

Investment Report & NTA Update

13 SEPTEMBER 2022

Net Tangible Asset Value per share as at 31 August 2022

Pre Tax NTA	Post Tax & Pre Unrealised Gains Tax NTA	Post Tax NTA	Share Price	Number of Holdings
\$1.035	\$1.060	\$1.038	\$0.715	35

Investment Portfolio Performance*

	1 Month	6 Months	1 Year	2 Years p.a.	3 Years p.a.	Inception p.a.^	Inception (Total Return)^
SB2	1.50%	1.95%	-6.14%	-	-	-	9.55%

* 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 35 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 August 2022.

General Commentary

In the month of August 2022, most of the portfolio companies reported their full year financial results and provided commentary on their outlook over the next 12 months. The Manager held meetings with the management teams of each of the portfolio companies and is pleased to report our investment thesis on each one of our high conviction holdings remains intact.

During the month, the Manager also added two new material positions to the portfolio with the inclusion of SomnoMed Limited (SOM) and MedAdvisor Limited (MDR). The Manager also took advantage of a buyout offer for PTB Group Limited (PTB) from PAG Group to exit the position. Despite a tough market environment, the Manager is pleased to report the portfolio grew by +1.5% in the month of August, outperforming the ASX Small Ordinaries Accumulation Index by 0.9% (which grew +0.6% in the month).

Market Insight

In August 2022, the Reserve Bank of Australia (RBA) increased the cash rate by 50 basis points to 1.85%. The central bank noted inflation was at the highest level it has been since the early 1990s with headline inflation at 6.1% and underlying at 4.9%. The RBA noted both domestic and international causes including the war in Ukraine, a tight labour market, capacity constraints and floods earlier this year.

Despite the tough macro environment, the Manager holds high degree of confidence in the individual names within the portfolio and continues 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	\$215m
Cash Weighting	2.9%
Portfolio >300m mkt cap	31.8%
Portfolio 100-300m mkt cap	37.4%
Portfolio <100m mkt cap	22.2%
Unlisted Investments	5.7%
Shares on Issue	94,392,046

Portfolio Review

August 2022 was a busy period for the Manager with most portfolio companies reporting their full year financial results to the market.

During the month of August, the key positive contributors to the portfolio included PTB Group (PTB), TopShelf International (TSI), Pacific Current Group (PAC), Acrow Formwork (ACF) and Ardent Leisure Group (ALG).

TSI released its FY22 results in August reporting pro-forma revenue of \$26.6m (+39% vs FY21), with branded product revenue growing +96% HoH vs 1H21. Gross margins grew +2.1% YoY to 27%. The business remains well capitalized with \$38.7m of available funding which the Manager expects should support it to free cash flow profitability. The business noted its brands Ned Whisky and Grainshaker Vodka were rated as Australia's #1 whisky and vodka brands respectively.

PAC also released its FY22 results in August. Despite some noise in the results with the inclusion of mark-to-market adjustments and finance income in revenue, on an underlying basis PAC grew revenue by +20% in FY22. Furthermore, PAC was only able to recognize 9 months of GQG revenue in FY22 due to a change in accounting method resulting from GQG's listing. Had it recognized a full 12 months of GQG earnings, a further \$2.4m would be recognized on revenue, translating to an underlying sales revenue growth rate of c.26% in FY22. PAC also declared a final dividend of A\$0.23 / share, bringing the full year dividend to A\$0.38 / share, a +6% increase over FY21.

ACF saw its share price grow c.+15% in August on the back of its announcement of securing two contracts worth c.\$4m in revenue for the provision of Jump Forms on two marquee Queensland projects as well as the release of its FY22 results. These were 'landmark wins' for the company as it fast tracks entry into the Jump Form market and further enhances ACF's position as the leading provider of Engineered Formwork Sales and Hire solutions to the Australian construction market. ACF's CEO Steven Boland noted the contract wins were "one of the most significant developments of our business over the past few years". In its FY22 results, ACF reported revenue increase of +40% YoY to \$148.3m and EBITDA growing +49% to \$36.3m. The Manager is pleased with the traction and progress of the ACF business and retains a high degree of conviction in the opportunity set.

A detractor in the month of August was Cogsgate (CGS). CGS is a leading neuroscience technology company optimizing brain health assessments to advance the development of new medicines and to enable earlier insights in healthcare. The business saw a share price decline following the release of its FY22 results due to a subdued revenue and EBITDA guidance for FY23. The Manager held multiple calls with Management, industry experts and advisors following the release and remains confident in the business over medium term.

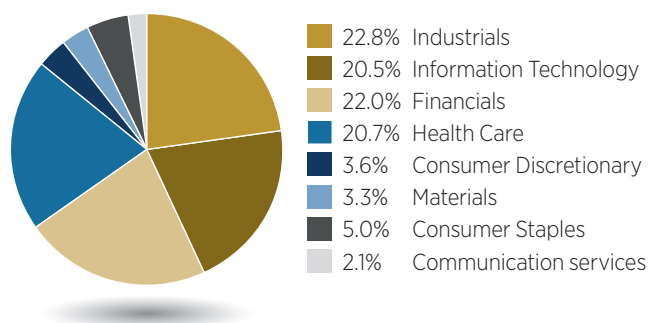
In the unlisted investments space, the portfolio has an investment in MediSecure Limited (Medisecure). MediSecure has two primary products that have been commercialised and are registered on the Australian Digital Health Agency's 'Electronic Prescribing Register of Conformance':

- 'MediSecure' a Prescription Delivery System (PDS) (the "eScript business"); and
- 'Aquarius' a Dispensing System (DS) (the "Dispensing business") via MediSecure's wholly owned subsidiary Simple Retail Pty Ltd.

Recently, the Department of Health ("DHS") has issued a request for tender ("RFT") to engage providers of electronic prescription services, specifically, PDS and an Active Script List Register ("ASLR"). The RFT makes it clear that there is no guarantee or assurance that the existing PES providers that have pioneered Electronic Prescription Services in Australia will have an ongoing role.

MediSecure has submitted a tender to implement, operate and maintain both a partial PDS and sole PDS services with both these outcomes being viewed as positive for the business on a successful tender. In the event the RFT is not successful and MediSecure doesn't receive an ongoing role, it would necessarily have a material adverse impact on the company's valuation and therefore SB2's investment.

Portfolio Sector Weights



Top Holdings

Pacific Current Group Limited (ASX code: PAC)

OzForex Group Limited (ASX Code: OFX)

Probiotec Limited (ASX code: PBP)

RPMGlobal Holdings (ASX code: RUL)

Core Investments – Spotlight

MedAdvisor Limited (ASX code: MDR)

MedAdvisor Limited (ASX:MDR) is a medication management software platform that works with pharmacies to help patients take their medication safely and effectively. MDR works with 25,000 pharmacies in the US to deliver its medication adherence programs to 180m+ patients. In Australia, MDR has connected over 2.9 million patients through more than 90% of Australian pharmacies. MDR has partnered with Cotiviti in the US and is on track to become one of the largest players in the global digital adherence market. The business reports 80% of the top 25 pharma companies as its clients and has 184 employees globally.

The Manager remains attracted to the significant tailwinds for MDR including the increasing spend globally by pharma companies to lift adherence as well as on patient awareness and advertising as well its operating model and the strength of its balance sheet and continues to monitor the investment closely.

Contact

E | info@salterbrothersemergingcompanies.com.au

P | 03 9258 2100

W | www.salterbrothersemergingcompanies.com.au

Authorised for release by the Board of SB2.

Important information

This information has been prepared by SB2 and Salter Brothers Funds Management Pty Ltd ABN 94 608 295 683, an authorised representative of Salter Brothers Asset Management Pty Ltd ABN 33 119 833 760 (Australian Financial Services Licence 308971) (**Disclosers**).

This is general information only and is not financial advice and does not consider any individual's objectives, financial situation or particular needs. Before making an investment decision an individual should assess whether it meets their own needs and consult an appropriately licensed financial adviser. No warranty (express or implied) is made as to the accuracy, completeness or reliability of any statements, estimates or opinions or other information contained in these materials (any of which may change without notice) and to the maximum extent permitted by law, the Disclosers disclaim all liability and responsibility (including, without limitation, any liability arising from fault or negligence on the part of any or all of the Disclosers) for any direct or indirect loss or damage which may be suffered by any recipient through relying on anything contained in or omitted from these materials.

Past performance is not a reliable indicator of future performance.