VF Strategic Equities Fund (SEF)

Quarterly Report - Sept 2021

Sept 2021 Quarterly Report

Invest, Assist and Persist

Viburnum Funds is a business-focussed, active ownership investment manager. Our mission is to protect and compound capital over many years, contributing to the inter-generational wealth objectives of our clients. We achieve this by constantly developing and managing a concentrated portfolio of strategic investments within preferred sectors of the ASX, relying on proprietary research and learnings, an owners' mindset and willingness to drive change and a genuine long-term approach to investing.

Performance

The SEF returned **+7.3%** net for the latest September quarter, representing +5.6% outperformance to the S&P/ASX 200 Accumulation Index over this period.

Over the last 12 months, the SEF has returned **+26.7%** net, slightly below the same benchmark over the last 12 months which returned +30.6%. The ASX 200 is 17% cheaper than the S&P500 on a one year forward PE basis. This remains below the 10-year average discount of 8%.

Since inception, 10 years and 3 months ago, the SEF has returned **19.4% p.a.** net representing 10.2% p.a. net outperformance to the S&P/ASX 200 Accumulation Index.

Our long-term track record stacks up well against other Australian Equities Long Only Managers. The SEF ranks in the top decile of 72 managers with track records of 10yrs+. Our private equity approach to public equities also compares favourably against private market strategies with the fund delivering returns above the second quartile average for Australian Private Equity and Venture Capital whilst also offering numerous structural advantages e.g. no control premiums, less financial leverage and enhanced liquidity.

The current market context suggests investment returns get harder from here. The China property crisis, surging energy costs, rising signs of inflation and even stagflation, the tapering of growth stimulus, the level of overall debt and the lingering COVID-19 crises are all potential headwinds for equities.

Our role is to not allow the market ups and downs to lead to short term portfolio decisions which result in taking avoidable permanent capital losses or selling our winners too early. The volatility arising from an uncertain future comes with the territory in long term investing. Continuous research, understanding and involvement in each of our portfolio companies is the best way to anchor conviction during periods of volatility or temporary setbacks. We are confident in our investment approach and that our existing portfolio is both resilient and well positioned to provide returns over the next investment period. We base this confidence on our portfolio metrics and the underlying quality of portfolio companies.

In this report, our stock in focus is our largest weighted holding (~23% weight), Macquarie Telecom (ASX:MAQ). We have owned MAQ for coming up 5 years and over that time it has delivered us a four-fold increase in value and an IRR of 52% pa. For the reasons outlined below, we confidently believe we can at least double our money again over the next 4-year investment period.

Portfolio Positioning and Metrics

Our funds are invested in a concentrated and high conviction portfolio currently comprising 13 core strategic positions and a further 7 stepping stone positions. A concentrated portfolio of long-term investments ensures we focus our capital and resources and invest with conviction and influence. Our investors obtain meaningful look through company ownership and diversification.

This past quarter period included the FY21 reporting period and slides 15-16 of this report provide the individual company highlights. As part of our ongoing management process, we constantly "re-underwrite" our holdings on a forward-looking basis. We use ongoing result reporting to regularly review and test each portfolio company investment thesis and update our forecasts and intrinsic valuations. This repeatable approach enables an ongoing bottom-up valuation of the portfolio, providing the most reliable forecast of future fund returns, tests our overall portfolio value metrics relative to the market, guides portfolio construction and finally focuses our attention to where we can best assist our portfolio companies to create shareholder value.

The current portfolio intrinsic valuation indicates a future 4-year value of $1.3bn to $1.8bn (Base and Upside Cases) up from today's market value of $600m. If this intrinsic value is successfully unlocked this would imply gross returns of 22-32%p.a. or a 2.2-3.0x money multiple. The shape of our portfolio intrinsic value is represented in slide 19 of the report. Our SEF portfolio's key value metrics also compare favourably to the market overall as highlighted in slide 20.

A unique feature of the fund is our strategic or influential ownership stakes which have been developed, along with knowledge and relationships, over many years. This results in a portfolio that offers investors significant embedded returns, diversification and capital protection. Our portfolio composition and valuation metrics are also very transparent before and during investment.

It should be noted that the above portfolio intrinsic valuations and metrics do not include any reliance or value attributed to any corporate or change of control return opportunity. Over our history two thirds of our exits have been corporate transactions with an average premium of 60% over market value. For the reasons outlined in our last quarterly report, we expect these corporate opportunities and additional returns to be a feature of the fund performance over the coming investment period.

A Lesson in Compounding – Macquarie Telecom

Finding and investing in truly great companies that can scale and compound returns over many years is easier said than done. More often, these companies are "discovered" over time on the journey of research or knowledge and after building confidence in strategy, operational trends, market opportunity and management.

So, when we do happen to be invested in a company with these attributes we do not want to sell or trim too early. We would rather leverage our knowledge and ownership into a true compounder for as many years as we can see this continuing. Whilst this appears a sensible approach, the incentives within typical fund structures do not encourage such long-term investing. As a company share price reaches new highs, index weightings risk tracking volatility and portfolio weights test risk parameters and the easier decision can often be to sell or trim. The profits are taken once whilst the future returns forgone never need be mentioned.

Macquarie Telecom (**MAQ**) is one of those truly great companies and investments for us. It has been one of our best performers and remains one of our best investments. It is the highest weighted holding (23% weight) we have in the fund.

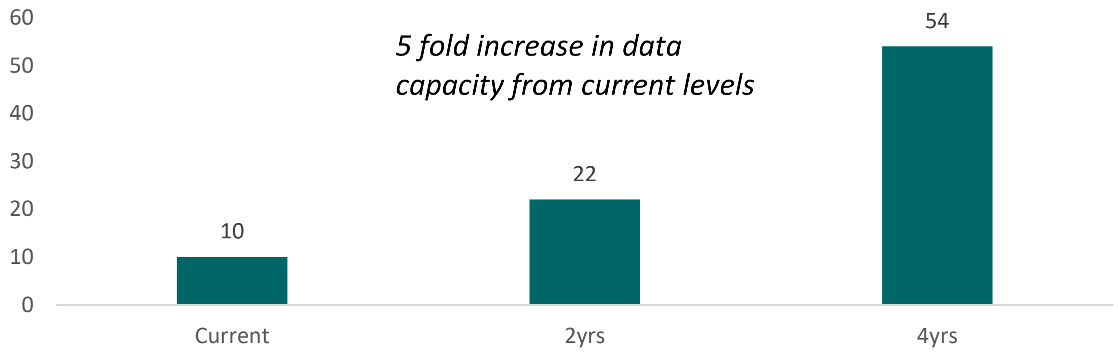
Our strategic 9% ownership stake in **MAQ** makes us the largest shareholder behind the founding brothers who together own 51% of the company. MAQ typifies what we look for in our "Compounder" category and demonstrates the value of long holding periods where the right combination of strong and aligned leadership, positive operating trends and long growth runway are evident.

The business benefits from a truly aligned owner-operator structure in which brothers David & Aidan Tudehope, who founded the business in 1992 still lead the business today. David and Aidan's vision from the very beginning was to make a difference in markets where customers are under-served and over-charged. That compass has continued to inform the direction of the business which has seen MAQ successfully expand from traditional telecom services into cloud services, cybersecurity and data centre infrastructure over time.

A distinguishing feature of MAQ is a customer centric culture that is unparalleled in the industry and evidenced by a sector leading Net Promoter Score (**NPS**) of 75. Unlike many businesses, MAQ does not simply look at NPS as a metric to be used in marketing materials or to quote to investors. MAQ have put NPS at the very core of their processes which has helped anchor the whole organization around a single clear measure of success. A walk through the MAQ's Sydney head office reveals a series of flat screen TVs displaying NPS scores in real time to the entire office, sliced up by state, product team and even individual employee. A clear visible measure combined with personal pride and internal competitive pressure has resulted in a self-regulating high performance customer focused culture. It's not surprising that MAQ was recognised for this by winning the best Customer Experience award at the 2020 World Communications Awards in London.

The most significant near-term growth opportunity for the business is the continued expansion of its data centre infrastructure business. The IC3 East (12MW) and IC3 Super West (34MW) expansions will translate into a more than five-fold increase of IT Load Capacity to 54MW. MAQ's data centre campus is located in the highly sought Sydney North zone which has good access to power, is close to major international cables and sits at the heart of Sydney's technology corridor, where major international software and technology companies are located. The recent sale of 10MW of capacity at IC3 East to a single Hyperscale customer prior to completion of the project, provides evidence of the strength of demand for high quality and strategically located data centre capacity. Macquarie Telecom is also well positioned in an environment of rising energy costs given it's contracted ability to pass through rising power prices to customers.

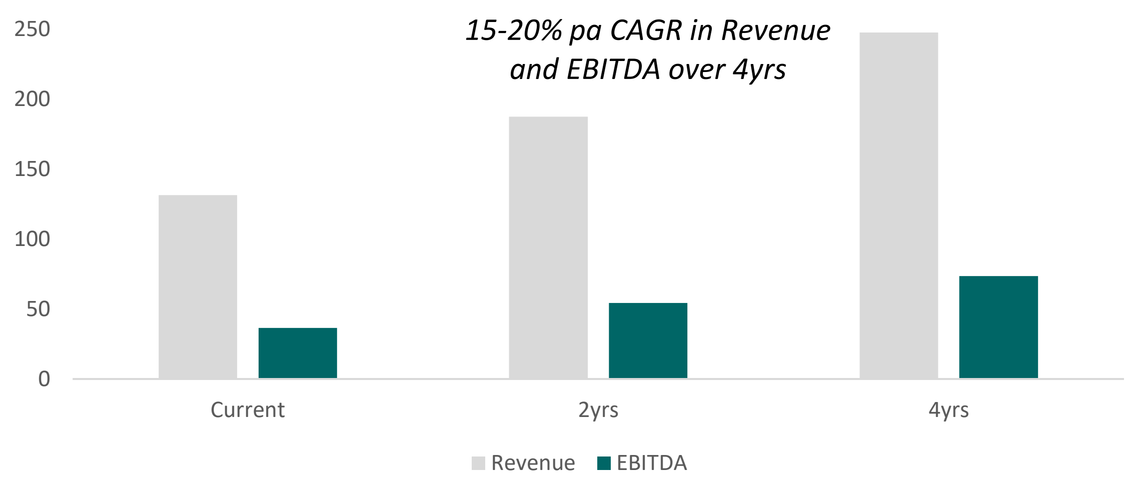
Macquarie Telecom Data Centre Capacity (MW IT Load)



Further to its data centre expansion, MAQ also stands to benefit from ongoing organic growth in its cloud services business which has been growing at around 20% pa over the past five years. MAQ has built a compelling cloud service offering which allows it to tailor the three different types of cloud offerings (public, private, colocation) to individual customer needs. MAQ's cloud services are delivered via partnerships with leading providers such as Microsoft Azure for public cloud and a compelling VMware private cloud offering. The cloud business will continue to benefit strongly from the mega trend of companies embracing the cloud, a trend which has accelerated through COVID.

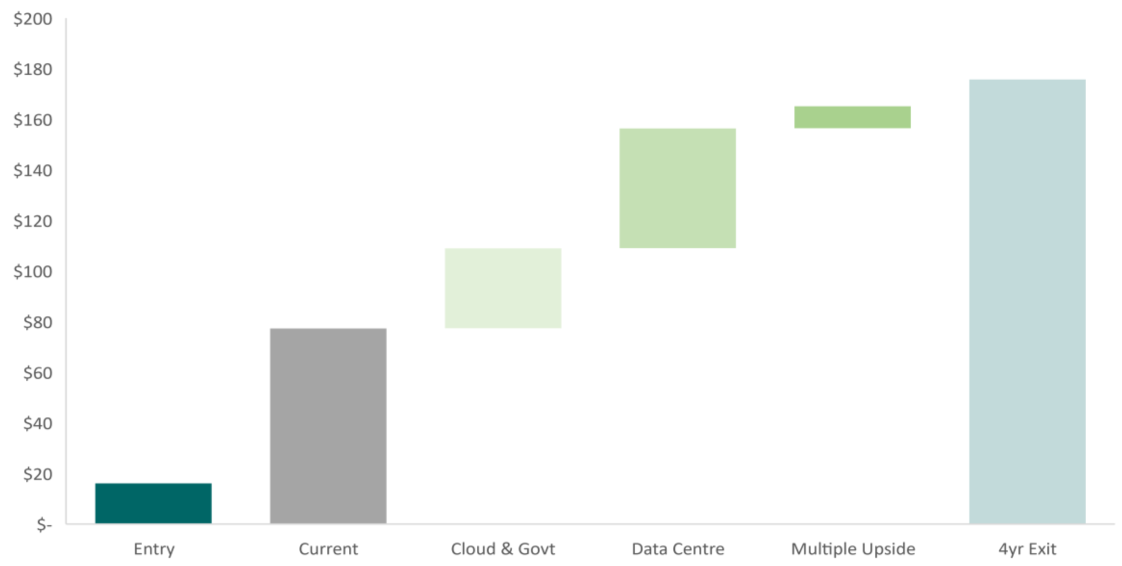
The other distinct business within MAQ is its government business (aggregated withing the Cloud Services & Government segment). This business has been built primarily on its cybersecurity offering to federal government departments (42% of federal government departments are MAQ customers). MAQ has a very attractive, differentiated service proposition in this space which is hard to replicate. Barriers to entry are high and it benefits from long term contracts with government departments and few distinct competitors. The government continues to invest heavily in cybersecurity which supports ongoing growth in this segment. MAQ has also recently extended its cybersecurity services to corporate customers given the emergence of strong trends which are driving a new willingness by corporates to spend on cybersecurity. Rising insurance costs, increased visibility on the cost of ransomware attacks and corporate adoption of more stringent cyber risk policies bode well for MAQ's managed cyber security offering for corporates.

Government Services and Cloud - Revenue and EBITDA profile



We believe the combination of a five-fold data centre capacity expansion combined with strong ongoing growth in demand for its cloud and cybersecurity offerings creates the potential for MAQ to more than double its EBITDA over the next five years to >$150 million driving a doubling in equity value over the next 4 years. We also have a high degree of confidence regarding David and Aidan's ability to execute given the quality of leadership and track record of delivering growth initiatives within the core business.

Macquarie Telecom 4yr Value Bridge



SEF Interview with David Tudehope (MAQ CEO & Founder):

Jason and Rob from our team recently caught up with David Tudehope on a Zoom interview to provide our investors the opportunity to hear David talk a little about MAQ firsthand. This interview can be accessed on YouTube by using the following QR code.

QR Code Link

COVID-19 and the AFL Grand Final in Perth, Western Australia (our Superbowl)

The AFL Grand Final was held recently in my hometown of Perth, Western Australia, for the first time in history (and maybe the last given 50+ year contract commitments to the MCG stadium in Melbourne). For American readers, think of it as the equivalent to the Superbowl coming to your hometown for the first and last time.

It was my good fortune to experience this spectacular twilight event and witness the romance of the Melbourne Football Club's victory breaking a record 57 year premiership drought, all alongside over 60,000 fans in our recently completed full-to-capacity stadium.

I highlight this as the key driver for Perth hosting the Grand Final, the impact of COVID-19 in Australia, is the topic of the Appendix to this letter. I hope this will make useful reading for our US investors who may see the headlines but have less familiarity with the day-to-day experience in Australia and continued strength of the Australian economy.

It would also be remiss not to mention the involvement and contribution of one of our portfolio companies - Sports Entertainment Group (SEG), a sports media and event company. SEG broadcast the game to each State using local talent, owns and produces the AFL Record which is the game day publication (nearly 100 pages of paid advertising in the Grand Final Edition), was the biggest seller of event packages (outside the league) and produced a number of events for corporates and listeners during the week leading up to the Game.

The Melbourne Football Club's victory also provided an interesting story on the foundations and planning that contributed to their premiership success. There were lessons to learn for any performance pursuit and I share some of my own as they relate to the business of investing:

1. An offence with multiple scoring patterns or options (have multiple sources of return);

2. A team approach to defence – with structure and numbers behind the ball – to make scoring against difficult and to absorb expected momentum changes in the game (protect capital first and withstand volatility);

3. Role players that allow star players the freedom to perform (portfolio construction and let winners run); and

4. Team culture - trust in the game plan, focus on the moment not the scoreboard and be yourself (investment process and culture drives performance outcomes).

Best Regards

Craig Coleman

SEF Portfolio Manager / Managing Partner

Appendix: COVID-19 in Australia

After a very successful initial COVID-19 response, with resultant low levels of infection and fatality during 2020, Australia has faced a more challenging 2021 calendar year regarding the pandemic. In light of the initial success of measures including border closures and lockdowns, the nation had a very low level of native immunity, and also a very modest level of vaccination. There was arguably some complacency among governments and populations, which was clearly misplaced, with outbreaks of the Delta variant occurring in multiple states, which ultimately has led to significant lockdowns across many parts of Eastern Australia. In spite of these lockdowns, the virus has continued to spread, with total cases since the commencement of the pandemic now standing at 129,750[1] cases and deaths of 1,448[1]. While regrettable, this remains a very low level of death for a population of ~26 million.

Australian state governments have continued to rely on border closures and lockdowns as their primary tools to contain the pandemic, while waiting for vaccination rates to increase. From a very low level of vaccination in early 2021, vaccination adoption has accelerated rapidly with current rates of vaccination (on a per capita basis) exceeding the highest levels achieved in the UK and USA earlier this year, and among the highest levels globally. As of the date of writing, 57% of the population (aged 16 and older) are fully vaccinated, with 80% having received at least one jab. As Australia only has 'double jab' vaccines (we do not, for example, have the Johnson & Johnson single jab vaccine), it is therefore expected that the country will achieve '80% fully vaccinated' status once those who have received a single jab are able to receive their second jab (due to the government imposed mandatory waiting period between jabs). Current expectations are that 70% vaccination will be achieved by late October 2021, at which point state governments of the two most populous states (New South Wales and Victoria) have indicated that restrictions will be reduced, with a view to treating the virus as endemic and akin to flu. This will include a resumption of international travel, with expectations that by Christmas international travel will resume with multiple countries.

The lockdowns and border closures continue to result in challenges for businesses that are leveraged to tourism, social activity e.g. recreation / entertainment and construction, albeit, as in other countries domestic tourism is up significantly given international border closures, and the very strong performance of the resources industry has offset much of that weakness from an overall economic growth perspective. There have been some well publicised social tensions, particularly in Victoria (likely in part due to the particularly strict state government approach to lockdowns in that state, combined with a growing approach on the part of employers to require vaccination – both of which have caused some degree of protest, albeit small against the overall population). Reflecting the impact of lockdowns, the OECD recently downgraded its projection for Australia's economic growth in 2021, from 5.1% growth (May 2021) to 4% (September 2021), although given the relatively modest contraction Australia experienced in 2020 this still represents growth of the economy in absolute terms compared to pre-pandemic levels. While there was some concern the country may face a brief 'double dip' recession, those fears appear to have abated, as vaccination rates have accelerated and expectations increase for ending of lockdowns. The very strong resource exports have generated even higher government revenues than previously projected, placing the federal government in a relatively strong position to

1. *Source: Australian Government, Department of Health, 11 Oct 2021*

maintain income support measures on a more targeted basis for acutely affected industries. Reflecting the relatively strong fiscal position, ratings agencies continue to rate Australia at AAA status, with S&P upgrading the outlook from negative to stable in its most recent review (June).

Australia's unemployment rate continues to drop, now sitting at 4.5%, which is better than pre-pandemic levels. Participation rates and hours worked (especially by casual or 'gig' workers) are unlikely captured by that data and may tell a less optimistic story, but overall the job market appears to be robust. In certain areas of the country (especially those focused on resources) there are significant labour shortages due to border closures (and hence inability to access interstate and/or international labour pools) combined with very high levels of activity. This is causing some degree of wage inflation, and Australians appear to be taking advantage of their incomes, low interest rates, and inability to spend on international travel to instead purchase real estate, with house prices growing significantly over the last 12 months, consistent with many other international markets. The luxury car market is also outperforming other segments, as consumers take advantage of increased savings and the 'wealth effect' of higher house prices.

Looking forward, with increasingly high (and rapidly accelerating) vaccination levels, government acknowledgment of no further lockdowns following reaching stated vaccination targets, border closures ending shortly, and pent-up demand in various pockets of the economy, the expectation is for a stronger second half FY22, and ongoing growth into FY23.

For offshore investors not so familiar with Australia, we have taken the opportunity to summarise the case for Australia in slide 22 or this quarterly report.

Proven Performance

A decade of high absolute returns and wide market outperformance

Fiscal Year Performance (Series A Net Basis)[1,2]

Since Inception (July 2011 to Sept 2021)				
Since Inception	**SEF (%)**	**S&P/ASX 200**	**Excess to Index**	**Excess to 8%**
Annualised pa	**19.4**	9.2	10.2	11.4
Cumulative	**363**	147	216	243

Period	**SEF (%)**	**S&P/ASX 200**	**Excess to Index**	**Excess to 8%**
QTR (3-months)	**7.3**	1.7	5.6	5.4
FY21	**25.1**	27.8	-2.7	17.1
FY20	**2.5**	-7.7	10.2	-5.5
FY19	**-0.2**	11.5	-11.8	-8.2
FY18	**22.1**	13.0	9.1	14.1
FY17	**30.6**	14.1	16.5	22.6
FY16	**-8.7**	0.6	-9.3	-16.7
FY15	**8.1**	5.7	2.5	0.1
FY14	**37.0**	17.4	19.6	29.0
FY13	**29.4**	22.8	6.6	21.4
FY12	**20.8**	-6.7	27.5	12.8

Proven Investment Performance[1]

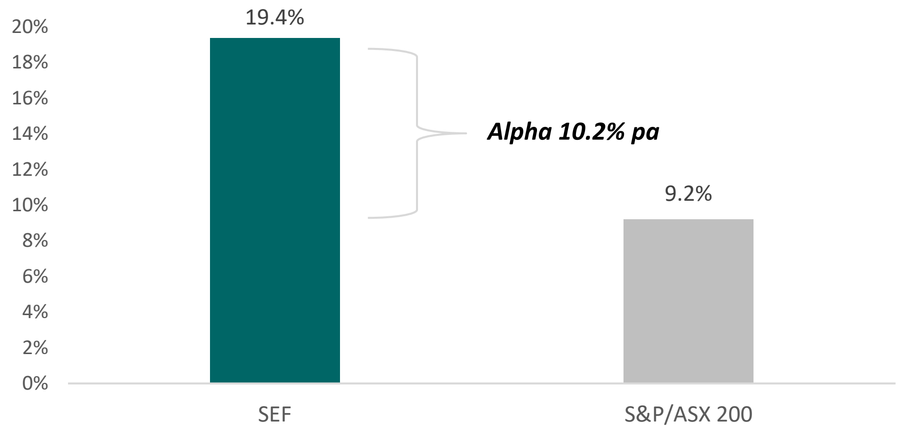
1. Performance is presented on a fiscal 30 June year end basis (unless specified differently). Fiscal year performance is used as the basis for the calculation of performance fees and distributions.
2. Performance results are reflected on a net basis (after management and performance fees). Annual returns are calculated on an IRR basis between FY12 and FY15 after which the Strategic Equities Fund Mandate was converted into a unit trust structure. The current Series A management and performance fee structure has been overlayed on FY12 to FY15 returns to arrive at since inception net performance. All figures have been independently verified or audited. Cumulative performance assumes all capital invested at inception was retained in the fund and increases/decreases annually by the IRR/Return generated for each discrete financial year.

Performance Since Inception (July 2011)

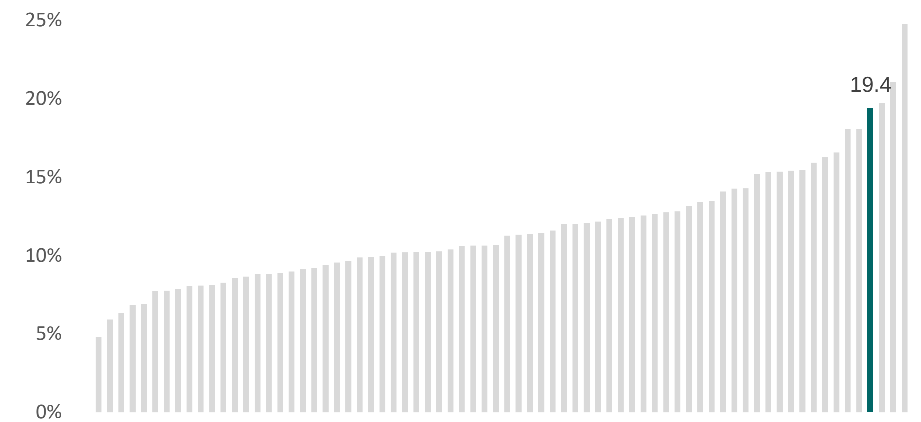
Viburnum

Strong performance relative to the S&P / ASX 200 and other managers

Since Inception Returns (net basis) – July 2011 to Sept 2021[1]



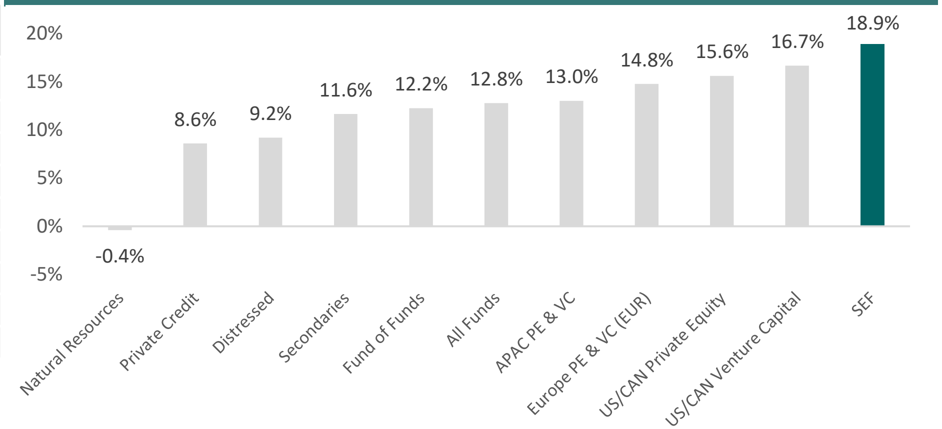
Performance (net basis) – Australia/NZ Long Only Equity Universe [1,2]



Fund Statistics [1]

Description	Since Inception
Annual Average Portfolio Turnover	**24%**
Beta	
SEF vs ASX 200	0.75
SEF vs ASX 200 (Excl extreme COVID period Feb to May 2020)	0.40
Volatility	
ASX 200	13.5%
SEF	16.5%

ILPA Private Market Benchmark Performance vs SEF (net basis) over 10yrs [3,4]



1. Inception (1 July 2011) to 30 Sept 2021 (latest quarter end)
2. Source of peer returns: Australian Fund Monitors (AFM) – Australia/NZ Equity Long Only Manager Universe with a track record of 10yrs+ (Returns to 31 Aug 2021)
3. SEF since inception IRR of 18.9% for both 10yrs to 30 June 2021 and 9.5yrs to 31 Dec 2020
4. Latest ILPA Private Markets Benchmark - Pooled Net IRRs for 10yrs to 31 Dec 2020

2.Portfolio News and Activity

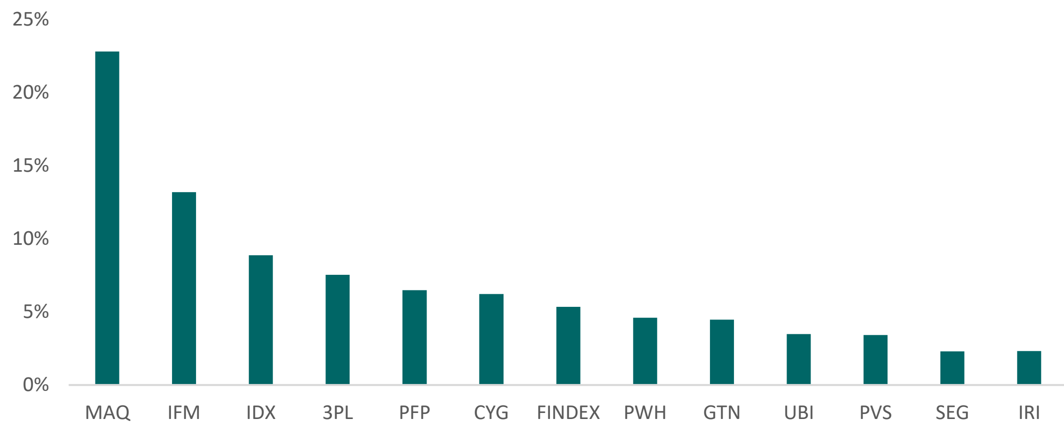
Viburnum

Portfolio Snapshot

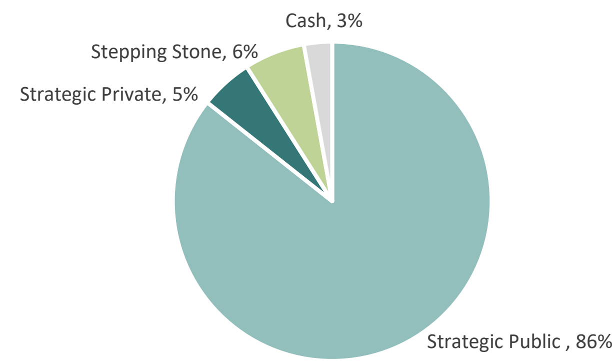
Viburnum

We concentrate our capital, investment team focus and influence on our best ideas

Strategic Holdings – Portfolio Weight

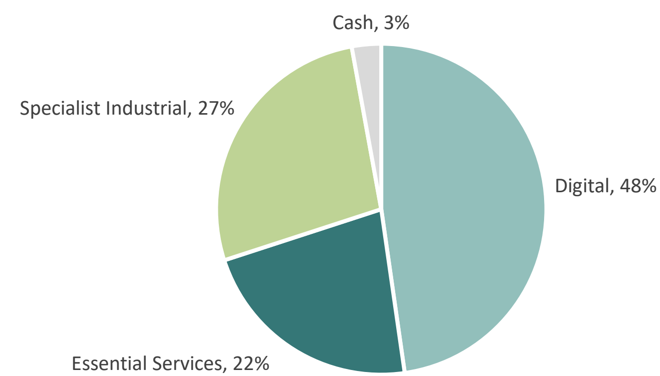


Portfolio Concentration - 91% in Strategic Investments



		MAQ	IFM	IDX	3PL	PFP	CYG	FINDEX	PWH	GTN	UBI	PVS	SEG	IRI
Weighted Ave: $765m	**Mkt Cap**	1663	659	984	333	414	135	400	883	99	137	148	53	284
Weighted Ave: 13%	**VF Stake**	9%	14%	6%	15%	10%	28%	6%	3%	29%	15%	16%	24%	5%
	S/Holder Position	2	1	1	2	2	1	3	4	1	1	1	1	2
Ave: 4.6yrs	**Duration**	3+yrs	3+yrs	3+yrs	3+yrs	1-3yrs	3+yrs	3+yrs	1-3yrs	3+yrs	3+yrs	1-3yrs	3+yrs	1-3yrs
	Industry	Telco	Tech	Health	Tech	Health.	Industrial	Financial	Industrial	Media	Health	Industrial	Media	Tech

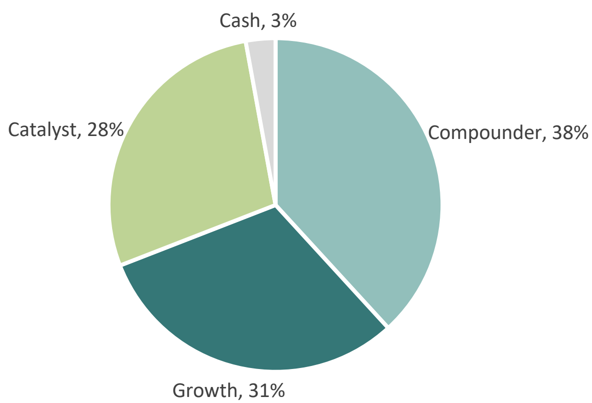
Sector Composition - Exposure to Preferred Industries



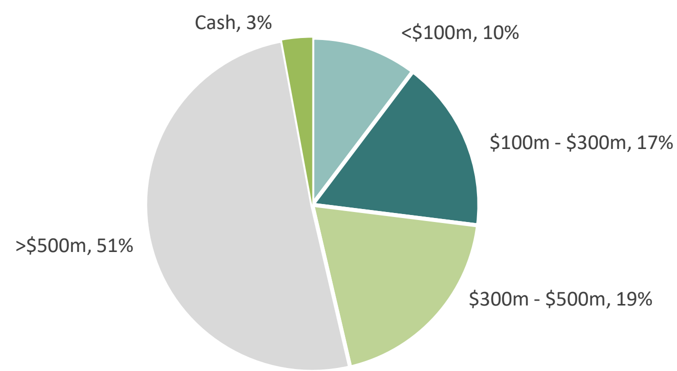
Diversification

Our portfolio construction, albeit concentrated, offers diversification benefits across industry, size and investment category/strategy

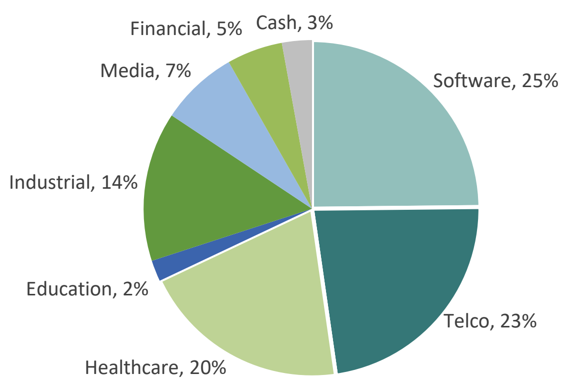
Investment Category



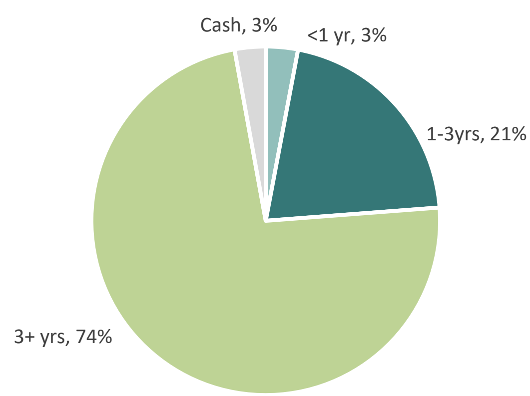
Mkt Cap Exposure



Sector Weights



Investment Maturity



September Quarter Portfolio News

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SEF listed strategic positions (1 to 6 largest)

Position	SEF Weight	Sept Quarter Attribution	September Quarter Updates
MAQ	22.8%	+8.0%	▪ FY21 Revenue $285m up 7% and EBITDA $74m up 13%. The key driver was the Cloud Services & Govt with Revenue $132m up 21% and EBITDA $36m up 25%. The division continues to benefit from strong demand in the Government sector for cybersecurity services and the mega trend of corporates moving to the cloud. The Data Centre segment also contributed to growth with Revenue $39m up 10% and EBITDA $19m up 12%. However, the planned expansion from 10MW to 54MW (IC3 East 12MW, IC3 Super West 32MW) are not yet reflecting in earnings. The Data Centre business will benefit from the IC3 East expansion from Q4 FY22 with the full run-rate of the 10MW hyperscale contract from FY23.
IFM	13.2%	+2.0%	▪ FY21 Revenue $97m up 3% and EBITDA $48m up 3%. Growth driven primarily by Service ($41m Revenue up 15%) while Parts ($53m Revenue down 6%) was impacted by lower implementation revenue as COVID impacted rollout. APAC was the standout region with revenue up 13%. Strong Group 2H along with $35m of multi-year contract wins ($21m Pars & Service, $13m Data) which are expected to be fully ramped up in FY22. Revenue guidance of $117m to $123m (+20-27%) approximately half organic and the remainder from the SimplePart acquisition.
IDX	8.9%	-0.4%	▪ FY21 revenue $351m up 27% incl. acquisitions and 14% organically (pre acquisitions) on pcp. FY21 underlying EBITDA $77m was partly supported by COVID subsidies and initiatives. Net debt $137m representing 1.4x LTM leverage with $374m liquidity available. Competitive M&A environment has seen IDX allocate capital to brownfield developments with hurdles of >30% incremental EBITDA margins and >15% NPAT ROIC. Acquisitions remain on the capital allocation agenda.
3PL	7.5%	-0.7%	▪ During the Sep-21 quarter the new 3PL management announced its first set of results since the completion of the merger with Blake introducing the market for the first time to CEO Jose Palmero and Executive Chairman Matthew Sandblom (Blake founders and shareholders). Unfortunately given the noise in the numbers from acquisition accounting, as well as the partial year contribution from the Blake business, the FY21 result does not provide a good basis for comparison to historical performance or provide a base line for the business going forward. The Company did provide investors with guidance for FY22 for the first time and adjusting for the assumed impacts of accounting changes we believe this points to 4 - 9% top-line growth for the FY22 year.
PFP	6.5%	+0.6%	▪ FY21 Revenue $120m up 9% and EBITDA $36m up 12%. The result benefited from 4.6% growth in volumes (acquisitions and strong 2H organic volumes offset weak 1H volumes). 4.3% growth in average revenue per funeral also benefitted revenues. Propel deployed $30m on acquisitions during FY21 and announced 3 acquisitions for $18m in Sept 2021 at an implied multiple of 6-7x EBITDA. Funding headroom remains strong with $92m funding capacity remaining following the debt facility expansion to $200m.
CYG	6.2%	+0.3%	▪ FY21 revenue $289m up 17% (incl. acquisitions) and $281m up 14% (excl. acquisitions) on pcp. EBITDA $13.4m up from $6.7m on pcp (incl. $0.8m acquisitions). Trade Distribution Australia confirmed its positive turnaround trajectory, delivering a small profit for the first time in 10 years. Fluid Systems remains a clear market leader, delivering 16% organic growth at historically high margins. Net debt $16m up from $3m in the pcp, reflecting a concerted effort to build inventories in the face of supply shortages and ~$8m acquisition payments. Final dividend of 3cps declared. Core construction and resource markets remain relatively robust. Management reaffirmed medium term EBITDA margin target of 7.5% (up from ~4.5%).

September Quarter Portfolio News

Viburnum

SEF listed strategic positions (7 to 12 largest)

Position	SEF Weight	Sept Quarter Attribution	September Quarter Updates
PWH	4.6%	+1.0%	▪ PWH reported strong FY21 performance of $79m in revenue (+20.5% vs FY20) and $29m in EBITDA (+23.6% vs FY20) with strong growth across all divisions. All of PWH divisions saw strong growth during the year with particular strength in the Aftermarket business (19% of total revenue) and the Emerging Technologies business (11% of total revenue). Following 113% growth in FY21 Emerging Technologies is now reaching a meaningful scale and management continue to affirm their conviction that by 2024/25 this business will be larger than the Motorsport division (which is currently a $42.8m revenue business). During the year PWH obtained AS9100 certification which is critical to unlocking the very large opportunity for the Emerging Technologies business in the military and aerospace end-markets.
GTN	4.5%	+0.1%	▪ FY21 revenue $143m down 11% and Cash EBITDA $16m, flat on pcp. Significant ($7m+) costs taken out in late FY20 benefitted FY21. FY21 demonstrated significant fixed cost leverage that exists in the business. Net debt was $0.5m. GTN navigated COVID without any material Government subsidies and no equity raising. All markets are pacing ahead of pcp, despite COVID impacts varying across geographies.
PVS	3.5%	-1.4%	▪ Pivotal recently reported its 1H21 result which saw 35% YoY revenue growth. Gross margins were impacted by one off Korean entity shut down costs and component inflationary pressures. Management have further flagged supply chain disruptions may impact on Q4 results and are working hard to de-risk this issue. On the technology side, Pivotal continues to make good progress qualifying etch and deposition tools at a leading Japanese OEM. Pleasingly, the ALD market leader(>50% market share) has also made more significant standard GFC purchases for a leading Taiwanese foundry. On the HR front, a new CFO has been appointed and started in August.
UBI	3.4%	-0.3%	▪ UBI continues to roll out its wine test device (Sentia) and currently estimates c.7% of Australian wineries have already purchased a device. New distributor agreements continue to be negotiated and signed in both wine test and anti-coagulation businesses. This momentum resulted in a >300% increase in revenue for first half CY21. Separately, initial lab work has begun to prove out UBI's cancer testing platform and we expect initial results to be announced in early 2022.
SEG	2.3%	-0.2%	▪ In July, SENZ – New Zealand's Home of Sport was launched consisting of 28 radio licenses spread across the north and south islands. SENZ is the only sports/talk radio format in New Zealand. In August, acquisition of the Perth Wildcats basketball team, the NBL's most successful team. The acquisition aligns with SEG's 'Whole of Sport' agenda with Team Ownership as a core pillar. FY21 media revenue was up 24% on pcp, compared to a 2% decline in metropolitan radio advertising revenues (sector performance). FY21 EBITDA was $9.4m, up from $4.5m in the pcp. $11m net debt was drawn as at FY21. $28.7m of debt facilities were successfully renewed for three years in August.
IRI	2.3%	-0.4%	▪ Recent trading conditions have shown stabilisation of churn and Integrated now has >200k subscribers for its cloud products. Management aim to aggressively monetise a whole host of new products in FY22 which should see rapid growth in new logos, continued improvement in customer retention and gradual shift to SaaS metrics. This revenue growth is expected to put pressure on short term profitability as Integrated invests in sales and marketing while waiting for the full run rate of subscription revenue to pass through the P&L

3.Outlook and VF Flywheel

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SEF Flywheel

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Repeatable process for investing, assisting investee companies and catalysing corporate actions to generate alpha

1. Invest
Portfolio of 10-15
Strategic stakes acquired at mkt
Discount to intrinsic value
High quality businesses
Corporate appeal / catalysts

Share Price Opportunity
➢ **$ Intrinsic Value Realisation**

4. Re-Invest
Next strategic position
Universe ASX/NZ $50m-$1bn Mkt Cap
Top 15 Ownership Capacity >$600m

SEF
Sources of Return
Flywheel

2. Assist
Governance
Strategy
Operating Trends
Cashflow & capital management
Growth spend returns

Enhance Returns
➢ **$ Expand Intrinsic Value**

3. Corporate Event
Pre-Bid Stake creates optionality
Opportunity to exit or 'play-on'

Consortium with PE Partner
➢ **$ Private phase roll over option**

Corporate / PE Sale
➢ **$ Corporate premium**

Merger or Division Sale
➢ **$ Value accretion**

SEF Portfolio Embedded Value

Significant portfolio discount to intrinsic value indicating a four year MoM of 2.2-3.0x (IRR 22%-32% pa)

Portfolio Characteristics

Attractive aggregate metrics

-> FY23e EV/EBITDA 10.3x, FCF Yield 8.1%

Self funded growth

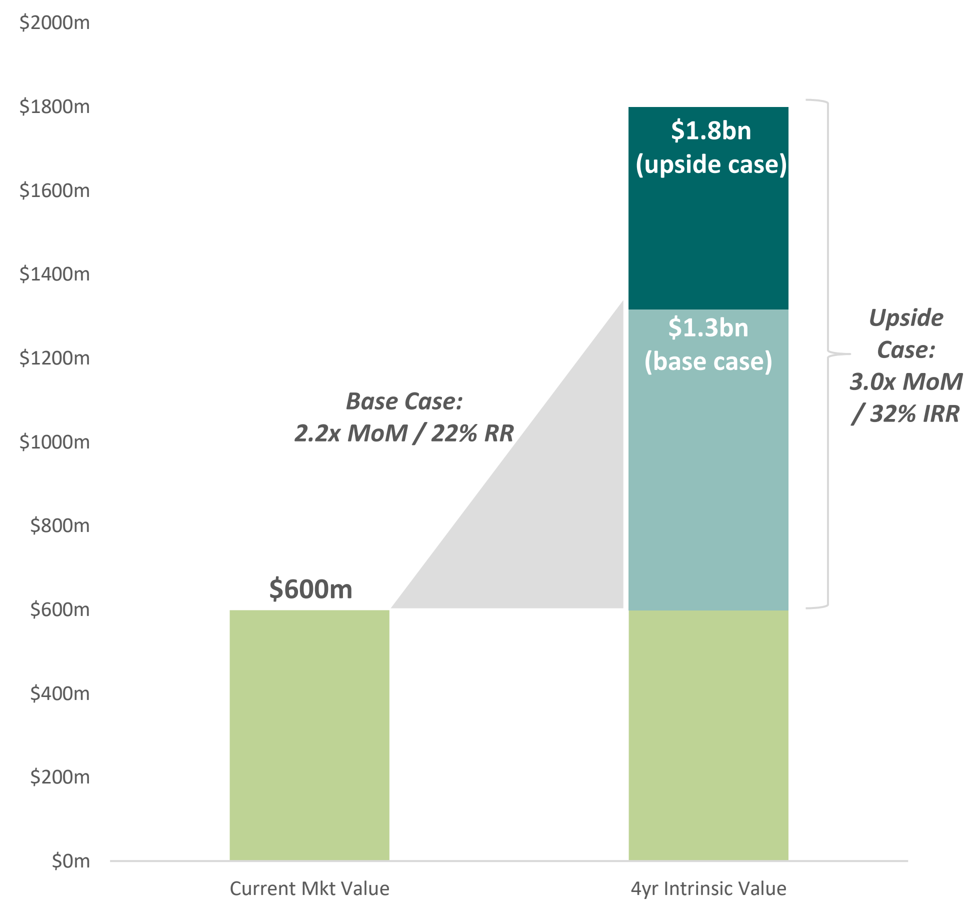
-> FCF generation & balance sheet latency

-> SEF[1] FY22e $535m EBITDA, $320m FCF, $800m surplus debt capacity (at 2.5x EBITDA)

Ongoing active engagement

-> Actively engaged in relation to specific opportunities across a number of current holdings

Intrinsic Value – 4yr Forward[2,3,4]



1. Aggregate EBITDA, FCF and Debt capacity for existing SEF Strategic Positions (100% basis)
2. 30 Sept 2021 FUM $600m includes Separately Managed Accounts that mirror the SEF portfolio
3. The intrinsic value uplift is based on our proprietary estimate of intrinsic value in 4 years for our existing strategic positions at their current portfolio weighting. IRR is reflected on a Gross basis.
4. Excludes corporate exit premiums and any improvement through new investment / re-weighting

Superior to Market Indices

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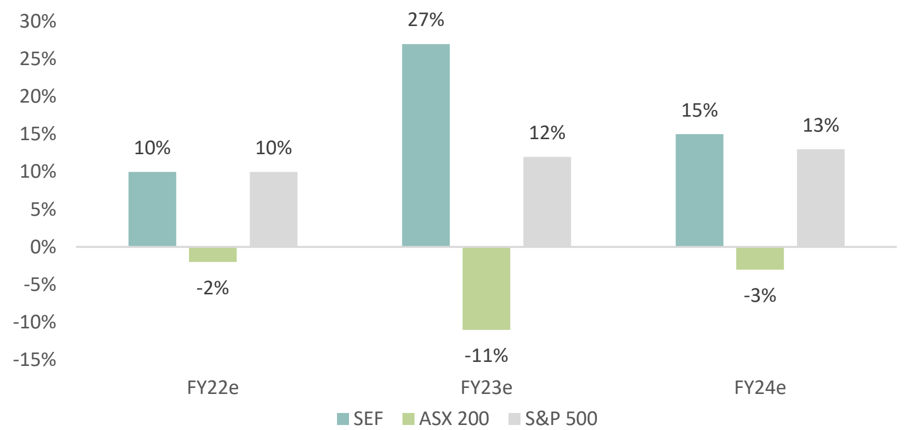
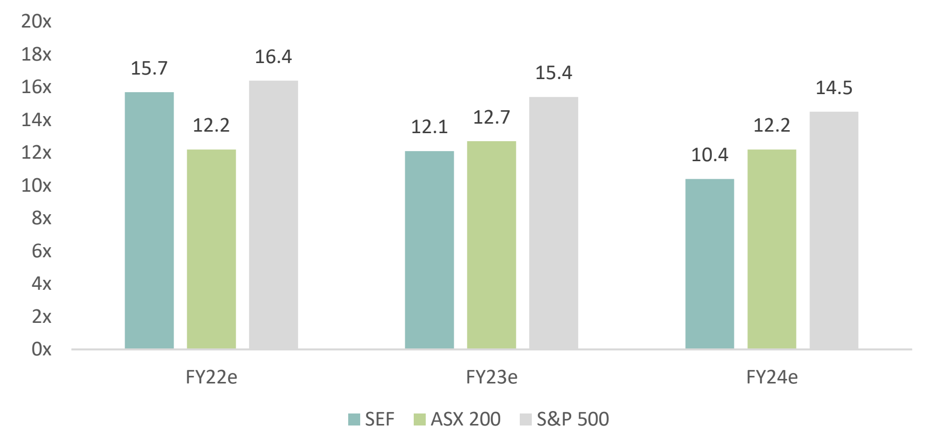
SEF offers above market earnings growth rates for well below market valuations

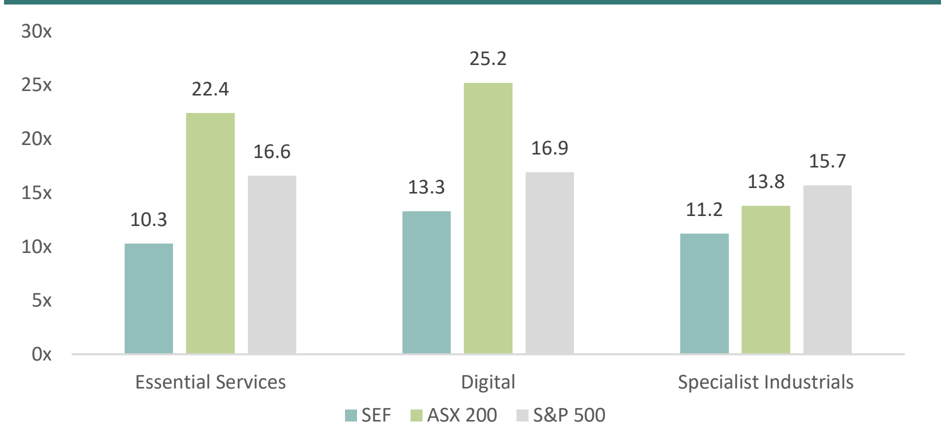
Above Market EBITDA Growth[1,2,3]



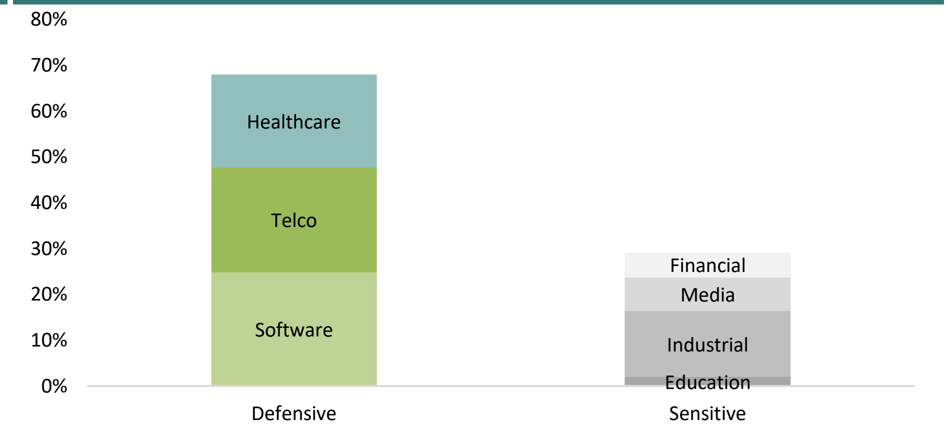
Below Market EV/EBITDA Valuations[1,2,3,4]



Attractive relative FY23e EV/EBITDA Valuations by Sector [1,2,3,4]



SEF Exposure weighted to defensive sectors



1. SEF based VF estimates
2. ASX 200 and S&P 500 based on consensus estimates sourced from S&P Capital IQ.
3. The forecast decline in ASX 200 earnings is driven to a significant extent by lower consensus EBITDA estimates for resources companies like BHP and Fortescue Metals based on expectations for a normalisation in commodity prices (most notably Iron Ore)
4. SEF multiples elevated in the near term by MAQ where earnings from the 5 fold data centre capacity expansion are not reflected in FY22e earnings and only partially reflected in FY23e and FY24e earnings

SEF Portfolio Construction

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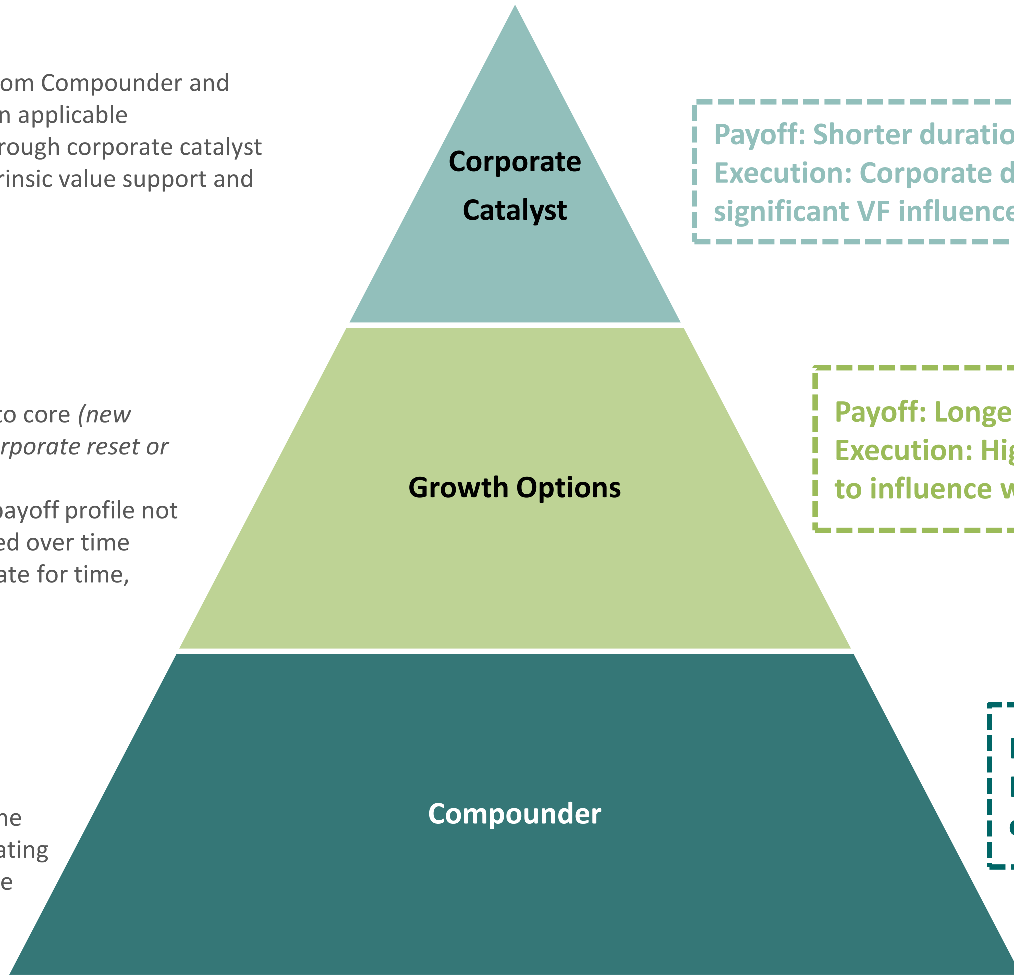
The SEF strategy is based on an investment-led approach whereby all portfolio companies have a clear investment thesis and our active ownership provides additional enhancement and protection of returns



Corporate Catalyst

- Opportunities effectively move from Compounder and Growth Option categories if/when applicable
- Near term (<12 month) payoff through corporate catalyst
- Downside protection through intrinsic value support and liquidity
- Uncorrelated source of return

Payoff: Shorter duration and irregular
Execution: Corporate driven, significant VF influence over outcome

Growth Options

- Growth option outside/adjacent to core *(new product, market or geography, corporate reset or scaling micro-caps)*
- Growth option has an attractive payoff profile not reflected in valuation and unlocked over time
- Higher return hurdle to compensate for time, capital and execution risk

Payoff: Longer term and irregular
Execution: Higher risk, ability for VF to influence when/if required

Compounder

- Compounding core business
- Portfolio ballast - Quality and defensive growth
- Lower execution risk (growth in the core) and high conviction in operating trends and future cash flow profile

Payoff: Long term, consistent
Execution: Lower risk, "more of the same"

Appendix: The Case for Australia

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Attractive and stable financial market supported by regulation and economic strength/positioning

Element	Comment
✓ ***Attractive Financial Market***	➢ *Mature financial market with significant scale: 4th largest pension market in the world , 5th largest pool of managed funds in the world ($2.5 trillion and the largest in Asia)* ➢ *ASX 200 trades at a 17% discount[1] to the S&P 500 on a 1yr forward PE basis (8% 10yr ave discount)*
✓ ***Strong Institutions***	➢ *Stable political environment with well regulated governance regimes backed by strong institutions* ➢ *Highly regulated fund management industry*
✓ ***Fiscal and Monetary Strength***	➢ *Low Net Debt / GDP relative to developed country peers (AAA credit rating)* ➢ *Central Bank has only recently embarked on QE*
✓ ***Resilient through COVID***	➢ *Successful initial COVID-19 response with low levels of infection and fatality during 2020 reflecting a responsive regulatory context, a strong healthcare system and a compliant population* ➢ *High levels of vaccination in response to the 2021 delta outbreak (82% of over 16's have had 1 dose)* ➢ *Low levels of fatality (<1500 vs population 26 million)* ➢ *GDP expected to exceed 2019 levels by 2022 (well before developed peers)* ➢ *Leveraged to a border re-opening (education, tourism, migration)*
✓ ***Leverage to Asia Growth***	➢ *Australia is leveraged to Asian growth through the export of commodities and services to the region with significant positive feedback loops in the domestic economy* ➢ *Currency appreciation closely correlated to rising commodity prices*
✓ ***SEF Superior to ASX***	➢ *0 year track record of superior performance vs index (10% net outperformance)* ➢ *Unique active ownership strategy with few competitors* ➢ *Bottom-up stock selection in preferred sectors drive superior portfolio metrics vs market (higher growth at lower valuation multiple)*

1. ASX 200 and S&P 500 based on consensus EPS estimates sourced from S&P Capital IQ

SEF – Key Attributes on a Page

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A private equity approach to public equities

Fund	▪ Long term strategic and concentrated investment strategy and portfolio, comprising ~10-15 'Strategic' holdings (blocking or influential stakes) with identifiable/actionable potential for value creation actively managed operationally and corporately ▪ Typically a lead shareholder with board representation or engagement ▪ Private equity approach to public equities, combining the best elements of both, offering the beta diversification and liquidity of public equities, and alpha and absolute return opportunity of private investments
Investment Strategy	▪ Seeking <u>value</u> circumstances in <u>growth</u> companies with <u>quality</u> attributes ▪ Proprietary research driven investment process ▪ Low risk of permanent capital loss, earnings growth and multiple expansion upside with corporate appeal/optionality ▪ Portfolio construction and diversification benefits (difficult to replicate)
Active Ownership	▪ Additive to our investment process and a source of competitive advantage ▪ Action orientated owner mindset seeking to protect/enhance shareholder value by supporting investee companies in a variety of ways ▪ Prefer collaborative approach with influence/differences resolved constructively outside of the public eye ▪ Corporate optionality not necessarily reflected in mark to market valuations
Return Objectives	▪ Multi-year compounding returns with an 8% absolute return hurdle (with high water mark) ▪ Consistently outperforms S&P/ASX 200 and Small Cap Industrials indices ▪ Capital preservation and resilience in down markets
Investment Universe	▪ ASX public companies ex-200 with proof of earnings ($50m - $1bn market cap) ▪ Strong bias to industrial structural growth sectors (digital, essential services, specialist industrial) ▪ 15% NAV cap for private/unlisted holdings
Liquidity and Other Features	▪ Initial 12 month lock up, followed by quarterly liquidity ▪ Annual distributions (open-ended unit trust structure) ▪ Long only with no derivatives, fund gearing, hedging or trading strategies
Restricted Capacity and Investors	▪ FUM capacity restricted to a soft cap at US$750m ▪ Fund inception in July 2011 and opened to new investors in July 2016 ▪ Fund targeted to Australian and US endowment, institutional and family office investors
Track Record	▪ 19% pa net since July 2011 inception (10% pa outperformance vs S&P/ASX 200 Accumulation Index) ▪ 26 strategic investments and 13 exits (11 positive, 2 negative) ▪ Higher returns achieved at similar volatility to S&P/ASX 200 with resilience evident in down markets

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