



DMX
ASSET MANAGEMENT

DMX Capital Partners Limited

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

DMX Capital Partners Limited December 2020 – Shareholder Update

An investment company managed by:
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DMXCP directors: Roger Collison
Dean Morel
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Opening NAV (1 December 2020) ^(1,2)	\$2.5206
Closing NAV (31 December 2020) ^(1,2)	\$2.5771
Fund size (gross assets)	\$16m
Gearing	nil
% cash held - month end ⁽⁴⁾	10%

1-month return	2.24%
3-month return	22.56%
12-month return	42.47%
3-year return (CAGR p.a.)	18.68%
Since inception (5 years, 9 months) (CAGR p.a.)	22.04%

*DMXCP Share price = Closing NAV (\$2.5771), being: Share portfolio value + cash – fees payable – tax payable + franking credits
Returns include dividends reinvested and franking credits paid. Since inception 41c of dividends & franking credits have been paid*

Dear Shareholder,

DMXCP's NAV increased 2.24% (after all accrued performance and management fees and expenses) for December 2020. The NAV as at 31 December 2020 was **\$2.5771**, compared to \$2.5206 as at 30 November 2020. All indices were stronger during the month, with the All Ordinaries up 1.61%, while the ASX Small Ordinaries Index increased 2.62% and the XEC Emerging Companies Index was up 2.47%.

DMXCP returned 42.47% for the 2020 calendar year, and 54.01% for the financial year to date (since 1 July 2020) (after all accrued performance and management fees and expenses).

December portfolio news

Portfolio news during December continued to be positive. A number of encouraging trading updates were reported, which followed the strong outlook statements provided at recent AGMs. In addition, several holdings announced interesting corporate developments that we see as positive. We highlight some of this December news-flow below.

- **Dusk Group (ASX:DSK)**
In November, we participated in the IPO of DSK - the leading Australian omni-channel specialty retailer focused on home fragrance products. At the end of December, DSK announced a very strong half year of trading, with like-for-like sales growth in 1H21 of ~49%, including online sales growth of ~120%. DSK's EBIT guidance of \$26m to \$27m for 1H21 compares favourably to the \$9.7m recorded in 1H20. Assuming, conservatively, that DSK makes a smaller profit in 2H21, DSK is trading on a PE of less than 7x. DSK also has \$33m cash on its balance sheet (~25% of its market cap).
- **Easton Investments (ASX:EAS)**
EAS, the accounting and wealth services provider, announced that its EBITA for the 5 months to 30 November 2020 had increased 98% to \$3.51m (2019: \$1.77m). EAS's training business is performing well, with continued growth in Knowledge Shop membership and strong demand for on-line training programs which delivered enhanced profit margins, as well as the year-to-date contribution from Tax Banter (the training business acquired in January 2020). Its wealth business also performed strongly, with the introduction of a new pricing model for advisers and continued growth in CARE managed accounts. EAS expects that its underlying profit for FY21 will be materially greater than for FY20. EAS enters 2021 with a strong cash position, and in February will

have a new major shareholder (HUB24 (ASX:HUB)) with HUB to provide EAS additional board and management resources.

- **Knosys (ASX:KNO)**
Software company KNO announced a significant acquisition of GreenOrbit Pty Ltd (GO), a leading SaaS cloud-based intranet software provider. GO services over 260 clients, with more than 340,000 licenced users across more than 20 countries. GO features high gross margins (80%), a strong growth profile and high customer retention (3% churn). We like the acquisition: its price (~2x ARR) is compelling, and the vendors of the GO business have elected to take 100% KNO script as consideration. GO's intranet software fits nicely with KNO's knowledge management software, and at the same time brings scale and a genuine global opportunity for KNO to build on. We added to our holding in KNO's capital raise during the month.
- **Janison Education (ASX:JAN)**
Online education and assessments provider JAN, had a pleasing endorsement of its technology when it was selected by Chartered Accountants Australia and New Zealand to deliver high-stakes examinations online for its education program. The \$5m five-year partnership will see JAN deliver approximately 25,000 high-stakes examinations digitally in 10+ countries annually from early 2021. We see this as further strong customer validation and complements other high profile JAN customers including Australian state and federal governments, and the University of London.
- **Shavershop (ASX:SSG)**
Omni-channel personal grooming retailer SSG recorded total sales (including online sales) for the five months ended 30 November 2020 of \$88.4m, up 19.1%. This growth was underpinned by 137% growth in online sales. It was pleasing to see online sales represent over 33% of total sales. Gross profit margins have also remained healthy across the period. SSG also announced that it will acquire the six remaining franchise stores in NSW. This is significant as it will contribute strongly to future earnings growth with the acquisition being immediately accretive with ~\$1.5m to \$1.6m being added to NPAT in its first full year.
- **UCW Limited (ASX:UCW)**
Higher education provider UCW announced a takeover (merger) with the larger RedHill Education (ASX:RDH). The transaction would bring together two complementary education businesses resulting in a broader course offering, greater cross-selling opportunities, and a broader and more diversified student recruitment network. The merged Group will have a larger, more diversified revenue and earnings base with a material amount of potential synergies available. We believe the transaction is compelling, with the sum of the two businesses clearly greater than what the businesses would be worth separately.
- **8Common (ASX:8CO)**
8CO's expense8 technology enables large scale financial transaction processing for government departments and large enterprises, and supports a breakeven operating position. To generate stronger growth, 8CO has also been developing a second product CardHero - an integrated card payment and expense management solution for government and large enterprises. During December, 8CO announced the inaugural contract of its CardHero technology - a \$1.6 million, 3-year contract with Life Without Barriers. LWB plan to utilise CardHero to disburse funds and manage expenses across 380 disability care homes across Australia, using 3,500 cards. After a long development phase, this is a pleasing outcome for 8CO. With the first sale achieved, we look forward to further success in 2021.

Heading into 2021

As highlighted above, and also in our October and November updates, we believe across our portfolio our holdings are presently operating well and are reporting encouraging results. Our portfolio continues to be very much weighted to profitable, attractively valued positions with strong growth outlooks.

As we have previously noted, despite the uncertainty and volatility of the last 12 months, during 2020 we remained disciplined, focused and committed to identifying the most interesting and compellingly valued small companies with material upside potential. We are confident that this has positioned us well as we head into 2021.

Kind regards and best wishes for 2021



Roger Collison
Chairman



Steven McCarthy
Portfolio Manager



Chris Steptoe
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

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Appendix 1: Performance

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
2020	+2.33	-8.42	-17.91	+8.521	+4.525	+6.213	+10.09	+8.669	+6.518	+11.10	+7.86	+2.24	+42.47	+0.72

The following chart illustrates the return from investing \$100,000 in the fund (including dividends and attached franking credits) since inception (1 April 2015). DMXCP is an absolute return fund, focused on generating positive absolute returns over the medium to long term.

