DMP ASSET MANAGEMENT

DMP Australian Small Companies Trust

28 February 2021

Investment Manager	SG Hiscock & Company Limited	**APIR**	DMP6133AU
Sub-Investment Manager	DMP Asset Management Ltd	**Minimum Initial Investment**	$25,000
Commencement	1 January 2017	**Qualifying Investors**	Wholesale clients
Management Costs[1]	1.03%	**Buy Spread**	0.35%
Performance Fee[2]	20.50%	**Sell Spread**	0.35%

Investment Objective

Designed to provide medium to long-term capital growth potential and seeks to outperform the S&P/ASX Small Ordinaries Accumulation Index over rolling 3 to 5 year periods after taking into account trust fees and expenses.

Investments Held

The Trust will primarily invest in companies that are listed on the ASX and reside outside the S&P/ASX 100.

Performance[3]

	1 mth %	3 mths %	6 mths %	1 yr %	2 yrs % p.a.	Since Inception % p.a (1/1/2017)
Total Net Return	+3.08	+6.61	+20.20	+48.07	+27.23	+13.46
S&P/ASX Small Ordinaries Accum. Index	+1.55	+4.09	+12.06	+17.18	+9.14	+9.73
Total Net Return vs. the Index	+1.53	+2.52	+8.14	+30.89	+18.10	+3.73

Past performance is not a reliable indicator of future performance.

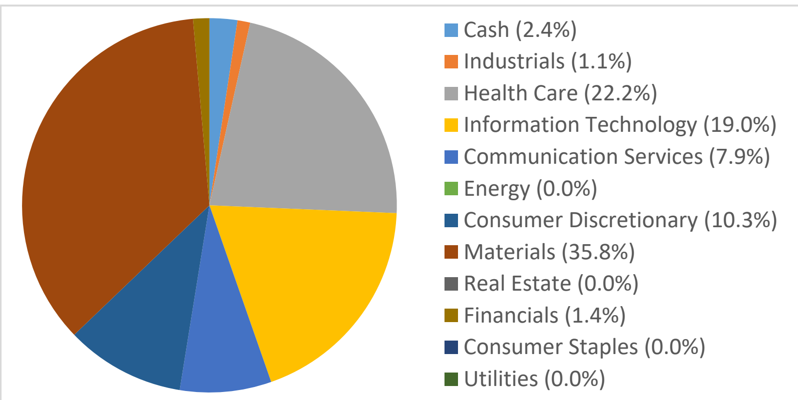
Distributions (cpu)

30 June 2020	0.0
30 June 2019	2.2
30 June 2018	2.7

28 February 2021 Unit Prices

Application	$1.5468
Net Asset Value	$1.5414
Withdrawal	$1.5360

Sector Exposure as at 28 February 2021



Top 10 Holdings as at 28 February 2021

Praemium Limited (3.5%)
Big River Industries Limited (3.3%)
Mach7 Technologies Limited (3.2%)
Uniti Group Limited (3.2%)
Marketplacer (2.6%)
Bod Australia Limited (2.6%)
Livehire Limited (2.2%)
Aussie Broadband Limited (2.1%)
Mincor Resources NL (2.1%)
Syrah Resources Limited (2.0%)

Top 10 holdings represent 26.81% of the total Trust

[1] Includes estimated GST payable, after taking into account Reduced Input Tax Credits ("RITC").
[2] Performance Fee: 20.50% of the amount by which the Trust's performance exceeds the performance hurdle (S&P/ASX Small Ordinaries Accumulation Index). Any underperformance from a prior period must be recouped before a fee can be taken (we call this the High-Water Mark).
[3] Performance: Total Net Return is the Trust return after the deduction of ongoing fees and performance fees and assumes the reinvestment of all distributions

Commentary

The Trust's better performing stocks during February include: Cettire (+58.3%), Aeris resources (+50.6%), Dusk Group (+34.4%), Alpha HPA (+31.7%) and Ioneer (+26.4%).

Stocks that underperformed during January Include: Azure Minerals (-36.7%), Core Lithium (-34.8%), Artemis Resources (-31.7%), Orecorp (-22.9%) and 4D Medical (-21.4%).

Foundations

As usual, February saw the majority of ASX listed companies report their financial results for the first half, and this year's edition saw a number of surprises to the upside. Beats against analyst estimates were due to faster-than-expected EPS growth driven by better-than-expected margins. However, this comes as little surprise to us. Whilst the federal government has been throwing cash at the economy, central banks have shown a willingness to be extraordinarily accommodating, thus propping up demand. At the same time, companies have taken advantage of the pandemic and significantly cut back on costs – a potent recipe for margin expansion.

During the month, we deployed cash into two stocks which we believe, at these levels, represent compelling value due to indigestion of recently completed capital raisings. This activity came in the shape of increasing the Trust's exposure to medicinal cannabis manufacturer and distributor, Bod Australia (BDA) and global leader in data room services, Ansarada Group (AND). Both companies already have global footprints, and, in our opinion, are in the infancy of their growth in vast addressable markets. BOD's nutraceuticals business, via the company's partnership with nutrition and wellness global leader, H&H Group, is on the cusp of an entry into the US market. Simultaneously, the company's medicinal cannabis business continues to move at pace and we believe is well positioned to take a stranglehold of the lucrative UK market. In the case of AND, whilst the data sharing business has seen volumes heavily impacted by the COVID-19 pandemic, we believe once the market sees a return to growth, the stock's valuation multiple will screen favourably relative to listed peers and thus re-rate.

Further to the aforementioned activity, on the back of two very pleasing first half results, we rotated some of the trust's exposure out of Aussie Broadband (ABB) and into Uniti Group (UWL). Whilst our convicto companies have plenty of growth ahead of them, UWL's valuation compares more favourably to that of ABB. In addition to this, and in light of the recent M&A activity in the sector (Vocus under offer from Macquarie Infrastructure and UWL's bidding war with Aware Super for Opticomm (OPC)), UWL is likely an imminent acquisition target, hence an overweight exposure is justified.

The Trust's gold exposure continued to drag on aggregate performance during the month. Since bullion's high in August 2020 the gold sector has corrected significantly, with the S&P/ASX All Ordinaries Gold Index down in every month preceding the high. Whilst this performance is disappointing, we believe the sector is due a rally and as such, we continue to maintain the Trust's exposure to the precious metal. We believe inflationary pressures, ever increasing global government budget deficits and the continued use of unconventional monetary policy by central banks will continue to provide a medium to long term tailwind for gold. In addition to this, the new Democratic administration in the US appears intent on using fiscal stimulus to drive demand in the economy, further exacerbating the already present debt-trap. As such, it remains our view that shot term rates cannot move higher, and existing unconventional monetary tools will not suffice to keep government borrowing costs under control.

One of the Trust's unlisted investment, Madpaws, is due to list on the ASX at the end of March and we increased the Trust's exposure to the company through the IPO process. Mad Paws was founded in 2014 to create Australia's largest online marketplace for pet services. There exist both long-term and now short-term tailwinds for the pet industry in developed economies. As birth-rates fall in the Western world, pet ownership is consistently on the rise. This has been driven by the "humanisation" of pets and it is estimated that 40% of Australian households own at least one dog. This long-term trend has been accelerated by the COVID-19 pandemic, with both parents and kids spending the majority of 2020 working from home and unable to access domestic or international travel. In line with this, total spending on pets is also soaring, with increase demand for premium food, dog walking, grooming, etc.

Mad Paws' business model facilitates the sale of these per services between the per owner and the pet service provider via its online marketplace. The company generates revenue from pet care service bookings for pet sitting, walking, day-care, grooming, home visits, etc. For each booking made through the Mad Paws marketplace, the company charges the pet service provider a 20% service fee and pet owners a 7% booking fee. In addition to this, the company is also looking at expanding into additional verticals, such as pet insurance.

In our view, Mad Paws is an exciting growth company with strong industry tailwinds and little competition domestically. Although still in its infancy, a strong brand, impressive technology, and latent operating leverage should see the company deliver pleasing returns for shareholders.

Investment Guidelines

The Sub-Investment Manager will use the following guidelines when selecting investments for the Fund:

- The portfolio will generally hold 60 to 80 stocks with a minimum of 40 stocks.
- All stocks will reside outside the S&P/ASX 100 upon initial investment;
- Cash maximum 20%; equities 80-100 %;
- The Trust will be permitted to invest up to 10% of the Trust's assets in unlisted securities – but those unlisted securities must be expected to be quoted on the ASX within a 12-month period.
- The investment in any one company will not be more than 10% of the market value of the Trust's assets.
- Maximum shareholding in any one company is 10% of its market capitalisation.
- The Trust may use derivatives for risk management purposes, as substitutes for physical securities; and
- The Trust will not be geared.

All stocks on initial purchase will be outside the S&P/ASX 100. Should a stock, via growth, be included in the S&P/ASX 100 Index, DMP is able to hold this stock for a period of no greater than twelve months. DMP will immediately develop an exit plan for any stock that reaches the top 50.

Environmental Social & Governance (ESG)

Environmental

- No coal mining
- No direct uranium

Social

- No tobacco
- No direct gambling
- No predatory or pay day lending
- No weapons manufacturing
- No live animal exports
- No adult industries

Governance

- No poor occupational health and safety records
- No undisclosed related party transactions
- No excessive use of non-executive options

For more information visit www.dmpam.com.au