DMX ASSET MANAGEMENT

DMX Capital Partners Limited

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

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DMX Capital Partners Limited

December 2019 – Shareholder Update

An investment company managed by:
DMX Asset Management Limited
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13/111 Elizabeth Street, Sydney, NSW 2000
DMXCP directors: Roger Collison
Dean Morel
Steven McCarthy

Opening NAV (1 December 2019) (1,2) **Closing NAV (31 December 2019)** (1,2)	**$1.9235** **$1.9262**	Fund size (gross assets) % cash held - month end (4)	$9m 14%
NAV Return (December)	+0.140%	Gearing	nil

*DMXCP Share price = Closing NAV (**$1.9262**), 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	+3.014	+0.418	+7.482	-0.889	+3.279	+4.567	+2.997	**+0.140**	**+25.10**	**+19.02**

Dear Shareholder,

DMXCP's NAV increased 0.140% (after all accrued fees and expenses) for December 2019. The NAV as at 31 December 2019 was **$1.9262**, compared to **$1.9235** as at 30 November 2019.

For the 2019 calendar year DMXCP's NAV increased 25.10% (after all fees); while for the first six months of the FY20 financial year, DMXCP's NAV increased 18.34% (after all fees).

ASX indices were weaker during the month. The All Ordinaries was down 2.10% in December while the ASX Small Ordinaries Index decreased 0.6%. The XEC Emerging Companies Index decreased 2.04%.

Portfolio news

During the month, a number of our longer term holdings delivered positive news and contributed to the month's performance.

- We mentioned last month that invoice financing business CML Group Limited (**ASX:CGR**) had entered into a Scheme Implementation Agreement to merge with finance broker aggregator Consolidated Operations Group Limited (**ASX:COG**). During December, private equity backed competitor Scottish Pacific, announced a counterbid for CGR at 60c (including a 3c dividend). This represents a 17% premium to the COG offer and is cash based rather than scrip but is non-binding and currently subject to several conditions including due diligence. We consider 60c to better reflect the underlying value of CGR, and we await further developments in relation to the two bids. CGR was up 13% for the month.

- AVA Risk Group (**ASX:AVA**) provided a very encouraging business update. In addition to confirming its H120 revenue guidance of $19m or better, AVA also now expects to achieve an additional $1.5m in licensing income from its Indian Ministry of Defence contract in H120. It is particularly pleasing to see this contract now live with first systems being delivered and revenues being generated. With AVA delivering EBITDA of $1.2m in Q1, we continue to expect a very strong first half result. We added to our AVA holding during the month. The stock was up 11% in December.

- In early December Pioneer Credit Limited (**ASX: PNC**) announced that it had agreed take-over terms with US private equity group Carlyle. The cash offer price of $1.82 represents a 20% premium to PNC's net tangible assets (which was the price level the holding in our portfolio was previously marked to). Given the circumstances this represents a reasonable result, and we are pleased to now have a conclusion here.

Detractors included Tiny Beans Group (**ASX:TNY**), which we have now exited, and Cellmid (**ASX:CDY**).

Other portfolio developments

During the month cash levels remained steady at 14%. We received the proceeds from selling our Konekt position into its takeover offer. As mentioned above, we also exited TNY during the month, while also reducing our exposure to two smaller positions.

The cash generated was applied towards increasing our AVA exposure and adding to one other long term position, as well as initiating new positions. The new positions included a well-managed dividend paying stock in the healthcare space that is putting together a track record of impressive earnings growth, and a smaller company with strong industry tailwinds, well backed by assets and with an earnings profile that is looking increasingly attractive and less risky.

These initiatives are consistent with our objective of owning a portfolio of interesting, under-the-radar companies comprising a core of solid, dividend yielding, undervalued stocks, complemented by a number of smaller positions with attractive revenue growth profiles and substantial blue sky.

This strategy has served us well to date, and we commence 2020 with confidence.

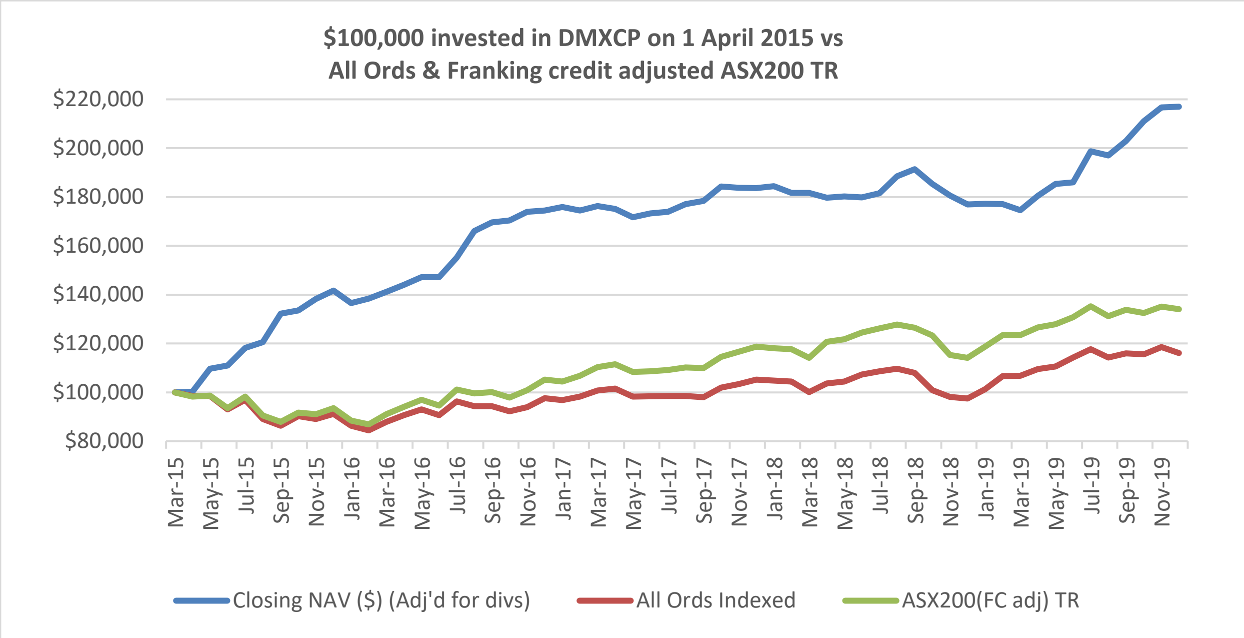
Kind regards

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: Excludes 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