



**BOMBORA SPECIAL INVESTMENTS GROWTH FUND**

**QUARTERLY REPORT TO 31 MARCH 2020**



The Bombora Special Investments Growth Fund (Fund) provides investors with an actively managed portfolio of high growth Pre-IPO businesses and Listed Equities.

The dislocation in capital markets caused by COVID-19 has created a new set of challenges along with opportunities to reassess the investment landscape to deploy capital in a measured way with a medium view that has the potential to generate meaningful returns.

Our priority has been to ensure the safety of the people we interact with and preserve the capital in the Fund. The focus has been an updated assessment of each of our portfolio company's trading position and potential impacts of Covid-19, liquidity positions including detailed scenario analysis, the impact of the Government's incentive packages and increased Board governance and support.

The Bombora Team is active in our review of the changing circumstances and well placed to monitor the situation and look to capitalise on the Listed and Pre-IPO opportunities that are being presented.

The Bombora Fund has returned +6.4% over the past 12 months and +23.8% since inception, outperforming the Small Industrials Index by c.28% and c.46% over the same periods respectively.

**FUND PERFORMANCE (NET OF FEES)**

**INCEPTION UNIT PRICE : \$1.00 (1 JUNE 2018)**  
**OPENING UNIT PRICE : \$1.55 (DECEMBER 2019)**  
**CLOSING UNIT PRICE : \$1.24 (MARCH 2020)**

	3 MONTHS	12 MONTHS	SINCE INCEPTION**
FUND	(19.9%)	+6.4%	+23.8%
SMALL INDUSTRIAL INDEX*	(27.6%)	(21.8%)	+(21.8%)
OUTPERFORMANCE	+7.6%	+28.2%	+45.6%

\* References to Small Industrials Index are for illustrative purposes only    \*\* Inception Date is 1 June 2018

**FUND OVERVIEW**

The Fund identifies opportunities where it sees significant value can be achieved in a medium-term horizon. Opportunities are sourced from the Investment Team's relationships and knowledge of the investment markets.

The Fund's key focus is to source, investigate, value, structure and execute high growth business opportunities in targeted industries to provide investors with actively managed exposure to:

- » Pre-IPO Investments
- » Listed Equity Investments
- » Special Situation Investments

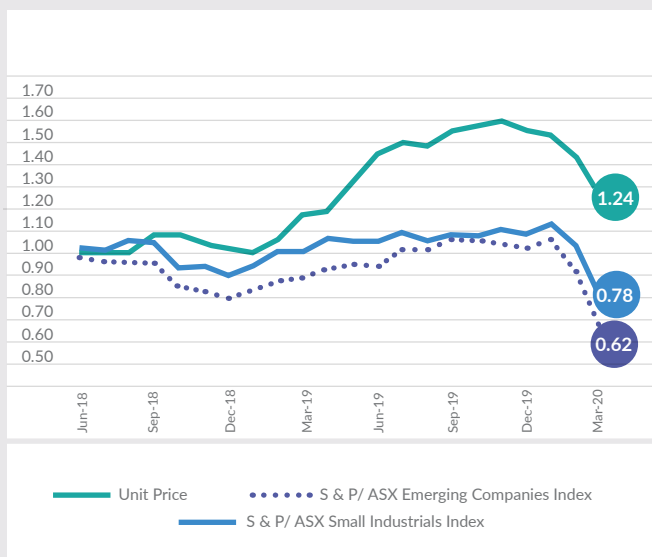


## BOMBORA INVESTMENT MANAGEMENT

The objective of the Fund is to deliver strong positive risk adjusted returns for investors over the medium to long term. The Fund's unique Special Investments capability enables the Manager to identify proprietary opportunities, establish acquisition vehicles with an attractive capital structure including options and performance rights, and take board positions to monitor performance, understand issues and add value to investee companies.

The Fund will invest in Pre-IPO Securities and predominantly Australian / New Zealand Listed Securities in the following industry sectors: technology, telecommunications, media, leisure, infrastructure, renewables, healthcare, retail, professional services and financial services.

## RETURN SINCE INCEPTION



## PERFORMANCE UPDATE

- The Fund declined by 19.9% (net of fees) in the quarter to 31 March 2020, outperforming the ASX Small Industrials index by +8% and the ASX Emerging Companies Index by +19%
- In the period since inception (following the fund launch on 1 June 2018), the Fund has returned +24%, representing an outperformance over the ASX Emerging Companies Index and the ASX Small Industrials Index of +61% and +46% respectively
- The Fund continues to seek high quality investment opportunities in line with the Fund's growth mandate to provide strong positive risk adjusted returns
- \$100,000 invested with the Fund at inception would have grown to \$123,833 as at 31 March 2020 net of fees

## QUARTERLY TRADING UPDATE

During these uncertain times we appreciate the continued support of the Bombora Fund investors. We are committed to providing regular updates to our investors and encourage all to reach out directly to the Bombora Team if you have any questions.

The key message we wanted to share is that Bombora is fully utilising the 200+ years of collective experience in the Investment Team and Industry Specialists group we have. The Fund is in good shape with appropriate levels of cash and a portfolio of strong companies that we are confident will navigate the current volatility and, in many instances, potentially come out stronger.

That being said, the Black Swan event of COVID-19 proved challenging for all investors in the March quarter and will continue to present ongoing challenges. The length and depth of the downturn in the broader economy and the impact to the various sectors within the economy is unknown and without precedent. The impact to the different business models in each sector along with the functioning of capital markets/access to capital, require deep consideration. The Bombora Team focused on reviewing the asset allocation and all holdings in our portfolio with this perspective and stress tested multiple scenarios on the portfolio companies in a world where cash will be king. This report discusses some of the resulting changes. This is going to be a time where both the Boards of Companies and Investment Managers are going to have to challenge traditional approaches.

The Bombora Team is confident that our active and disciplined approach to investing is absolutely suited to the current environment and applying a medium term (greater than 12 months) view provides a significant opportunity for attractive returns.



Bombora's Investment Process looks to generate active returns from multiple sources:

- **Deal Origination and Structuring** is one key source of return for the Fund. Over the last 7 years the Bombora Team has sourced and originated greater than 10 Pre IPO transactions, generating significant returns for investors. The Fund currently has 3 special purpose vehicles (SPVs) that are established with meaningful cash balances to opportunistically acquire high quality private businesses. These 3 SPVs currently represent over 15% of the Fund and are held at or below cash value. The current market conditions create significant potential for such opportunities, with a target date of a 2021 IPO. The Bombora Team has never been busier working through multiple Pre IPO candidate companies at very opportunistic terms, each of which we have been running our detailed due diligence process for over 3 months. The terms available on these transactions are moving in our favour. The Manager is in advanced talks to acquire 3 separate Pre-IPO investments using these SPVs. Once again, the Fund investors will have an opportunity to co-invest in these transactions. We look forward to providing further updates in the coming months.
- **Active Management of Existing Portfolio Holdings.** Bombora has a proven track record of generating long term returns for our portfolio companies through our active involvement and governance. Of the 18 investment positions in the Fund, the Bombora Team sit on the Boards of 10 of these companies. This includes both listed and unlisted investment positions. In each of these instances Bombora is working very closely with the Management teams of these companies to explore the opportunities and threats from the current operating environment. In most cases these businesses have strong and defensive operating businesses and balance sheets to explore strategic opportunities being presented by the current environment. At least 3 of the Fund's key listed equity investment positions are exploring strategic opportunities that could add meaningful value. The Fund's Pre IPO investments are also looking to capitalise on the strong relative positions in their respective industries to explore strategic and transformational transactions.
- **Company Returns** driven by growing the earnings and improving the strategic value of portfolio investments are another source of returns. As outlined above Bombora takes an active role in companies though portfolio investments generate positive returns over and above that. Later in this report we provide some specific commentary on the underlying Fund investments, though Bombora continuously assess the risk versus reward of positions of all investments. As would be expected in the current environment, the Bombora Team has undertaken a detailed review of all investments in the Fund assessing risks, liquidity, the Government incentives and arising opportunities. At Bombora we very much take a bottom up approach to investing, with an awareness of the macro environment. Our portfolio of Listed and Pre-IPO investments is dominated by businesses that exhibit the following characteristics:
  - » Non-discretionary revenue streams underpinned by real intellectual property (IP) i.e. sticky customers with mission critical systems who are unlikely to and cannot easily leave
  - » High and profitable growth through the cycle – we target businesses with high revenue growth coupled with operating leverage (higher earnings growth)
  - » Strong balance sheets to navigate short term challenges and not be reliant on further capital to continue base case growth trajectory
  - » Strong management teams and financial acumen
  - » Valuations that can be supported by fundamentals

Following an updated assessment of each of our portfolio company's trading position and potential impacts of Covid-19, liquidity positions including detailed scenario analysis, the impact of the Government's incentive packages and increased Board governance and support, Bombora are comfortable in the Fund's investment positions and we outline any recent changes later in this report.

- **Market Conditions** will obviously also impact returns to all equity funds. When there is a dramatic move in capital markets over the short term, such as recently experienced with COVID-19, the impact is typically indiscriminate. While we target absolute returns through the cycle, equity market shocks such as those experienced in recent times, are likely to have an impact in the short term. Also, the benefit disproportionately shifts in favour to the buyer versus the seller. Over the medium term the market adjusts to filter through the respective companies to determine the level of earnings impact and any impact to a company's strategic value. This short-term dislocation creates long term opportunities, and this is the inefficiency the Bombora Team is absolutely focused on for both the listed and private investments.



The March 2020 quarter saw significant market volatility, with the ASX Small Industrials down c.-28% and the ASX Emerging Companies index down c.-39%. This volatility is expected to continue in the short term, until there is more clarity on the ultimate impact of COVID-19.

The Fund declined by -19.9% in the Quarter. Whilst disappointing, the Fund decline was in line with expectations, given the indiscriminate selling that the equity markets experienced. As we outlined in our February 2020 report, the majority of the listed equity positions in our portfolio are either minimally affected or potentially experiencing a positive impact from the COVID-19 environment. Despite this likely earnings impact and the businesses having strong balance sheets, their share prices were down in line with the broader market. Examples include companies such as Uniti Wireless (UWL) and Pacific Knowledge Systems (PKS).

During the quarter the Fund made the following changes to the portfolio, though resisted any wholesale changes:

- With the listed equities portion of the portfolio, the Fund exited our investment in Prospa (ASX: PGL), PGL is a business that provides business loans to SMEs and has an exposure to the hospitality and tourism industry. With the unexpected onset of COVID-19 we felt that this business was highly exposed to increased bad debts which, in the short term, which places the business at risk. We still like the business model of PGL and should we see evidence that PGL has weathered the storm we may seek to reassess the business for a re-entry point. However, for now Bombora felt the exposure risk was too high for our investors. We opportunistically topped up other core listed equity holdings when their share prices fell to extreme levels in late March, and have clearly defined trading targets for all listed equity positions. The Fund has resisted the temptation to deploy our high levels of cash in the listed equity market to date though we continue to monitor conditions and companies extremely closely. We have targeted trading ranges for our key portfolio holdings and have an advanced shadow portfolio list of listed equity opportunities we are monitoring with the same perspective to potentially build a position with the appropriate risk v reward profile.
- In the Pre-IPO portfolio, the Manager participated in a capital raise by way of a convertible note in Laybuy Holdings Limited, a NZ established Buy-Now-Pay-Later business that successfully entered the UK market in January 2019. Laybuy is targeting an ASX listing in the next 12 months and our convertible note position earns a coupon interest rate until that time and enables the Fund to convert to equity at a meaningful discount to the ultimate ASX listing price. Laybuy is now well funded and the convertible note position provides us a protected position through to an ASX listing when the capital markets stabilise.
- Bombora established and funded a 3rd special purpose vehicle (SPV) called Wakanda, which is effectively a cash box that is actively pursuing acquisition opportunities. Wakanda was established with a specific transaction target that continues to progress favourable along with several other competing opportunities. As noted earlier in this report, the Fund now has 3 separate SPV's which represent greater than 15% of the total fund and are currently valued at or below the cash value of these vehicles.

In closing, we appreciate the support of our investors and encourage you to consider your broader investment portfolio and not to panic despite the media's best efforts adding to people's insecurity. Short term market shocks create opportunity through the medium term and the Bombora Team is focused and well placed to monitor the situation and look to capitalise on the opportunities that present in a measured way. Bombora's active management approach and focus on sustainable and long-term businesses does position us very well to continue our delivery of above average returns to our shareholders.

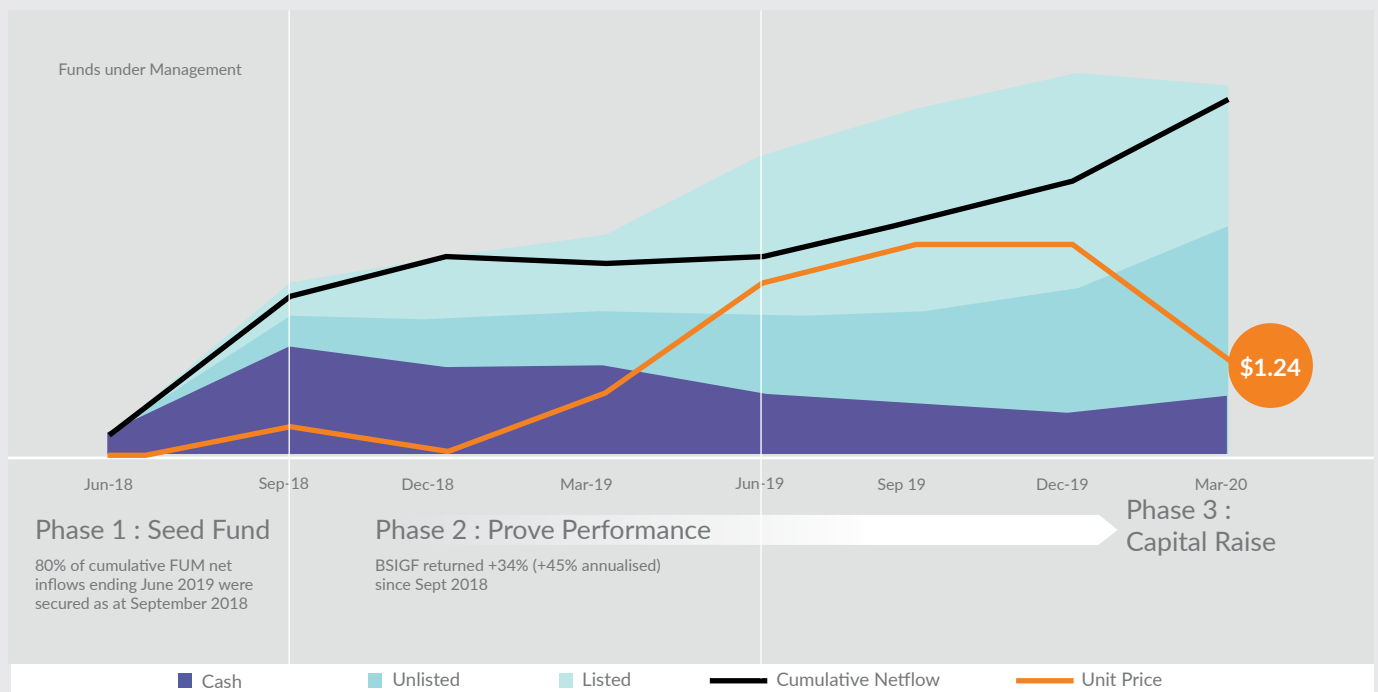


## RETURNS SINCE INCEPTION

The Bombora Special Investment Growth Fund (“Fund”) was launched by Bombora Investment Management (the “Manager”) in June 2018. From a Fund launch unit price of \$1.00, the unit price has increased to \$1.24 as at 31 March 2020 (net of fees).

Over the same period since inception (1 June 2018 to 31 March 2020), the Fund return represents an outperformance of c.61% against the Emerging Companies Index return of (37.5%) and c.46% over the ASX Small Industrials Index return of -21.8%.

Attribution analysis of the drivers of the Fund’s outperformance shows the returns were generated broadly equally between the Listed Equity portion and Unlisted portion of the portfolio.



As the Fund investment cycle is now well into Phase 3, it is raising additional capital on the back of a successful proof of performance.

The Bombora Team will continue to focus on diligently applying the investment strategy to provide ongoing returns for Unitholders.

Since June 2018, the Manager has led c.\$57m of co-investment into its proprietary deal opportunities. The Fund’s co-investors have funded c.\$53m of these investment opportunities. This highlights Bombora’s ability to invest greater amounts of the Fund’s capital in quality proprietary deal flow, consistent with the Third Phase cycle. It further substantiates the ability for Bombora to leverage its relationships and provide material opportunities for the Fund’s investors to co-participate in the Manager’s recommended deals.



## MOMENTUM & STRATEGY OF BOMBORA

### Number and weight of investments vs target portfolio

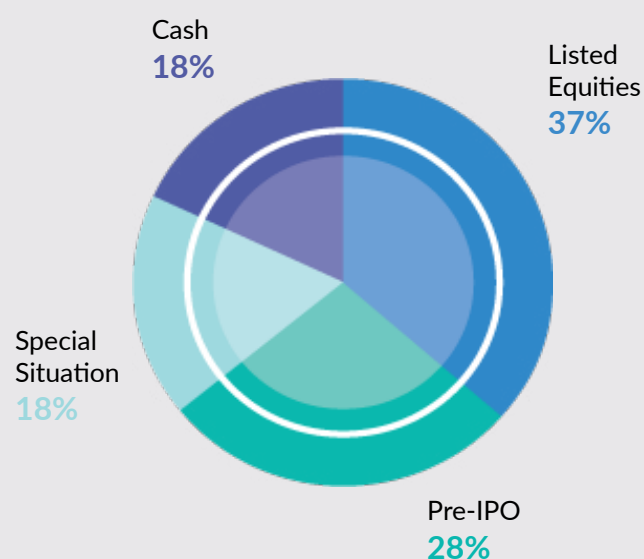
	Jun 2019		Sep 2019		Dec 2019		Mar 2020		Target	
	Number	Weight	Number	Weight	Number	Weight	Number	Weight	Number	Weight
Listed	11	52%	11	56%	11	55%	10	37%	8-12	40-50%
Pre- IPO	5	15%	5	14%	6	22%	6	28%	6-10	20-30%
Special Situations	3	10%	3	14%	3	11%	4	18%	4-6	10-20%
Cash		22%		26%		12%		18%		10-20%

\*PKS Options included in Listed Portfolio as a separate holding.

## REVIEW OF FUNDS UNDER MANAGEMENT TO 31 MARCH 2020

- » The Fund Portfolio ending on 31 March 2020 consisted of 45% Unlisted holdings, 37% Listed holdings and 18% Cash
- » Cumulative Netflows grew +18% QoQ
- » Listed FUM holdings carries the conversion benefit from Pre-IPO holdings to when respective companies list on the ASX

## LIVE PORTFOLIO ALLOCATION





## PRE-IPO INVESTMENT PORTFOLIO (UP TO 30% OF FUND)

The Fund currently holds six Pre-IPO investments. Listed below are some key positions within the Pre-IPO Portfolio.

### Marketplacer Limited

**Marketplacer Limited (Marketplacer)** is a software company that establishes and runs online marketplaces for enterprise customers. Marketplacer enjoyed very strong operating performance and ended the calendar year with good operating momentum following a Bombora led \$20M equity raising in September 2019. The positive momentum continued in the first quarter of 2020, with the successful implementation of key projects for Kogan, Metcash and other key new customers wins. The pipeline of qualified customer opportunities has never been stronger. The business continued to strengthen the executive team and develop the growth strategy for the US market with some very prospective opportunities developing in the US market.

Marketplacer has been a net beneficiary of the COVID-19 driven changes to the economy. Many businesses are accelerating their Marketplace implementation strategies and many new businesses exploring how they can move to a Marketplace business model asap. Marketplacer has experienced an increase in client demand and new client opportunities as a result of the lockdown measures resulting from the COVID-19 outbreak. The Marketplacer Team has successfully transitioned staff to work remotely and the team is extremely busy executing the opportunities that are presenting themselves. Among the many new opportunities that are developing there are a 2-3 key strategic opportunities developing for Marketplacer that could be quite transformational.

Marketplacer has a seasoned Management Team and Board, world leading technology, and a strong balance sheet with a significant growth opportunity in the current market. The strategy remains to be positioned for an ASX listing in the second half of 2020, with an ongoing watching brief as market conditions evolve. Bombora remains confident with the outlook and carrying valuation for our investment in Marketplacer.

View the company website at [www.marketplacer.com](http://www.marketplacer.com).

**MARKETPLACER™**

### Ultraserve Limited

**Ultraserve Limited (Ultraserve)** is an Ecommerce Platform as a Service (PaaS) provider that generates ~\$17M of annual global revenues with mid-market enterprise customers. The business will deliver a breakeven result in FY20. With the launch of the Ultra Commerce SaaS product last year, UltraServe is positioned well to capitalise on the rapidly evolving Ecommerce opportunity. UltraServe has continued to build strong foundations with market-leading technology, a track record delivering for large global businesses, a strategic AWS relationship, and an increasingly experienced global team, setting the business up for the next phase of accelerated growth.

COVID-19 has presented a mix of opportunities and challenges for Ultraserve. The need for the existing PaaS offering is enhanced as a greater portion of retail sales are shifting online and the need for enterprise quality solutions with minimised downtime. That being said some of the customer exposures having been in the travel sector which is expected to see reduced volumes. The net impact likely neutral. The sales cycle of the new SaaS product is likely to be extended with the COVID-19 shutdowns in the short term though will only emphasise the importance of best of breed Ecommerce solutions for enterprises in the medium term.

Ultraserve has sufficient capital to navigate the 2020 year under the COVID-19 revised operating model and forecast.

Bombora has invested in Ultraserve predominantly via a Convertible Note though also with some direct equity exposure. Ultraserve was positioned for an ASX listing in 2020 and this remains the objective. The convertible note is earning a coupon and is converted at a discount to the IPO/liquidity price and the direct equity position is held at the very conservative cost value that has not been increased since the investment over 12 months ago and represents a value of ~1 times revenue.

View the company website at [www.ultraserve.com.au](http://www.ultraserve.com.au).

 UltraServe



## Micromine Pty Ltd

**Micromine Pty Ltd (Micromine)**, is the leading provider of Global Mine Planning (GMP) software covering the mining lifecycle including: exploration, mining and production, and has 17 offices, with sales in some 90 countries, with a particularly strong market position in Australia, Central Asia, Russia and South Africa. It has recently appointed a new CEO, Andrew Birch, who has extensive experience with software products via his previous role as Chief Operating Officer at MYOB.

Micromine's users are highly loyal to the platform with relationships spanning in excess of 10 years with its top 5 customers and comprise some 25% of revenue. The company has successfully migrated its Australian and North American customers to a recurring revenue model which is designed to create increased lifetime value from each customer and enables significant cross-sell opportunities across the product suite.

Recent trading commentary indicates the business is tracking above both the previous corresponding period as well as against the FY2020 budget. In its latest update (dated 23 March 2020), Micromine commented that the YTD February 2020 revenues were above budget and reported minimal financial impacts from COVID-19. The forward pipeline has seen limited impact to date, and there is a significant exposure to gold, where global prices remains firm. Micromine continues to have a strong liquid balance sheet position, and we continue to monitor performance.

The cornerstone investor in this business revised its valuation at 31 December 2019 to 1.44 times the original investment. In line with the Fund's valuation policy, Bombora has retained its valuation at the original investment.

View the company website at [www.micromine.com](http://www.micromine.com).



## Orbx Investments Limited

**Orbx Investments Limited (Orbx)**, is a quality global business which develops a library of digital flight simulation scenery which is sold to the consumer-based flight simulator software market.

Orbx has approximately 150k global user accounts. The new version of the Orbx Central online shop was released in February 2020 and now Orbx is selling third party content through its online shop. The revenue from this new offering is forecast to grow very materially in the near future and the early signs are reflecting those strong growth projections, with some very encouraging results in the month of March 2020 in the COVID-19 environment.

Orbx's operations were disrupted by the announcement from Microsoft that they were investing heavily in their own Flight Simulator that would work on the Xbox platform. The effect of this was to pause demand for the Orbx product which saw sales declines in the first half of FY20. However, the Microsoft project also presents an enormous opportunity for Orbx. Essentially, Microsoft do not currently have the inventory or airports that Orbx owns. Should Orbx be able to sell its products to the Microsoft Xbox audience it would increase Orbx's addressable market by a factor of 100x.

Orbx continues to improve its relationships with Microsoft and has been engaged to undertake a significant amount of development work. The aim is that Orbx can negotiate a long term contract with Microsoft to continue with the development work that has been done to date. The recent success of the Orbx Central online shop is another opportunity.

View the company website at [orbxdirect.com](http://orbxdirect.com).





## LISTED EQUITY INVESTMENT PORTFOLIO (UP TO 50% OF FUND)

The Fund holds 8 investments in its listed investment portfolio. The sector exposures include software, technology, and financial services drawing from the domain expertise of the Investment Team. As we outlined in our February 2020 report and earlier in this note, a thorough and ongoing review of all positions is being undertaken. The majority of the listed equity positions in our portfolio have strong balance sheets, positive cashflow and are either unaffected or potentially experiencing a positive impact from the COVID-19 environment. Despite this likely earnings impact and the businesses having strong balance sheets, their share prices were down in line with the broader market. Examples include companies such as Uniti Wireless (UWL) and Pacific Knowledge Systems (PKS).

One portfolio that has a volatile month was **EML Payments Limited (ASX:EML)** – EML is a payments processing technology business. Their portfolio offers innovative financial technology that provide solutions for payouts, gifts, incentives and rewards, and supplier payments. EML's share price declined c.-49% during the quarter despite the company finalising its accretive acquisition of Prepaid Financial Services (PFS) Limited, on renegotiated terms, EML reduced its upfront cash consideration of c.\$346m previously offered to \$159m. The Group is well funded and held more than \$100m of cash post acquisition. The acquisition of PFS makes EML one of the largest independent FinTech enablers in open banking and prepaid globally. The acquisition also features significant cross-sell opportunities to EML's existing suite of customers. EML remains a core holding for the Fund.



## SPECIAL SITUATION INVESTMENT PORTFOLIO (UP TO 20% OF FUND)

Excluding its convertible note investments in Ultraserve and Laybuy, both of which have been mentioned above, the Bombora Fund has three other special situation investments at present.

The Fund has established Wakanda Holdings Limited ("Wakanda") and Arugam Holdings Limited ("Arugam"), unlisted public companies established as special purpose investment vehicles. The Manager is well advanced in both companies' potential scrip for scrip acquisitions of two separate prospective business, regarding which the Manager hopes to update investors over the following weeks.

The Fund's third Special Situation Investment position is the cornerstone investment in RPro Limited ("RPro"). RPro initially held an investment in Visual Amplifiers Limited ("Vamp") by way of a Short Term Secured Loan ("STSL"). Whilst Vamp continued to grow, it became evident that cash flow controls were not adequate, it used the STSL funds quicker than anticipated and it took some time for the company to satisfy the Rpro conditions. It also became evident through the time the STSL was in place that the management team and certain shareholders wanted to continue to grow the business on the private stage for a longer period of time. This time frame was well beyond what Rpro had contemplated for an IPO. Furthermore, the Board of Vamp and its executive group were then offered more capital but on a longer-term private basis. This again was well beyond the anticipated liquidity time frame envisaged by Rpro. The Manager hence liquidated RPro's position in Vamp Technologies Limited ("Vamp"), deriving an IRR from the STSL of 24.3%. RPro is actively exploring new private investment opportunities.

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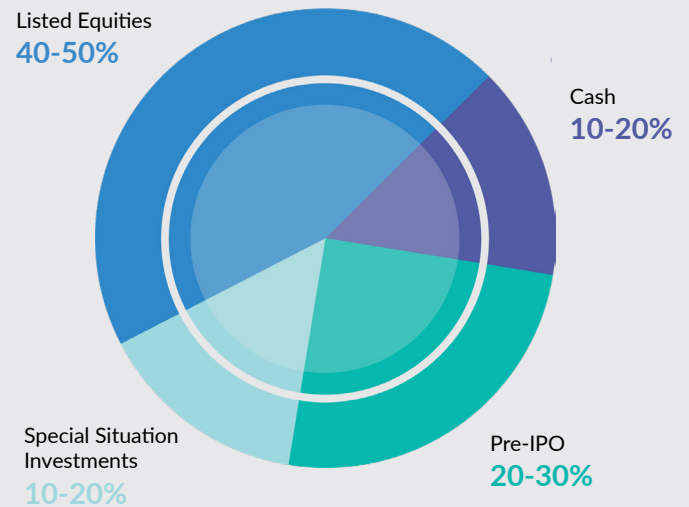


## APPENDIX

### KEY FUND FEATURES

- Manager :** Bombora Investment Management
- Fund Structure :** Unregistered managed investment scheme structured as a unit trust
- Investor Eligibility :** Wholesale Clients as defined in the Corporations Act 2001
- Minimum Initial Investment :** A\$50,000
- Fees :** 1.5% management fee + 20% performance fee (above 7% hurdle rate and high-water mark condition)
- Valuations :** Unit price calculated monthly
- Application Frequency :** Monthly
- Distributions :** Annually
- Redemptions :** Quarterly with 30 days notice

### TARGET STRATEGIC ASSET ALLOCATION



### ABOUT BOMBORA INVESTMENT MANAGEMENT

The fund was launched in June 2018: founded by the Bombora investment team which has a demonstrable 5-year track record delivering 30% IRR returns in prior deals / investments

The Fund’s investment team comprises Mike Hill (CEO), Gregg Taylor (CIO), Josh May, David Willington, Bryan Zekulich and Advait Joshi. The investment team is complimented by an Investment Committee and operational partners / industry specialists

Background of Bombora team spans funds management, direct investment, private equity, M&A advisory, transaction support and equity capital markets experience. The Bombora team have proven operational, Director and Advisory experience in private and public companies

### BOMBORA INVESTMENT TEAM

