September Update

Profeta Global Investments Fund

September 2022

Dear fellow investors,

The fund appreciated 3% in the September quarter, compared to the MSCI World Index which was flat in $A. Positive earnings results in the quarter were the main driver of returns. Despite the significant fall in global markets in the month of September, with the US' S&P 500 falling 9.5% and Australia's All Ordinaries falling 7.5%, our fund only declined 1.8% for the month. Our positions in AFYA and S4 Capital appreciated after positive results and our put options on the S&P 500 and shorts provided downside protection for the portfolio. The sharp fall in the Australian dollar compared to the US dollar from 68c to 64c also provided a natural hedge. We will look to hedge more of our exposure back to Australian dollars in the coming months as the Australian dollar is trading below long-term fundamentals. Despite very weak equity markets this calendar year, our fund has only declined 6.4%, compared to the MSCI World Index in $A, which is down 16.9% and Australia's All Ordinaries, which is down 14.1%. I am never happy seeing a negative return, but I am confident in the companies that we have invested in and I think the portfolio is significantly undervalued at the moment.

After a number of years of zoom meetings rather than face to face meetings with our portfolio of companies, I finally managed to leave Australia and visit our investments in Europe as well as attend a Latin America conference. I managed to meet 63 companies over a period of five weeks. As Buffett says, be greedy when others are fearful. I have never seen so much fear in European equities before and this chart says it all for how much fear there is around Europe. As an anecdote, I was talking to one of our traders at Morgan Stanley, and she said that US investors aren't investing in Europe at the moment. I attended a European Industrials conference, and normally there would be numerous investors from North America, but this year I only noticed one.

I met numerous companies across a variety of industries including industrial automation, aerospace, technology, banking, diversified financials, healthcare and consumer. There are many high-quality multinational corporations operating out of the United Kingdom, Switzerland, Germany, France, Spain, Northern Italy and the Nordics. These companies could be listed in the US and many of them have a greater proportion of their revenue and earnings generated out of the US than they do out of Europe. The general feedback from these companies is that their operations continue to perform quite well in both the US as well as most of Europe. Short-cycle industrial companies are starting to see a drop in confidence and orders in Europe seem to be coming off a bit this quarter. However, these companies are getting the benefit of a weaker currency from their US operations.

Given the significant fall in the Euro and the pound, the value of European stocks should rise as you translate their USD earnings back to Euros or pounds. However, this has not been the case as the liquidity squeeze, that we are currently seeing in global markets, is hitting European markets just as hard as the US. Every day there is another article about the war in the Ukraine or the political mess in the UK as Liz Truss looks to stimulate the economy. While the initial fears of the announced UK tax cuts created a significant fall in the pound to close to parity with the US dollar, the quick change of mind has seen the pound recover quite quickly. This has not changed the fact that the pound has depreciated 17% compared to the US dollar year to date. This is similar to all other major currencies vs the USD, with the

Euro down 14.5%, the AUD down 14.6%, the Swiss Franc down 10%. Australia's economy is significantly different to Europe's yet its currency has mirrored the Euro. Global traders are either buying USD or selling USD indiscriminately and I expect this long USD trade to start unwinding once we get closer to the end of this interest rate hiking cycle.

You can also see in the table below the valuations of various European country indexes compared to the US. While the US market still looks fair value at best, Europe and Asia are trading below historical levels.

Country	Forward P/E
Italy	7.1
United Kingdom	8.8
Germany	9.1
Spain	9.2
Emerging Markets	10.3
France	10.4
Japan	11.9
World	13.8
Switzerland	15.5
U.S.	15.9

I will go into more detail about some of the businesses we have invested in in Europe during this turmoil. Many of these companies are seeing growing revenues and earnings despite their share prices falling significantly and their valuations hitting all time lows.

Learning Technology Group

Learning Technology Group (LTG) is a global provider of software for workplace digital learning and talent management with over 5000 employees in 34 countries. The company has a strong track record of generating strong revenue and earnings growth, both organically and through acquisitions. Over the past seven years revenue has grown at a CAGR of 50%, while EPS has grown at 45%. I have followed the company for about eight years now and have met the Chief Executive Officer and founder, Jonathan Satchell a number of times. I sat down with Jonathan and their chief financial officer, Kath Kearney-Croft, in their London offices this month.

LTG's software spans across educational and compliance training regarding health and safety, corporate policies and industry regulations. They also offer talent management systems for human resources departments. Their software and content are strong across a number industries including financials, retail and autos. The majority of European banks use their training modules for global risk and compliance. Companies like Jaguar use LTG's software to train their dealer groups on the specifications of the cars that they sell. This includes using 360 technology to see the inside of vehicles and move around to explore their features, as well as sales manager skills curriculums and onboarding curriculums for new sales consultants.

The group recently completed a major acquisition of GP Strategies, a leading provider of managed learning services and workforce transformation, for $394 million. The group is on track to extract significant synergies from the acquisition with 1H22 earnings almost doubling over last year. Despite earnings per share expected to grow at 58% this year, the stock has been caught up with the large fall in small capitalisation stocks, given its market capitalisation is only 1 billion pounds.

The company is at the cutting edge of learning technologies, even developing augmented reality and virtual reality modules to train employees. I witnessed a virtual reality module the company developed for Anglo American to train their underground miners and it was very impressive. The group also has a tremendous opportunity to cross sell their learning technology software into the deep customer base of large corporates that GP Strategies has developed. They will also benefit from the new working environment that we find ourselves in post covid as human resource departments juggle with the need to manage and train staff both remotely and onsite.

What impresses us about the company is not only their strong technology and software in the learning and human resources vertical, but their financial discipline and capital management nous. We like to invest in owner-managed companies as typically the founders have built the company from scratch and know the inside-out of the business, but also because they are incentivised alongside the shareholders. Jonathan Satchell (the CEO) owns 9% of the company. Andrew Brode, the chairman, owns 15% of the company. Andrew has quietly built $1 billion of wealth growing technology businesses. He sold one of his early businesses to Wolters Kluwer and was managing director of Wolters Kluwer's UK operations for 14 years before starting up LTG group. I have a great degree of respect for the 25 billion Euro business that Wolters Kluwer's team has built over the years and I can see the same playbook being used at Learning Technology Group.

The valuation has de-rated from a PE of 40x to only 12x over the past year. We expect the stock to rebound sharply over the next year as the company continues to deliver on its strong earnings growth track record. Even if this re-rating doesn't occur quickly, we expect the earnings to continue to grow at an attractive rate, with management targeting EPS to grow from the current 8 pence to 14 pence by 2025.

S4 Capital

Similar to Learning Technology Group, S4 Capital is run and owned by owner managers that have a strong track record of building out large companies over time. I had the privilege of sitting down with S4 Capital's chairman, Sir Martin Sorrell, at their headquarters in London. Sir Martin is well known in the media industry given that he was the founder of WPP Group, the largest advertising and PR group in the world. He founded S4 capital in 2016 and has quickly acquired a number of leading digital advertising and marketing businesses globally. Also similar to Learning Technology Group, over 70% of their revenues are derived from North America, despite being listed in London and getting caught up in the flight of capital out of Europe.

S4 capital's businesses focus predominantly on digital advertising content creation for multinational corporations. Media Monks is their core content creation brand while Mighty Hive focuses on media buying for their clients. Their biggest customers include Google, Apple, Meta and BMW. These technology and consumer giants chose to work with S4 capital given their leading expertise in creating digital campaigns that incorporate virtual and augmented reality as well as a deep knowledge of all the digital portals to advertise through and their ability to deliver to their clients the best return on investment. While the company has been growing quickly through acquisitions, they have also delivered impressive organic revenue growth with growth of 40% in 2019, 20% in 2020, 45% in 2021 and they are on track for 25% growth in 2022. As digital spend continues to capture a bigger proportion of advertising budgets, S4 is in a prime position to continue to win market share from their larger peers in the industry.

We have taken the opportunity of a recent sharp decline in the stock to start accumulating a position. The company has been hiring ahead of the increase in revenue with their headcount growing by 25% in the first half of the year. This has placed some short-term margin pressure on the first half earnings, but the margin is expected to return to normal levels in the second half of the year. Despite macroeconomic concerns around Europe, demand for S4's services continue to see strong demand globally, particularly in the United States, where 70% of revenues are derived. We believe that S4 is in a strong position to weather the fears around an inflation driven consumer recession and drive significant shareholder value creation over the next few years.

C&C Group

C&C group is a leading manufacturer and distributor of beer, cider, wine and soft drinks in Great Britain and Ireland. Its core cider brands include Bulmers in Ireland and Magners in Great Britain, while Tennent's is their core beer brand. C&C group is also the number one drinks distributor in the UK and Ireland following the acquisitions of Matthew Clark and Bibendum. They are also the exclusive distributor for the Budweiser Brewing Group in Ireland. I have followed C&C group since 2007, when I visited their cider manufacturing facility in Clonmel, Ireland. Since that time the company has evolved from a leading cider brand in Ireland into a multi branded drinks manufacturer and distributor in the UK and Scotland.

David Forde, the company's Chief Executive Officer, has done a tremendous job steering the company through the covid pandemic. The past two years have been difficult for the company as more than half their sales and profits come from the on-trade, bars and restaurants, which was significantly impacted by covid lockdowns in Europe. Fortunately, we are finally entering a fiscal year where lockdowns are behind us and the business will benefit from a recovery in sales and margins. David has been the CEO of C&C group since November 2020 and prior to that was the managing director of Heineken UK, having worked with Heineken for 31 years. David has also hired some other Heineken executives, with the head of marketing, Lucy Henderson, having worked at Heineken for 14 years. C&C group have a strategy to maintain their leadership with the Bulmers and Tennent's brands, whilst growing their emerging boutique beer, cider and spirits brands by leveraging off their leading distribution presence.

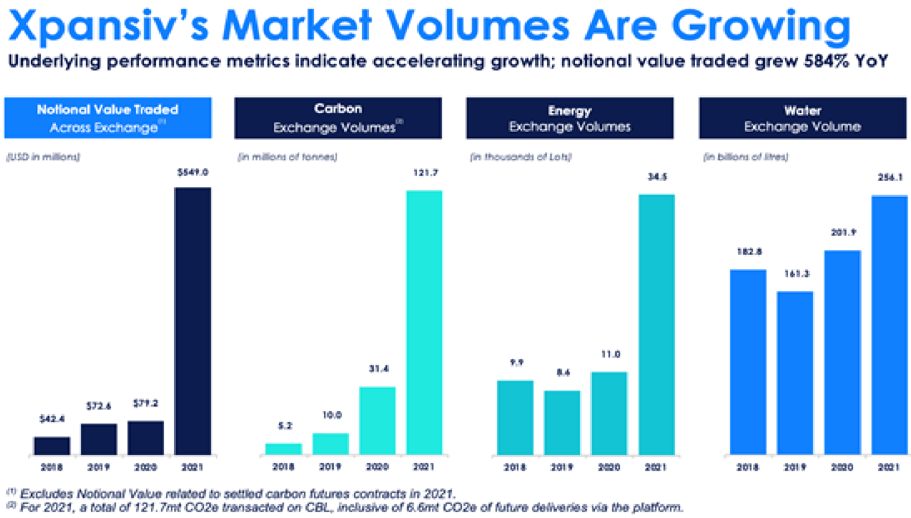
Bulmers and Tennent's are powerhouse brands and institutions in their respective categories in Ireland and Scotland. Tennent's has been Scotland's favourite lager since 1885 and represents two in three pints of lager sold in the on-trade in Scotland. Bulmers, equally has a dominant position in Ireland, producing its cider with 17 apple varieties, since 1935 from Clonmel. Cider holds a 12.5% share of the Long Alcoholic Drinks category in Ireland and Bulmers has a 58% market share of cider in Ireland. C&C Group's emerging brands include: Magners, the number 3 cider brand in the UK: Heverlee, a premium Belgium beer; Menabrea, an Italian lager from northern Italy.

The fears around inflation and a weaker consumer in Europe has provided us with a wonderful opportunity to buy into this house of brands at a sharp discount to what we believe is fair value. While the company has tended to trade on an EV/EBITDA above 10x, we are currently accumulating stock at only 7.5x, a hefty discount to global beverage companies.

Update on Unlisted Investments (8% of the portfolio)

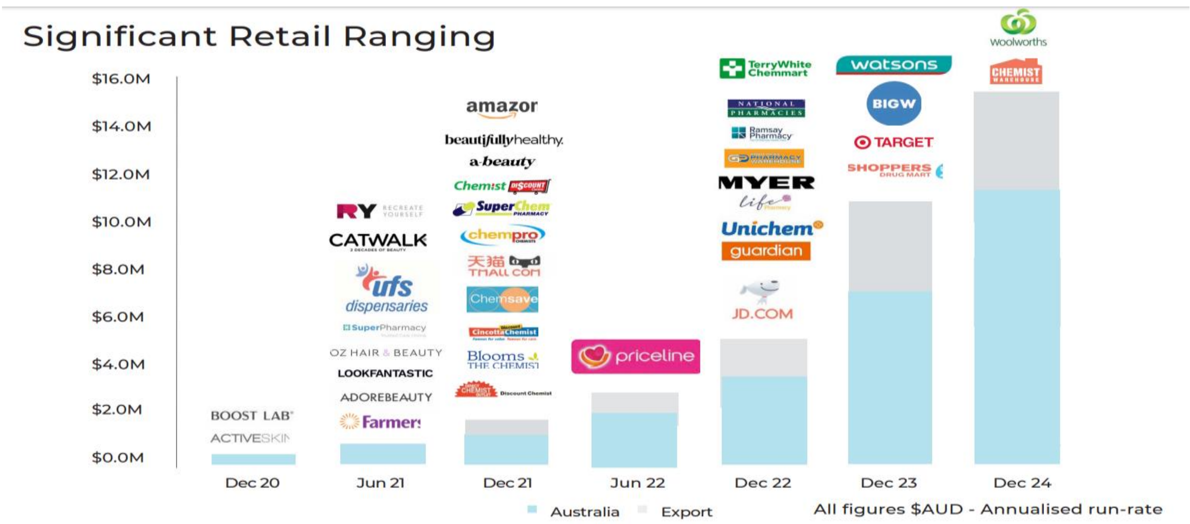
Xpansiv

Xpansiv is a leading global platform for creating, trading and managing ESG commodities. The underlying volume growth in their core commodity markets of carbon, atware and energy continue to grow exponentially. In the last quarter, carbon volume growth grew 225%, while water volumes grew 22%. Xpansiv also recently completed a major acquisition of APX, the market leader in registry infrastructure for energy and environmental markets. This complements Xpansiv's leadership in exchange, portfolio management and market data and intelligence. The acquisition was funded by a $400 million strategic investment in the company by Blackstone Energy Partners and cements Xpansiv's leading position in this dynamic market.



Boost Lab

Boost Lab is an emerging skincare brand focusing on skin serums. Craig Schweighoffer and the team have done a wonderful job building out a range of products, with the hydro boost serum winning the best of beauty award as well as the Glosscar award. Their brightening serum and eye reset serum were also runner up at the beautyheaven awards. The products are gaining traction with consumers and this is enabling the brand to get national distribution in Australia in major pharmacies. Their products are now sold in over 1000 independent pharmacies and they have recently gained shelfspace in Priceline. Sales are expected to more than triple this financial year, with a target of $5m in sales. The brand is also building out its ecommerce presence in Asia and North America.



Your sincerely,

GARRY LAURENCE
Chief Investment Officer
Profeta Investments

	Portfolio weight	Stocks
Fintech/Exchanges	15%	Xpansiv, Bolsa Mexicana
Healthcare	7%	Afya
Technology	9.5%	Learning Technology Group
Entertainment & leisure	11.5%	Entain, Activision Blizzard
Consumer Discretionary	6%	Boost Lab, Fila Holdings
Consumer Staples	10%	C&C Group, WH Group
Energy & Mining	7.5%	Woodside Petroleum
Banks	4%	Bank of America
Industrials	7.5%	Siemens
Other	7%	Media Nusantara
Cash	15%	

Regional Breakdown	
	% of Portfolio
North America	21
Asia	14
Australia	19
Europe	21
Latin America	10
Cash	15

FX exposure	
AUD	50%
USD	20%
Euro	8.4%
GBP	8%
JPY	4.2%
MXN	4.2%
IDR	1.5%
PHP	2.1%

Total long	85%
Shorts	10%
Net exposure	75%