3 Years p.a.	Inception p.a.^	Inception (Total Return)^
<b>SB2</b>	0.67%	13.15%	-	-	-	-	19.81%

\* Investment portfolio performance is calculated net of Management fees but before taxes, other fees, and expenses. Performance has not been grossed up for franking credits received by shareholders.

^ Inception date is 27th May 2021.

## Key Points

- Valuation upside of portfolio remains compelling with significant upside to our valuation, diversified across 36 stocks.
- Strategy remains focused on a bottom-up driven blend of growth and cyclical exposures with upside and away from lower returning defensives.
- The investment strategy was compliant with the emerging companies investment requirements of the Australian Significant Investor Visa regime for the period ending 31 December 2021.

## Market Insight

The portfolio generated a positive return in December of 0.67%.

The Small Ordinaries Accumulation Index generated a 1.41% return versus the broader market which fell 2.53%.

The market acceptance that Inflation will perhaps be somewhat less than transitory and the resultant realization that the US Fed will accelerate the removal of monetary stimulus caused significant volatility throughout the month.

Technology stocks continued to be sold as investors digest a potential US interest rate rise as early as March 2022. Bond yields were essentially flat on the month but are expected to rise given this new interest rate outlook.

## What are we looking at?

- Whilst Covid and its knock-on effects need to be subject to continued monitoring, with the Hospitality sector being hit particularly hard via staff shortages, perhaps some green shoots have appeared in respect to the health impact as the seemingly milder Omicron variant sweeps through our capital cities.
- As highlighted, Inflation and the US Fed's response has driven both volatility in markets but also a general rotation away from the Technology sector – which should broadly continue. Any announcements from the Fed will be closely scrutinized to gauge the Fed's thinking around timing of monetary stimulus withdrawal.

## Key Metrics – Summary Data

Portfolio Metrics	
Weighted Average Market Capitalisation of the Investments	\$307m
Cash Weighting	1.0%
Portfolio >300m mkt cap	46.8%
Portfolio 100-300m mkt cap	36.9%
Portfolio <100m mkt cap	10.6%
Unlisted Investments	4.7%
Shares on Issue	94,392,046

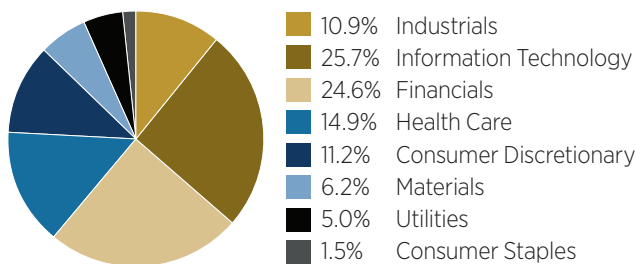
## Portfolio Review

The portfolio had a number of positive contributors during the month with **OFX** the largest, after it announced the strategic acquisition of Canadian based competitor Firma for AUD98m. The deal is accretive by c. 20%+ in Yr1 and will be funded entirely by existing cash and a debt facility and provides significant scale and leverage to the Nth American operations of OFX.

**Praemium (PPS)** also rallied after confirming it had sold its International business to Morningstar for AUD65m. While the final sale price was perhaps underwhelming, there will be renewed takeover speculation for its Australian business given the now simplified structure.

Some of the Fund's technology names were detractors including **Alcidion (ALC)**, after it completed a capital raise to fund an international acquisition, and **Paygroup (PYG)**.

## Fund Sector Weights



## Top Holdings

Pacific Current Group Limited (ASX code: PAC)

Praemium Limited (ASX code: PPS)

Probiotec Limited (ASX code: PBP)

OzForex Group Limited (ASX Code: OFX)

## Core Investments – Spotlight

### Praemium Limited (ASX code: PPS)

PPS is a financial technology company that provides an investment platform that allows financial planners to manage accounts, undertake portfolio administration, reporting and financial planning via their software. We have been long standing investors in PPS which is a large position in the LIC.

The business is currently the subject of a takeover from rival Netwealth Group Limited (NWL) and the recent sale of Praemium's International business, whilst struck at a relatively underwhelming sale price, sees the removal of the last impediment for potentially competing bids.

There is significant opportunity for consolidation in the sector and it is our view that the Australian assets of Praemium represent an extremely attractive, strategic opportunity and will be the subject of a contested auction.

## Contact

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Authorised for release by the Board of SB2.

### Important information

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