

Investment Report & NTA Update

11 MAY 2022

Net Tangible Asset Value per share as at 30 April 2022

Pre Tax NTA	Post Tax & Pre Unrealised Gains Tax NTA	Post Tax NTA	Share Price	Number of Holdings
\$1.004	\$1.015	\$1.011	\$0.775	33

Investment Portfolio Performance*

	1 Month	6 Months	1 Year	2 Years p.a.	3 Years p.a.	Inception p.a. [^]	Inception (Total Return) [^]
SB2	-1.88%	-13.15%	-	-	-	-	5.70%

* 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 27 May 2021.

Key Points

- The portfolio is diversified across 30 stocks and maintains significant upside compared to our valuation.
- Strategy remains focused on a bottom-up driven blend of growth; 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 30 April 2022.

Market Insight

The portfolio generated a negative return in April 2022 of -1.88%. The Small Ordinaries Accumulation Index generated a -1.50% return versus the broader market return of -0.83%.

The month of April, saw signs of the RBA set to increase interest rates to combat rising inflationary pressures, stimulating bearish sentiment across sectors in the equity markets. Commonwealth Bank and ANZ signaling any increases in interest rates would be passed on in full to customers added to the market's pessimistic views on consumer and business sentiment.

Signs of imminent interest rate hikes and inflationary pressures coupled with continued geopolitical tensions surrounding the Russia/Ukraine, conflict contributed to significant volatility for the ASX listed emerging companies sector.

What are we looking at?

- Supporting EVZ Limited (**EVZ**) in its institutional placement to raise \$3.7m to fund working capital and deliver on recently announced contract wins, and its \$100m backlog of contracted project work.
- The Manager exited from marginal positions that previously each constituted less than 1% of the portfolio including Marley Spoon AG (**MMM**), NAOS Small Cap Opportunities Company (**NSC**) and Decmil Group (**DCG**).

Key Metrics – Summary Data

Portfolio Metrics	
Weighted Average Market Capitalisation of the Investments	\$269m
Cash Weighting	1.8%
Portfolio >300m mkt cap	43.9%
Portfolio 100-300m mkt cap	31.5%
Portfolio <100m mkt cap	17.3%
Unlisted Investments	5.5%
Shares on Issue	94,392,046

Portfolio Review

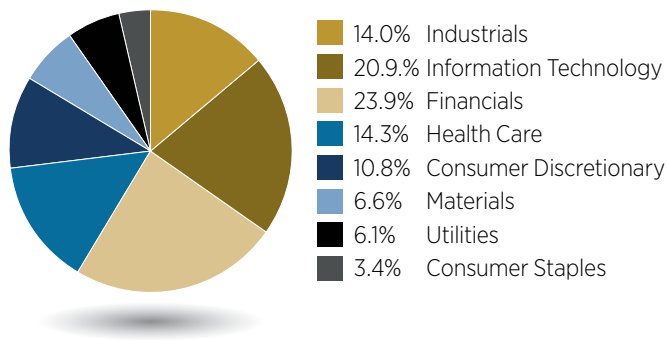
Despite being a difficult month for both the portfolio as well as the broader listed equity market (especially in the emerging companies sector), key positive contributors to the portfolio in the month of April included EVZ Limited (**EVZ**), Vita Group Limited (**VTG**), Probiotec Limited (**PBP**), PTB Group Limited (**PTB**) and Duratec Limited (**DUR**).

On the 21 April, PTB announced an upward revision to its trading expectations for FY2022, with the business expecting full year EBITDAFX to be in the range of \$21-22m, up from previous guidance of \$18.4-19.4m and implying a growth rate of +24-30% Year over Year [YoY]. The company noted

the improved guidance was largely driven by the successful implementation of the vision outlined by the business's recent Prime Turbines acquisition (PTB USA).

VEEM Limited (**VEE**) was a detractor in the month of April. Veem is one of the largest suppliers within the marine gyro market. Despite reporting a 50% increase in propeller manufacturing capability (bringing the company's ability to generate propeller sales to more than \$2m per month), the company provided an update to the market in which it noted impacts to capacity due to skills shortages and increased costs as a result of the tight labor market and COVID issues.

Fund Sector Weights



Top Holdings

Pacific Current Group Limited (ASX code: PAC)

OzForex Group Limited (ASX Code: OFX)

Probiotec Limited (ASX code: PBP)

Genex Power Limited (ASX code: GNX)

Core Investments – Spotlight

EVZ Limited (ASX code: EVZ)

EVZ is an industrials group with a portfolio of specialist businesses in the engineering services sector. EVZ operates in the areas of fuel industry mechanical services including bulk tank design and construction, syfonic storm water and distributed power generation plant maintenance through subsidiaries, Brockman Engineering, Syfon Systems and TSF Power.

In its 3Q FY22 update, the company noted it secured \$57m of new contract wins in the liquid fuels, water and defence sectors – taking total contracted backlog in excess of \$100m. This strong pipeline of projects is expected to underpin sales revenue growth in FY23 and beyond.

In the month of April, the business successfully completed a \$3.7m equity raise, taking total cash to >\$6m. As at its 3Q FY22 update, the business had also reduced its total debt to \$600k.

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Authorised for release by the Board of SB2.

Important information

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