CVC Emerging Companies Fund

Quarterly Report
For period ending 30 June 2020

Fund update

Update of fund activities during the quarter

The June 2020 quarter was almost as eventful as the March quarter and we experienced what can only be described as a sensational rally in the listed markets. We continued to see slightly fewer high-quality, investment grade opportunities in the unlisted space, however, we maintained our focus on our existing portfolio and made one small new investment which we hope to be able to add to in the coming one to two quarters. Very few companies were willing or able to consider a new capital raising as the effects of COVID-19 continue to play out. Thankfully, the time taken during the March quarter to focus on our existing opportunities has paid off and at this stage we do not believe any of our investments will require impairment for the period to 30 June 2020.

On a positive note, we are pleased to report the Fund's NTA per unit increased in value by 42% during the quarter as two of our investments increased materially in value from the time of investment. Whilst the amount of deal flow this quarter was lower than usual, we made one new investment in NodeOne and at the time of writing have three active term sheets for potential investments. We hope to be able to complete in the coming months, subject to satisfactory due diligence. This will require us to make the third and final capital call. We are excited to have a relatively clear line of sight to a fully invested portfolio within two years of the Fund's inception.

Interestingly, we outlined in our last quarterly that we expected to see some distressed opportunities in the June quarter, however, this has been delayed longer than we expected and we have only seen a few genuinely distressed opportunities to date – this gives us some hope and confidence that the Australian economy is in a better position than we anticipated.

COVID-19 impact on the Fund's portfolio companies

The largest impact of COVID-19 on the Fund's portfolio companies was felt in March and April, however, by May a number of our portfolio companies had started to experience either a stabilisation in revenues or a meaningful rebound. At the same time, companies across our portfolio have reviewed their cost base and general expense lines, and this has reset future cost bases. On the flip side, Cleanspace has continued to outperform with increasing demand for Personal Protective Equipment (PPE) around the globe. Personal respirators in the healthcare space will continue to be sought after by hospitals and we expect this to continue long after the pandemic has slowed as the health and safety of critical workers in the healthcare sector is reviewed and focused on.

The market for emerging companies

The June quarter showed how quickly markets can digest information and then keep moving forward, albeit with a few bumps along the way. We have noticed increasing volatility and will not be surprised to see another meaningful pullback in the global markets in the coming three to six months. IPO activity during the June quarter was slow, with activity continuing to be soft following the volatile March quarter, however, there are a few new IPO's that have started to appear and we are hopeful that a couple of our portfolio companies will be in a position to consider an IPO in the 2H, CY20. As mentioned above, we have started to see some good quality opportunities and we expect that at least one to two of these should pass our due diligence in the coming months and be added to the portfolio.

Fund activity, performance and outlook

The Fund has called ~67%, or $1.20 per unit, of the $44.8 million of capital committed by unitholders, or two out of the anticipated three capital calls to be made. As discussed in our previous quarterly updates, a number of our portfolio companies were exploring or had commenced preparations for an IPO this calendar year. Following the significant rebound in Australian and global equity markets in the second quarter, we are now confident that at least one, and hopefully two to three, of our portfolio companies should be able to list on the ASX over the next six months. While our pre-COVID-19 investment trajectory had us expecting to make the third call sometime early in the June quarter, we anticipate finalising this call in August and you should expect to receive a call notice shortly.

Period	NTA per unit	Return (%)
3-month performance (net of fees)^	$1.7362	42.4%
Since inception performance (net of fees)^*	–	39.3%

^ Unaudited estimate, adjusted for the 2nd capital call of $0.60 per unit made on 27 November 2019.

* Since inception return is per annum. Fund inception date 1 May 2019. Future performance will be reported on a quarterly and since inception basis.

NodeOne – A brief look

NodeOne is an emerging Fixed Wireless provider primarily operating in Western Australia. The company has a growing revenue base across retail, business and wholesale with a large addressable market. Often referred to as "Fortress West", the West Australian market has been a hard place for East coast operators to penetrate and with almost 3 million people spread across a large area in WA. NodeOne has built a strong position in this market with penetration in the most populous areas and an accelerating market presence.

There's an increasing requirement for small/mid-scale operators in telco's across Australia following the last 10 years of consolidation and this provides favourable market dynamics for NodeOne. SME's have been neglected by the likes of Vocus and TPG as they focus on larger wholesale customers outside of their retail networks and this is an opportunity we are attracted to. NodeOne has a diverse customer base with an increasing spread of retail and wholesale customers and, as the business grows, we expect this will continue to diversify revenue and increase growth momentum.

The growth drivers of the business include new product bundles, new pricing structures and new branding/marketing and importantly, the business has a high-quality management team with significant Board and Management ownership. NodeOne is led by Richard Whiting (ex-Amcom and Vocus for 20+ years) and also has Tony Grist (ex- Amcom and Vocus) as a significant shareholder and Director. Both Richard and Tony have a strong telecommunications history and bring considerable experience to NodeOne.

Portfolio highlight – Ai Media

The Fund initially invested in Ai Media (Company) in late 2019 and the Company may undertake an IPO on the ASX in 2H CY2020. We are excited about this investment given the strong growth profile and the ability to generate meaningful organic growth across new regions.

Ai-Media is a global media access provider, utilising its technology platform to make content available for all through live and recorded captioning, transcription, subtitles, translation and speech analytics services.

Ai-Media has developed a cloud-based captioning, transcription and translations platform that uses a combination of artificial intelligence, machine learning and human intelligence to convert speech to text and has established itself as a global technology business across its three business lines of "Live Broadcast", "Live Enterprise" and "Recorded" content. Using a combination of machine and human curation provides levels of accuracy that are greater than machines alone. This level of accuracy is a requirement to service Ai-Media's enterprise customers.

The Company was founded to provide equal opportunity for the deaf and hard-of-hearing community in accessing television and educational content. The Company has expanded its mission and target audience over the past 17 years but continues to be driven by its commitment to access for all.

The global market size for all language services was estimated at US$54 billion in 2019, and is expected to grow to US$67 billion in 2022, representing an estimated CAGR of 8.4%. Within the wider language services industry, Ai-Media competes in captioning and transcription. Its technology also provides the opportunity to provide services like synthetic audio which will allow Ai-Media to participate in speech-to-speech services, such as interpreting and dubbing, as well as audio description services. In 2020, the total addressable market was forecast to be $11.8 billion, increasing to $14.7 billion in 2022 at a CAGR of 7.4% between 2015 and 2022.

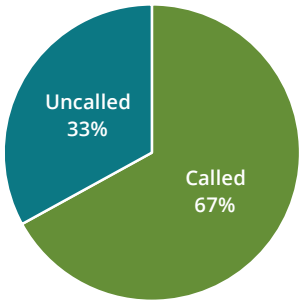
If you are interested and want to read more about Ai-Media, please take a look at https://www.ai-media.tv/.

Investments

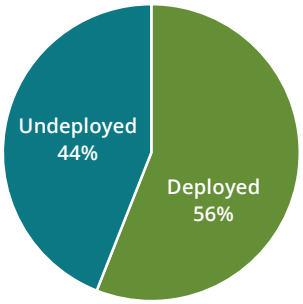
Investment	About the company
CleanSpace RESPIRATORS	**CleanSpace** designs, manufactures and markets a range of compact powered airflow personal respirators for protection from hazardous particulates and gases in mines and industrial workplaces as well against infectious diseases in healthcare. **Update:** Demand continued to accelerate for Cleanspace's respirators in Q4 FY20 in response to the COVID-19 pandemic and the company continues to see record order volume and sales.
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. **Update:** COVID-19 had a severe impact on the property sector, particularly through April. While a recovery began in May, Deep Blue proactively reduced its labour cost base and marketing spend while still pursuing a number of significant ongoing projects to improve systems and management depth. A strong balance sheet and reduced cash burn provides Deep Blue with ample runway to benefit from a recovery in leads, inspections and conveyancing engagements in coming quarters.
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. **Update:** Bellroy experienced some initial negative impacts to sales during April and May as a result of COVID-19 but took steps to manage their cost base and make proactive adjustments to their sales and marketing focus areas. We are pleased to say that sales returned to pre-COVID growth levels in June and Bellroy are budgeting a 30-40% sales growth in 2021, consistent with their previous trajectory.
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. **Update:** The moves taken by Moneytech in Q3 FY20 have protected value and enabled growth. Strong growth has been experienced in the payments business and overall, we are confident that the FY20 year will continue to see the growth experienced in FY19. The company retains strong cash balances and is profitable. We anticipate that Moneytech will continue to drive growth in the payments business with support from the finance and FX businesses.
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. **Update:** Second half, FY20 was disappointing for Portt from a revenue perspective as government departments and councils shifted their focus toward COVID-19 counter-measures, however, we are confident that FY21 will prove to be the watershed year for Portt. Management actively adjusted staffing levels and their growth targets in line with decline in sales as a direct result of COVID-19 and we expect that a number of new leads will drive growth in FY21.
lendi	**Lendi** is Australia's leading online home loan platform. Having digitised the origination phase of the home loan process, Lendi is now bringing the fulfilment phase onto its platform by launching direct decision engine integrations with a range of providers. **Update:** Lendi successfully managed to transition 100% of its employees to work remotely with minimal disruption. The most recent quarterly outlined strong growth, in particular, Lendi's focus on refinancing for new and existing customers has driven record revenue numbers for the business. Lendi continues to sit on significant cash balances following the most recent capital raising of almost $70 million.
a i 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. **Update:** Ai-Media continues to prepare for an IPO in 2H 2020 and revenue growth for the March 2020 quarter was more than 25% ahead of the March 2019 quarter and in line with budgeted number. We continue to be optimistic about the growth prospects and have seen increased demand since the start of COVID-19 crisis.
NODEONE INTERNET	**NodeOne** is a grelatively small-scale fixed wireless provide operating in Western Australia. The company has a growing revenue base across retail, business and wholesale. **Update:** Please refer to the above overview.

Portfolio characteristics

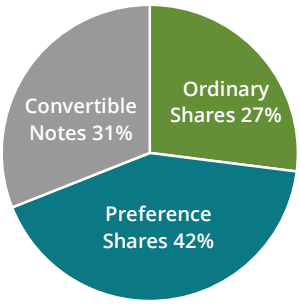
Called v Uncalled Capital



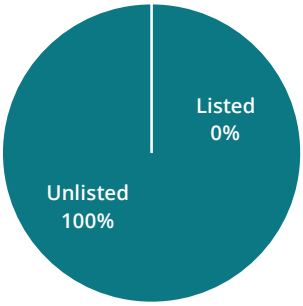
Deployed v Undeployed Capital



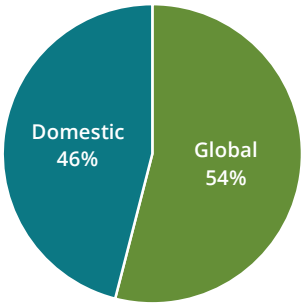
Security Structure (by Capital Deployed)



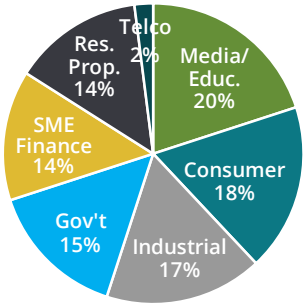
Listed v Unlisted (by Capital Deployed)



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 Walsh & Company Group Pty Limited (ACN 159 902 066), a division of Evans Dixon Limited (ACN 609 913 457) (Evans Dixon).

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

CHRISTIAN JENSEN
Portfolio Manager
T 02 9087 8000
E cjensen@cvc.com.au

JONATHAN PEARCE
Portfolio Manager
T 02 9087 8000
E jpearce@cvc.com.au

PAUL RYAN
Portfolio Manager
T 03 9631 9866
E paul.ryan@evansdixon.com.au