

# Investment Report & NTA Update

13 APRIL 2022

## Net Tangible Asset Value per share as at 31 March 2022

Pre Tax NTA	Post Tax & Pre Unrealised Gains Tax NTA	Post Tax NTA	Share Price	Number of Holdings
\$1.024	\$1.031	\$1.025	\$0.765	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>	0.15%	-9.49%	-	-	-	-	7.67%

\* 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 March 2022.

## Market Insight

The portfolio generated a positive return in March 2022 of 0.15%.

The Small Ordinaries Accumulation Index generated a 5.26% return versus the broader market return of 6.37%.

In the month of March, the Federal Reserve raised interest rates by 25 basis points and signalled six more rate hikes to be expected in the calendar year, on the back of the US posting a 40-year high inflation rate of 7.9%. The RBA as well, despite continuing to remain patient on any increases to the cash rate (as core inflation remained steady at 2.6%) in the month of March, suggested multiple potential rate hikes to follow through the course of the year.

Signals of further interest rate hikes in America and domestically, coupled with geopolitical tensions in Ukraine, have contributed to significant volatility on the ASX, especially for the listed technology sector.

## Additions to the Investment Team

On the 1st of April 2022, the Manager announced the appointment of Gregg Taylor as the new Portfolio Manager of the SB2 Fund.

Gregg has 25 years of international business experience across capital markets, advisory, technology, sport and construction. Gregg was Founding Director, Chief Investment Officer, and Listed Equity Portfolio Manager of Bombora Investment Management for four years. Prior to Bombora Investment Management, Gregg's other investment experience includes roles at Blue Ocean Equities, Schroders Investment Management, Bridges Financial Services and Wilson HTM.

Gregg has been joined by analysts Advait Joshi and Francis Crossle.

## Key Metrics – Summary Data

Portfolio Metrics	
Weighted Average Market Capitalisation of the Investments	\$274m
Cash Weighting	2.0%
Portfolio >300m mkt cap	46.1%
Portfolio 100-300m mkt cap	30.2%
Portfolio <100m mkt cap	16.3%
Unlisted Investments	5.4%
Shares on Issue	94,392,046

## Portfolio Review

The month of March provided mixed results for the Portfolio. Key contributors to the portfolio included Vita Group (**VTG**), Electro Optic Systems Holdings (**EOS**), Ozforex Group (**OFX**) and Fluence Corporation (**FLC**) while key detractors included Ardent Leisure Group (**ALG**), Praemium (**PPS**), Veem (**VEE**) and EVZ Limited (**EVZ**). The key detractors to the portfolio did not post any downgrades in the month of March – suggesting declines were a result of fearful market sentiment surrounding geopolitical and inflationary concerns, rather than any material changes to the companies' investment thesis.

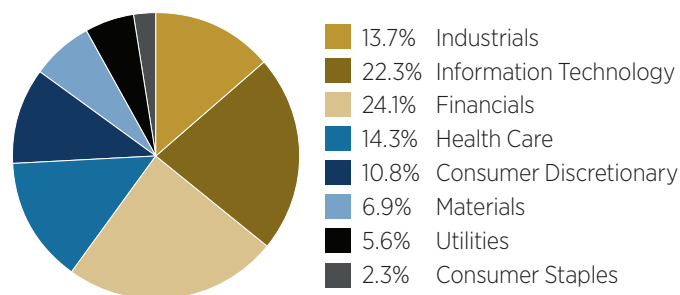
VTG, the largest positive contributor in the month, continued to ride on positive momentum around its 1H22 interim results announced on the 25th of February, in which the company delivered revenues in line with guidance and finalised the divestment of its Information and Communication Technology (ICT) business to Telstra for a net consideration of \$107.4m. The business noted strong medium-long term prospects for the Skin-Health and Wellness (SHAW) industry and a significant sales growth opportunity.

OFX, which saw a modest share price increase in March, posted a trading update in the month with net operating income expected to be up 23-25% YoY for FY22 and EBITDA up 41-48% YoY. The Manager continues to track the position closely as the company delivers on its guidance for the remainder of FY22.

Maca Limited (**MLD**), which provides services to the mining and construction industries, also posted positive share price performance in the month of March on the back of a market release notifying investors that the company entered into a binding memorandum of understanding with Position Partners and SafeAI to deploy autonomous mining and construction equipment to MLD's mining fleet.

The Manager continues to closely monitor its listed portfolio as well as build out a new 'shadow' portfolio and looks to update the market on any changes to portfolio composition in the April commentary.

## Fund Sector Weights



## Top Holdings

Pacific Current Group Limited (ASX code: PAC)

Genex Power Limited (ASX code: GNX)

Probiotec Limited (ASX code: PBP)

OzForex Group Limited (ASX Code: OFX)

## Core Investments – Spotlight

### Probiotec Limited (ASX code: PBP)

**Probiotec** provides 200+ clients with a full-service contract manufacturing & packaging offering across key categories including prescription and over-the-counter (OTC) pharmaceuticals, complementary medicine, cosmeceuticals, high purity functional ingredients, food & beverage and pet food & veterinary pharmaceuticals. The company operates 6 manufacturing facilities and distributes its products both domestically and internationally on behalf of its clients.

As at its 1H22 company update, the business continues to secure new contract wins as well as aggressively pursue inorganic opportunities through a management noted focus on strategic acquisitions.

The business has a conservative level of net debt of \$22m which implies 0.75x underlying LTM EBITDA.

Probiotec has a track record of strong growth that continues to be delivered, with run rate revenue growing at a 3-year compound annual growth rate (CAGR) of >34% from \$73m in FY19 to \$175-180m by FY22F (company guidance) and pro-forma EBITDA growing at a 3-year CAGR of >50% in the same period - from \$9.5m in FY19 to \$32-33m by FY22F (company guidance).

## Contact

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Authorised for release by the Board of SB2.

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