

Investment Report & NTA Update

12 JULY 2024

Net Tangible Asset Value per share as at 30 June 2024

Pre Tax NTA	Post Tax & Pre Unrealised Gains Tax NTA	Post Tax NTA	Share Price	% Discount to NTA*
\$0.946	\$0.969	\$0.986	\$0.60	-39.15%

* 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)^
SB2#	1.01%	1.84%	8.10%	2.78%	-1.48%	0.41%	1.28%

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 June 2024			
#	Company Name	Price Chg. (%) (Absolute)	Weighted Avg. Price Chg (%)
1	Medadvisor Ltd (MDR)	+13.6%	+0.8%
2	Ai-Media Technologies Ltd (AIM)	+7.9%	+0.6%
3	PYC Therapeutics Ltd (PYC)	+14.3%	+0.5%

Key Detractors for June 2024			
#	Company Name	Price Chg. (%) (Absolute)	Weighted Avg. Price Chg (%)
1	Top Shelf International Holdings Ltd (TSI)	-21.4%	-1.1%
2	Alcidion Group Ltd (ALC)	-19.0%	-0.9%
3	Acrow Formwork and Construction Services Ltd (ACF)	-7.0%	-0.2%

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 30/06/2024) features:
 - Weighted average FY24-25F Revenue growth of +18%
 - Weighted average FY24-25F EBITDA margin of c.17%
 - Weighted average FY24-25F NPAT margin of c.6%
 - Weighted average FY24-25F P/E multiple of 8.9x

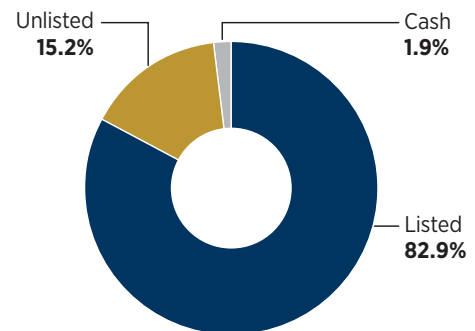
Metrics of the Listed Portfolio**

	FY23A	FY24F	FY25F
Key Ratios			
EV / Revenue (x)	2.5x	1.9x	1.6x
EV / EBITDA (x)	10.4x	10.0x	8.6x
EV / EBIT (x)	10.3x	8.8x	7.2x
P / E (x)	14.0x	9.8x	8.1x
Portfolio Financials			
Revenue Growth (%)	32%	18%	18%
EBITDA Margin (%)	10%	15%	18%
EBIT Margin (%)	4%	8%	11%
NPAT Margin (%)	-2%	4%	7%

**All metrics reflect weighted averages of the combined portfolio based on SB2 forecasts, as at 30/06/2024, adjusted for abnormalities.

Portfolio Composition

- The SB2 Portfolio has 24 Listed holdings (82.9% of the total value), 6 Unlisted holdings (15.2% of the total value) and 1.9% Cash.
- The weighted average market capitalisation of the stocks in the listed portfolio is ~\$219m.
- The investment strategy was compliant with the emerging companies' investment requirements of the Australian Significant Investor Visa regime for the period ending 31 May 2024.
- A key requirement of the Australian Significant Investor Visa regime is that the portfolio invests in companies with a market capitalisation of less than \$500m. As such the portfolio has a microcap bias and the portfolio performance is driven by the performance of this sector of the market.



June 2024 Monthly Update

June was a positive month for the portfolio, achieving a monthly return of 1.01%, significantly outperforming the ASX Emerging Companies Accumulation Index, which posted a negative return of -3.73%. This solid outperformance underscores the portfolio's continued growth, further highlighted by the SB2 portfolio's 8.10% return for FY24, compared to the Emerging Companies' 4.42% return. The portfolio has also delivered positive performance over the 2-year period. This positive trend reflects the returning sentiment towards small caps on the ASX. The sub \$500M market cap sector is typically a laggard in a market recovery for small caps though green shoots continue to emerge. Our core holdings performed well and continue to hold us in good stead moving forward, driven by strong Q3 results and ongoing confidence in their future prospects.

During the month, the top three positive contributors to the portfolio were Medadvisor Ltd (**MDR**), Ai-Media Technologies Ltd (**AIM**), and PYC Therapeutics Ltd (**PYC**). The top three key detractors were Top Shelf International Holdings Ltd (**TSI**), Alcidion Group Ltd (**ALC**), and Acrow Formwork and Construction Services Ltd (**ACF**).

Medadvisor Ltd (**MDR**) continued to be the leading contributor for the second consecutive month. After last month's upgrade, MDR maintained its strength, driven by the ongoing growth in the US and Australia. The company's positive performance is a testament to its innovative approach and strong market positioning in delivering digital health solutions via pharmacies. The Manager remains confident in MDR's ability to deliver further value to the portfolio.

Despite no news flow in June, Ai-Media Technologies Ltd (**AIM**) reversed its trend after several down months. AIM's position as a major beneficiary of AI developments in voice-to-text for live broadcasting remains strong, and the Manager holds a high conviction that AIM is poised for a positive re-rate in the medium term. Additionally, throughout June, the Founder and Managing Director of Ai-Media purchased a further 5,000,000 ordinary shares, a positive lead indicator of the confidence in the company.

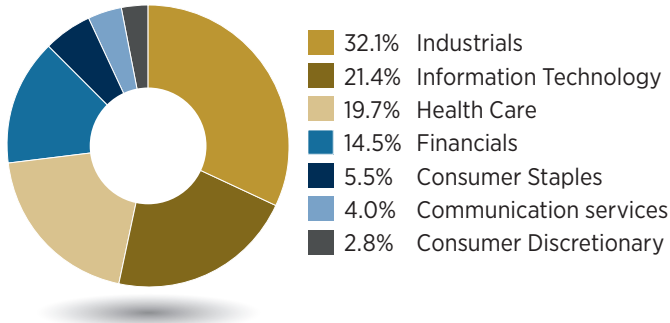
PYC Therapeutics Ltd (**PYC**) is a recent addition to the portfolio, PYC Therapeutics Ltd is an RNA therapeutics drug development company. In June, PYC announced significant progress in its drug development pipeline, including positive results for its fourth drug candidate targeting Phelan McDermid Syndrome and promising outcomes in clinical trials for Retinitis Pigmentosa type 11 (RP11). These developments highlight PYC's potential to deliver substantial value, making it a valuable addition to the portfolio.

Top Shelf International Holdings Ltd (**TSI**) was the main detractor of the month, with its share price retracting due to tax loss selling into the end of the financial year. However, the company secured nationwide distribution for its Act of Treason Australian Agave with Endeavour Group, marking a significant step forward. Act of Treason will be stocked in all Dan Murphy's outlets nationwide from mid-July and selected BWS stores. This first major retail distribution agreement complements ongoing efforts to grow the brand's footprint in key strategic locations along the eastern seaboard. The Endeavour ranging confirmation comes after Act of Treason won gold medals at the three most prestigious international spirits competitions in May and was named the World's Best Speciality Spirit at the World Drinks Awards. The Manager believes this is a positive step in the right direction for Top Shelf, reinforcing the conviction that the company is undervalued.

Alcidion Group Ltd (**ALC**) experienced a price retraction due to a lack of news flow. Despite this, the Manager remains optimistic about Alcidion's future, anticipating further contract wins in the near term. Continual market and competitor assessment supports the belief in the company's growth prospects in the Australian and UK markets.

Acrow Formwork and Construction Services Ltd (**ACF**) continues to secure significant contracts and demonstrate growth. The company renewed a \$16 million contract with Visy for industrial scaffold services, solidifying its position in the industrial services sector. Additionally, Acrow achieved a record \$12.3 million in new hire contracts for June and ended FY24 with a sales pipeline of \$189 million, reflecting a 33% increase. These accomplishments underscore Acrow's strong market position and growth potential, reinforcing the Manager's confidence in its future performance.

Listed Portfolio Sector Weights



Top 5 Holdings

1. OFX Group Ltd (ASX:**OFX**)
2. Ai-Media Technologies Ltd (ASX:**AIM**)
3. Alfabs Australia Limited (ASX:**AAL**)
4. Close the Loop Ltd (ASX:**CLG**)
5. Smart Parking Ltd (ASX:**SPZ**)

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



Keegan Cuolahan

Analyst
3+ years' experience



Francis Crossle

Analyst
2+ years' experience

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Authorised for release by the Board of SB2.

Important information

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