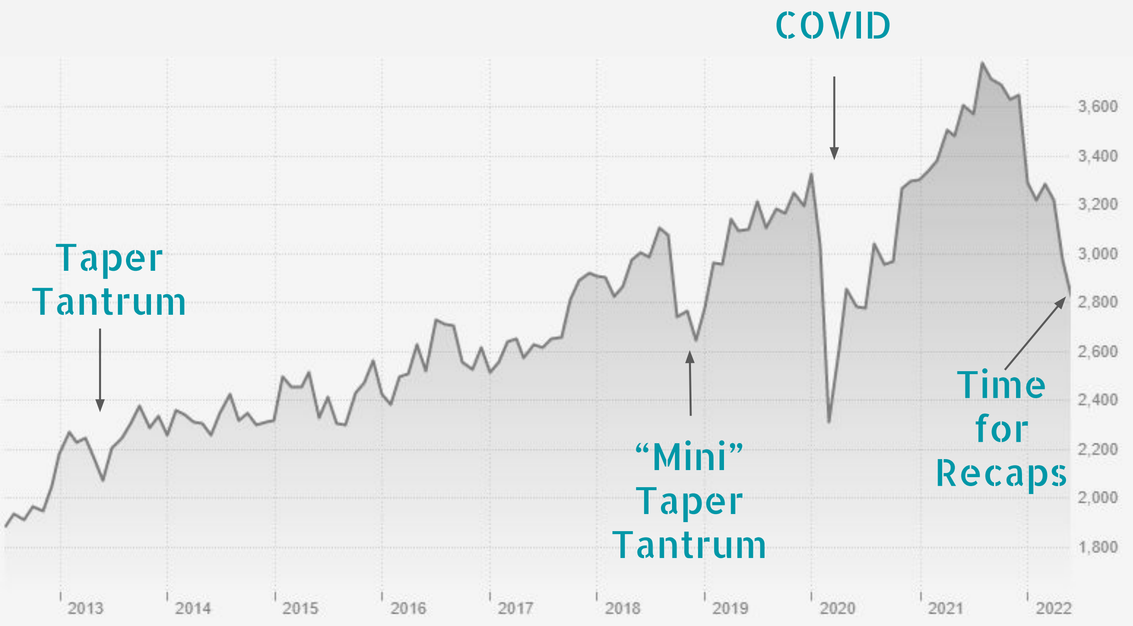

S&P/ASX Small Industrials Index

Source: Equitable Investors, FT.com

EQUITABLE INVESTORS®

It's time.

Recaps

[Recapitalisation]

WHOLESALE
PRESENTATION
JUNE 2022

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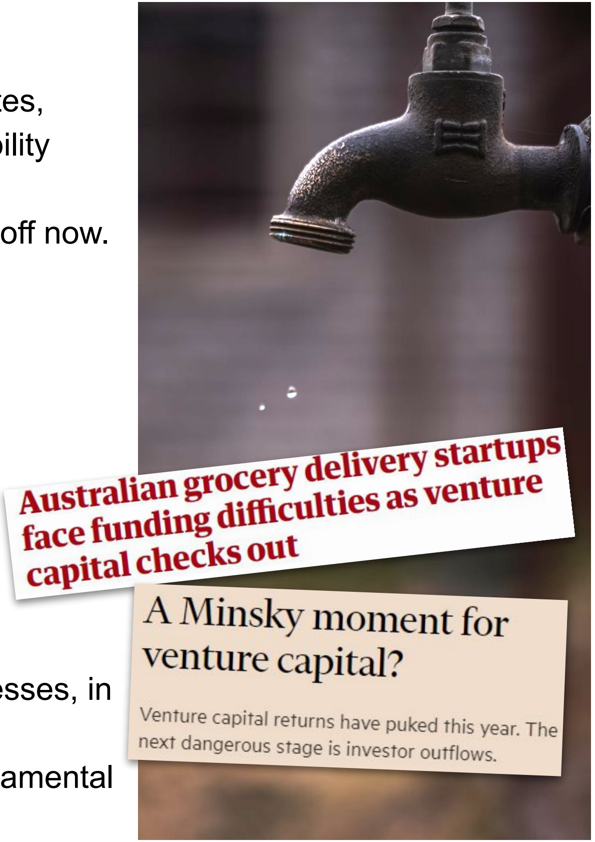
INDEX

Summary | The Recapitalisation Opportunity

- ➔ In 2022 global markets shifted into a new phase.
- ➔ Ongoing volatility is to be expected as the world adjusts to higher interest rates, central banks juggle inflation and employment targets and geopolitical instability looms.
- ➔ COVID-related monetary and fiscal stimulus supported liquidity but is rolling off now.
- ➔ The momentum game is over in equities.
- ➔ Equity capital market flows have imploded.
- ➔ **Investors have "turned off the tap"**

- ➔ Looking on in horror are:
  - ◆ ~180 ASX-listed companies with one year or less of cash on hand
  - ◆ ~180 ASX-listed companies that don't cover their interest expense
  - ◆ Venture-backed companies that have taken capital for granted



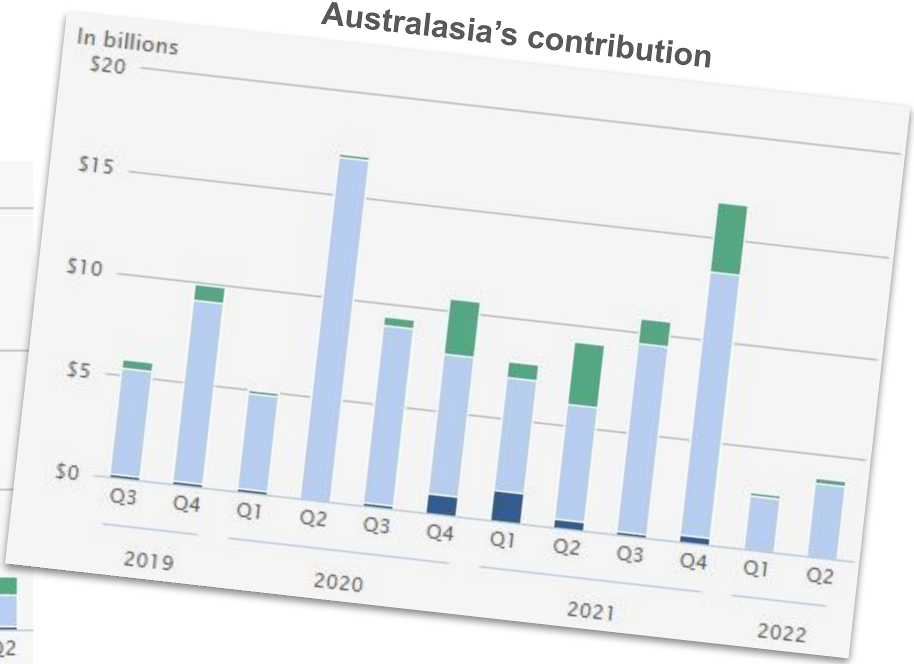
Businesses are going to become increasingly desperate for funding as 2022 progresses, in the absence of a major turnaround in capital availability. We believe this is a huge opportunity and an exciting time for Equitable Investors to apply its bottom-up, fundamental research and constructive engagement with companies.


Liquidity
&
Sentiment

Liquidity

Global Equity Capital Markets ($US)

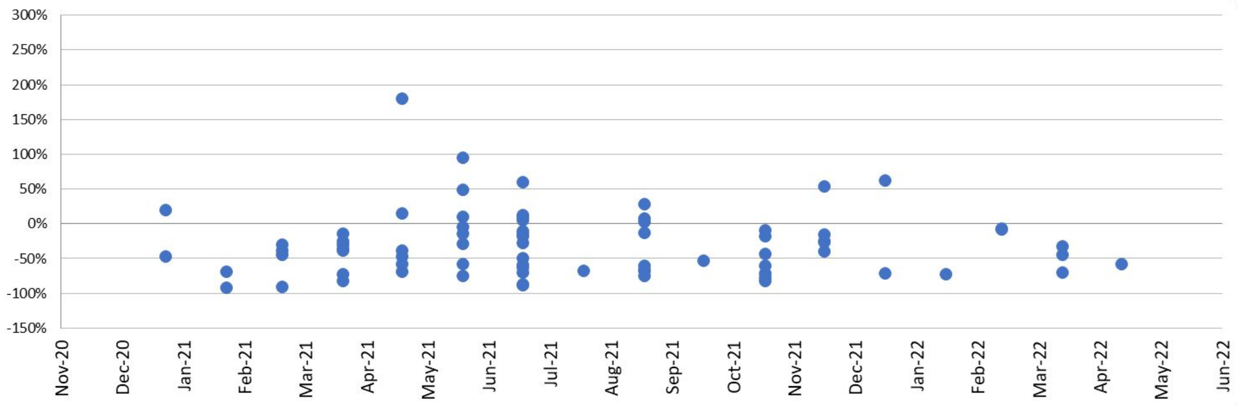
Australasia's contribution



Source: WSJ, dealogic

Liquidity | Recent IPO Performances Discouraging Investors

Distribution of returns from IPOs by issue date (ex-resources; returns from listing through to June 8, 2022)



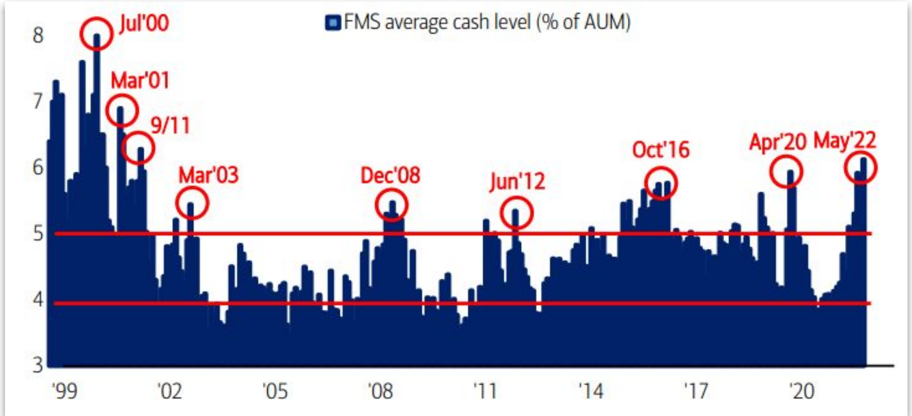
Source: Equitable Investors, 61Financial, IPOWatch.com.au

- ➔ IPOs (ex-resources) have delivered poor outcomes in CY2022 with an average return of -34%.
- ➔ We count only nine ex-resources IPOs so far in 2022, down 57% on the same period in 2021.
- ➔ CY2022 IPOs have been (year-to-date) predominantly small & micro & their poor performance would have undermined investor confidence.

Estimated Profit/Loss of All US Retail Flows Starting from Jan 2020

Source: Morgan Stanley, @trengriffin

Fund Managers' surveyed cash levels highest since 9/11

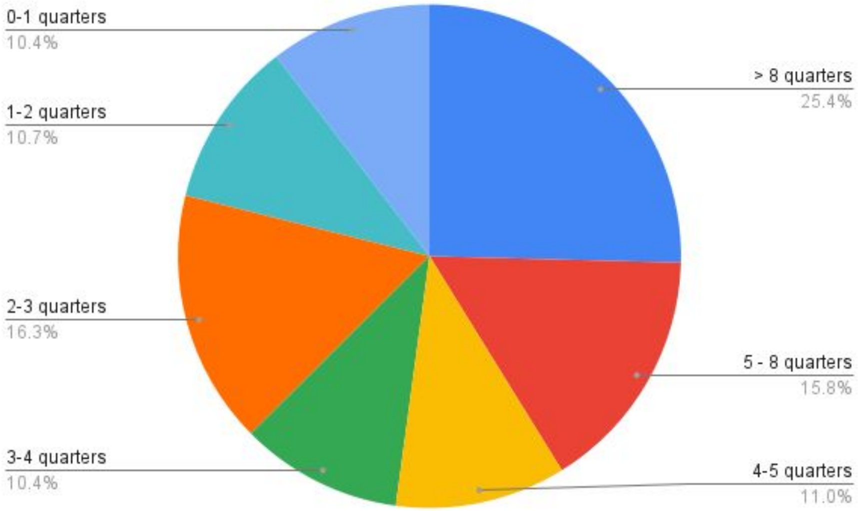


Source: Bank of America


Recap
Opportunity

Cash Burners & Zombies

374 ASX-listed "Cash Burners" broken down by quarters of cash left

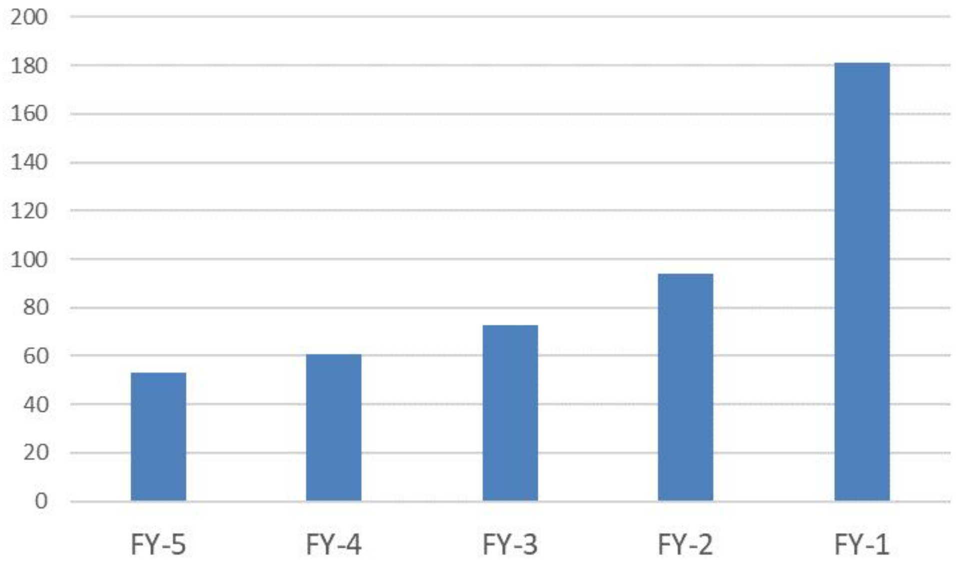


Source: Equitable Investors, Sentieo

- ➔ Our "Cash Burners" are all those ASX-listed companies we could identify - excluding the mining and energy sector - that reported a cash flow statement for the March quarter of 2022 that featured negative operating cash flow.
- ➔ Nearly half of them had one year's or less worth of cash remaining based on their burn rate in that quarter.
- ➔ The true number with less than a year of cash remaining is probably higher.

Cash Burners & Zombies

Proportion of ASX listed entities that are "zombies" using financials for the last 12 months



Source: Equitable Investors, Sentieo

- ➔ Our "Zombies" measure is the percentage of all ASX companies that pay interest and have EBITDA-to-interest expense ratios below 1.
- ➔ Only currently listed companies are included in the calculations so there is a survivorship bias - ie companies that collapsed or were delisted are not factored in.
- ➔ The number of companies that have not reported EBITDA levels substantial enough to service their net interest expense has been on the rise.


Why
Equitable
Investors?

Equitable Investors | Introduction

➔ Equitable Investors is an independent investment manager focused on identifying listed and unlisted investment opportunities

➔ We engage constructively with the people behind companies to maximise shareholder value.

➔ Our investment team and directors have many decades of combined professional experience in investment markets, focused on those market segments in which higher total returns are most likely to be found:

Micro Caps	Small Caps	Emerging Companies	VC & Unlisted	Special Situations

Equitable Investors Dragonfly Fund | Our Investment Team

Co-Founder, Director, Investment Manager

Martin Pretty, CFA

An investment manager at Thorney Investments when Thorney Opportunities (TOP) was the best performed Listed Investment Company on the ASX; experienced listed company director; former sell-side Head of Research

Investment Analyst

Mickey Mordech, CFA

Investment analyst with a publicly demonstrated ability to identify fresh opportunities and previously a contributor to an outperforming growth fund at Intelligent Investor.

Investment Analyst

Ben Richards

Ben has joined Equitable from Evans & Partners, where his passion for hunting for hidden gems shone out. As well as financial analysis, Ben has also crunched data for the Geelong Cats AFL team.

➔ Thorney Opportunities (TOP) was best performed LIC over ~3 years from launch according to Independent Investment Research, with an 18.2% pa NTA-based return (aligning with Martin's involvement).

➔ Mickey contributed to the Intelligent Investor Growth Fund, which achieved a return of ~17% a year over the last three years of tenure.

➔ Dragonfly Fund emerged as a Top 5 domestic equities fund in FY21 with a 74.3% return, based on Morningstar's data.

Equitable Investors | Key People

- ➔ PSC Insurance (PSI) has returned 27% pa since its IPO in December 2015.
- ➔ Paul was also a pre-IPO shareholder and director in Johns Lyng (JLG), which has returned 42% a year since its 2017 IPO (and was an early investment success for Dragonfly Fund)
- ➔ Hugh is known for leading the Afterpay (APT) and Bellamy's IPOs among many others.

Returns inclusive of dividends through to June 9, 2022

Director

Paul Dwyer

Founder and non-executive director of PSC Insurance (ASX: PSI). Mr Dwyer has successfully executed numerous acquisitions and strategic investments at PSC.

Director

Hugh Robertson

One of the most experienced small cap brokers and capital markets advisers in Australia; a key figure in the IPOs of companies including Afterpay and Bellamy's. has been a director of a number of ASX-listed entities.

Co-Founder & Director
Operations & Compliance

Lana Jenkings

Formerly a lawyer with King Wood Mallesons; held a number of ASIC roles across enforcement, strategy and policy, consumer protection and small business compliance and deterrence. Operating management experience in aged care industry.

Operations & Risk Advisor
Responsible Manager

Samuel Richards

Former Chief Operating Officer of Goldman Sachs Asset Management and Goldman Sachs Australia Funds Management; current Managing Director of impact investor Brightlight Group.

Equitable Investors Dragonfly Fund | Our Edge

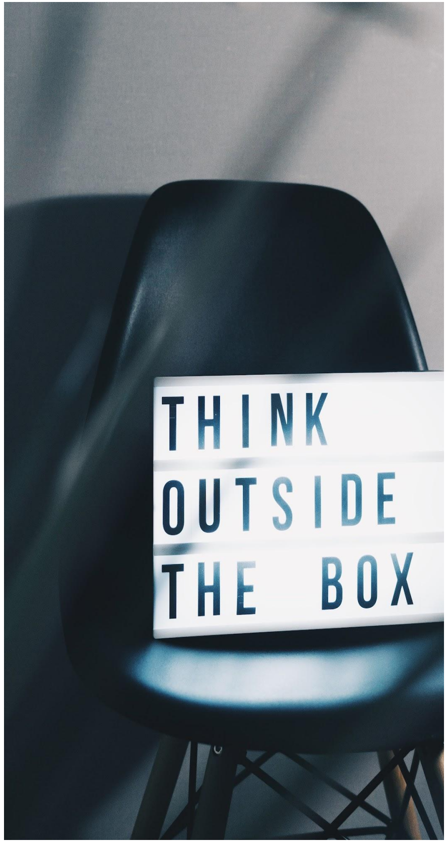
We are not the only investors preaching the virtues of our in-depth research, deep networks and fundamental analysis.

BUT we are unique in our proven ability to engage constructively with investee companies to maximise shareholder value.

We "roll our sleeves up" and get involved...

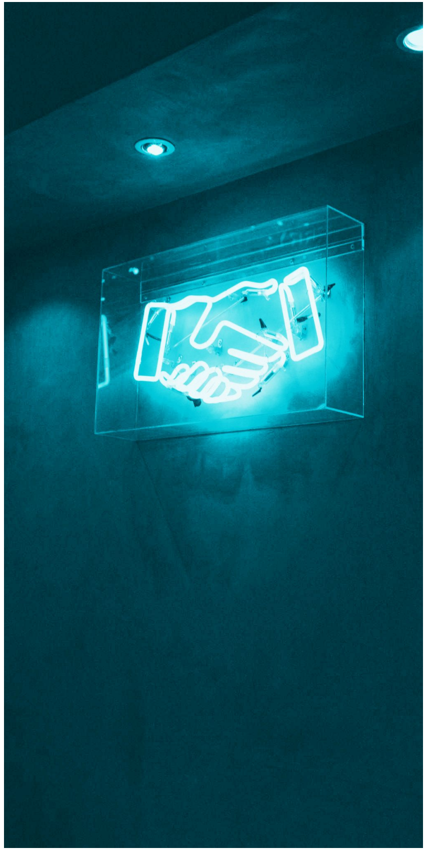
- Funding
- Strategy
- Governance
- Investor Relations

We believe it is in shareholders' best interests to actively seek to contribute to value creation and maximisation. We are advocates for our investors and for our investments.



Equitable Investors | Recap "Pedigree"

- Team members involved in managing recap deals on the sell-side coming out of the GFC such as Skilled Group's $75m institutional raising (Nov. 2007)
- Equitable founder Martin Pretty was formerly a member of Thorney Investment Group team, well known for its recapitalisation activities
- Equitable participated selectively in recap deals following the March 2020 COVID shock
  - Bought into IT firm Citadel Group when market shock triggered fear it could not complete a pivotal capital raising (Fund made 78% return, exited July 2020)
  - Led convertible note-based recap of Scout Security in July 2020 (stock up 98% in that quarter)
  - Backed cash injection into NZ-listed tech co Geo Ltd in Nov 2020 (stock up 78% from that entry price)



Equitable Investors | Recap Pipeline

- We are positioned to participate or lead in a number of recapitalisation opportunities we have identified as likely in businesses that we know well
- We have mapped out the broader landscape of cash burners and zombies on the ASX
- We are well connected with corporate advisers, brokers and corporates to access deal flow
- And we can work with businesses to introduce funding sources, including non-dilutive funding
- We also see opportunities to leverage listed entities to “recapitalise” unfunded private companies that in past years would have received VC backing

Recent Recap | EDU Holdings (EDU)

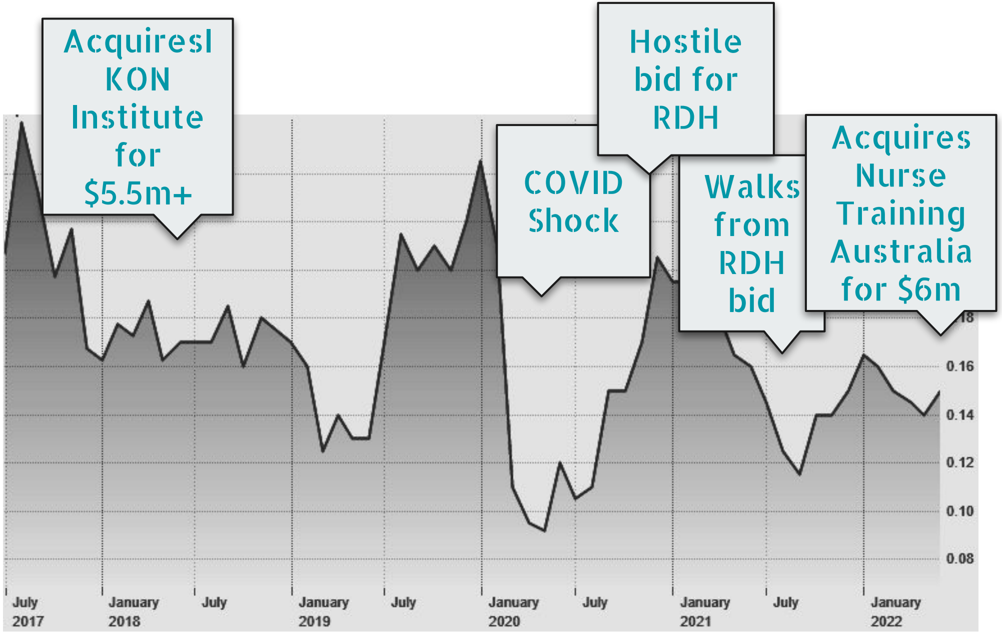
➔ Tertiary education business is raising $6m in June 2022 to fund the acquisition of a nurse training business and provide working capital. Dragonfly Fund has participated.

➔ We have been tracking EDU and speaking with management for ~4 years.

➔ EDU is recovering from COVID-driven downturn.

➔ This transformational capital raising expands EDU's market cap by 39% and introduces Mulpha as a strategic investor with a 14.1% stake and a board seat.

➔ **Pro-forma EBITDA (CY2021) boosted by 65%**



Equitable Investors Dragonfly Fund | Details

Strategy	Long only. Seeking growth or strategic value at an attractive price.
Management fee	1.5% pa
Expenses	Capped at 0.5% pa
Benchmark	5 Year Australian Government Bond Yield + 5% pa
Performance fee	20% (above benchmark)
High watermark	3 year rolling
Minimum initial investment	$50,000, wholesale only
Investment Manager & Trustee	Equitable Investors Pty Ltd
Custodian	Sandhurst Trustees
Administrator	William Buck Managed Funds Administration (SA) Pty Ltd

Equitable Investors Dragonfly Fund has the capability to "swap" shares in a company or companies for Dragonfly Fund units where Equitable Investors finds them attractive and suitable investments.

We have, to-date, only completed one such “swap” transaction that met our criteria - we achieved double-digit returns on that investment - but we are always on the lookout for opportunities.

Appendix

Sentiment | Equity Risk Premium

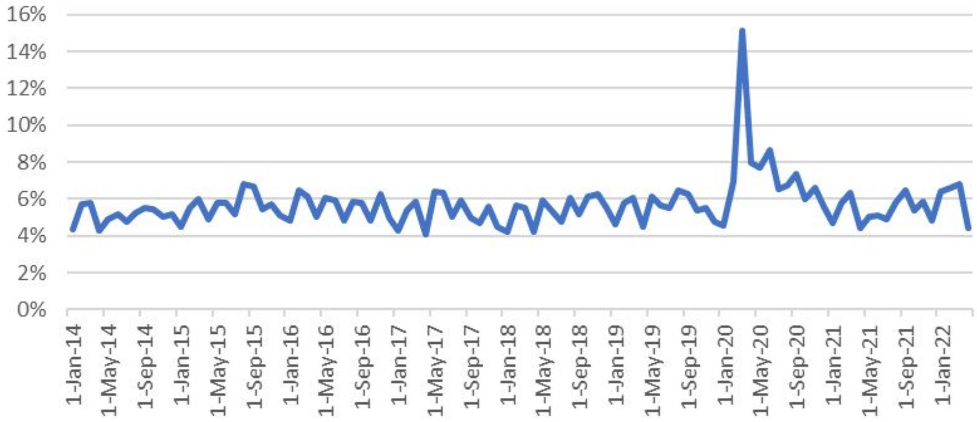
Risk Premium - as estimated by spread between earnings yield & 10 year government bond yield

Source: Equitable Investors, Iress

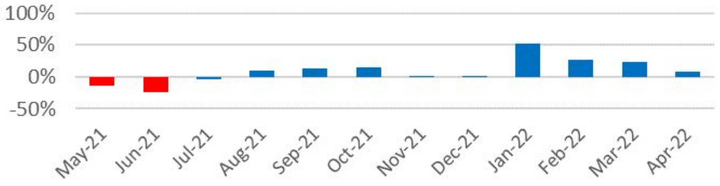
- Equities have typically traded on higher yields than government bonds, reflecting the greater risk inherent in shares.
- Monthly data dating back to June 2002 shows that:
  - Large caps (the S&P/ASX 100) have on average been priced on an earnings yield 2.9% greater than the 10 year bond yield.
  - Smaller stocks (the Small Ordinaries) have on average been priced on an earnings yield 3.5% higher than the bond yield
- Both large and small caps are now trading at larger spreads than the average:
- Small caps are now priced with an additional priced at a lower spread than large caps, reflecting the greater growth expectations for small caps.

ASX Liquidity | Level of Market Activity

Value of shares traded as % of total market cap



Year-on-Year change in ASX value of trade (monthly)

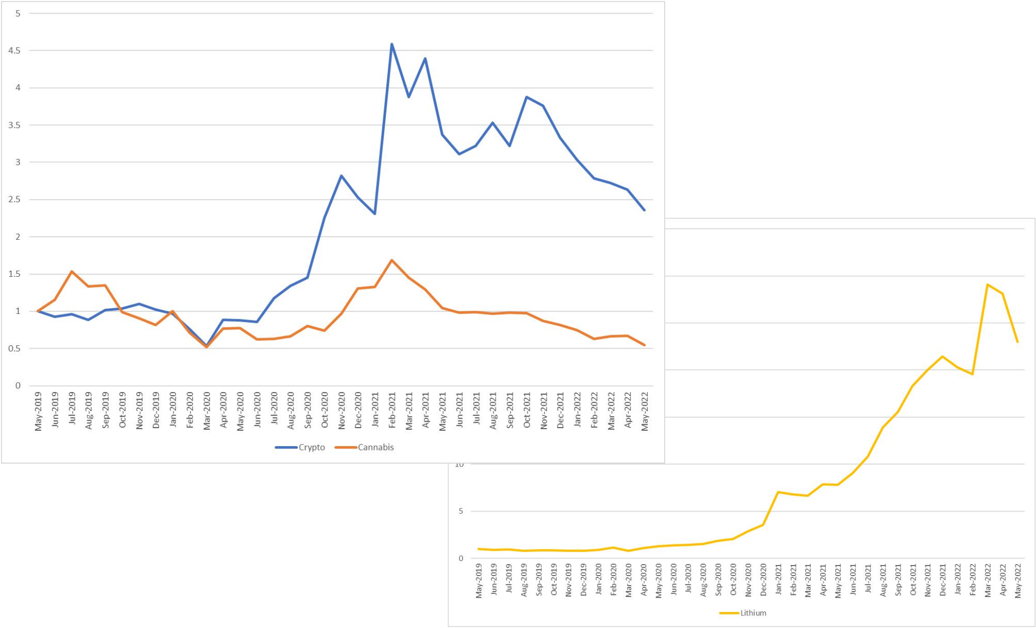


Source: Equitable Investors, Iress

- ➔ Total trading on the ASX, measured by dollars, is up 27% year-on-year (for the first four months of CY2022).
- ➔ But the total volume of shares traded by number of shares peaked in early CY2021 and is down 22% year-on-year (for the first four months of CY2022).
- ➔ This may reflect a pull-back from small stocks in favour of large caps (large caps typically possess larger share prices).
- ➔ The % of the total market capitalisation of ASX listings traded each month has been in a 4-6% band for several years

Sentiment | Hyped Themes

Equitable's "Hyped Themes" indices

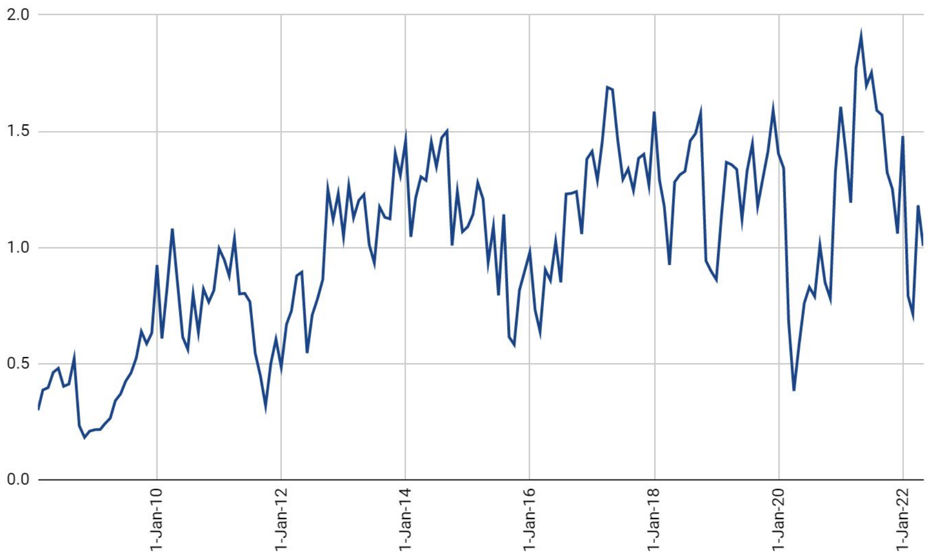


Source: Equitable Investors, Sentieo

- ➔ Equitable established indices for tracking four hyped themes in late CY2017.
- ➔ These indices take the average monthly share price movements of a basket of stocks identified as fitting to each theme.
- ➔ We see the performance of these baskets as indicative of the amount of speculative activity and FOMO (Fear of Missing Out) in the market.
- ➔ Lithium (the yellow line) is the one theme to really run hot.
- ➔ Crypto / Blockchain (blue) peaked in early CY2021.

Sentiment | Where PE multiples meet volatility

"Blue Sky Index" - PE multiple / S&P/ASX 200 VIX



Source: Equitable Investors, Iress

- ➔ Our "Blue Sky Index" is a measure of risk-taking:
  - ◆ Index will be highest when investors are bullish and fear is low (high multiples and low volatility);
  - ◆ Index will be lowest when investors are bearish and volatility is high (low multiples and high volatility.
- ➔ Peak "Blue Sky" was April 2021, followed by a retreat in 2022 to levels not seen since 2016, excepting the COVID shock.

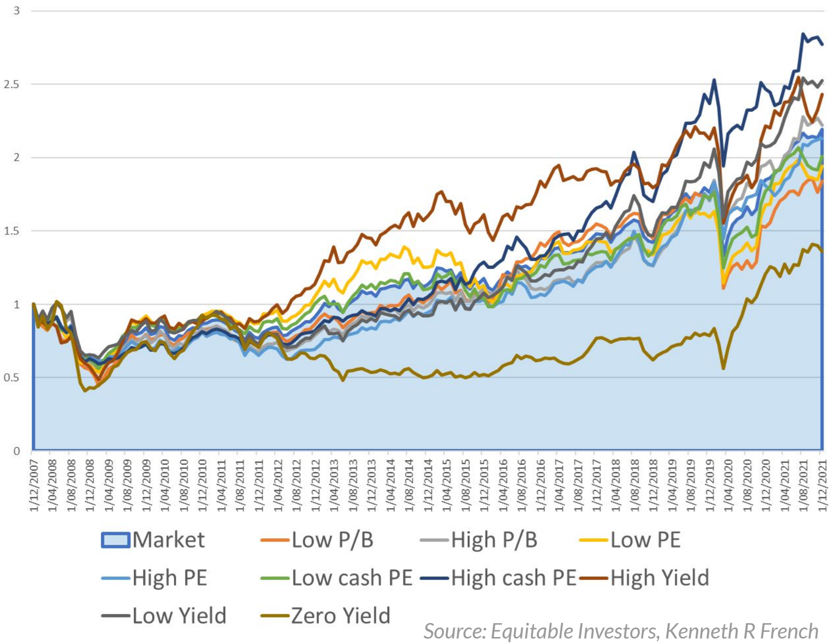
Blue Sky Index: PE, as a measure of how much the market will pay for one unit of annual earnings, reflects a combination of optimism in future earnings growth and the cost of capital; Volatility (using the VIX index) represents the current level of uncertainty in market pricing.

Factor Analysis | Australian Equities Historically

Performance of Fama/French factors from Mar 2020 to Dec 2021

Market	Low P/B	High P/B	Low PE	High PE	Low cash PE	High cash PE	High Yield	Low Yield	Zero Yield
65%	66%	53%	69%	47%	61%	43%	57%	59%	141%

Performance of Fama/French factors Dec 2007 to Dec 2021



Source: Equitable Investors, Kenneth R French

Professor Kenneth R. French forms value and growth portfolios using book/price, earnings yield, cash earnings yield and dividend yields. The value and growth portfolios contain the top or bottom 30% of firms ranked by the relevant ratio. The returns are weighted by market cap so larger companies have a greater impact. We invert book/price and earnings yield to the more widely known price/book and price/earnings multiples.

- High cash PE stocks (Price-to-Earnings multiple using cash earnings) returned the most between Dec 2007 and Dec 2021 and high yield stocks also performed very strongly.
- But post the COVID shock, it has been Zero Yield stocks that have rallied the most.
- This is indicative of low interest rates fostering demand for yield and growth for many years, fostering exuberance that led to higher risk stocks being embraced post-COVID.

Factor Analysis: CY2021 Micro-to-Mid Caps

CY2021 Factor Performance (from Equitable's "FIT" Universe)

Size	Market cap bands	
Small 3rd		27.3%
Middle 3rd		18.5%
Big 3rd		11.6%
Small Minus Big	**SMB**	**15.7%**

Value	EV / EBITDA bands	
Low 3rd		21.8%
Middle 3rd		18.9%
High 3rd		24.2%
High Minus Low	**HML**	**2.4%**

Momentum	Price returns 12m trailing less most recent	
Losers		11.7%
Middle 3rd		19.0%
Winners		23.5%
Up Minus Down	**UMD**	**11.7%**

Source: Equitable Investors, Sentieo

- ➔ Strong year for the smallest stocks.
- ➔ Valuation-wise, higher EV/EBITDA multiple stocks rallied even higher.
- ➔ Momentum was strong

Our "FIT" (Financials, Industrials & Technology) universe measures the share price performance of companies that meet the following criteria: ASX-listed; Market caps of between $10 million and $5 billion; At least $5m annual revenue in the previous financial year; and not a mining company or REIT.

Factor Analysis: A New Market Regime in 2022?

May 2022 Factor Performance (from Equitable's "FIT" Universe)

Size	Market cap bands	
Small 3rd		-10.9%
Middle 3rd		-9.2%
Big 3rd		-6.3%
Small Minus Big	**SMB**	**-4.6%**

Value	EV / EBITDA bands	
Low 3rd		-7.7%
Middle 3rd		-7.1%
High 3rd		-9.4%
High Minus Low	**HML**	**-1.7%**

Momentum	Price returns 12m trailing less most recent	
Losers		-12.4%
Middle 3rd		-6.3%
Winners		-7.3%
Up Minus Down	**UMD**	**5.1%**

- The smaller the stock, the bigger the fall.
- High EV/EBITDA multiple stocks were sold off more aggressively than others.
- Stocks that had lost the most over the past 12 months lost the most again in May 2022 - perhaps reflective of tax loss selling as well as a loss of confidence in a rebound.

Our "FIT" (Financials, Industrials & Technology) universe measures the share price performance of companies that meet the following criteria: ASX-listed; Market caps of between $10 million and $5 billion; At least $5m annual revenue in the previous financial year; and not a mining company or REIT.

Source: Equitable Investors, Sentieo

“Reasons not to invest” & subsequent S&P 500 returns to 31/01/22

Year	Event	Cumulative total return[1]
1999	Y2K	467.1%
2000	Tech wreck; bubble bursts	368.5%
2001	September 11	415.4%
2002	Dot-com bubble: market down -49%	484.9%
2003	War on Terror - U.S. invades Iraq	650.9%
2004	Boxing Day Tsunami kills 225,000+ in southeast Asia	483.5%
2005	Hurricane Katrina	426.2%
2006	Not a bad year, but Pluto demoted from planet status	401.6%
2007	Sub-prime blows up	333.2%
2008	Global Financial Crisis; bank failures	310.6%
2009	GFC: market down -56%; depths of despair	551.8%
2010	Flash crash; BP oil spill; QE1 ends	415.4%
2011	S&P downgrades U.S. debt; 50% write-down of Greek debt	347.9%
2012	2nd Greek bailout; existential threat to Euro	338.6%
2013	Taper Tantrum	278.1%
2014	Ebola epidemic; Russia annexes Crimea	185.6%
2015	Global deflation scare; China FX devaluation	151.2%
2016	Brexit vote; U.S. election	147.8%
2017	Fed rate hikes; North Korea tensions	121.3%
2018	Trade war; February inflation scare	81.7%
2019	Trade war, impeachment inquiry, global growth slowdown	90.0%
2020	*COVID-19 pandemic, U.S. Presidential Election*	44.5%
2021	Omicron variant, China regulatory crackdown, what’s next?	22.0%

S&P 500 price level

Source: J.P. Morgan Private Bank. FactSet. [1] Cumulative total returns for S&P 500 are calculated from December 31 of the year prior to January 31, 2022.

"Imagination will often carry us to worlds that never were. But without it, we go nowhere. Skepticism enables us to distinguish fancy from fact, to test our speculations." – Carl Sagan, *Cosmos*

Thank you.

Martin Pretty
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