CVC Emerging Companies Fund

Quarterly Report

For the period ending 31 March 2022

Fund update

Update of Fund activities during the quarter

What a difference a quarter makes… The March quarter 2022 will be remembered for a significant sell-off in growth and technology related equities across global markets. A change in consensus thinking around inflation, from transient to persistent, has caused a re-rating of risk as interest rate rises are finally being priced into valuations. Staff and supply chain pressures caused by the inevitable wave of COVID infections as economies re-open, and a genuine war in Europe, did not help.

It is easy to focus on big picture macro, and rightly so. The issues highlighted above do have some impact on the operational performance of our existing portfolio companies and our ability to exit. But day to day for us is finding high quality founder-led companies and working to deliver their growth plan and set them up for a sustainable, value adding liquidity event. We remain very confident in the continued performance of our portfolio and thankful for the investment approach we agreed on when we set up the Fund. We have a bit of a refresher on our investment approach below.

During the quarter we were pleased to announce the realisation of 100% of our position in procurement software company Portt, after it was acquired by private equity backed Advanced, the UK's third largest software and service company. Portt raised $4.0m in 2019 in a round led by the Fund. They subsequently grew their SaaS platform and product range to cover more of the sourcing and procurement cycle and expanded their customer based primarily across large government departments and private sector customers such as Kiwibank and Senex Energy. The investment was held by the Fund for a little over two years. With board and observer roles throughout the duration of the investment, we provided significant input over this time including strategic guidance through the sale process. The founders, Chris, Andre and Nigel worked very hard over the past two years and in particular during the December quarter to complete the transaction and we are extremely pleased to have worked with them to achieve a sale to such a high-quality buyer for a great price. The proceeds from sale were returned to investors in March via a $0.2109 per unit distribution.

Also during the quarter, as confirmed by an article in the AFR, Studiosity appointed Macquarie Capital as advisers to commence a private growth capital funding process. We have also seen another two of our investee companies engaging with or appointing advisers for private processes and we remain focussed on helping the management teams through the process and achieve a successful result. We hope to be able to provide meaningful capital returns in CY22, as a number of our portfolio companies proceed to material liquidity events.

This quarter we are showcasing another of the Fund's investments, namely Deep Blue Company – a multi-brand, multi-category real estate technology company - and we have included a spotlight on the company below. Chris Lane from Deep Blue Company will be presenting his business at our March quarter video conference.

A refresher on our investment approach

We manage a concentrated, high conviction portfolio, with relatively low exposure to conventional pre-IPO deals, having made the decision early not to rely solely on an IPO for liquidity or IPO discounts for returns. We have targeted high quality, growing businesses with real customers generating material revenue, avoiding excessive technology risk. We always invest with a line of sight to an ultimate liquidity event, but want our companies to have *both* a private or a public sale available to them. We have sought downside protection and board representation wherever possible and there is little to no gearing across the entire portfolio. Each investment is founder led and we take only minority, non-controlling positions. The last point is the most important of our investment criteria.

Why we target minority stakes in founder-led companies

Charlie Monger once famously stated words to the effect of "show me the incentive and I'll show you the outcome". Unlike some Private Equity strategies, we don't seek to control our investments. Founders in the companies we are looking at have already proven their ability to innovate to create a new product, craft it to create product-market fit, execute to deliver critical mass in their industry and problem solve in design, production or logistics to improve the customer journey.

Not to mention having already displayed the resilience required to persevere through the start-up phase (a part of the company lifecycle we are VERY happy to avoid). In short, they are the best people to run the business – often some of the best in their industry.

Similarly, we don't seek to take more than a minority stake. We want the founders to retain significant, meaningful investments in their companies, as part of our investment thesis relies on founders having more to gain and more to lose than we do. Typically, among our investee companies the majority or all the founder's wealth is tied up in the company. They are highly incentivised to succeed and we are highly aligned with them. Overall, we believe we have stuck to our investment criteria well over the life of the two Funds and we're confident that the discipline of being "true to label" will continue to generate performance for our investors.

The market for emerging companies

After record IPO activity in the second half of 2021, which was the highest for a decade, the market has slowed considerably. The general feeling among investors in the Australian market is that all but the strongest IPOs are on hold until further notice and many private companies are having to revisit their liquidity plans. As discussed above, we fortunately have fairly limited exposure to traditional pre-IPO investments and weakness in that market should not have a material negative impact on Fund performance. A number of portfolio companies have continued to receive strong inbound M&A enquiries and we will continue to provide updates where possible.

Further realisations and distributions

During the quarter a distribution of $0.2109 per unit was made as a result of the realisation of 100% of the Portt investment. Total distributions have been $1.10 per unit (or 61.1%) on the initial $1.80 investment you made in the Fund. The Fund total returns now stand at 64.84% on a gross basis or 18.70% per annum as at 31 March 2022.

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

Portfolio Spotlight – Deep Blue Company

Deep Blue Company (DBC) are a multi-category, multi-brand tech enabled service provider to the real estate industry focussed on improving the entire customer journey in buying, selling and settling residential properties in Australia.

DBC was founded by Chris and Lisa Lane, both lawyers, in 2010 when they sought to use technology to dramatically improve the highly manual real estate conveyancing process. Having pioneered digital conveyancing in 2010, they are now Australia's largest single conveyancing business, closing in on 10% market share, and have rapidly expanded into adjacent categories to offer technologies and services that cover the entire sale-to-settlement journey. Their brands include Offer to Own, conveyancing.com.au, Rapid Building Inspections, First Class Legal and By The Rules. Rapid Building Inspections is now also Australia's largest residential building inspection business.

We believe being one of the leading marketplaces for sale-to-settlement services makes DBC a highly strategic asset in what is one of Australia's largest industries. They continue to re-invest in technology, executing on a roadmap to automate key steps in the conveyancing process and facilitate the launch of new products and services, including AI Contract Reviews and Smart Contracts; automation is expected to materially decrease the cost to serve.

DBC was one of the seed investments in Fund I and we have made subsequent investments in both Fund I and Fund II. We were initially attracted to the strength of the digital offering, the ability to move into adjacent categories and the size and stability of the market – regardless of what is happening with prices in the market, residential real estate sales volumes have historically tended to stay within a consistent transaction band, steadily growing with GDP and population. COVID challenged our thesis and 2020 in particular represented a difficult year for real estate service companies. We have been impressed with the way DBC under Chris's leadership conserved capital and pivoted to focus on tech build out when new customer acquisition opportunities were limited.

We are pleased that Chris from DBC will be joining us to present DBC and his insights on the Australian property market at our upcoming quarterly video conference.

Fund activity, performance and outlook

The Fund has called the full unit value of $1.80 or the total of $44.8m committed by unitholders. The Fund's NTA at 31 March 2022 was $1.6570. Of the original $44.8 million committed, $27.4m, or $1.10 per unit has been distributed as capital and profit to date.

Period	NTA per unit	Return (%)
3-month performance (net of fees)^	$1.6570	-6.78%
Since inception (net of fees)^*	-	64.84%
Since inception (net of fees)^* per annum	-	18.70%

^ 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.
* Fund inception date 1 May 2019.

Fund summary and looking ahead

As mentioned, the Fund is now completely deployed and 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. Three investments have now been realised completely (Portt, Lendi and Airtasker) and two more (CSX and Ai-Media Technologies Ltd (AIM.ASX)) have had partial realisations. There are 10 investments remaining in the portfolio, three have listed and seven remain unlisted. Of those unlisted companies, four remain held at cost. We expect to have a number of realisations and distributions over the remainder of this calendar year.

Investments

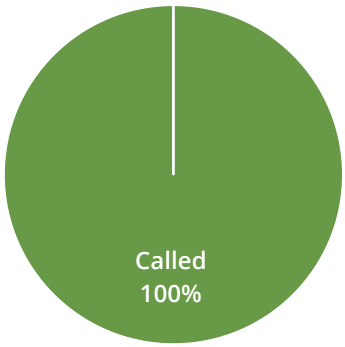
Investment	About the company
CleanSpace® RESPIRATORS	**CleanSpace** designs, manufactures and markets a range of compact powered airflow personal respirators for protection from hazardous particulates and gases in mines and industrial workplaces as well against infectious diseases in healthcare. **Update:** CSX are seeing a return to normal purchasing patterns in industrial markets across Europe and Australia but the health market, particularly in the US remains difficult. Management have announced the appointment of a high-quality team to lead the US push and we are watching for signs of a turnaround. After a period of renewal, the board recently announced a focus on cost cutting to right size the business, while remaining resourced enough to continue to chase growth.
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:** Deep Blue has finalised two meaningful acquisitions alongside organic initiatives that will increase the functionality of the company's offering. The company completed a small capital raising during the quarter and continues to consider options for a meaningful liquidity event later in CY22.
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 had a record December quarter for both revenue and profitability, with strong performance across all channels. Sales have slowed seasonally in the March quarter as expected but remain well above 2021. The Bellroy team are working hard to successfully overcome the supply chain pressures that continue to impact all ecommerce businesses.

Investment	About the company
moneytech	**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 separation of the finance (Moneytech) and payments (Monoova) businesses is progressing well with the group focused on multiple internal projects and governance items. Moneytech continues to perform well with the finance business loan book outperforming budget, predominantly driven by growth in debtor finance and supported by a new wholesale funding facility. Monoova was also slightly ahead of budget for 1HFY22, mainly due to higher real-time transaction volumes. Monoova is expanding its team, adding new products and has recently signed its first major corporate client, leaving it well positioned to continue to grow ahead of forecast.
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:** The Portt investment was realised during the quarter.
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. **Update:** AIM continues to realign its business mix, shifting away from lower margin, lower value-add customers. While the share price is still below where we would like to see it, the company retains a strong balance sheet and improving cash position which should provide a runway for growth in the second half of the calendar year.
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. Update: The Company has continued to consolidate growth both on an organic and an acquisitive basis and we would expect this to continue in the coming 12 months with cashflow breakeven after Capex targeted in FY23.
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. **Update:** DesignCrowd continued to grow in the March quarter with SaaS revenues gaining momentum. Continued revenue growth is expected in CY22, driven by partnerships, a broader template library, new products and an expanded engineering team.
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. **Update:** A recent half-yearly update demonstrated growth of 17% YoY with continued product initiatives alongside a strong cash balance, whilst the listed markets are not conducive to an ASX listing at the moment, we expect a liquidity event to be forthcoming later in CY22.
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. Update: Studiosity continues to gain momentum in the UK alongside robust organic growth in the Australian market. As outlined above, Macquarie Bank is engaged to undertake a sales process of Studiosity and we expect to be able to provide an update on this in the coming 3-4 months.

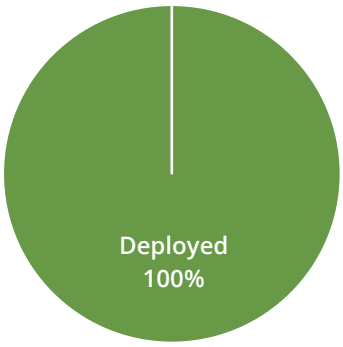
* The Fund also has an investment in a food manufacturing business which remains subject to confidentiality restrictions.

Portfolio characteristics

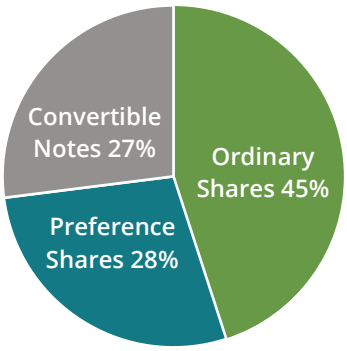
Called v Uncalled Capital



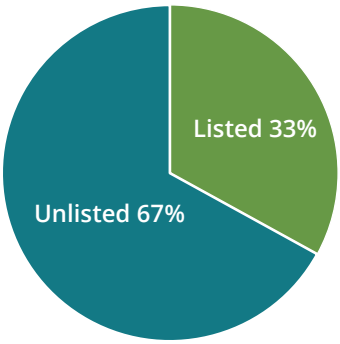
Deployed v Undeployed Capital



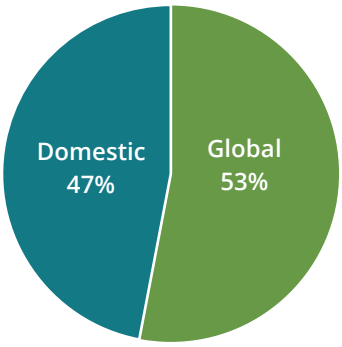
Security Structure (by Capital Deployed)



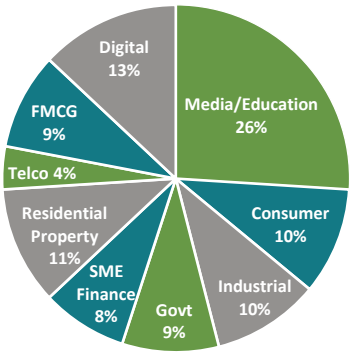
Listed v Unlisted (by Capital Deployed)



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).

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