



# DMX Capital Partners Limited

Investing in the most compelling nano and micro-cap opportunities

Investor Briefing: October 2020

# Who is DMX Asset Management?



---

We specialise in identifying highly prospective nano and micro-cap opportunities on the ASX

---

A small firm with c.\$12m in AUM, we're well-resourced as a subsidiary of a profitable unlisted investment company, and have a team focused on delivering for clients

---

Strong alignment with management owning c.20% of DMX Capital Partners, and principals regularly adding to holdings

---

Focused team of experienced, passionate value investors with complimentary skill-sets and a shared long-term orientation

---



Roger Collison	Steven McCarthy	Chris Steptoe	Michael Haddad
Chairman	Portfolio Manager	Investment Analyst	Investment Strategist
20 years' investment experience as analyst and fund manager including head of research at Tyndall Asset Management	20 years' micro-cap investment experience specialising in valuations, corporate finance & due diligence	20 years' micro-cap investment experience specialising in global equities with a technology focus	20 years' global equities investment experience, principally at Peters MacGregor Capital Management

# Our Micro/Nano-cap fund: DMXCP

Unique, high-performing fund with track record

Five-year performance of +27% p.a. since inception. But this is considered a by-product of a well-considered, well-executed investment philosophy & process

Under-owned and different asset class

Exposure to undiscovered, under-researched smaller companies outside the investment universe of most investors. Delivering genuine differentiation and diversification

Value focus, targeting asymmetric pay-offs

Disciplined fundamental, bottom-up stock selection approach. Focus on opportunities where downside is quantifiable and upside is significant

Incentive fees to align absolute performance

Manager fees aligned with investors (1% mgmt fee / 15% incentive fee). Management fee provides cost recovery, then we're incentivised to the upside

Substantial co-investment by insiders

DMXCP Directors (Roger Collison, Dean Morel and Steven McCarthy) & key team members are heavily invested in the fund. We share investor outcomes through both the good and bad!

# Why we are unique:



As an Australian Nano and Micro-cap Specialist, we provide exposure to a genuinely unique portfolio. Growing companies that are under-researched, under-appreciated, and undervalued

Objectives include providing genuinely differentiated exposures; best-in-class and transparent communications; and meaningful performance to investors over the long term

Principal focus on sub-\$100m companies, including many portfolio holdings under \$20m market cap. As at October 2020, the median market cap is \$30m

Wholly focused on our core strategy – and executing with discipline. And from investors' perspective, a valuable, differentiated, and difficult to replicate exposure

Proud to provide long term support to emerging companies with positive ESG characteristics. Portfolio weighted to education, technology & healthcare. No gambling, oil, weapons

# What is our edge?

Taking advantage of under the radar opportunities	Exclusively focussed on nano and micro-cap opportunities	Pragmatic investment approach	Access to Management & Deals
<p>We swim in a different pool to most investors &amp; fund managers</p>	<p>We are absolutely committed to supporting emerging companies</p>	<p>We seek out the best value investments, unrestricted by investment style</p>	<p>Extensive network across brokers, management and industry participants</p>
<p>Opportunities are under-analysed and under-researched</p> <p>More likely to come across interesting opportunities that are inefficiently priced</p> <p>Not afraid of illiquidity</p>	<p>We turn over a lot of stones in the space</p> <p>Not distracted by what is happening in other parts of the market</p> <p>Very strong knowledge of the opportunity set</p>	<p>Our flexible approach sees us invest in the most compelling opportunities</p> <p>Opportunities may range from a high growth SAAS business, to a cashed-up shell to a high dividend yield company</p>	<p>Provides access to deal flow: placements, underwriting, IPO and pre-IPO opportunities that are difficult to access</p> <p>Also provides us with high quality company and industry insights</p>

# Performance Update

A strong first half performance has resulted in FY20 performance of **+9.95%**

Elevated cash in March (average ~30%) buffered portfolio, relative to small companies generally. During March, DMXCP's NTA fell 18%, while the XEC Microcap Index declined 31%.

Cash subsequently deployed in April & May; with cash at 31 May reducing to 15%

Took the opportunity to increase exposure to existing long-term core portfolio holdings at attractive prices, including **AVA, XRF, JAN, EAS, QFE, PTB, BWF, SKF**.

FY21 has started strongly, with NAV up 27% in the first 3 months.

Despite the strong start to the year, significant value remains across the portfolio, with many holdings trading on less than 10x PE. A number of new very compelling positions recently added to portfolio, and new opportunity pipeline remains strong

Investor base very supportive – net inflows every month in 2020, and a number of new investors have joined the register & many existing investors adding to their holdings.

DMXCP returns	(to 30 Sept 2020)
1 month	6.51%
3 months	27.43%
CY20 YTD	17.49%
12 months	26.46%
3 years	13.70%
Since Inception	27.59%

# Our top positions at October 2020



AVA Risk Group (AVA)



PTB Group (PTB)



XRF Scientific (XRF)

## Why we like it?

- Fast growing, global security technology and logistics services
- \$8m cash at June 2020
- Maiden NPAT of \$4.9m in FY20
- EBITDA \$7.4m from negative \$2.9m in PCP (\$10.3m improvement)
- Strong start to 1Q21
- Multiple drivers of growth
- *Potential for corporate activity*: selling its Logistics business

- Global maintenance and service provider to airline industry
- FY20 Revenue up 52% to \$78m and EBITDA up 30%
- Diversified operating footprint and its strong liquidity
- Significant growth opportunities exist for each of PTB's operating divisions
- Strong FY21 guidance implying PE of less than 10x and 6% yield

- Manufacturer of consumables and equipment for mining and industry
- \$3m cash at June 2020
- Market leading position, with strong IP in both X-Ray Flux, and Platinum products
- FY20 NPAT up 46%
- Global footprint, with operations diversifying away from mining
- Strong start to FY21

M/Cap – Oct 20

\$93m

\$87m

\$38m

All profitable, well managed companies with solid growth outlooks on reasonable multiples

# Some of our unique nano-cap positions

---

ICS Global (ICS): \$19m m/c – highly profitable medical payments service provider

---

Consolidated Financial (CWL): \$2m m/c – cashed up shell

---

Sequoia (SEQ): \$34m m/c – diversified financial services business with \$16m cash

---

Blackwall (BWF): \$28m m/c – Property fund manager with \$14m investment in ASX:BWR

---

Knosys (KNO): \$13m m/c - Software company with leading knowledge management product with Tier 1 customer base

---

Aeris Limited (AER): \$5m m/c - provides unique geo-spatial data to a Tier 1 customer base

---

Corum Limited (COO): \$29m m/c – profitable med tech company with re-focussed management

---

Australian Family Lawyers (AFL): \$16m m/c – profitable, growing, national network of specialist law firms

A very unique portfolio of small, growing, under-valued, undiscovered opportunities, with great tail winds...



# Outlook is positive...

---

Remain disciplined and focused upon our core strategy: identifying small, growing, well-managed, under-the-radar companies trading below our assessment of intrinsic value.

---

A portfolio of unique, quality, undiscovered and undervalued investments, that are difficult to access and difficult to replicate. Well placed to generate meaningful returns to investors over the long term.

---

A growing pipeline of potential investments, placements and underwriting opportunities from our in-house research, brokers and industry contacts.

---

Solid performance to date at ~27% pa net of fees but pre-tax since inception in 2015. Achieved ~150% return since inception (5.5 years), with low market correlation reflecting genuine differentiation and thus blends well with other assets.

Currently open  
to investment  
pursuant to an  
Investment  
Memorandum.

The offer to acquire interests in DMXCP is contained in the Information Memorandum dated January 2019 and is only open to institutional, sophisticated and wholesale investors as defined in section 761G of the Corporations Act 2001 (Cth)