ALIUM CAPITAL MANAGEMENT

ALIUM ALPHA FUND

JUNE 2024

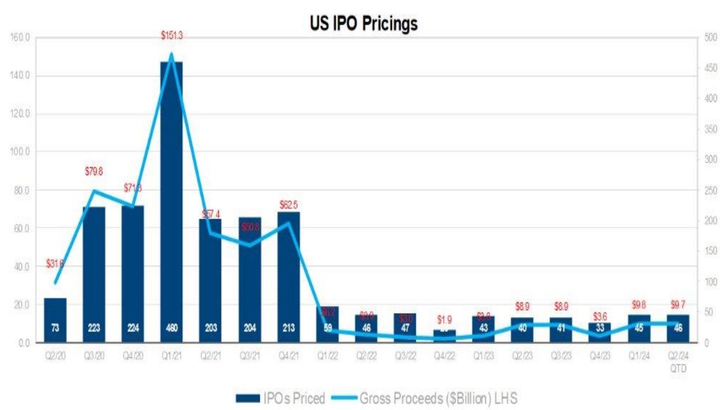
Performance	Q1	Q2	Q3	Q4	Calendar Year
2017 (%)	7.1	4.9	26.7	3.6	**48%**
2018	5.1	-0.6	4.0	0.2	**9%**
2019	5.7	2.5	8.1	0.4	**18%**
2020	-1.7	2.2	8.2	7.5	**17%**
2021	3.7	0.6	7.0	6.4	**19%**
2022	-1.8	-2.7	-1.2	-2.9	**-8%**
2023	1.5	-1.8	3.9	-1.5	**2%**
2024	3.4	-1.6			**2%***
Inception					**153%^**

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

The Alium Alpha Fund declined by -1.6% in the June quarter due to its non-participation in two capital raises that marginally diluted the value of two positions. The difficult backdrop for private capital markets persisted this quarter, as the opportunity for listing technology companies on the ASX remained stubbornly closed in the face of persistent inflation and interest rates. However, the highly anticipated IPO of Guzman Y Gomez, which was marketed at 32.5x EBITDA and surged 36% on its first trading day, raises hopes for a revival in listings. The deal was upsized by $100m due to significant oversubscription – another positive signal for a thawing of capital markets activity. Whilst the jury is still out on where the high growth company's share price will be in 6-12 months, given its current valuation, the initial performance since listing has been a positive surprise for many market observers.

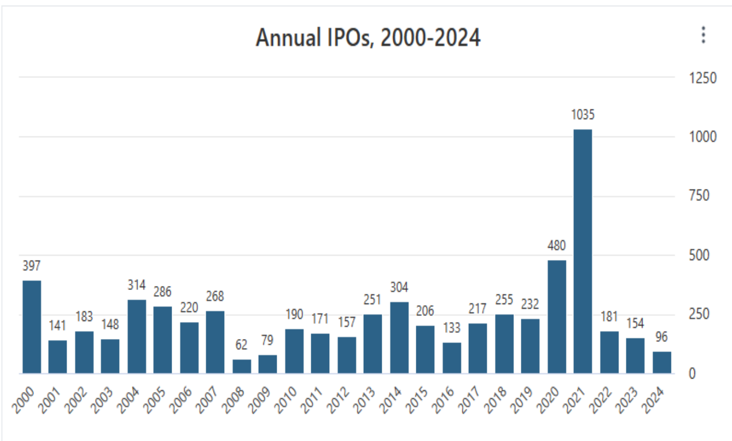
On the back of this high-profile IPO, Alium canvassed all major investment banks and the ASX listings team to gather insights into the pipeline of potential IPOs and to better understand how corporates are planning for future liquidity events amid the ongoing challenging climate. The feedback indicated that most corporates would prefer to delay IPOs until next year to achieve better price outcomes, considering the prolonged period of higher-for-longer interest rates. CEOs and bankers believe that capital markets activity relies on accommodative interest rates and hence overall market confidence. The ASX was cautiously optimistic on the outlook and outlined an increasing number of businesses, particularly in Technology, still considering IPOs later this calendar year if markets continue to stabilize. Interestingly, both groups highlighted considerable demand and interest from listed investors looking for new opportunities within the Tech sector. This was spurred by the significant number of recent takeovers in the industry, combined with a severe lack of new supply, which has de-equitized the ASX and left it with a much lower Tech index weighting vs. other developed markets.

Global IPO activity has shown small signs of improvement in the last 3 months following a subdued start to 2024. The June quarter in the US saw the largest number of IPOs since CY22 accompanied by an improvement in deal size, however it remains a far cry from CY20-21 heights:



Source: FactSet

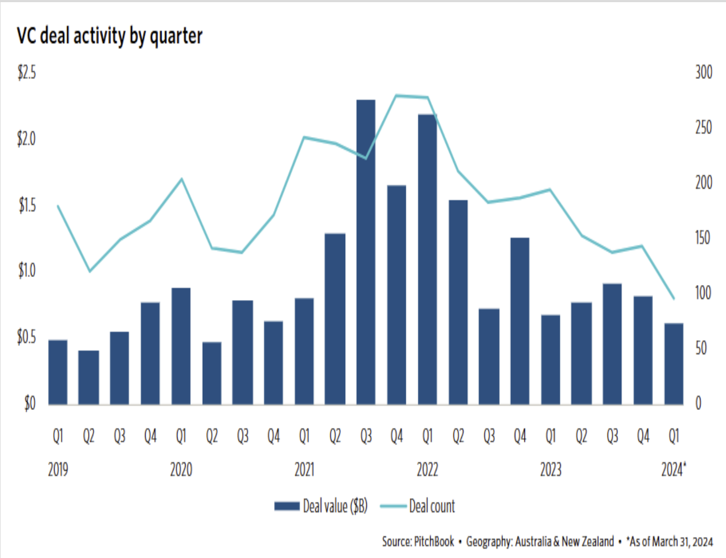
Annual US IPO data going back to 2000 puts these peak figures into stark perspective, and goes some way to explaining the indigestion that the market has had to work through over the subsequent 3yrs:



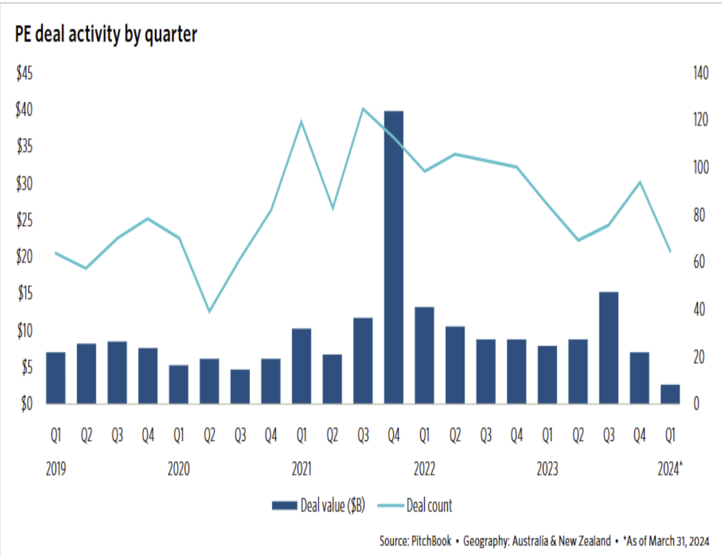
ALIUM ALPHA FUND

JUNE 2024

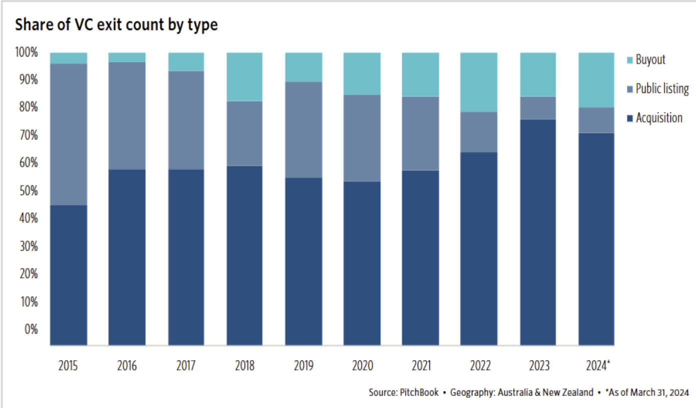
Australian VC deal count and value is subdued, however far less so than IPO activity. AUS VC value is in-line with 2020 and ahead of 2019 on a quarterly basis:



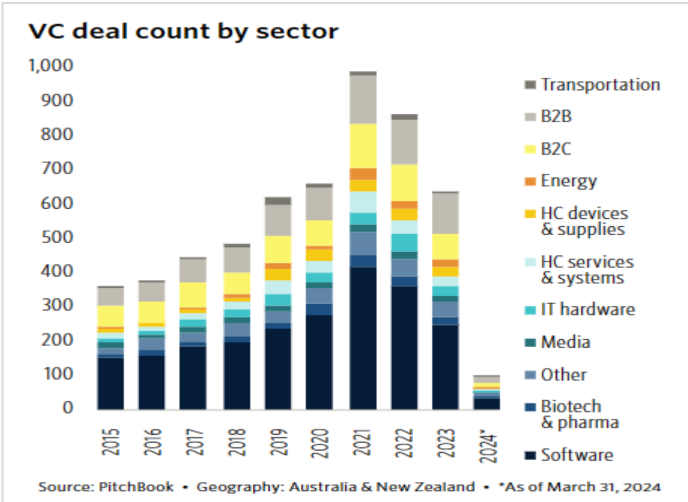
Similarly, AUS PE deal count is almost unchanged over the last 5yrs, however Q4CY21 was marked by a single, record quarter for deal value due to a number of significant transactions:



Against this backdrop, the share of AUS VC asset exits via IPO (historically >50% of Alium's exits) has unsurprisingly vanished, with most assets exiting via trade sale:



Whilst IPO investors and listed equity markets have shunned small and midcaps incl. Tech, CY23 and CYTD24 have seen a healthy overall level of deal activity amongst AUS VCs with Software continuing to dominate deal flow (~50%). Aggregate activity levels have been in line with the pre-Covid trend:



Furthermore, AUS PE deals (and VC exits) have started 2024 at the small end of town with transactions YTD exclusively involving companies <$500m in size – in line with most assets in the Alium portfolio.

We continue to work hard on portfolio outcomes despite this poor IPO market exit backdrop. At present, we are in deep due diligence on three potential asset exits. The first is a control transaction from a domestic PE group. The second, also a control transaction, involves US PE. The third is a minority transaction from a large US investor. Our aim is to finalize these before year-end to provide some liquidity to investors.

Looking ahead, we anticipate CY2025 to be a more significant period for portfolio turnover. We expect interest rates to finally retreat throughout 2025, which could boost risk appetite for new listings after two and a half years of inactivity (an Australian record) driven by stubbornly higher-for-longer rates.

ALIUM CAPITAL MANAGEMENT

ALIUM ALPHA FUND

JUNE 2024

Portfolio Update

There have been positive developments within some of our key assets during the June quarter:

Atmo Biosciences: the world's first ingestible gas-sensing capsule to provide unique insights into gut health and microbiome function. The capsule can electronically report important data by continuously detecting gases and wirelessly transmitting the results, improving diagnostics and patient outcomes. In particular, the common disorders of IBS, IBD, and liver disease are key markets for this medical device, and hence the total addressable market is significant and growing.

During the quarter, the company successfully trialed 200 subjects in the US and Australia for the capsule for safety and efficacy. As a result, Atmo has now submitted their 510(k) application to the FDA and is seeking clearance in an initial indication. They expect US regulatory clearance and approval by the end of this calendar year. This would clear the product for market launch and a listing or trade sale to strategic pharmaceutical players in the second half of CY2025.

Ultracommerce: a complete and agile end-to-end eCommerce platform to help enterprise customers scale. During the quarter, UltraCommerce successfully completed the 100% acquisition of a Sydney-based eCom technology company. The acquisition will immediately bring the business above its stated short-term target of $20m annual revenue run-rate, whilst also enhancing the breadth of their eCom product portfolio.

Notable global brands have signed contracts this quarter and launched sites using Ultra, with each of these providing significant growth opportunities. We are pushing for a liquidity event for this position in CY2025 via trade sale or IPO as fundamentals and prospects for the business continue to strengthen. We note that profitable listed peers in the US in the enterprise eCom space trade at healthy EBITDA and Revenue multiples.

DesignCrowd: A design marketplace and subscription service specializing in logo, business cards, and social media covers and banner design, and an early adopter of AI by utilizing its broad, company-owned database of designs to generate new vector-based graphics based on user prompts that are highly customizable.

Last month, the media reported that DesignCrowd engaged RBC to undertake a primary capital raising as well as a potential secondary sell down to provide liquidity to early investors. DC has experienced exceptional organic growth, which is expected to continue based on leading sales indicators.

Outlook for Liquidity

The environment for exits remains challenging, and our current view is that IPO activity will remain muted for the rest of the year. We expect to see companies looking to come to market in the December quarter following the extraordinary success and strong investor appetite for the GYG IPO. Private Equity groups remain the most active part of the current ecosystem, as they look to scale-up existing portfolio companies in preparation for improved exit conditions in the years ahead. Additionally, we are also seeing increased deal flow between private equity groups, with positions changing hands based on the lifecycle of funds.

It remains clear that private equity within Australia has significant cash reserves and is eager to deploy them into the right assets. We have spoken with several groups over the quarter, both inbound and outbound, regarding our companies, and we expect this to continue. We are optimistic that 2025 and 2026 will be the years when we can achieve the best exit outcomes for our portfolio as the market's focus shifts back to the Tech sector from its current fixation on private credit. Despite this, we continue to seek outcomes in 2024 and 2025, where a patient approach is working towards achieving the best possible valuations. Exit price, and hence investor returns, remains our primary focus.