DMX ASSET MANAGEMENT

DMX Capital Partners Limited

Investing in the most compelling small and micro-cap value opportunities

DMX Capital Partners Limited

April 2019 – Shareholder Update

An investment company managed by:
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Opening NAV (1 April 2019) [1,2]	**$1.5705**	Fund size	$6m
Closing NAV (30 April 2019) [1,2]	**$1.6294**	% cash held - month end [4]	22%
NAV Return (April)	+3.75%	Gearing	nil

*DMXCP Share price = Closing NAV (**$1.6294**), being: Share portfolio value + cash – fees payable – tax payable + franking credits*

**References to All Ords are for illustrative purposes only*

Monthly DMXCP Net asset value (share-price) returns (after fees) since inception (April 2015) [3] (%):

Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	All Ords
2015	n/a	n/a	n/a	+0.201	+9.448	+1.104	+6.524	+1.971	+9.711	+0.958	+3.568	+2.470	**+41.62**	**-8.83**
2016	-3.590	+1.323	+2.049	+2.045	+2.143	+0.020	+5.389	+7.056	+2.156	+1.058	+1.520	+0.321	**+23.10**	**+7.01**
2017	+0.885	-0.816	+1.790	-0.741	-1.990	+0.210	+1.071	+1.208	+0.822	+3.494	-0.267	-0.055	**+5.54**	**+7.83**
2018	+0.445	-1.625	+0.008	-1.173	+0.310	-0.211	+1.017	+4.112	+1.604	-3.438	-2.827	-2.257	**-3.66**	**-7.24**
2019	+0.122	-0.010	-1.624	**+3.754**									**+2.18**	**+11.9**

Dear Shareholder,

DMXCP's NAV increased 3.75% after all accrued fees and expenses for April 2019. The NAV as at 30 April 2019 was **$1.6294**, up from **$1.5705** as at 31 March 2019. The ASX All Ordinaries Index increased 2.51% during the month, while the XEC Emerging Companies Index was up 4.1%.

For the 10 months of the 2019 financial year to date, DMXCP's net asset value has increased 0.37%, while the XEC (Emerging Companies Index) has declined 6.1%.

Monthly summary

The portfolio performed well this month, in a strong market. Pleasing positive contributions came from **Tiny Beans Group Limited** (+153%), an as yet undisclosed position (+42%), and **CV Check** (+33%).

Detractors included **Sequoia Group** (-12%), while **Mainstream Group Limited** and **Legend Corporation Limited** were down 6% and 5% respectively, all on no news.

The portfolio news during the month was overwhelmingly positive, and price momentum across the portfolio has been correspondingly strong. We are encouraged and excited with how the portfolio is now positioned.

Nano-caps performing

As reported in previous updates, we have been increasing our exposure to nano-caps (which we define as sub $20m market cap companies). We believe that there are opportunities in this part of the market that have been sold down over the past year and have lagged the broader market recovery over recent months. We are pleased that this month this strategy has been showing some promising signs, as some of these nano-caps are starting to play catch-up.

- CV Check Limited (**ASX:CV1**), which we discussed in last month's update, reported a positive quarterly update. Operating cash flow was strong, its EBITDA result was encouraging, and its outlook was very positive. CV1 was up 33% for the month and is now up 100% from our initial purchase at the time of its capital raising at 5.75c last November.

- Tiny Beans Group Limited (**ASX: TNY**), a fast-growing social media platform that allows parents to securely store and share photo and video memories of their children, finished the month up over 150% on our intra-period purchase price. Having followed the progress of TNY for some time, and following constructive engagement with management, we acquired a small position in TNY at the start of the month at 35c. At a $10m enterprise value, on our forecasts it was significantly undervalued for a very fast-growing business that was rapidly becoming a significant (3 million plus users) global social media platform. It had been heavily sold off since its IPO at $1 two years ago yet was now in far stronger position. User numbers had tripled since the IPO, and the company was consistently reporting triple digit revenue growth. During the month, TNY reported **revenue growth of 143%** against the same period last year, while **cash receipts were up 192%.**

We continue to see plenty of opportunities in this part of the market and have been accumulating positions in a number of compelling opportunities with market caps under $20m. We feel these positions have significant upside from low bases. We are very excited by the potential for these holdings and look forward to disclosing more of these in future updates.

<u>Positive news flow across core positions</u>

The positive news continued across many of our core holdings, with a number of pleasing updates released during the month:

- Blackwall Limited (**ASX: BWF**) announced that with the sale of the Bakehouse Quarter mixed use project, a series of transactions can now complete which will result in BWF having an exceptionally strong balance sheet comprising $13m cash plus its $17m ASX: BWR asset, and no debt. BWF's two operating businesses will also benefit from the transaction:
  1) <u>Blackwall Asset Management</u>: Blackwall's key investment vehicle BWR will now have a GAV of $380m and little debt and a remit to acquire new assets such as turnaround urban renewal investment projects. As manager of BWR, BWF earns a 0.7% annual management fee ($2.5m) and a 2% acquisition fee on any assets purchased by BWR. Blackwall is building a significant funds management business with increasing high-quality recurring revenues, as well as exposure to one-off performance fees and acquisition fees.
  2) <u>WOTSO:</u> BWR is now cashed up and intending to use its balance sheet to acquire property projects that have the potential to house new WOTSO co-working centres within the development. WOTSO is growing very quickly with turnover for this financial year **expected to reach $13m (up from $6m two years ago)**. However, this transaction supports further WOSTO growth, as it looks to add to its current 16 centres.

  We believe that with a cleaner, easier to understand balance sheet, strong cash balance and clear growth pathway, the market will start to take another look at BWF.

- Education provider UCW Limited (**ASX: UCW**) reported a very strong trading update. UCW's health and community services education business (ALG) grew its **international student enrolments in 3Q19, by 29%** on the previous corresponding period. Its higher education business, Ikon, achieved a record student intake for the 2019 academic year, with enrolments **up <u>over 50%</u> on the prior year**. This should support an improved profit for Ikon for 2H19 (and 1H20), relative to the break-even result achieved in 1H19.

  In further pleasing news for UCW, ALG's new Melbourne campus, which opened in July 2018, achieved run-rate break-even in 3Q19, three months ahead of what was outlined at the time of UCW's half year results. UCW also increased its cash position at 31 March 2019 to $3.2m (31 December 2018: $1.6m). Full year group revenue guidance of between $19m and $21m was affirmed, with UCW expecting an improved EBITDA in 2H19, compared to both 1H19 and the PCP, as it benefits from organic initiatives and operating leverage comes through.

- Joyce Corporation (**ASX: JYC**) was another holding that provided a trading update. Pleasingly, after a first half which saw some investment in growth initiatives result in a loss for its 56% owned Lloyds Auctions for the half, the second half has returned strongly to profit, with Lloyds on track to grow from its FY18 EBIT result by double digits. During the month, Lloyds undertook the largest classic car auction in the Southern Hemisphere (Gosford Classic Cars). We estimate this event turned over approximately $15m in auction sales.

Joyce continues to assist its investee companies in driving profitable growth through national expansion and noted “*We are excited by the continued growth and operational efficiency initiatives in all our businesses*”. At the end of the month, JYC declared a second interim dividend to utilize excess franking credits.

- In last month’s update we introduced our position in XRF Scientific (**ASX: XRF**). During April, XRF provided an update on its trading performance for the 9 months to 31 March. Revenues and profit for the quarter were well up on the previous March quarter, while **revenue for the 9 months was up 18%** and **profit before tax up 113%**. The final quarter of the financial year is shaping up nicely, with new European customers expected to come online, while the order book for XRF’s capital equipment remains strong. XRF’s Scania micro-flux product continues to take market share, driving strong growth in XRF’s consumables division. On releasing its half year results, XRF advised they are keen to improve the profile of the company, so we are looking forward to more regular newsflow as XRF speaks to the market on its opportunity.

- At the end of March, fund administration services provider Mainstream Group Limited (**ASX: MAI**) released a presentation which highlighted some strong growth trends and some ambitious targets. MAI has been investing heavily to build out a US business, focused on servicing US Private Equity funds. This business currently represents 17% of the MAI business. In three years, MAI expect their US business to be larger than their Australian business. For the quarter ended 31 March 2019, MAI’s Funds under Administration (FuA) grew to a record $163 billion - an increase of 11% on the prior quarter and **23% on the prior 12 months**. This growth was driven by both market movements and net inflows from existing clients ($9.2 billion) and the transition of $5.1 billion from competitors. MAI continues to build a significant global business, with an aim of doubling revenue over the next three years. Its valuation is underpinned by long term contracts with high margin, recurring revenue, with supportive industry tailwinds.

For further updates and news on portfolio holdings, please visit us on twitter or go to our blog:

https://twitter.com/DMXAsset

https://www.dmxam.com.au/our_blog.html

Recent blog posts include a profile on Easton Investments (ASX: EAS), and some thoughts on the evolution of shopping centres and how that may benefit Blackwall and Kip McGrath.

Thank you for your trust, support, and patience as we continue to execute on our time-tested well-considered philosophy and process. We would like to extend a warm welcome to our new investors who have come on board this month, that have been referred to us by an existing investor. We are appreciative for any introductions to people whom you think might benefit from an exposure to our unique, differentiated, and difficult to replicate portfolio. We also continue to receive top-up contributions to investments from long-term holders seeking to dollar-cost average into their investment. If you would like to discuss either initiating an investment or topping up your holding at this prospective time, please do feel welcome to contact Steve McCarthy on 0403 869 632 or email steven.mccarthy@dmxcorporation.com.au at any time.

We look forward to reporting to you again in early June.

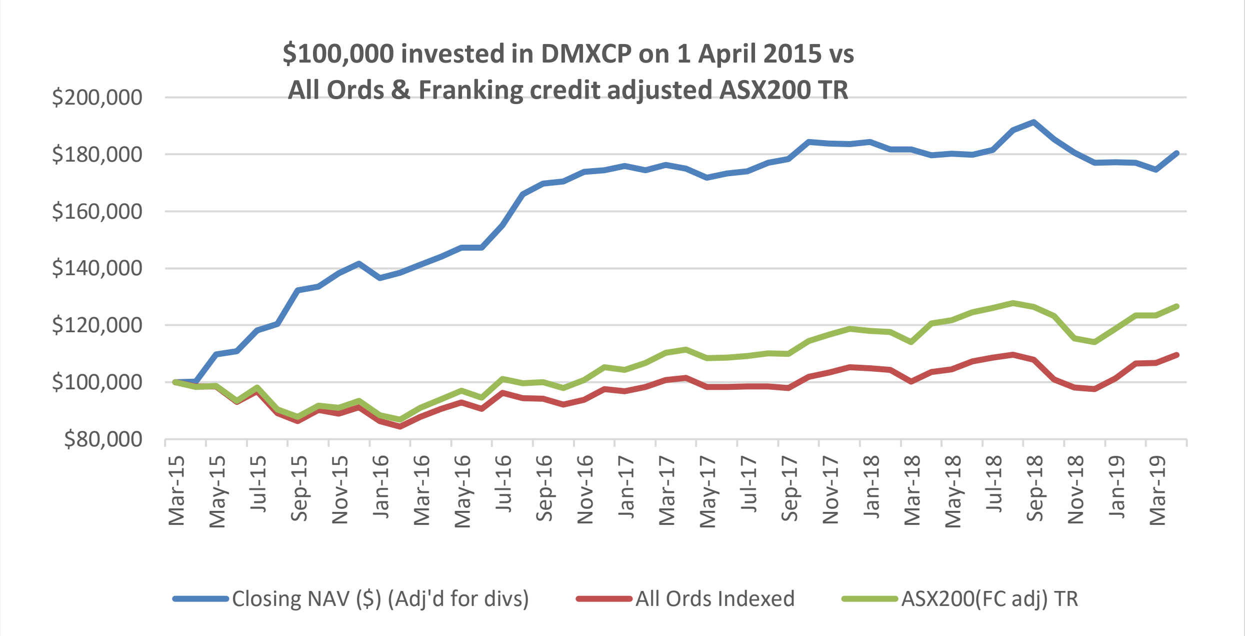
Kind regards

Roger Collison	Steven McCarthy	Chris Steptoe
Chairman	*Portfolio Manager*	*Research Analyst*

Note 1: Net asset value (NAV) is after all tax accruals but includes an estimate of franking credits available. Refer note 5, unaudited
Note 2: Unaudited result
Note 3: All DMXCP disclosed returns include the payment of dividends and franking credits
Note 4: Includes cash received during the month for the application of new DMXCP shares to be issued
Note 5: Franking credits per share are franking credits arising from dividends received and for tax paid or payable on realised portfolio gains

Appendix 1: Performance

The following chart illustrates the return from investing $100,000 in the fund (including dividends and attached franking credits) since inception (April 2015). DMXCP is an absolute return fund, focused on generating positive absolute returns over the medium to long term.



Appendix 2: Portfolio Sector classification