ALIUM CAPITAL MANAGEMENT

ALIUM ALPHA FUND

JUNE 2023

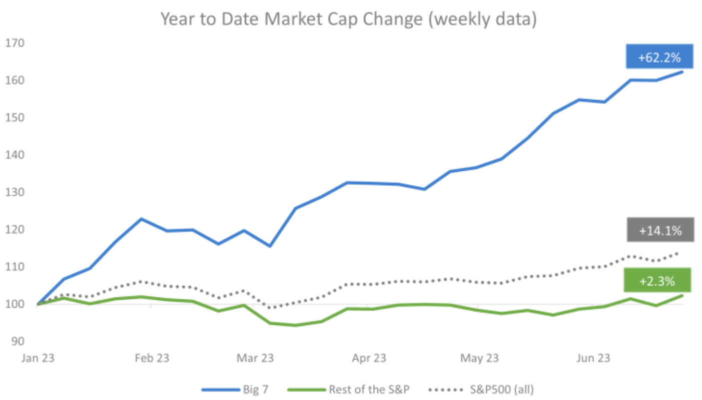
Performance	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2017 (%)	4.8	1.0	1.2	1.6	1.6	1.6	9.6	0.3	15.3	0.6	2.7	0.3	48%
2018	1.5	3.2	0.3	0.6	1.4	-2.5	1.1	3.0	-0.2	-0.5	1.2	-0.5	9%
2019	1.9	4.4	-0.6	0.3	2.5	-0.3	1.8	1.7	4.4	-1.8	3.2	-0.9	18%
2020	-0.1	3.1	-4.5	1.7	-0.6	1.1	1.2	8.0	-1.0	2.1	4.5	0.8	17%
2021	1.7	1.1	0.9	1.0	-0.4	0.0	5.0	0.9	1.0	5.7	0.0	0.7	19%
2022	-1.5	-0.6	0.3	-1.3	-1.1	-0.3	0.9	-1.3	-0.8	-0.4	-0.4	-2.1	-8.3%
2023	1.6	-0.7	0.6	-0.7	-0.2	-0.9*							-0.3%*
Inception													140%^

Notes: (^) Performance is Net of Fees; (*) Estimated performance

Alium Capital caters to sophisticated investors, and the Alium Alpha Fund invests in private companies that intend to list or will be M&A candidates (~60-80% of the fund) and listed companies (~20-40%) with the objective to provide outsized returns over the longer term. The fund invests in Technology, Innovation, and mid/late-stage businesses, all the way through to their public listing.

Performance summary	Alpha Fund accumulated
Annualised return	14.4%
Annualised std. dev.	9.5%
No. of down months over 1%	8
Correlation to ASX 200	0.23

The Alium Alpha Fund returned -1.8% for the quarter versus a -1.3% decline for the ASX Small Cap Index. It was another challenging quarter for our strategy given the combination of closed IPO markets for technology companies on the ASX, and the poor performance of small cap emerging companies in both private and public markets over the period. The calendar year to date has been defined by a two-speed market, with the 7 largest and most profitable technology companies in the US accounting for the entire index move for the year (chart below). So, whilst indices in the US have been strong, the narrowness of the performance is stark, and seems completely at odds with the rest of the market which has struggled to achieve anywhere near the same sort of multiple expansion – and in many cases has seen multiple compression. As you would expect for the Alium Alpha Fund strategy, this oppressive market backdrop for private-to-public strategies is a tough environment for generating alpha.



Source: CratosAM, Bloomberg

If we focus on the current state of the global economy, with a particular lens on the US, most market participants (including ourselves) have under-estimated the resilience of the world's largest economy in the face of the fastest rate hike cycle in history. Sophisticated investors had expected this rapid cycle of interest rate hikes would lead directly to an equally rapid slowing of the economy via rising unemployment, slowing consumer expenditure, and an unparalleled slowdown in corporate earnings. The reality has been more nuanced, and lead many market participants to back off their recession probability expectations. The Fed has continued to re-iterate that more hikes are still needed to bring sticky inflation under control and, in-light-of the most recent data, that a recession can also be avoided.

The most up to date macro-economic information we have, suggests there remains surprising strength in several corners of the economy. Recent data from the US showed that purchases of new homes bouncing back significantly from recent lows, durable goods orders beating estimates, and consumer confidence reaching the highest level since the start of 2022. This is all despite 15 months of continual rate hikes specifically designed to cool the economy and hence drive down inflationary pressures. At the very least, this data extends out the timeline of a possible Recession. Indeed, the latest reports on retail sales, inflation adjusted consumer spending and the job market, also support this notion.

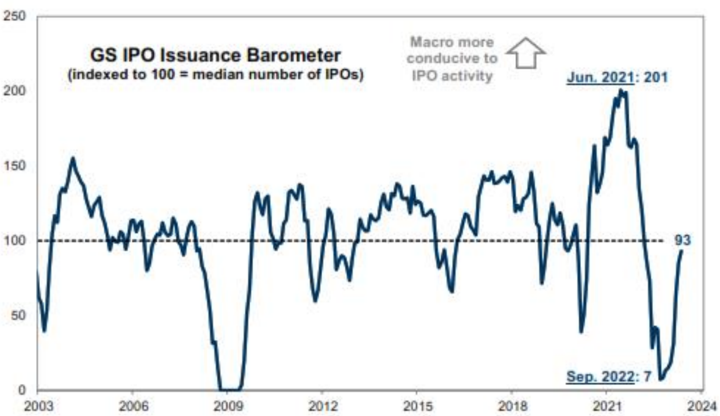
Despite the unexpected resilience of the US economy, the global economy remains somewhat fragile with most of Europe, Taiwan, and New Zealand now heading into recession and China looking equally weak. As the peak terminal rate in the US continues to rise, the risk of a more pronounced slowdown in the US remains, however conviction on this has been waning. The excess savings caused by COVID, alongside healthy jobs numbers, have essentially kept consumers resilient to the rising interest rate pressures thus far. At this stage, central banks have no choice but to keep tightening in the hope of taming prices growth – which finally caused some angst in the market late last week. The question is whether they can do this without inflicting too much pain so-as-to lead to recession.

In our view, upside for markets based on a current earnings multiple of 19x looks somewhat stretched in-light-of the prospects for further rate hikes, however we believe the much cheaper and less well owned small caps, especially in the technology sector, represent an interesting opportunity as large cap profitable tech companies face increasing valuation headwinds and will likely top out in the months ahead. As such we made our first listed tech investment in over a year during the quarter (BTH AU). More detail on this later.

What does the current market backdrop mean for IPOs?

Despite the move in the S&P this year which was led by seven large cap profitable stocks, the rest of the market has struggled to rally and remains largely flat year to date. As a result, the last 18 months has seen zero technology IPOs in the US, with a similar story here in Australia. For the Alium Alpha Fund, this has obviously made the past 18 months extremely difficult for the strategy. As we look ahead however, there is a case building for the IPO market to slowly wake from this historic slumber.

In a report released last week Goldman Sachs noted that the GS IPO Issuance Barometer rose to 93, indicating a more normalised backdrop for IPOs in the second half of 2023. This mark is consistent with a typical frequency of IPOs in a typical market, which is extremely encouraging. After reaching a trough of 7 in September 2020, the barometer is now at the highest level since the start of 2022.



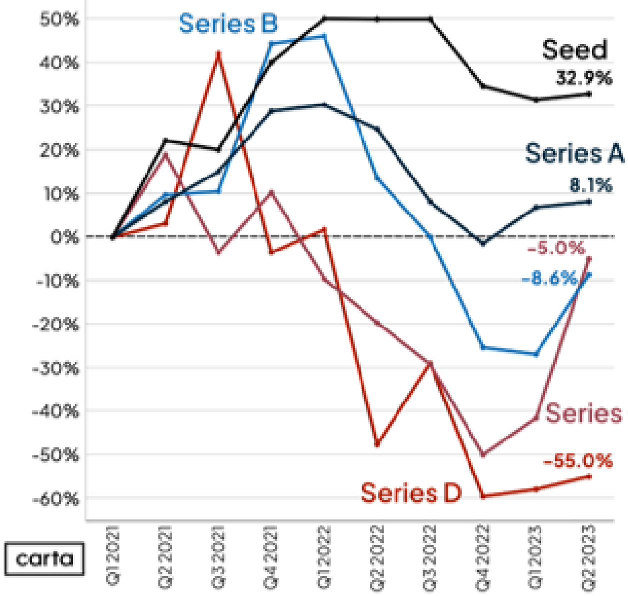
Source: Goldman Sachs Global Investment Research

This scoring system is based on 5 components: S&P 500 drawdowns; CEO confidence; ISM Manufacturing Index; 6 month change in the nominal 2-year Treasury Yield; and Trailing S&P 500 EV/Sales.

It is the stabilisation in equity prices which has been the key driver of the rebound in the IPO issuance barometer accordingto Goldman. Quantitatively, the largest drawdown in the S&P YTD has been 8%, compared with 13% on average since 1928. Furthermore, since the start of 2Q, the largest drawdown has been just 3%. This is also reflected in the fact that the VIX currently sits at just 15 versus a peak of 33 in October 2022.

So as market volatility begins to recede the outlook for IPOs both here in Australia, and in the US, is starting to show signs of life. We can certainly take some optimism out of the IPO this month in the US of Cava, which managed to double on its first day of trading, indicating significant demand from retail investors in particular. Furthermore, we saw last week that tech company, Oddity, filed to go public on the Nasdaq. According to various US investment banks there is a list of other high profile technology companies that are likely to try and list before year-end – including Stripe, Instacart, Reddit, Turo, ARM, SpaceX. It was also a big month for secondary offerings according to GS data with May being the busiest month for public stock sales since November 2021, driven by a jump in follow-on deals. A further sign of building confidence in capital markets. Finally, we have seen a stabilization in valuations across Seed to Series D rounds over the past 6mnths, with only Seed round valuations remaining elevated – an area Alium does not operate.

Startup Valuations Q2 2023
(% difference in Median pre-money valuation from Q1 2021)



With regards to Australia, we have undertaken a round of meetings during June with investment banks and the ASX to assess the outlook for the domestic IPO market. Feedback clearly suggests things are thawing. Redox listed this week to be the first meaningful IPO of the year after a $400m raise. If markets continue to stabilise then there looks to be a good cohort of companies aiming to list before year-end, with an even greater number preparing to go in the first quarter next year, which is encouraging, as many of our private companies will look to follow suit in 2024.

In our opinion, the type of technology listings will be different to the previous cycle, where we now expect to see only the profitable, more mature companies proceed to listing in the initial phases of capital market activity. These eligible businesses will display a longer history of margin expansion, profit growth, and management capability. Given over 40% of Alium's private portfolio is profitable, we expect to participate in this reopening.

We also take the view that the extreme difficulty in raising money in private markets over the past 18 months as liquidity dried up, will act as reminder to many emerging technology companies that an ASX listing has a multitude of benefits versus staying private for extended periods of time:

• The ability to rapidly raise capital to grow, acquire and survive in a matter of days rather than months – allowing management to spend time focusing on the business.

• A viable exit for both internal and external shareholders.

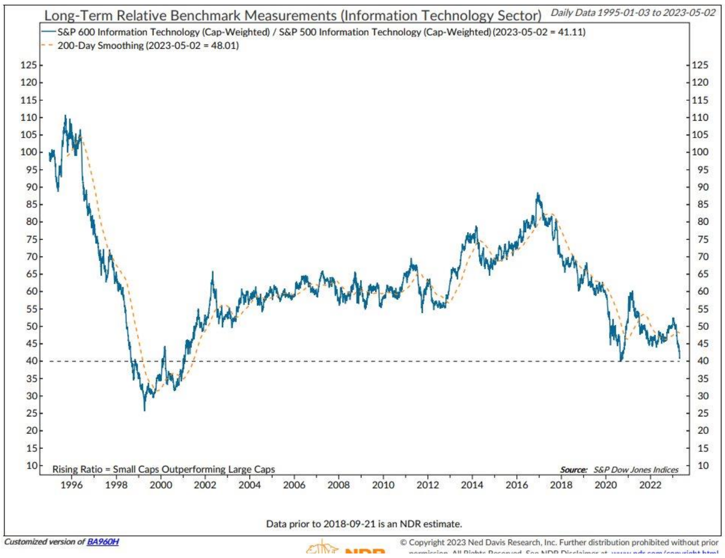
• A clear, fair and reasonable valuation for the business on a regular basis.

From a domestic equity context, historical data suggests that it's the earlier stages of the IPO/market cycles that tend to produce the best vintages of listings in performance terms, and the latter part of the cycle that tends to produce much weaker returns for investors. If we go back to the last big cycle for the ASX IPO market (2014-2021), it was those companies that listed during the early years that performed best with Wisetech (2016) up 1900%, Telix (2017) up 1400%, Smartgroup (2014) up 800%, IDP Education (2015) up 600%, Audinate (2017) up 500%, TechnologyOne (2018) up 300%.

Whilst the near-term outlook for markets remains cloudy, we feel confident that as IPO markets re-open – which they invariably will as a new cycle begins – it is these initial deals that will likely perform well and hence we are excited about the opportunity set over the coming 12 months after what looks like one of the longest droughts for capital markets in decades.

How do markets look for listed technology equities?

Valuations for small and mid cap ASX listed technology stocks look attractive with multiples remaining stubbornly cheap versus their historical averages. We believe now is a sensible time to be carefully building positions in those quality tech businesses which are in the process of achieving cash flow breakeven. Valuations of small cap tech stocks relative to large cap in the US are back near 20yr lows (chart below) with the ASX market as a whole screening even cheaper still.



During the quarter we started accumulating shares in Bigtincan which is trading on 1.5x FY24f Revenue, guided to breakeven (cashflow) this last quarter, and has received two M&A bids within the last 9mnths at an almost 60% premium to the current price. Management advised the market that Morgan Stanley has been engaged to evaluate "inbound expressions of interest" and we believe the risk of M&A for ASX Tech assets with foreign Revenue (particularly USD) remains elevated. BTH didn't engage with either offer as we believe management is holding out for a higher bid. We believe investors aren't paying for an M&A call option as the business appears undervalued as a going concern.

We will likely look to add other oversold technology companies into any market weakness over the coming quarters. In particular, we have been running screens on those businesses that need to raise their final piece of capital before turning profitable and we will use those liquidity events to start building medium term holdings.

Fund Liquidity Changes

As per the new IM attached with this letter, liquidity terms for the fund have been amended to better reflect the current tight liquidity environment. While other funds in our space have extended lock up times or halted redemptions completely, Alium has decided to temporarily increase our redemption timeframe from 1 year to two. As per our views in this quarterly letter, we expect IPO markets to improve in 2024 and as such we expect this change to be temporary in nature. When we realise private company exits as capital markets open once again, we will revisit the terms and look to return to a more normalised schedule.

Current Portfolio Thoughts

At this stage, our focus for the portfolio is three-fold. Firstly, we are working hard on identifying some listed technology

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opportunities on the ASX post the excessive sell-off in the sector over the past 18 months. There are now 3-4 companies which we intend to start accumulating into any stock market weakness over coming months. Secondly, we are working with our existing portfolio companies to help position and prepare them for listings in 2024 and potentially provide further capital if required. Thirdly, we are continually looking for opportunities in private markets in either primary or secondary capital raises where we are finding increasingly attractive valuation multiples given the extreme lack of liquidity. While we remain cautious generally at this juncture given further rate hikes will likely lead to some moderation in risk assets, particularly after the recent rally, we intend to use any sell-offs as an opportunity to selectively add risk.

Whilst 2022 & 2023 have been extremely challenging for a technology-focused private to public fund, we feel confident that 2024 & 2025 will be much stronger years for the strategy as our profitable private book looks to undertake IPOs and small cap listed technology stocks return to more normalised valuation multiples. Our current focus is to ensure the fund remains in a viable position to benefit from the significant investment opportunity set currently emerging, despite the multitude of headwinds the sector has faced, to benefit materially when the cycle turns. The changes to the liquidity profile of the fund will significantly enhance the medium-term opportunity and success of the fund.

Distribution and Lonsec rating update

As we continue to work towards capitalizing on the current investment landscape, we are now on a select group of platforms which increases our potential client base. The Platform Fund (APIR Code: DCA8346AU) is available via HUB24, NetWealth, Praemium and, soon to be Macquarie Wrap. The addition of the platform class will allow new capital into the Fund, which will significantly benefit all current unit holders as we can bolster the portfolio with new investments at very attractive pricing. We have also received an Investment Grade rating from Lonsec Research during the quarter, which is pleasing to receive external validation of the Fund.

Potential 2024 exits in the Alium Private Portfolio

Please see the following snapshots of five potential IPO candidates when listings recommence.

daisee

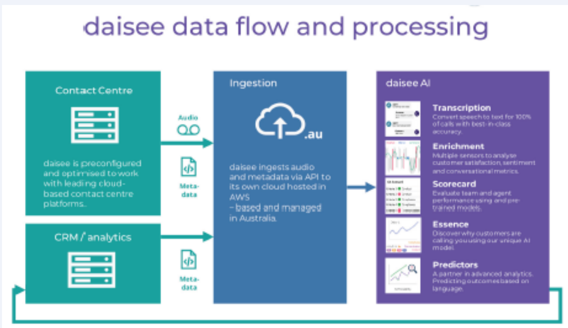
AI is hot

Daisee is an Australian AI provider supporting leading contact centers with the power to mine and use insights from customer conversations to drive better compliance, efficiency and satisfaction outcomes. Whilst a relatively new company, Daisee's enterprise base is impressive with the likes of MYOB, QBE, Youi, Prospa and many others. As expected, as a high value software product, the company generates gross margins north of 80%.

In the last 24m, the company has had zero churn which implies the product is well entrenched with customers, and in fact number of seats is increasing in the enterprise base. Every enterprise customer contract is >$100k with the company now closing 7-figure deals. Today, Daisee has almost 25 enterprise customers and >4,000+ agents on its platform.

There has been a focus on driving enterprise sales via the Partner channel and this has driven strong growth amongst the customer base, as an example through Genesys, AWS, GSN and DXC.

Product extensions include extending the Daisee AI capability to an omnichannel environment through providing enhancements for automated QA for online chat. Daisee's Chat Insights capability was released in early January 2023, and is already bearing fruit.



We are confident in the company's product and enterprise customer penetration. **We expect potential strategic corporate action in Daisee given the strength of the AI sector.**

koala

Sleeping Giant

Temple and Webster which is listed on the ASX is today an almost $750mn Market cap. At the peak 18m ago it was almost $1.7bn in market value. The company generates about $180mn in gross margin. In contrast, Koala's generates circa ~$250mn in gross revenues and its gross margin (around 65%) is well above TPWs 50% (this is explained by own proprietary branding). Alium is holding it's valuation of Koala well below TPW's and remains unchanged from >12m ago despite business having improved over that time.

Having visited the HQs with Management and the Industrial Designers, here are some recent takeaways:

• Gth is good. FY23 will close ~$250mn Revs and profitable

• GMs expanded - very good in an inflationary environment

• Comps are slowing or closing. Koala winning share. Many comps slowed during the 4Q, Koala grew +15% in a challenging macro environment

• Sofa and Sofabed now the largest and growing the quickest

• For Mattress they have a very innovative Cooling tech. You sleep better in a colder environment, and the science says that. The tech is a cooling layer on the top - it was amazing

• Japan back on +70% YOY growth; Launching a Futon for the Japan market

• LAUNCHING the Joey Brand - kids and nursery

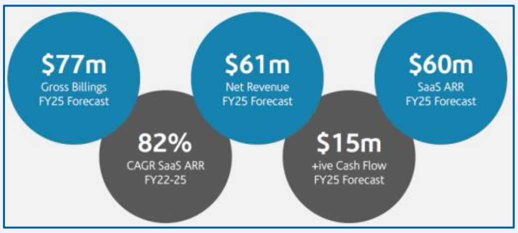
Overall, business is strong and the company continues to grow both domestically and offshore. **The new Co-CEO previously ran an ASX company, and we are confident that Koala is a strong ASX candidate given its brand and growth/profitability profile.**

DesignCrowd

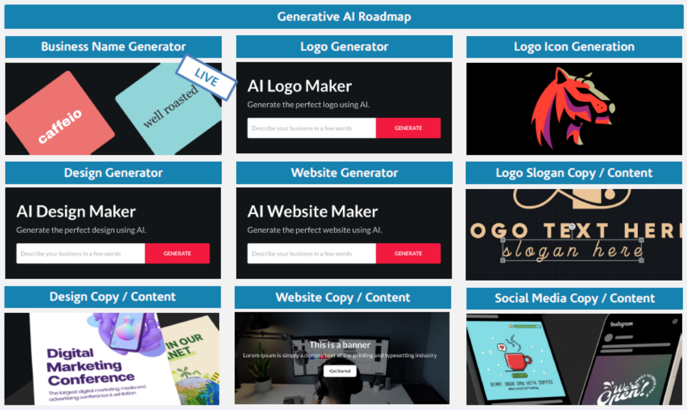
A Profitable Tech ASX IPO Candidate, or Strategic Sale

The company was founded in 2007 by Alec Lynch, the current Founder and CEO. DesignCrowd is an online creative marketplace that helps start-ups, businesses and entrepreneurs connect with a global network of designers. DesignCrowd also owns and manages BrandCrowd, an online logo maker.

The company plans to be generating >$60mn SaaS revenue within 12-24months and continue to grow >100% YoY. At that time cashflow will be as much as $15mn.



As a design company, Generative AI is front and center for the company and DesignCrowd already has a generate AI roadmap it is rolling out, as shown below.



We believe as IPO markets thaw, that DesignCrowd could be an ideal ASX candidate as it generate significant revenue and profitability, which is the type of profile we expect institutional and retail investors will gravitate towards, perhaps in Cal 2024.

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BOOST LAB®

Acquired tbh Skincare to form York Street Brands

Alium recently lead a Series B round in Boost Lab to fund the merger with fast-growing acne skincare brand tbh Skincare. Since combining, the two businesses have proven exceptionally complimentary with Boost Lab's strong pharmacy and grocery chain relationships matched by tbh's excellent eCommerce marketing.

Alium invested in Boost Lab when it was generating $500k of annualized Revenue. This quarter, the business is generating $10m of annualized Revenue with line of sight to $18m by calendar year-end as a new grocery store relationship goes live.

Continued strong operating momentum is set to position Boost Lab as a candidate for an ASX IPO, coming to market with >$30m Revenue run-rate, excellent organic growth, and a portfolio of strong brands.

4YOU Innovation

Instacart USA a catalyst for Value

Alium portfolio asset HeyYou merged with DriveYello in early 2023 to create technology, services and products to help retailers meet consumer expectations. 4You's products can be sold as B2B, B2C or B2B2C, however they are all tailored toward servicing the same customer persona - the time poor, affluent professional who values convenience. The company expects that within 2 years, GMV could exceed $200mn.

The current business is B2C Click & Collects as well as B2B Last Mile Delivery. The merged entity will add B2C Subscriptions and B2B Pick & Pack.

Existing customers that will receive enhanced valued include the likes of Woolworths, Coles, BWS, BigW and many more. As at today there are 1,200+ retailers and >60k consumers on the platform.

The valuation catalyst in our opinion is Instacart which is the US equivalent of 4U. Instacart reportedly generates $2bn in revenue. At one point the valuation was $39bn implying at 20X EV/Sales. The valuation has reduced, and **the rumor for a late 2023 IPO is that the valuation could be $18-20bn, still implying a 9-10X multiple.**