CVC | Emerging Companies Fund

# Quarterly Report
## For period ending 30 September 2021

## Fund update

### CVC Emerging Companies Fund ("Fund") activities during the quarter

The September 2021 quarter was fairly volatile across global equity markets with major indices hitting historic highs before retreating in September. It was a quarter with many significant micro and macro-economic events with varying degrees of impact on both pricing and value of financial and real assets. While the US debt ceiling, China's cultural-economic crackdown and the European energy crisis are less immediate concerns for our investments, the September quarter did produce more challenging conditions. The COVID-19 Delta variant sparked 3rd and 4th waves across the globe and Australia entered its most significant lockdown since the pandemic began. With factory closures across Asia and the global microchip shortage, we began to see the emergence of serious supply chain constraints.

On the whole, our portfolio companies are managing these conditions well with limited, if any, impacts and we are pleased to see them begin FY22 with a strong first quarter performance.

Our listed company portfolio performed well during the quarter with Swoop Limited (**SWP:ASX**) the standout. SWP listed in June at 50c per share and closed the quarter above $2. In July SWP announced the acquisition of Beam Internet, a South Australian based wireless broadband provider. In early October, after the quarter close, they announced a further acquisition of Newcastle based telco Countrytell, bringing total acquisitions since listing to three. The Fund's investment had grown from $900,000 (at cost) to over $5 million (at the 30 September market price) and we remain very positive on the company's outlook.

The Fund's NTA appreciated 3.61% during the quarter, with gains from SWP partially offset by a further decline in the CleanSpace Holdings Ltd (**CSX:ASX**) share price. In accordance with our valuation policy, there were no changes to the value of our private company holdings during the quarter and we continue to hold more than 55% of the portfolio by value at cost.

There were no new investments made in the June quarter, and with the Fund now close to fully invested the remaining capital (<$1m) is expected to be deployed for follow-on funding rounds of existing investments. We are now primarily focussed on helping the management teams of our investee companies optimise performance and/or actively seek liquidity events.

At a portfolio level, the Fund's investee companies are performing well and we are particularly excited to see strong global investor interest in certain sectors including direct-to-consumer ecommerce and education-technology, where the Fund has meaningful exposure. This quarter we wanted to showcase one of the Fund's earliest investments, the direct-to-consumer bags and wallets company Bellroy and we have included a spotlight on the company overleaf.

### The market for emerging companies

The market for private company M&A and IPOs remains very robust. There were 64 IPOs on the ASX during the September quarter, indicating strong demand from institutional, wholesale and retail investors, despite the late September falls in equity markets, particularly across the technology sector. Deal flow remains strong and scheduled IPOs remain on track. We have a number of portfolio companies receiving inbound M&A enquiries or are actively working towards an IPO, and we should see further liquidity events this calendar year.

### Further realisations and distributions

Total distributions have been $0.889 per unit (or 49.4%) on the initial $1.80 investment you made in the Fund. The Fund total returns now stand at 62.1% on a gross basis or 22.12% per annum as at 30 September, 2021.

Performance among the balance of the portfolio has been strong, and we continue to maintain a conservative approach to valuation, with seven investments still held at cost.

## Portfolio Spotlight – Bellroy

### WHAT IS BELLROY?

Bellroy is a purpose driven Australian accessories brand that sells distinctively designed wallets, bags and other "carry" products. Despite strong Australian roots, over 80% of sales are offshore, with the majority of sales conducted online, making them a true "digital native' ecommerce pioneer.

Bellroy was the Fund's first investment following completion of our capital raise in May 2019. At the time, the company, founded in 2012 and headquartered in Victoria's Bells Beach and Melbourne's Fitzroy (Bell-Roy) had completed its most recent financial year with revenue of less than $30m largely driven by their range of minimalist wallets. This financial year the company is targeting revenue of over $80m and they have successfully diversified their product range widely across a number of new categories in the "carry" vertical.

Aside from the high quality and visibility of their product range, international presence and financial success, what really attracted us to the company was the quality and breadth of the founder management team. Founders Andy and Matt Fallshaw and Lina Calabria remain the majority owners and have a combination of skills which we consider highly desirable for a digital native, ecommerce specialist.

### FROM WALLETS TO CARRY – HOW THE TEAM HAS EXECUTED…

CEO Andy Fallshaw and the design team have created a new category of considered carry, with a focus on sustainable materials. They have successfully launched into bags using the latest recycled materials alongside their leather heritage, with enormous attention to detail. Matt Fallshaw and his digital marketing team have been at the forefront of digital marketing since 2012. The original "slim your wallet" campaign led to well over one million wallets sold since Bellroy started and their expertise in reaching customers online and designing highly visible and relevant campaigns has been a key part of their ability to move into new categories like bags and tech accessories so successfully. COO Lina Calabria has been responsible for building the internal supply chain, logistics and management systems to enable Bellroy to move over half a million products per year to more than 100 countries.

### SUSTAINABILITY, CAPITAL AND GROWTH

Sustainability is a core part of Bellroy's philosophy, and they are one of a small number of certified B-Corps operating in ecommerce in Australia. Bellroy's first and only investment round of $10m in 2019 enabled them to build a more robust senior management team and to further invest in the systems and people required to take the company to the next level.

Our investment thesis for Bellroy was that their considerable skill in digital marketing, supply chain management and product design could be expanded across both category and channel. Since our investment, Bellroy's range of bags has grown to over 50% of category sales and they have successfully increased sales in tech accessories over the past 12 months. The onset of COVID in March 2020 created challenges for their channel expansion plans with wholesale expansion disrupted by lockdowns in all major markets. However, as countries reopen, we expect to see wholesale grow substantially, particularly in the US where Bellroy are underrepresented.

Bellroy is well known globally and M&A in the apparel space has always been strong. IPO activity in Direct to Consumer (**DTC**) ecommerce has grown in recent months, with the likes of Allbirds, Warby Parker, On-Running and several more lining up for large Nasdaq IPOs. We believe Bellroy are well positioned and we expect significant domestic and offshore intertest when the company decides to pursue a liquidity event.

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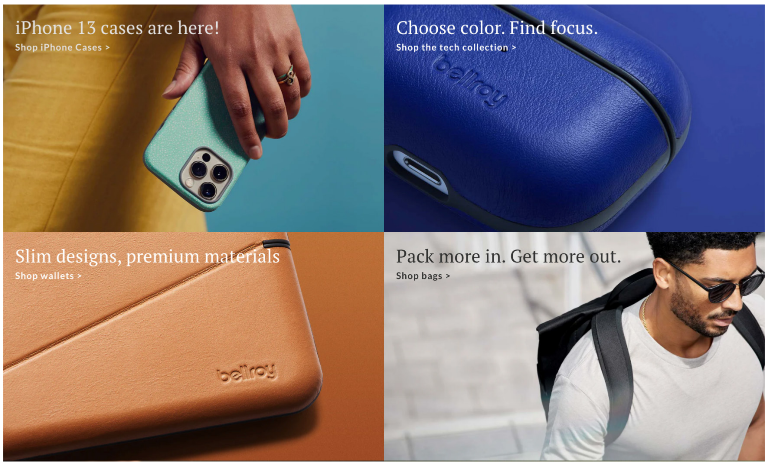
bellroy



# Fund activity, performance and outlook

The Fund has called the full unit value of $1.80 or the total of $44.8 million committed by unitholders. The Fund's NTA at 30 September 2021 was $1.836. Of the original $44.8 million committed, $22.5 million, or $0.889 per unit has been distributed as capital and profit to date.

| Period | NTA per unit | Return (%) |
|---|---|---|
| 3-month performance (net of fees)^ | $1.8368 | 3.61% |
| Since inception (net of fees)^* | – | 62.10% |
| Since inception (net of fees)^* per annum | – | 22.12% |

^ Adjusted and inclusive of all capital calls for a total of $1.80/unit and distributions paid or declared of $0.889. Calculated as the monthly return inclusive of distributions, compounded for the relevant period.

* Fund inception date 1 May 2019.

## Fund summary and looking ahead

As mentioned, the Fund is now completely deployed and except for any small follow-on investments in existing companies, we are now focussed on assisting companies grow, optimise value for the Fund and prepare for liquidity events. As a summary, the Fund made 16 separate investments across 13 companies since launch in May 2019. Two investments have been realised completely (Lendi and Airtasker) and two more (CSX and Ai-Media Technologies Ltd (**AIM.ASX**)) have had partial realisations. There are 11 investments remaining in the portfolio, three have listed and eight remain unlisted. Of those unlisted companies, seven remain held at cost. We expect at least one further realisation and distribution this calendar year.

# Investments

| Investment | About the company |
|---|---|
| CleanSpace RESPIRATORS | **CleanSpace** 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:** After doubling revenue year on year in the six months to December 2020, CleanSpace reported heavily reduced revenue for the second half of FY21. The slow-down in sales has been caused primarily by a demand pause while US and European hospitals are consumed with the vaccine rollout on an unprecedented scale. CleanSpace has more than tripled production capacity and significantly grown its installed base over the last 12 months. While immediate pipeline visibility remains low, we are confident sales growth will rebound in the medium term and the company maintains a very strong balance sheet post-IPO. |
| 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:** Deep Blue is proactively pursuing a number of significant ongoing projects to grow sales channels, automate process and increase management depth. Deep Blue's Q2 CY21 capital raise has strengthened their balance sheet to grow leads, inspections and conveyancing engagements in coming quarters as the residential property market continues to strengthen. |
| 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><br>**Update:** Bellroy's sales continued to grow strongly in the September quarter as COVID-19 related disruption eased in some offshore markets, particularly wholesale and distributor channels. Sales continue to grow year on year and the team is focused on maintaining the new product pipeline and growing sales channels. |
| moneytech FINANCE FOR GROWTH. AND THEN SOME. | **Moneytech** provides a multi-faceted treasury platform for SMEs offering working capital solutions, FX hedging and an enterprise-level payments platform to solve SME's cash flow requirements – a whole of wallet alternative to the banks.<br><br>**Update:** Moneytech's Finance business continued to achieve new highs with the Loan book growing beyond expectations in Q4 FY21. The Payments side of the business also continued recent momentum with new customer wins and continued revenue growth year-on-year. The Company is continuing to assess its capital strategy and we expect to see a material liquidity event in the coming 12 months. |
| Portt | **Portt** provides a SaaS platform to support and enhance commercial teams in managing the procurement process, providing government and large enterprises with workflow efficiency, economic management, reporting, and probity and governance output.<br><br>**Update:** Portt has had several meaningful contract wins recently and we are pleased with the momentum the business has been able to generate as the public sector returned to a more "business as usual" situation than what we experienced in CY20. The pipeline for growth looks promising and the team has continued to grow particularly in sales and marketing. |
| ai media | **Ai Media** is a global leader in speech-to-text providing high accuracy, technology-enabled live captioning, closed captioning, transcription and speech analytics to broadcast, education, government and corporate clients.<br><br>**Update:** Following the acquisition of EEG and the concurrent capital raising of ~$40 million in May 2021, we believe Ai Media is very well positioned to continue growth and strong cashflow generation in FY22 after exceeding prospectus forecasts for FY21. We will be watching the 1H FY22 results closely in what should be a strong year for the business as they expand their product offering and global reach. |
| swoop | **Swoop Holdings Limited (acquired NodeOne)** 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 two recent acquisitions that will provide further scale for the business.<br><br>**Update:** The share price rose strongly post listing and sits well above the $0.50/share issue price. FY22 will be a watershed year for the Company as a number of acquisitions are integrated and earnings guidance for FY22 provides a strong basis for the Company's trajectory. We believe that continued organic growth accompanied by recent and potential future acquisitions will continue to drive a re-rate in the share price in the coming 12 months. |

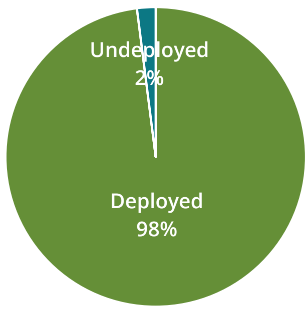
| Investment | About the company |
|---|---|
| DesignCrowd | **DesignCrowd** is an online marketplace providing easy to access brand and design products for SMEs. It operates two products: DesignCrowd and BrandCrowd. The DesignCrowd product offers custom design by actual freelance designers through an online platform, targeting the "do it for me" market, while the BrandCrowd product offers design maker tools for the "do it yourself" segment of the market.<br>**Update:** DesignCrowd has continued to grow strongly albeit with some currency headwinds from their US-based business. A transition to annuity SaaS revenues may create some short-term headwinds but partnerships, an expanded template library, new products and an expanded engineering team will all drive growth in FY22. |
| orbx | **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>**Update:** Recent updates from the company indicate total revenue for FY21 of between $9-10 million. The company is now targeting a listing in 1H CY22 which we think will perform well on the back of strong product development, new releases, growing revenue and potential acquisitions. |
| Studiosity | **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. Studiosity's unique solution combines proprietary technology with human experts to improve learning outcomes for students and increase the likelihood of course continuation and completion.<br>**Update:** The most recent Board meeting for Studiosity provided a good update on the growth the business is continuing to generate. University adoption of the company's offering continues to expand both in new universities and continued organic upsell into the existing customer base. This is a really exciting time for the business with universities reviewing the way they interact with their student base and adopting new technology for delivery of course content for both local and international students. |

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

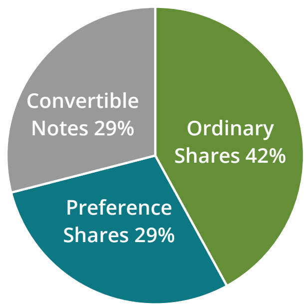
## Portfolio characteristics

**Called v Uncalled Capital**

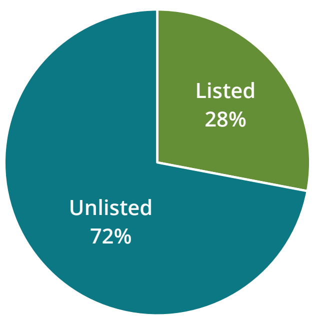

**Deployed v Undeployed Capital**



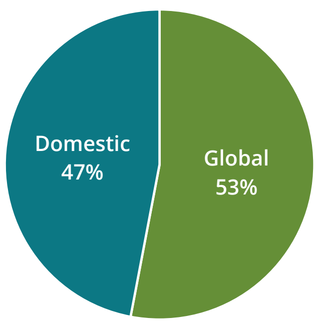

**Security Structure (by Capital Deployed)**



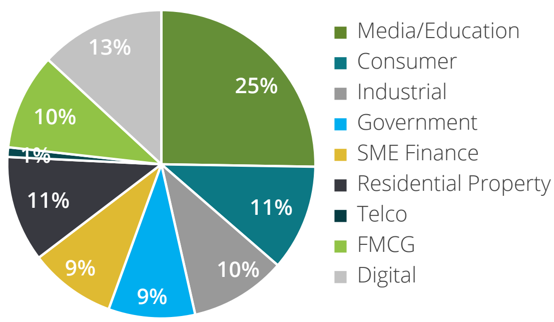

**Listed v Unlisted (by Capital Deployed)**




**Business Footprint (by Capital Deployed)**




**Primary Business Sector (by Capital Deployed)**



# About the Fund

The Fund is a wholesale unit trust which invests in unlisted and listed emerging companies and is managed by CVC Emerging Companies IM Pty Ltd (ACN 631 673 740, CAR 1274 220) a joint venture entity of CVC Limited (ACN 002 700 361), and E&P Investments Limited (ACN 152 367 649), a division of E&P Financial Group Limited (ACN 609 913 457) (**E&P**).

# 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 capped at 2.50% (plus GST, excluding performance fees).

# Investment Team

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