

Investment Report & NTA Update

13 FEBRUARY 2023

Net Tangible Asset Value per share as at 31 January 2023

| Pre Tax NTA | Post Tax & Pre Unrealised Gains Tax NTA* | Post Tax NTA* | Share Price | Number of Holdings |
|-------------|--|---------------|-------------|--------------------|
| \$1.019 | \$1.051 | \$1.031 | \$0.77 | 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 | 0.15% | 0.21% | -4.43% | - | - | 0.73% | 8.22% |

[†] 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 January 2023.

January 2023 Monthly Update

In January 2023, the Fund was largely flat, posting a return of +0.15% for the month. The ASX Small Ordinaries Accumulation Index grew by +6.56% for the month materially driven by a rally in commodities. The Manager continued to closely monitor and manage each of the portfolio companies through the market volatility.

The Manager continues to review new investment opportunities and closely monitor the existing portfolio on a daily basis and will update the market to any material movements in the portfolio over the February reporting period.

During the month, the top 3 positive contributors to the portfolio were Veem Ltd (**VEE**), EVZ Limited (**EVZ**) and Medadvisor Limited (**MDR**). The top 3 key detractors were OFX Group Limited (**OFX**), RPMGlobal Holdings Limited (**RUL**) and Pureprofile Ltd (**PPL**).

In the last week of the month, EVZ released its quarterly results for the 3 months ending 31 December 2022. The business posted a strong operational performance with cash receipts up +216% YoY, net operating cash flow for the quarter of \$5.3m and a solid contracted backlog of >\$90m. The business also noted an improved industry outlook across both the Australian and Asian markets that it operates in. The results were in line with the Manager's expectations and we look forward to reviewing EVZ's audited 1H23 results in the coming weeks.

MDR also rallied in January on the back of a strong 2Q23 results announcement, cementing further conviction in the Manager's thesis of a successful US expansion and digitization strategy digitization strategy driving both sales growth and margin expansion for MDR. Expansion of its COVID-19 awareness programs in the USA as well as a 3 month contribution from the recent GuildLink acquisition saw operating revenue grow +65.8% YoY to \$64.1m in 1H23. Increased adoption of MDR's digital platform network "inMotion" by pharmacies in the US saw Group gross margins grow by 16.9 percentage points to 56.9%.

The business ended 1H23 with a strong cash balance sheet position with \$32.7 million of cash. MDR also reiterated its focus on getting to profitability within two years (previously stated at the 2022 AGM). The Manager continues to be in close conversations with MDR's Board and management team and is monitoring key operational and trading updates especially focusing on the business's cash, gross margins and P&L.

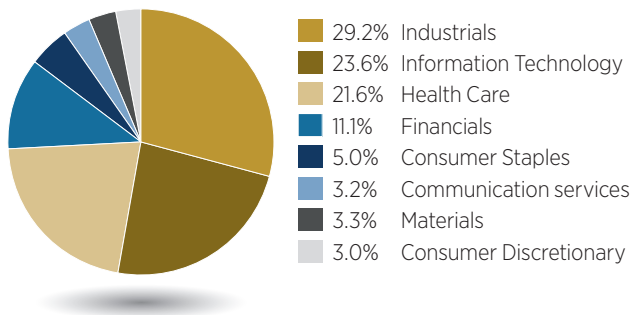
The top key detractor in the month was OFX group which saw a share price decline of -17% despite reporting a 3Q23 trading update that was broadly in line with both the market's as well as the Manager's expectations. The business posted +c.90% growth in its Corporate segment (though this included contribution from the Firma acquisition), outperforming the Manager's expectations. However its consumer division declined by -10% due to usual annual cyclical softness in the segment in quarters ending 31 December. The business reiterated its FY23 guidance range of Net Operating Income (NOI) between \$215-222m and Underlying EBITDA between \$62-65m. This reflects an FY23 EBITDA of -8x which the Manager thinks likely to be rerated upwards as the business continues to both execute organic growth initiatives as well as undertakes potential further inorganic opportunities. The Manager notes that OFX had \$75.5m of cash at the end of 3Q23.

In January, PPL also posted its quarterly results to 31 December 2022. While the business posted strong revenue (\$12.8m for the quarter, up +21% YoY) growth, EBITDA was down -\$320k from the previous corresponding quarter. The business noted that its quarterly EBITDA was impacted by the loss of income from the UK premises sublease of \$245k, occupancy costs related to new premises in India of \$60k, forex loss of \$107k and a bad debt provision of \$115k relating to a UK client. Despite the EBITDA decline, PPL reiterated its FY23 revenue guidance range of \$48-52m and EBITDA margin range of 9-10%. The Manager continues to be in close contact with management and is tracking both PPL's trading updates as well as more broadly, the global customer insights and data market.

Key Metrics – Summary Data

| Portfolio Metrics | |
|---|------------|
| Weighted Average Market Capitalisation of the Investments | \$178m |
| Cash Weighting | 0.4% |
| Portfolio >300m mkt cap | 29.3% |
| Portfolio 100-300m mkt cap | 27.1% |
| Portfolio <100m mkt cap | 34.6% |
| Unlisted Investments | 8.6% |
| Shares on Issue | 92,545,400 |

Portfolio Sector Weights



Top Holdings

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

VEEM Limited (ASX Code: **VEE**)

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

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

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Authorised for release by the Board of SB2.

Important information

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