

Investment Report & NTA Update

12 JANUARY 2023

Net Tangible Asset Value per share as at 31 December 2022

Pre Tax NTA	Post Tax & Pre Unrealised Gains Tax NTA*	Post Tax NTA*	Share Price	Number of Holdings
\$1.018	\$1.047	\$1.031	\$0.72	30

Investment Portfolio Performance[†]

	1 Month	6 Months	1 Year	2 Years p.a.	3 Years p.a.	Inception p.a. [^]	Inception (Total Return) [^]
SB2	-3.13%	13.04%	-9.93%	-	-	-	8.06%

[†] 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 at a reasonable price; with a particular focus on companies with intellectual property (IP) and strong management.
- The investment strategy was compliant with the emerging companies investment requirements of the Australian Significant Investor Visa regime for the period ending 31 December 2022.

General Commentary

In December 2022, the Fund outperformed the ASX Small Ordinaries Accumulation Index by +0.6%, posting a negative return of -3.7% for the month.

The Manager continued to closely monitor and manage each of the portfolio companies through the market volatility.

During the month, the Manager took advantage of the share price declines in EVZ Limited (EVZ), Bigtinca Holdings Limited (BTH), Nuheara Limited (NUH), Bikeexchange Limited (BEX) and Felix Group Limited (FLX) to materially add to the fund's holdings in the positions.

In December the Manager also finalized a cornerstone investment into IP Solutions International Limited (IPSI), marking the new investment team's first private equity transaction at Salter Brothers.

Market Insight

The past month saw the RBA increase the cash rate by a further 25 basis points to 3.10%. The RBA stated that YTD CPI inflation to October was 6.9%, slightly lower than YTD inflation to September of 7.3% though still "too high". Further increases in inflation are expected in the coming months, with forecast 2022 inflation peaking at circa 8% in the December quarter – though it is expected to decline in 2023 as global and domestic issues including supply chain constraints, the war in Ukraine etc. resolve.

Despite the volatile macro environment, the Manager holds a high degree of confidence in the individual holdings within the portfolio. We continue to diligently monitor the existing investments in the portfolio and any new investment opportunities that meet our investment criteria.

Key Metrics – Summary Data

Portfolio Metrics	
Weighted Average Market Capitalisation of the Investments	\$182m
Cash Weighting	2.1%
Portfolio >300m mkt cap	29.1%
Portfolio 100-300m mkt cap	27.7%
Portfolio <100m mkt cap	32.5%
Unlisted Investments	8.6%
Shares on Issue	92,545,400

Portfolio Review

During the month of December, key positive contributors to the portfolio included Pureprofile Limited (**PPL**), MedAdvisor Limited (**MDR**), Acrow Formwork and Construction Services Limited (**ACF**).

MDR, a medication management platform predominantly based in the USA and Australia provided the market with a 1H23 revenue guidance range of \$58-61 million, up 50-60% on year (YoY). An extension of MDR's Covid-19 awareness program in the USA was quoted as being a contributor to the company's healthy 1H23 revenue guidance, as well as continued adoption of MDR's digital platform 'inMotion' by pharmacies in the USA. The Manager continues to track the momentum in MDR's digitisation of the US pharmacy network and retains a high degree of conviction in the business over the medium term.

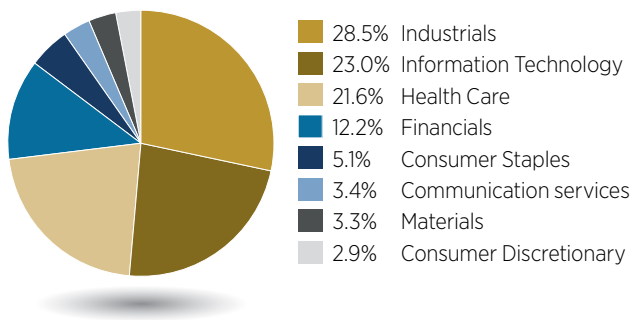
During the month of December, the Manager led an investment into IP Solutions International Limited (**IPSI**), an exciting fintech business in the digital payments processing industry, marking the new Investment Team's first private equity transaction.

The Investment Team originated and structured the transaction and was the lead investor with a cornerstone investment of \$5.0m. Portfolio Manager and Head of Equities, Gregg Taylor, will be joining the IPSI Board in a Non-executive Director capacity, to actively manage the investment and unlock key strategic and growth objectives.

Key detractors in the month included Veem Limited (**VEE**), Future First Technologies Limited (**FFT**), Bigtincan Holdings Limited (**BTH**) and Bikeexchange Limited (**BEX**). The Manager took advantage of the share price volatility during the month of November to add to existing holdings, where there was material upside potential and no change to the Manager's conviction and investment thesis.

The Manager continues to actively monitor the existing investments in the portfolio, as well as consistently look for new opportunities to drive enhanced returns for investors. We remain consistent in our approach to investment selection and look forward to updating the market on the continued progress of the portfolio in coming months.

Portfolio Sector Weights



Top Holdings

Acrow Formwork and Construction Limited (ASX Code: **ACF**)

OFX Group Limited (ASX Code: **OFX**)

Probiotic Limited (ASX code: **PBP**)

RPMGlobal Holdings Limited (ASX Code: **RUL**)

Core Investments – Spotlight

IP Solutions International Limited (Unlisted Investment – “**IPSI**”)

IPSI provides secure payment gateway and data security solutions via software applications on its proprietary native cloud platform. Founded in 2006, IPSI has transformed from Reseller to Fintech, having built and launched its own proprietary native cloud platform in 2020. Since launch, IPSI has grown revenues to more than \$3.0 million, with a growing recurring revenue base, and gross margins of ~70%. IPSI has a strong management team, with a strong track record in delivering technology solutions in the payment integration space, having successfully managed some of the largest digital payment transformation projects in Australia. IPSI has multiple growth levers, including demonstrable growth within its existing customer base, new technology development, and a large pipeline of new customers.

IPSI's current core offerings are EnterpriseSecure and AgentSecure, offered as a recurring subscription.

EnterpriseSecure is a cloud-based product which interfaces with a customer's back-office systems to process payments to banks in Australia and New Zealand. The service offers a flexible payment solution that can be configured to fit a client's specific needs. EnterpriseSecure is designed to:

- deliver multiple payment channels (such as mobile, web, call centre, tokens and recurring payments) through the IPSI Platform to a client's customer via a configurable solution that can grow and evolve as the client's business requirements change over time; and
- operate as an intermediate layer between a client's customers and the client's bank, processing payments in real-time, securely storing customer data in the cloud and interfacing with the client's back-office systems.

AgentSecure is a cloud-based product that enables call centre agents and finance staff to process telephone-based payments securely in real time, mitigating the risks associated with traditional payment processes involving financially sensitive payment data. AgentSecure is integrated with the IPSI Platform, allowing telephone-based payments to be processed to banks in Australia and New Zealand.

IPSI has a strong management team, with a proven track record in delivering advanced technology solutions in the digital payments arena, having successfully managed some of the largest digital payment transformation projects in Australia. The business has multiple growth levers, including demonstrable growth within its existing customer base, new technology development, a large pipeline of new customers and international expansion opportunities. The Manager holds a high degree of conviction in IPSI's opportunity set, as the business holds characteristics that are typical of high-quality investments.

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Authorised for release by the Board of SB2.

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