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Growth Partners

# Quarterly Report

For the period ending
30 September 2024

# 248 Emerging Companies Fund

(Formerly CVC Emerging Companies Fund)

## Update of activities during the quarter

Our focus for Fund 1 remains on seeking liquidity for our portfolio holdings where available, while continuing to support the companies and founders with their growth and value realisation plans. These two areas are closely aligned. Founders we have invested with typically have a very broad range of skills. You would expect this from people who have taken a company from a start-up to a scaled category leader, through all the ups, downs and pivots along the way. Founders appreciate having another voice in the room when it comes to a capital raising or a sale process, and we are often able to add meaningful value in both these areas. . Our role varies from orchestrator to project manager and it's different each time, but we rarely, if ever, take on the role of financial adviser for a formal process.

During the quarter, we saw growth-stage deal volume steadily increase and both consumer and business sentiment is showing signs of improvement. But exit activity, whether in private or public markets, remains subdued. Performance remains generally good among the Fund's nine remaining portfolio companies. Given Fund 1 is in realisation phase, there were no new investments, but we did realise the Fund's position in Ai-Media Technologies Limited (AIM-ASX) during the quarter.

The Fund's performance was +8.6% during the quarter with the key contributor being movements in the share prices of listed company holdings. We remain focussed on achieving meaningful exits and the return of capital in FY25.

## The market for emerging companies

The IPO market has been making headlines again, with data from the September quarter indicating ASX IPO activity was the lowest since the GFC. There wasn't a lot going on before the Guzman y Gomez IPO – and there hasn't been a lot since either. Continued softness in the IPO market has led a few to call the end of IPOs. We can see both sides of the argument. There are significant benefits to a public listing and many companies are suited to broad public and institutional ownership with the transparency, price visibility, ability to raise growth capital and liquidity on offer. The ASX, for example, has proven to be an outstanding place for countless growth companies across all sectors. To be fair, much of the criticism comes from the burden of increased compliance costs imposed on listed companies. It makes sense. If you're not receiving the benefit of the positives outlined above - any of them - but most particularly liquidity, then what's the point of paying the listing cost? This is particularly evident in the small and micro end of the market.

It is also somewhat ironic that this call for the end of the IPO is happening at the same time as valuations and liquidity have also dried up for many private assets. What's more likely is that the "flight to scale" market is still dominating investor appetite. The small end of the listed market has certainly been the place that very few people want to play since the washout of 2021, and the bifurcation of market performance between large and small caps remains pronounced and significant. In the end, a good company growing in a sustainable way in an understandable market will attract investors. This should be the North Star for small and micro-cap boards.

## Further realisations and distributions

As discussed above, the Fund realised its position in Ai-Media Technologies Limited (AIM) during the quarter. AIM was a pre-IPO investment and one of the first investments made by the Fund. It was a proprietary deal, and we were the only institutional investor in the round. We sold down a portion of the investment at a good profit at the IPO but later participated in a high-priced placement in 2021. The share price however fell in the difficult post 2021 environment for many sub-scale small caps and struggled to recover. We started to see a material improvement in the performance of the company in FY23 and this started to be reflected in the share price. Ultimately, we exited the position at a slight overall loss. The Fund paid a distribution of $0.07 per unit on 31 July 2024 which included proceeds from the sale of AIM and dividends received from other portfolio companies.

## Fund activity, performance and outlook

Of the initial $44.8 million ($1.80 per unit) Fund committed capital, $32.7 million ($1.313 per unit) has been realised and distributed to unitholders. The Fund NTA as at 30 September 2024 was $1.3108 per unit and the Fund's total return now stands at +45.78% on a gross basis or +12.82% since inception annualised (IRR) as at 30 September 2024. All return information is net of fees and uses holding valuations at the time of reporting.

| Fund I Performance Period | NTA per unit | Return (%) |
|---|---|---|
| 3-month performance (net of fees)^ | $1.3108 | +8.55% |
| Since inception (net of fees)^* | | +45.78% |
| Since inception (net of fees)^^* per annum (IRR) | | +12.82% |

^ Adjusted and inclusive of all capital calls for a total of $1.80/unit and distributions paid or declared of $1.10. Calculated as the monthly return inclusive of distributions, compounded for the relevant period.
^^ Internal rate of return inclusive of all capital calls, distributions paid and current NTA, net of all fees and costs, calculated using the time of inflows and outflows.
* Fund inception date 1 May 2019.

## Fund summary and looking ahead

Liquidity continues to remain the primary focus for Fund I and our time and effort is spent preparing companies for a liquidity event or assisting with the strategic discussions required to achieve an exit. You should expect this to continue until all assets have been realised.

As a summary, the Fund made 16 separate investments across 13 companies since its launch in May 2019. Five investments have now been fully realised completely (Portt, Lendi, DesignCrowd, Airtasker and Ai-Media) and one more (Cleanspace Holdings Ltd (CSX.ASX)) has had a partial realisation. Following the Moneytech/Monoova demerger, there are now 9 investments remaining in the portfolio, two are listed and seven remain unlisted. Of those unlisted companies, two continue to be held at cost. We are focussed on liquidity options for all the remaining holdings.

## Investments

| Investment | About the company |
|---|---|
| CleanSpace RESPIRATORS | **CleanSpace** (ASX-CSX) designs, manufactures and markets a range of compact powered airflow personal respirators for protection from hazardous particulates and gases in mines and industrial workplaces as well against infectious diseases in healthcare.<br><br>**Update**: CleanSpace provided a much-improved FY24 when it announced results in August, with strong half and full year growth and a return to breakeven. The company announced that interim MD, Graham McLean will be stepping back to a director role and has commenced the search for a new chief executive. A return to profitability and continued growth is what we are looking for next as the company's rebuild continues. |
| Deep Blue Company | **Deep Blue** is the #1 player in the fragmented Australian property conveyancing market with a scalable, low-cost digital business model. Deep Blue has also begun to realise adjacent market opportunities in building inspections, insurance and utilities.<br><br>**Update**: DBC's operational performance has continued to improve and the company has maintained its strong market share over the second half of FY24. Ongoing cost management remains important as DBC looks to further optimise its cost base. The key focus from our investment perspective is realising this investment and returning capital to unitholders. |
| bellroy | **Bellroy** is a purpose driven Australian accessories brand that sells distinctively designed wallets, bags and other "carry" products to more than 100 countries, with the majority of sales conducted online through its website and digital marketplaces such as Amazon and Tmall.<br>**Update**: Bellroy finished 2024 in a solid position, well positioned for a strong FY25. Continued growth across new and existing products and channels will be the key to growth in FY25. |
| moneytech FINANCE FOR GROWTH. AND THEN SOME. | **Moneytech Finance** is an SME focussed provider of secured lending products including trade and debtor finance, equipment finance and term loans. Moneytech Finance is a leading player in the non-bank lending sector. In operation since 2003, Moneytech Finance is blending a traditional approach to risk and loan management with significant investments in technology enablement to improve assessment and execution efficiency and overall customer experience.<br><br>**Update**: Moneytech Finance closed out FY24 with good overall growth numbers whilst managing a trickier SME market where bad debt delinquencies have risen. These have been closely managed within the Company which has enabled the business to grow whilst not damaging the quality of the credit in the Company's lending book. |
| monoova make money move | **Monoova** is a payment solution for businesses looking to automate end-to-end payment workflows using Monoova's API integration. Monoova's automated, real-time debits and payments, assign unique account numbers and PayIDs offers significant efficiency benefits to businesses with complex payment requirements. Monoova was one of the first payment initiators to go live with PayTo, and with a small group of others is at the vanguard of new payments technology in the Australian market.<br><br>**Update**: Monoova's core domestic payments business continues to build momentum and generate traction in new verticals. We are pleased with the company's success in onboarding new customers in different verticals, with a growing pipeline and some excellent enterprise customers landed in the quarter. |
| swoop | **Swoop Holdings Limited** is a medium size fixed wireless provider operating predominantly in NSW, Victoria and Western Australia. The company listed in late May 2021 following the merger of Swoop and NodeOne and has a growing revenue base across retail, business and wholesale supported by 2 recent acquisitions that will provide further scale for the business.<br><br>**Update:** Swoop announced a takeover offer for Vonex Limited, an ASX-listed micro-cap in the telco sector. We believe there are material benefits to Swoop if it is able to complete this acquisition, in particular due to the significant synergies that can be extracted. |

| Investment | About the company |
|---|---|
| orbx simulation systems | **Orbx** is a digital content company creating specialist imagery and geo-mapping scenery for the flight simulation / gaming industry. The company runs a digital marketplace model for their map products, which are compatible with multiple flight simulation platforms. Orbx has a leading position in the flight simulation industry and is looking to expand its offering to broader gaming audiences. Content for simulation games represents an addressable market of over US$1 billion.<br><br>**Update**: Orbx is undertaking a transaction with an unlisted public company which will provide significant shareholder spread should it consider a listing on the ASX in the future. We believe this will be a positive for the company should it consider a listing and also anticipate an update on the business performance prior to year-end. |
| Studiosity Anytime, anywhere | **Studiosity** is the leading enterprise provider of online, on demand, academic literacy and student retention solutions for tertiary institutions and their students in Australia and New Zealand, and increasingly in other international markets such as the UK and Ireland. At its core, Studiosity solves a critical problem for its customers – it provides a study support platform for users and helps universities deliver content digitally.<br><br>**Update:** Studiosity's rollout of the new AI-based product has had strong early success and looks set to continue in the coming months. This has driven strong revenue growth and margin expansion, and we believe this will continue in 2H, CY24 and into CY25. |

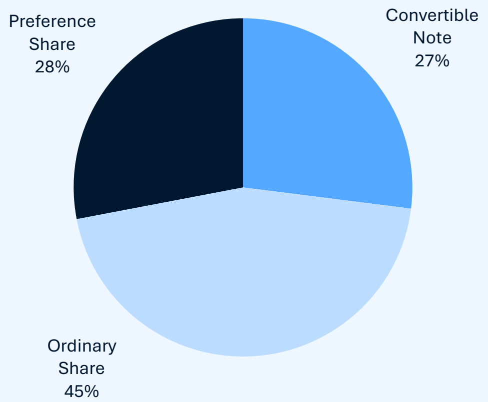
* The Fund also has an investment in a food manufacturing business which remains subject to confidentiality restrictions.

## Portfolio Characteristics

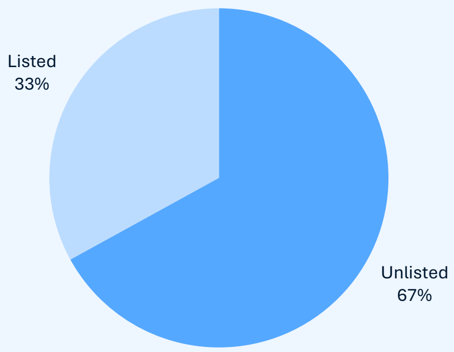
### Called Vs Uncalled Capital


### Deployed vs Undeployed Capital

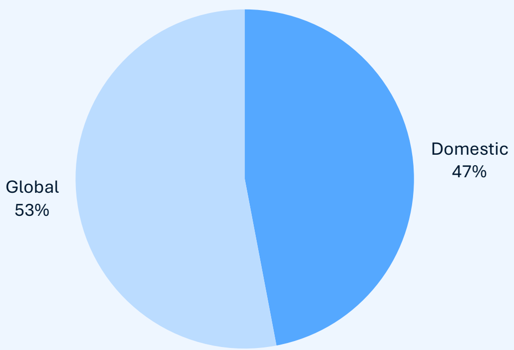

### Security Structure (by Capital Deployed)



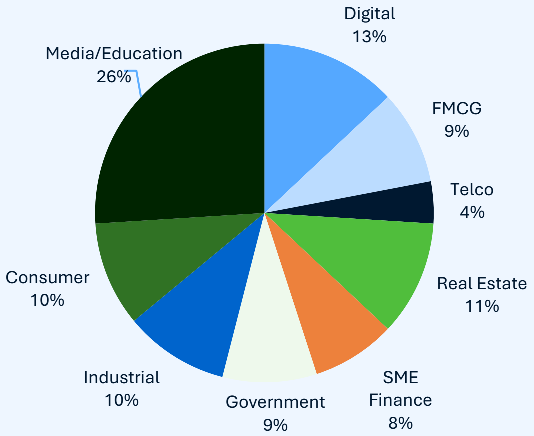

### Listed vs Unlisted (by Capital Deployed)




### Business Footprint (By Capital Deployed)




### Primary Business Sector (By Capital Deployed)



## Fund details

**Investment Vehicle**
Unlisted wholesale unit trust.

**Fund Term**
Intended to be five years, with the option to extend for two consecutive one-year periods.

**Fund Objective**
The Fund's objective is to generate superior long-term returns for Investors through investments in listed and unlisted growth and expansion stage companies:

**Unlisted** – Ordinary and preferred equity, convertible notes. Typically, 6–24 month timeframe to liquidity

**Listed** – Pre-IPO investments, (potentially) held post-IPO for a period of time, micro/small cap IPOs and placements.

**Investor Eligibility**
Wholesale investors only.

**Redemptions**
Fund subject to lock-up period. All redemptions are at the sole discretion of the Trustee and Investment Manager. Transfers can be facilitated by the Trustee.

**Distributions**
The Trustee is expected to determine distributions semi-annually or more frequently subject to availability.

**Portfolio Composition**
Targeted portfolio composition of 15-25 companies. At the time of investment, a maximum weighting of 15% to any one investment.

**Management Fee**
1.75% p.a. on committed capital during Investment Period and on invested capital thereafter (plus GST and before accrued fees).

**Performance Fee**
20% p.a. (plus GST) subject to an 8.0% per annum cumulative (non-compounded) pre-tax preferred return.

**Other Fees and Costs**
Expense recovery for audit, legal, Trustee & custodian fees, administration, registry, tax and external investment due diligence advice.

Overall Expense Ratio is capped at 2.50% (plus GST, excluding performance fees).

## Investment team

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CleanSpace refers to CleanSpace Holdings Ltd; Deep Blue refers to Deep Blue Company Pty Ltd; Bellroy refers to Bellroy Pty Ltd; Moneytech refers to Moneytech Group Ltd; Auscred Ltd is trading as Lendi; Access Innovation Holdings Ltd is trading as Ai Media; N1 Telecommunications Pty Ltd is trading as NodeOne; Single Cell Mobile Consulting Pty Ltd is trading as Portt; DesignCrowd refers to DesignCrowd Pty Ltd; Orbx refers to Orbx Investments Ltd; Studiosity refers to Studiosity Pty Ltd; Airtasker refers to Airtasker Limited; and Mason Stevens refers to Mason Stevens Group Pty Ltd.