

# Investment Report & NTA Update

12 APRIL 2024

## Net Tangible Asset Value per share as at 31 March 2024

Pre Tax NTA	Post Tax & Pre Unrealised Gains Tax NTA	Post Tax NTA	Share Price	% Discount to NTA*
\$0.927	\$0.941	\$0.971	\$0.68	29.97%

\* Percentage discount to NTA is calculated from the post tax NTA.

## Investment Portfolio Performance†

	1 Month	3 Months	1 Year	2 Years p.a.	3 Years p.a.	Inception p.a.^	Inception (Total Return)^
<b>SB2#</b>	-3.85%	6.22%	3.33%	-3.93%	-	-0.14%	-0.39

# Salter Brothers Emerging Companies Limited (ASX:SB2)

† 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 Listed Contributors & Detractors

Key Contributors for March 2024			
#	Company Name	Price Chg. (%) (Absolute)	Weighted Avg. Price Chg (%)
1	Asset Vision Co Ltd (ASV)	+66.7%	+0.9%
2	OFX Group Ltd (OFX)	+7.2%	+0.5%
3	Probiotec Ltd (PBP)	+5.5%	+0.4%

Key Detractors for March 2024			
#	Company Name	Price Chg. (%) (Absolute)	Weighted Avg. Price Chg (%)
1	Close The Loop Ltd (CLG)	-21.3%	-1.2%
2	Top Shelf International Holdings Ltd (TSI)	-11.9%	-0.9%
3	Medadvisor Ltd (MDR)	-12.7%	-0.8%

## Key Features of the SB2 Portfolio

- Taking a two year view, the weighted average valuation upside of the listed holdings in the portfolio based on SB2 forecasts is greater than 80%.
- The SB2 equity portfolio quantitatively reflects the investment philosophy of the Investment Team – that is focused on capital preservation and long-term capital.
- Growth and income from its investments and generating attractive risk adjusted returns over the long term.
- As such, the weighted average investment profile of our portfolio (as at 31/03/2024) features:
  - Weighted average FY24-25F Revenue growth of +17%
  - Weighted average FY24-25F EBITDA margin of c.17%
  - Weighted average FY24-25F NPAT margin of c.10%
  - Weighted average FY24-25F P/E multiple of 7.8x

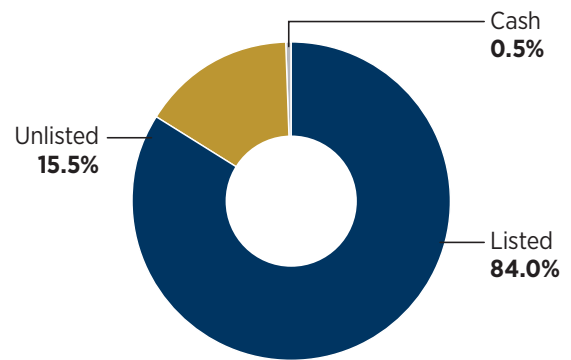
## Metrics of the Listed Portfolio\*\*

	FY23A	FY24F	FY25F
<b>Key Ratios</b>			
EV / Revenue (x)	2.6x	2.0x	1.6x
EV / EBITDA (x)	9.5x	7.4x	6.6x
EV / EBIT (x)	11.1x	9.4x	6.5x
P / E (x)	11.9x	7.8x	7.8x
<b>Portfolio Financials</b>			
Revenue Growth (%)	31%	18%	16%
EBITDA Margin (%)	11%	15%	18%
EBIT Margin (%)	4%	8%	11%
NPAT Margin (%)	-1%	5%	8%

\*\*All metrics reflect weighted averages of the combined portfolio based on SB2 forecasts, as at 31/03/2024, adjusted for abnormalities.

## Portfolio Composition

- The SB2 Portfolio has 22 Listed holdings (84.0% of the total value), 5 Unlisted holdings (15.5% of the total value) and 0.5% Cash.
- The weighted average market capitalisation of the stocks in the listed portfolio is ~\$174m.
- The investment strategy was compliant with the emerging companies' investment requirements of the Australian Significant Investor Visa regime for the period ending 31 March 2024.
- A key requirement of the Australian Significant Investor Visa regime is that the Fund invests in companies with a market capitalisation of less than \$500m. As such the Fund has a microcap bias and the Fund performance is driven by the performance of this sector of the market.



## March 2024 Monthly Update

The portfolio returned a monthly performance of -3.85%, underperforming the market and giving back a little of the strong recent performance. Key stocks in the portfolio drifted lower in the absence of news flow in March despite the investment thesis remaining intact. There were no specific catalysts for the key detractors for the month. The portfolio's pullback contrasts with the previous three consecutive strong months, where gains exceeded 22%, highlighting the volatility and dynamic nature of the small cap market. Despite the negative March performance, the Manager maintains confidence in the outlook for the companies held within the portfolio and the upward trajectory for the sector for the remainder of the calendar year. The reporting season showcased strong results from the key portfolio companies, reinforcing their fundamental strength. Ongoing monitoring of these companies ensures that the Manager is well-informed and prepared to react to any change to the investment thesis when necessary.

During the month, the top three positive contributors to the portfolio were Asset Vision Co Ltd (**ASV**), OFX Group Ltd (**OFX**) and Probiotec Ltd (**PBP**). The top three key detractors were Close The Loop Ltd (**CLG**), Top Shelf International Holdings Ltd (**TSI**) and Medadvisor Ltd (**MDR**).

In March, Asset Vision Ltd (**ASV**) experienced an extension in its price following strong results in the first half of FY24. The company demonstrated impressive growth metrics, with Annual Recurring Revenue surging by 41% compared to the previous corresponding period (PcP), accompanied by a notable 135% increase in EBITDA from the PcP. Furthermore, Asset Vision released a comprehensive roadmap outlining its strategic initiatives for CY24, including the introduction of innovative products such as Autopilot review (AI Rewind view) scheduled for June 2024 and Autopilot + AI App catcher and web view set for September 2024.

Ozforex (**OFX**) is a quality small cap company which crept higher over the month based on broader market sentiment. The financial year end for OFX concludes on 31 March 2024, and OFX has had limited news flow over recent months. OFX remains a core holding for the portfolio and the Manager expects the announcement of the FY24 result and outlook for FY25 to be a positive catalyst in coming months.

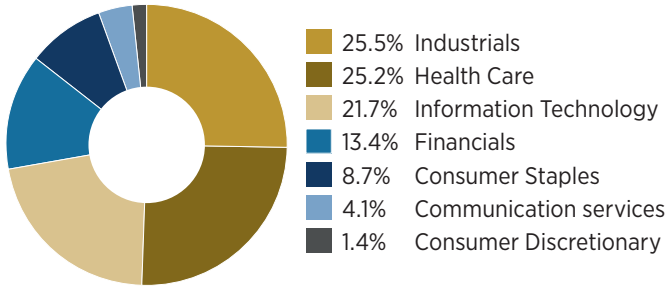
Probiotech (**PBP**) is edging towards the completion of its takeover offer received from Pyridam in December 2023. This agreement entails the acquisition of 100% of Probiotech's share capital via a Scheme of Arrangement. Shareholders of Probiotech will receive cash consideration of \$3.00 per share under this Scheme, with the Scheme Meeting scheduled for Wednesday, 29 May 2024. As of the reporting date, PBP's share price closed at \$2.90 as at the end of March.

Close the Loop Ltd (**CLG**) experienced share price decline in March despite delivering a strong result in February. A highlight was the strong performance of its ISP Tek Services acquisition, which delivered revenue growth and EBITDA ahead of expectations. One potential negative related to CLG's packaging division which experienced revenue performance and outlook below expectations due to shipping delays. Despite these challenges, CLG's revenue of \$106.2 million remains on track to exceed FY24 guidance of \$200 million. The Manager was satisfied with the 1H24 results and maintains confidence in CLG's outlook.

Top Shelf International Holdings Ltd (**TSI**) experienced negative share price performance in the month notwithstanding being on low trading volumes. The attention of the market in March likely focused on the balance sheet, which offset gains from the beginning of CY2024 driven by improved operating performance. TSI has taken proactive steps to address the balance sheet concerns by initiating a non-binding term sheet for a \$10.0 million sale and leaseback of agave farmland and distillery assets to mitigate these challenges.

MedAdvisor Ltd (**MDR**) negative share price performance for the month of March is another one that is difficult to explain. The half-year result reported in February was broadly in line with expectations and the outlook remains positive. There are growth catalysts in both the North American and Australian markets. Additionally, MDR's Charac JV investment is progressing with the closure of the UK office and a focus on delivering migrated offerings in 1Q FY25, targeting home delivery services.

## Listed Portfolio Sector Weights



## Top 5 Holdings

1. Ozforex (ASX:**OFX**)
2. Ai-Media Technologies Ltd (ASX:**AIM**)
3. Top Shelf International Holdings (ASX:**TSI**)
4. Probiotec Limited (ASX:**PBP**)
5. Medadvisor Ltd (ASX:**MDR**)

## Investment Team



### Gregg Taylor

Investment Director  
25+ years' experience  
Previous:  
Schroders Investment Management and  
Bombora Investment Management



### Tineyi Matanda

Investment Director – Funds Management  
17+ years' experience  
Previous: PwC



### Advait Joshi

Senior Analyst  
6+ years' experience  
Previous:  
Bombora Investment Management,  
UBS Investment Bank



### Francis Crossle

Analyst  
2+ years' experience



### Keegan Cuolahan

Analyst  
1+ years' experience

## Contact

**E** | [info@salterbrothersemergingcompanies.com.au](mailto:info@salterbrothersemergingcompanies.com.au)

**P** | 03 9258 2100

**W** | [www.salterbrothersemergingcompanies.com.au](http://www.salterbrothersemergingcompanies.com.au)

Authorised for release by the Board of SB2.

### Important information

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