



Investor Update

Q2.2021

Wunala Capital Pre-IPO Investments

The Wunala Capital Emerging Opportunities Fund ("Fund") invests in high growth Pre-IPO, IPO and select listed opportunities in technology, finance, healthcare and sustainable energy companies.

Key Updates

Welcome to the Wunala Fund quarterly investor update. Key results:

- For the quarter ended 30 June 2021, the Fund returned -3.8%, with returns net of fees and expenses since inception of -3.3%; and
- In the last quarter the Fund made 5 new investments and exited 2 positions.

The Fund contracted slightly over the quarter, primarily due to our listed portfolio being impacted by financial year-end declines which almost immediately rebounded to a net gain in the first week of July.

We also had three holdings which had targeted an IPO prior to 30 June which would have contributed well to the Fund had they occurred by that deadline. Two of these were delayed due to an ASX backlog; one (Butn) has already listed since and the other (Li-S Energy) is now scheduled to list in August. We believe that both of these will contribute positively to the fund's NAV over this timeframe as the valuations of shares at IPO are comfortably in excess of our entry price.

We actually have a very busy schedule over the next 4-5 months with 6 companies targeting an IPO over that time. Taking us through to November 2021 will mark the first full 12 months since the Fund launched which will provide a reasonable measuring point to ensure that we are delivering on our return targets.

As frequently mentioned, our private positions are not revalued during the hold period which is usually 9-12 months. We look forward to being able to share more on these upcoming revaluations (we are bound by confidentiality) but suffice to say we are very excited!

Notable Transactions

Wunala Capital was proud to be the lead investor in Demyst's pre-IPO round that closed in June, as foreshadowed in our Q1 update. Due to strong demand the round was upsized from A\$25m to A\$33m. Alongside Wunala Capital, other high quality institutions such as Perennial, Moelis, Bombora and Regal supported the round so we are confident that Demyst is well placed to drive further growth ahead of an IPO in 2022.

We would like to thank all the Fund's investors who also co-invested with us in the Demyst round and look forward to sharing further transaction opportunities with you in due course.

Our deal flow remains strong with a number of high quality opportunities identified over the quarter. One investment we are particularly excited about is Li-S Energy (detailed overleaf) which has also received some positive media coverage recently.

During the quarter we exited our investment in Island Pharmaceuticals (ASX:ILA). While it remains an interesting product with compelling upside, its early valuation after listing comfortably exceeded our target hold price so we decided to sell down and redeploy capital elsewhere. Our gross investment return on this position was +118%.

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Li-S Energy & battery technology

One of the biggest investment trends in recent months/years has been 'electrification' of vehicles and the associated mad rush to invest in lithium and other commodities required to manufacture batteries to furnish this trend. Rather than dabble in resources (an area we know previous little about), we have decided to focus upstream on higher value-added technology such as that developed by Li-S Energy.

Li-S refers to Lithium Sulphur, a type of battery that is much cheaper to produce and with much higher specific energy (the amount of energy stored per physical size) than standard lithium-ion batteries such as that in an iPhone or Tesla. The main downside of Li-S batteries is that each time the battery is depleted and charged, they suffer a loss in capacity which can be quite drastic (often only lasting 30-50 cycles). A standard Li-ion battery typically last 300-500 cycles (flat to charge) before it needs replacing.

Li-S Energy uses Boron Nitride Nanotubes (BNNT) as a thermal insulating layer inside an Li-S battery which still contains 3x the energy capacity of Li-ion but also appears to have solved the degradation issue. Tests have indicated 450+ cycles with minimal loss of charging capacity.

The manufacturing technique to commercialise large-scale production of BNNTs has been developed by Deakin University (an investor in Li-S Energy) over the last 10 years. BNNTs are not new, they have been used by NASA in satellites for example, but to date it has been very expensive and time consuming to produce them at sufficient scale and purity. Li-S Energy has secured a 20 year license agreement for supply of BNNT.

In short, Li-S Energy has huge upside as they refine their technology. A phone that lasts for a week, driving your car 1000km between charges... we are excited about this one.

Commentary

Figuring out the 'value' of something is hard and fraught with subjectivity. One measure is that something is worth what another person will pay you for it. This is fine and well in theory, but not when it drifts too far away from fundamental justification. As some of the recent overpricing in meme stocks (see: Gamestop, AMC, Dogecoin etc) has proven you don't want to be the one left holding the bag at the end of the line when everyone else decides they want to move on to something more fun and the price drops by 80% over the course of a day.

The real goal for us as investors is to deliver alpha - excess performance relative to a benchmark (even if that benchmark is absolute return focused). The only way to genuinely deliver alpha is when expectations of future value changes, which for us is primarily tied into the maturation of our portfolio companies from promising (although somewhat untested) private companies to liquid public enterprises.

Capturing alpha is hard - it's what professionals (well, us at least) live for. And we get no greater satisfaction than finding an absolute gem of a private company that we think can deliver outside, process-led returns to our clients who share our views in creating wealth over the medium term. I remain confident in our ability to demonstrate this to you over the months to come as our first batch of private investments come to market.

Thank you again for your interest and support of Wunala Capital. Regards,



Scott Wilson
Managing Partner

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