ALIUM ALPHA FUND

DECEMBER 2023

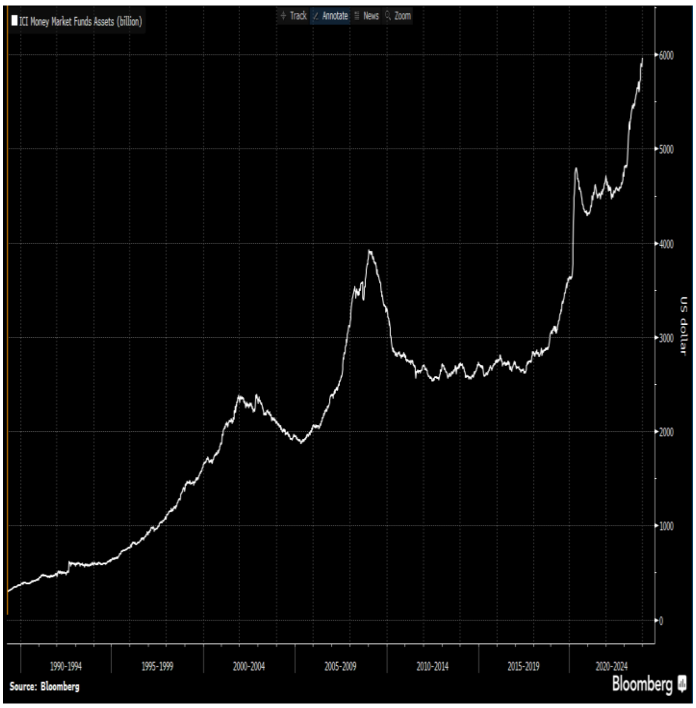
Performance		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2017	(%)	4.8	1.0	1.2	1.6	1.6	1.6	9.6	0.3	15.3	0.6	2.7	0.3	**48%**
2018		1.5	3.2	0.3	0.6	1.4	-2.5	1.1	3.0	-0.2	-0.5	1.2	-0.5	**9%**
2019		1.9	4.4	-0.6	0.3	2.5	-0.3	1.8	1.7	4.4	-1.8	3.2	-0.9	**18%**
2020		-0.1	3.1	-4.5	1.7	-0.6	1.1	1.2	8.0	-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%**
2023		1.6	-0.7	0.6	-0.7	-0.2	-0.9	0.8	3.2	-0.2	0.7	-1.2	-1.0*	**2%***
Inception														**145%^**

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

The Alium Alpha Fund returned +2% for CY2023 following -1% for the month of December as our microcap listed exposures on the ASX did not yet follow the risk-on move in global indices. The Magnificent Seven (Apple, Google, Microsoft, Amazon, Meta, Tesla and Nvidia), as they have been termed, continued to lead the US higher into year-end as many of the more cautiously positioned funds and retail investors began to close out underweight equity bets ahead of expected rate cuts in 2024. Whilst these large cap US tech stocks flattered US indexes in 2023, particularly the Nasdaq, we feel strongly that the next few years ahead will offer a unique opportunity to buy smaller technology companies trading on depleted multiples at a time when global interest rates are in the process of reversing. Similarly, we note that 2023 marked the worst year for IPO activity on the ASX in almost 30 years given the backdrop of a myriad of complex macro and micro issues plaguing global markets. And so, as we reflect upon the year that was 2023, we are pleased to have it behind us given the Alium Alpha Fund's core strategy is materially correlated to fully functioning capital markets and to the performance of smaller cap technology companies on the ASX. Accordingly, the team have started the new year with a renewed sense of confidence that conditions will be better for the fund in 2024 as our private portfolio has further matured with an increasing level of profitability and with greater prospects for IPO exits and trade sales in the year ahead.

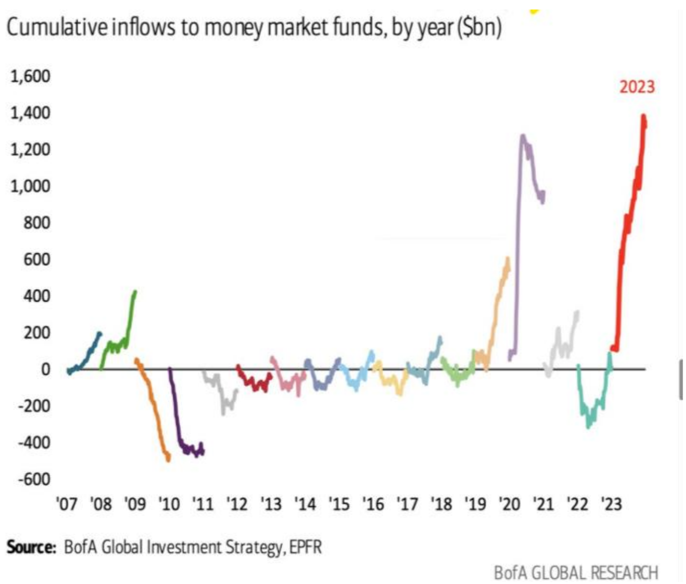
Regarding the outlook for 2024, and without delving too deeply into the likely macro environment, our more conservative view is that the stage is set for rate cuts to commence in the second half of the year in both the US and here in Australia. Futures markets in the US are currently pricing five to six cuts during 2024. If this proves correct, interest rates would be in the range of 3.75-4.00% by December, which would be positive for markets, and particularly for the emerging technology sector which suffered so severely during the high-rate environments of 2022 and 2023. Whilst this rate-cutting schedule deviates measurably from the Fed's own guidance for rates, it is at least now relatively clear that current levels have likely peaked and will be normalizing in the year ahead. As such we are firmly in the camp of a soft landing for most major economies in the world in-light of recent macro data which continues to deliver lower levels of inflation against a relatively robust labour market and consumer. With this in mind, we believe IPOs act as a general barometer of risk sentiment and as such we are encouraged by the moves in listed markets, especially in the US, into year-end: a significant amount of new money moved back into equities from cash and other less risky parts of the market. We expect this vastly improved sentiment will spill into the IPO market in time also. There certainly appears to be ample cash to drive a resurgence in capital markets. In the last 10 weeks for example, 8 have shown net inflows into equities which equates to over $80bn, and historically higher than average cash levels and outsized equity inflows have correlated closely with increased capital markets activity as new money looks to be deployed.

Money Market Fund Assets 1990-2024:



ALIUM ALPHA FUND DECEMBER 2023

Record annual inflows to cash in 2023 ($1.3bn)

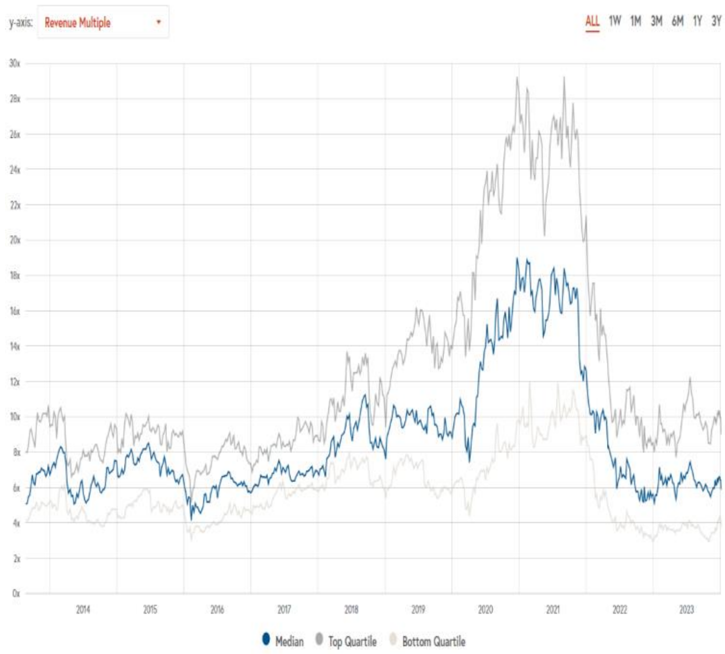


In terms of the specific IPO outlook for Australia, our most recent updates from bankers and the ASX suggest confidence is building in the pipeline relative to 2023. Whilst we would likely need to see a more sustained improvement in equity markets over the next few quarters, we remain confident that several mid cap technology companies will be looking to list over the next 6-12 months. Whilst it might be more challenging for the larger floats to execute in the near term, it is worth noting that the most recent IPOs on the ASX, LTR Pharma & Kali Metals are currently up 70% & 110% respectively since listing. Furthermore, we note that in addition to names like Virgin, Molycop, Guzman y Gomez, Mondiale and Mason Stevens (which have indicated they are looking to list in 2024), there is increasing speculation that AirTrunk is also preparing for a potential $10bn IPO in the year ahead. If this is the case, we believe it would act as a major catalyst for private technology companies and capital markets more broadly as it would represent the largest IPO in Australia since Medibank in 2014, and would be the largest technology IPO in Australia's history.

Our key strategic focus for 2024 at the portfolio level is to find appropriate and financially efficient exits for a number of our private portfolio companies. Given the difficult macro backdrop for the past 2 years, it has not been an appropriate time to focus on selling or floating these businesses, however we believe 2024 marks a turning point, especially given the increasingly profitable nature of the overall portfolio. To start the year, we have already commenced conversations with several founders and CEOs signaling our intention to either sell our equity or discuss avenues for a trade sale or IPO exit for the whole company. Given the majority of our private positions have been held for 3-5 years, we are entering the harvesting phase of our investment horizon and our plan is to recycle that capital into new and exciting opportunities in both public and private markets. In terms of timing, we believe we are fortunate to have a bulging private equity industry here in Australia, which has been increasingly active in acquiring both listed and unlisted companies in recent months and we are currently engaged with several funds on Alium assets, particularly given our successful exit of Home Caring Group to Navis Capital in 2023. The latest numbers we have suggest that PE have mountains of dry powder to invest here in Australia of almost $40bn and this is a legitimate source of value realization for the fund.

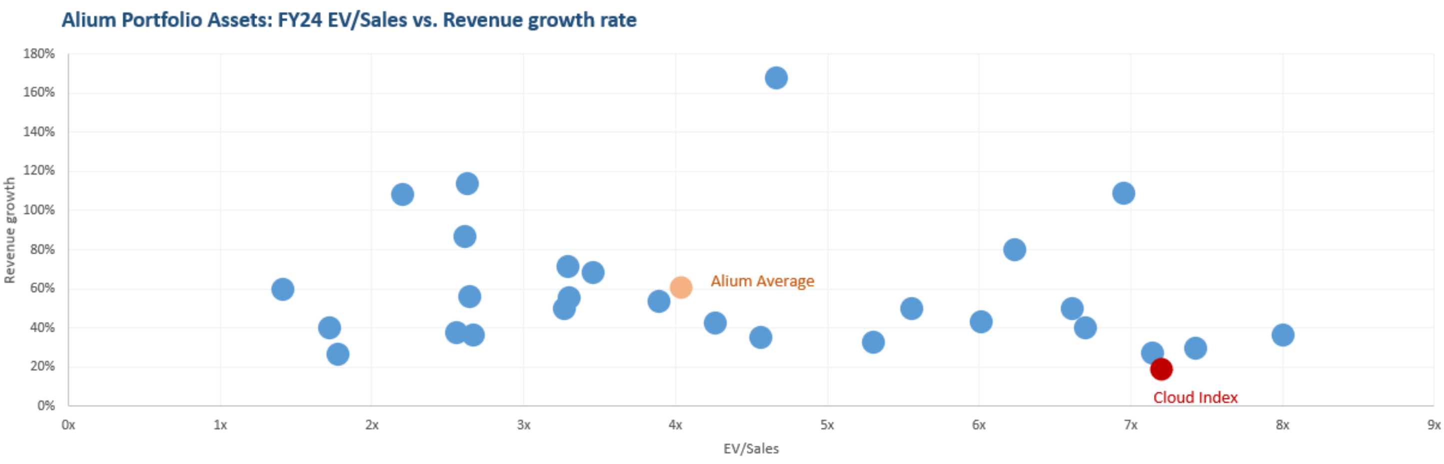
Market Valuations are Strengthening

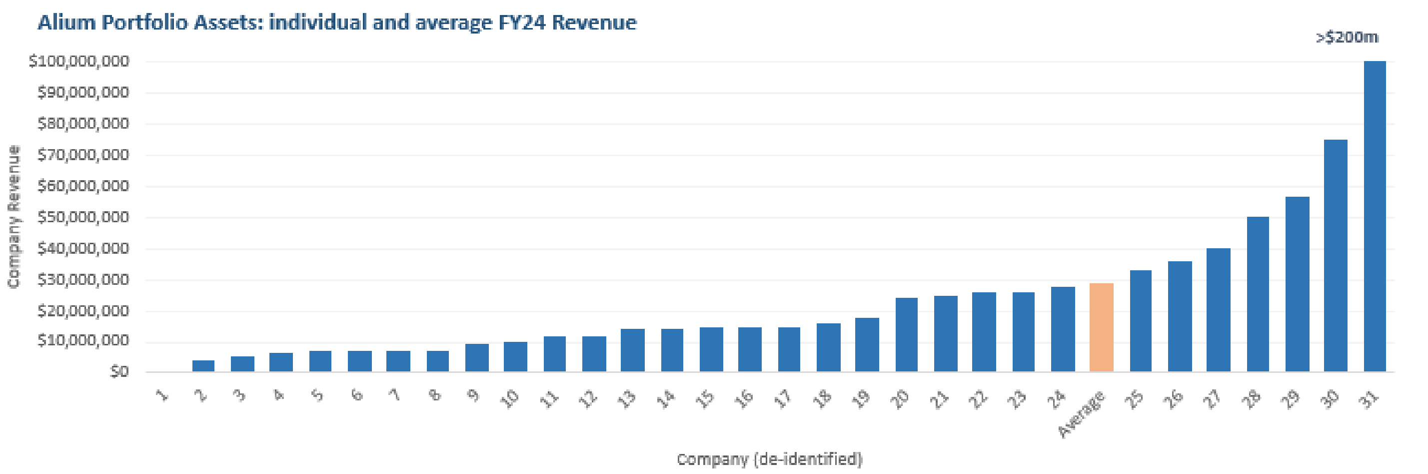
The Bessemer Cloud Index is a good reference for public tech stock revenue growth and revenue valuation multiples. The index shows cloud revenue — as one would expect — slowed in 2022 and continued to slow further in 2023.



In Jan 2022, the average revenue growth for public SaaS companies was 38%. A year later, average revenue growth was down to 29%. And by Dec 2023, average revenue growth slowed further to 19%. While revenue growth rates have slid, valuation revenue multiples have also come down. Revenue multiples were 13.4x in Jan 2022. By Jan 2023 they were down to 5.7x. Since the beginning of last year, even as revenue growth continued to contract, average valuation multiples improved to 7.2x as of Dec 2023.

Alpha Fund well positioned – Valuations and growth





Pleasingly for the Alpha Fund portfolio, the average Revenue growth over FY24 of 60% with an average Revenue multiple of 4.0x compares favourably to the index. We have presented the aggregate portfolio metrics in the scatter plot above in orange vs. the Cloud Index in red.

Furthermore, these companies are not early-stage. The average portfolio asset is forecast to generate $29m of Revenue in FY24 (see above de-identified Revenue per asset).

We are positive on the structure of the book going in to 2024 and its ability to generate forward returns given:

- Entry price sensitivity: always price sensitive when buying, we are GARP investors in late-stage Tech/Innovation assets.
- Well-priced assets: Alpha Fund book trades at 4x EV/Sales, growing topline at 60% with circa 60% Gross Margins.
- Caution during euphoria: the last 2yrs we have been cautious on new investments, and hence have not chase well-known capital raises at inflated prices.
- Stable returns: given recent challenging markets, we are confident in our return profile accelerating in the coming 12-36mnths.
- Profitable and mature assets: our businesses continue to mature to profitability. 75% of the companies expect to be profitable in 2024 (from >75%) today.
- IPO/M&A ready: several of our assets will crystalize an IPO or M&A given their maturity and profitability in the coming 12-36mnths. We are already in several active discussions.

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IPOs are Coming – Risk on Needed for that

Australian IPOs raised just US$677mn in 2023, lower than US$746mn the year before. Importantly, the growing backlog of companies that will look to come public creates a pipeline of 1,300 private companies, and decades of IPO supply vs a 10 year average, that need an ultimate home, with the public markets the obvious place. What we know is we are in a market with healthy headline levels and multiples, lower volatility and arguably more visibility.

We are looking to the US for leadership. During late 2023 there was a thawing of IPO markets with heavyweights like ARM, Klaviyo and Instacart which all went public in the US. Whist these IPOs were cautiously watched, ARM is now +30% on its IPO price, whilst Klaviyo and Instacart are down slightly.

The lull of IPOs seems to have created enthusiasm for 2024 in-light-of the need and desire for investor liquidity. Some marquee Global Tech names being mentioned which are expected to list in 2024 include:

Databricks: The SF-based data and AI company is touted to see an IPO in 2024. The view is that an AI-related company could be well received whilst AI investor appetite is there. The company hit a $43bn valuation after raising a $685mn recently led by Public market funds including T Rowe Price.

Rubrik: The company is nearly a decade old and has raised significant cash from the likes of Microsoft, Bain Capital Ventures and Khosla Ventures. In Jan23 the company reported it had surpassed $500mn in software ARR and appointed Mark McLaughlin, former Palo Alto Networks chairman and CEO, to its board of directors. Expanding your board with those that have knowledge of how to run a public company and hitting milestones can point toward an IPO.

Stripe: In the US there is significant interest in investor circles about 13-year-old Stripe maybe finally going public in 2024. The payments startup’s current value is $50bn (though down from the $95bn it saw after its Series H funding in 2021). Some clues that a long-awaited IPO for Stripe could be nigh: The company brought veteran CFO Steffan Tomlinson — who had previously taken Confluent and Palo Alto Networks public — on board in September 2023. And Stripe has already filed IPO paperwork.

Shein: In Nov23, Shein filed for a 2024 IPO in the U.S. The Chinese fast-fashion retailer has raised some $4.1bn from investors including Sequoia Capital China, Tiger Global Management and General Atlantic. It was last valued at $60bn in a May 2023 funding round. It generated an estimated $23bn in sales in 2022 and accounted for nearly one-fifth of the fast-fashion market that year. If it does go public this year, it’ll be one of the largest listings in the US by a Chinese company.

Technology Market Observations

In terms of thematics for the year ahead, there are several sectors which we think will thrive in this current economic and technology driven climate.

1. IT Spend – Stability to Strength in AI and Cyber

Portfolio impact on: 9Spokes, AcademyXi, Daisee, DesignCrowd, HappyCo, UltraCommerce, Ordre

In various conversations with companies, the amount of technology spend in the last 2 years has been muted. In 2022/23, many firms were faced with a wave of pragmatism, capital restrictions or margin concerns, and CIOs were delaying IT spending.

Organizations shifted the emphasis of IT projects towards cost control, efficiencies and automation, while curtailing IT initiatives that will take longer to deliver returns. According to Gartner, total global IT spend in 2022 of $4.5tr grew at 3%. this increased to $4.7tr in 2023, implying 4% growth. Several of our conversations lead us to believe there is pent up demand to spend. This is reinforced with the latest Gartner data which implies 8% growth for 2024 to $5.1tr.

The key areas of IT growth are: Cloud Spending, Cybersecurity, Generative AI and AI Security.

Jefferies Investment Bank did a survey of 40+ Global CIOs from large enterprise and they concluded similar themes to Gartner. They asked respondents about the categories of software that would be top priority in terms of spend allocation. Not surprisingly, Security ranked as the top category, followed by Back Office Apps, Front Office Apps, Analytics, Productivity Applications, ITSM, UCaaS/CCaas, Public Cloud Infrastructure, and On-Premise Infrastructure.

2. Resilient Consumer & E-Commerce

Portfolio impact on: 4U, EatClub, Learnt, YSB, Koala, AXi

The consumer e-commerce sector, which against all odds and with a myriad of obstacles and overwhelming pressure from rates and inflation, has managed to defy most experts predictions of a calamitous collapse. As we enter into 2024, we note that our direct and indirect exposures to the consumer are relatively significant and we too have been positively surprised by their earnings resilience over the past 12-24 months despite the suffocating conditions. In our opinion, the negative bias towards consumer facing businesses should start to ease as rate cuts draw nearer. It is interesting that when we look at the e-com players in the listed market, which typically looks 12 months forward on earnings, we have seen names like StepOne rally +250% off the 2023 lows, Cettire +110%, CityChic +100%, and Adore Beauty +70%. The most recent retail sales numbers for example, saw a further 2% month-on-month increase which was the largest in two years and well ahead of economists' expectations of 1.2% growth. And so, despite 13 rate hikes in 18 months, the strong labour market, solid wage growth, strong property prices and pandemic era savings have kept the consumer spending well beyond many expert predictions.

Hence, our intention is to take advantage of the resilience and expected further improvement in consumer spending as the year progresses by looking to exit some of our exposures in this space. Companies like Koala, Alex Bank, AcademyXi, York Street Brands, Ultracommerce and Learnt each have considerable both direct and direct exposure to this thematic and we will be looking to drive outcomes for each of these businesses in 2024.

3. India

Portfolio impact on: Koala, YSB, Ultracommerce

Since the liberalization, tax cuts, and deregulation of the 80s and 90s, the Indian economy has steadily outpaced the developed world even after adjusting for population growth. However, it has taken a backseat to China – until 2023 when India surpassed China as the most populous country in the world and the world's fastest-growing major economy. China's per capita wealth expansion began in earnest 30yrs ago to India's 20yrs, and this expansion lifted 770 million Chinese citizens out of poverty and into the consuming class. Investors are now looking to India for the next rising middle class, bolstered by India's demographics which see its largest population density between the ages of 10-30yrs old compared with China's 30-60yrs old.

The rising cohort of consumers combined with investor enthusiasm towards India has seen the Indian Nifty 500 rise by >300% since 2010. Whilst the US and AUS markets are touching their all-time highs set in 2021, the Indian market is +25% above it.

India is expected to become a top tier manufacturing hub and major global consumer with all associated services (financial, travel/leisure, healthcare, etc.). Alium portfolio assets have already begun to leverage themselves to this thematic and source product from India and service Indian e-com customers.

4. AI Unicorns Dominate

There has been remarkable value-creation across a suite of private AI-related companies – OpenAI, Anthropic, Robin AI, Aleph Alpha, Mistral, Inflection AI. The top 10 raises by AI companies in 2023 raised ~$16bn. On the other side a few (previous) unicorns are now struggling to survive: Convoy last valued at $3.6bn shutting down; Olive last valued at $4bn shutting down; Veev last valued at $1bn shutting down; Thrasio (Amazon brand aggregator) last valuation $10bn going through restructuring. GenAI was all the rage this time 12 mths ago. During 2023 we saw many businesses adapt to AI in their business or creating tools that were AI in nature. This theme will remain dominant in 2024 and we will see strong valuations for assets in the space that are genuinely creating LLM AI which assist with products and process for enterprises.

5. Private Space Evolution

As we entered 2023, Liquidity for all things private became a dominant consideration. In 2024, we will see this continue and see more M&A, potential IPOs, secondary transactions, and some extension rounds – or as some refer to them as "amend and pretend/extend." The gradual and material shift into privates with long duration is well documented, but the exit profile has changed. After the feast of 2020 and 2021 came the famine of 2022/23: a shut down in capital markets with reduced strategic M&A activity from corporates and PE as macro questions (rates/inflation) and historical anchors (2020/21 valuations) proving to be headwinds to volumes. Now questions like fund life, maturity wall, and liquidity needs are going to drive more activity.

6. "Figital" convergence

Figital refers to the space created where the real and digital worlds converge. The two are increasingly intertwined, and technologies such as augmented reality, virtual reality, and immersive experiences are breaking down the blurred line between the two. Closely linked to digital twins, we are witnessing a moment where the digital is becoming more realistic and the real much more flexible and malleable. This technology allows us to change the components we want in the digital world until they are optimized and achieve their best version in the real world.

7. Quantum Computing

Long anticipated, but cost and research have meant Quantum Computing progress has felt slow. It is a form of computing that takes advantage of quantum phenomena such as superposition and entanglement. It is a technology that has the potential to optimize investment strategies and encryption or discover new products in unseen timeframes.

The significant differentiating factor of this trend is that quantum computers are much, much faster than regular computers, which is why large companies such as Microsoft, AWS, and Google are putting a lot of effort into innovating in this field. In fact, their global market revenues are expected to exceed $2.5bn dollars by 2029.