EQUITABLE INVESTORS®

Dragonfly Fund

Fund Update

August 2025

Issued: September 2025

Navigating

"The pessimist complains about the wind; the optimist expects it to change; the realist adjusts the sails" – William Arthur Ward

Performance to August 31, 2025	1 month	3 months	FY2025	FY2024	FY2023	FY2022	FY2021	Inception
	+1.67%	**+18.47%**	**-3.68%**	**+6.71%**	**-34.04%**	**-23.53%**	**+74.34%**	**-6.26% pa**

Performance Hurdle: a total return greater than the five year government bond rate + 5% pa over the medium-to-long term.
Fund return is calculated net of all management fees, expenses and accrued performance fees.

Fund Facts

NAV	$0.59594
Inception	Sep 1, 2017
Bloomberg	EQUINDF AU Equity
APIR code	EQB7664AU
ISIN	AU60EQB76649

Portfolio Key Metrics

August 31, 2025	**% NAV#**
Cash (incl. cash ETF)	0.2%
Unlisted	13%
Con Notes in Listed	5%
ETFs	0%
Listed Equities	82%
Market cap <$100m	*69%*
Market cap $100m-$1b	*31%*
Market cap >$1b	*0%*
Top 5 positions	49%
No. positions*	21

May not add up to 100% due to rounding
* excludes positions <0.1%; counts multiple security types in one company as one position
Note: In-the-money convertible notes treated as equity

Key Contributors | Last Month

Positive	Spectur (SP3), Wrkr (WRK)
Negative	MedAdvisor (MDR)

Key Contributors | Last Three Months

Positive	Spectur (SP3), Mad Paws (MPA)
Negative	Dataworks (DWG), MedAdvisor (MDR)

SUMMARY

➔ **THE MONTH** | Reporting season delivered the market volatility we anticipated, with the ASX reacting sharply to company results that diverged from expectations. The Fund navigated these conditions to post a positive return of +1.67% for August, although it did not escape volatility, with our internal tracking showing NAV was up materially higher mid-month.

➔ **LAST 3 MONTHS** | Over the past three months, the fund's NAV advanced by 18.5%, with standout contributions from SP3, MPA, Adveritas (AV1) and Archtis (AR9). DWG and MDR were the most significant laggards. This solid run for the quarter reflects a combination of company-specific catalysts, improved investor interest in smaller stocks and a recognition that valuations of a range of small stocks were low relative to the broader market.

➔ **OUTLOOK** | Reporting season turbulence underscored the importance of understanding the expectations reflected in stock prices. AGM confession season is not far off and will likely deliver more of the same. Interest rates are trending down and that has historically been a positive for smaller stocks. But central banks are conscious of maintaining a "policy buffer" given rates are already low relative to long-term historical levels - so we would not bank on materially lower rates coinciding with a strong economy. We will continue to focus on the catalysts and opportunities of individual businesses.

Top Nine Positions (alphabetical order, as of August 31, 2025; ASX-listed unless otherwise stated)

Adveritas (AV1)	Energy Technologies (EGY)	Spectur (SP3)
Archtis (AR9)	Intelligent Monitoring (IMB)	Wrkr (WRK)
De.Mem (DEM)	Scout Security (SCT)	Hubspoke/ Upsure / Cova.ai (unlisted)

MONTHLY PORTFOLIO REVIEW

SP3's stock price increased 47% in the month of August, supported by its full-year FY25 results, released late in the month, showing a 6.4% revenue increase to $8.7m - that featured a 30% lift in subscription revenue - and for the first time positive operating cash flow - +$0.29m. We profiled SP3 for our investors here.

WRK also performed strongly, boosted by a successful $15m placement announced in early August. The funds raised are to be used essentially to service clients preparing for Payday Super compliance by July 1, 2026; as well as seeking to win business from the ATO Small Business Clearing House as it is decommissioned; and to look at M&A. This operational funding and future growth visibility helped drive positive sentiment and its share price appreciated 12% over the month. We profiled WRK for our investors here.

In contrast, MDR weighed on performance in the wake of the sale of its Australasian business and flagged soft results out of the US that were confirmed late in the month. Its share price fell 31% in August. The MedTech company held a shareholders meeting where a number of resolutions related to "retention benefits" were voted down. MDR is understood to be engaged with potential buyers of its US business.

Some of the other highlights from profit reporting season for the Fund's portfolio included:

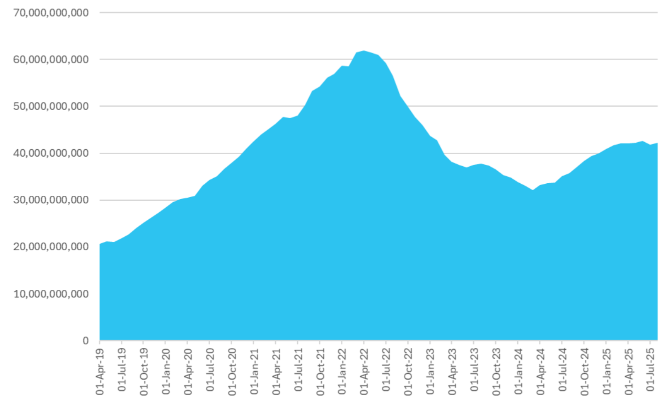
- ➔ Expense management software company **8Common (8CO)** achieved $0.33m EBITDA in the second half, a turnaround from -$0.35m in the first half, and said a lift in gross margin expansion to 76.5% in Q4 from 58.4% in Q1 positioned it well for profitability.
- ➔ Water treatment services & tech company **De.mem (DEM)** reported a 20% increase in first-half revenue to $14.0m - and its first positive half-year adjusted EBITDA of $0.56m.
- ➔ Modular data centre manufacturer **DXN (DXN)** delivered break-even EBITDA for FY2025 with improving gross margins as revenue increased 49% to $16m.
- ➔ Security monitoring company **Intelligent Monitoring (IMB)** acquired Western Advance (WAPL), a leading supplier of security systems to the oil & gas and industrial industries, for $4.5m, representing a 3x EBITDA multiple of its last four years average EBITDA. IMB reported $175m revenue for $38.4m adjusted EBITDA in FY2025.
- ➔ Family safety & communications tech company **Spacetalk (SPA)** announced 25% growth in ARR in FY2025 to $12.1m. Revenue from continuing operations tallied to $19.6m for the year. "We remain focused on our path to $20–25M ARR in 2026", SPA said. *Disclosure: Equitable's Martin Pretty is a non-executive director of SPA.*

MONTHLY PORTFOLIO CHANGES

Last month we noted that we had initiated a new position in WRK and that subsequently the Fund participated in WRK's capital raising. The Fund also committed in late August to a capital raising undertaken by existing investment **Archtis (AR9)**. AR9 completed a placement of $3.5m and launched a $17m entitlement offer to fund the acquisition of US-based Spirion LLC for $15.7m, equating to 0.9x Annual Recurring Revenue (ARR). "The Acquisition of Spirion is a highly revenue-accretive transaction that immediately adds A$17m in scalable ARR. Building on archTIS' recent U.S. Department of Defense contract win, this combination gives the Company the proven technology, talent, and customer base to expand and scale our U.S. operations rapidly," AR9 CEO Daniel Lai said.

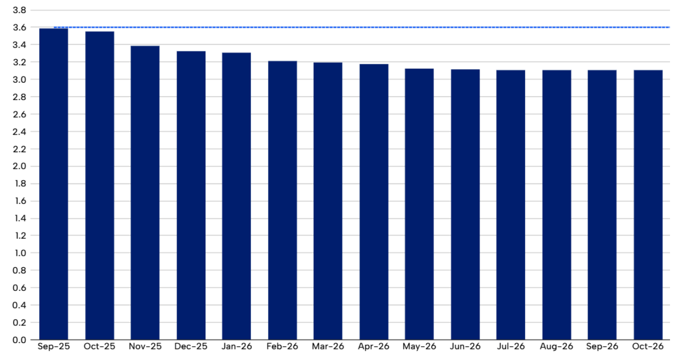
CHARTS

Value of trade in S&P/ASX Emerging Companies Index (trailing 12 months)



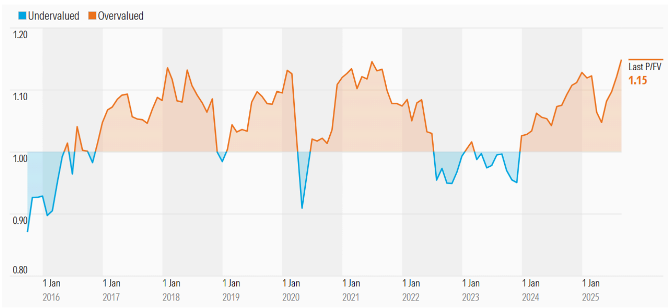
Source: Iress, Equitable Investors

ASX 30 Day Interbank Cash Rate Futures Implied Yield Curve



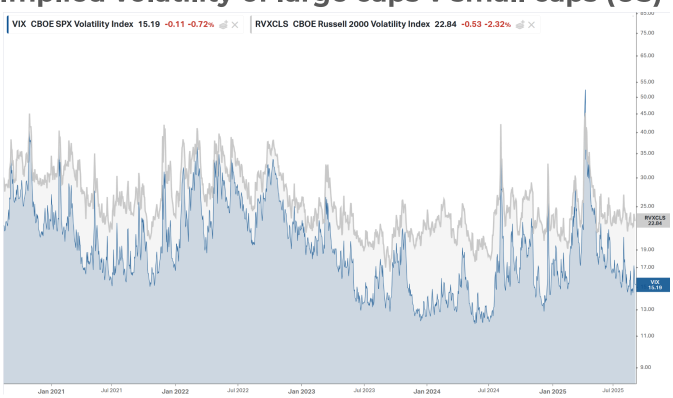
Source: ASX

Market price v bottom-up valuation (ASX)



Source: Morningstar

Implied volatility of large caps v small caps (US)



Source: Koyfin

Multiples: Last 12 Months & Next 12 Months

Small Ords **Aus** EV/Sales	7.2x	8.2x
Small Ords **Aus** EV/EBITDA	17.9x	14.6x
Small Ords **Aus** P/E	32.5x	23.9x

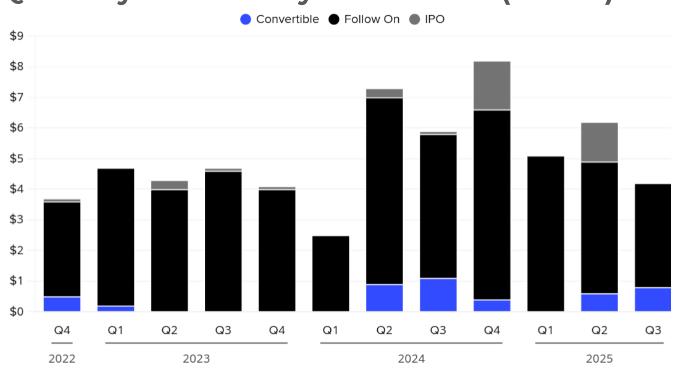
Source: Koyfin, Equitable Investors

Multiples: Last 12 Months & Next 12 Months

"FIT" median **Aus** EV/Sales	1.6x	1.5x
"FIT" median **Aus** EV/EBITDA	9.9x	9.0x
"FIT" median **Aus** P/E	19.9x	16.0x

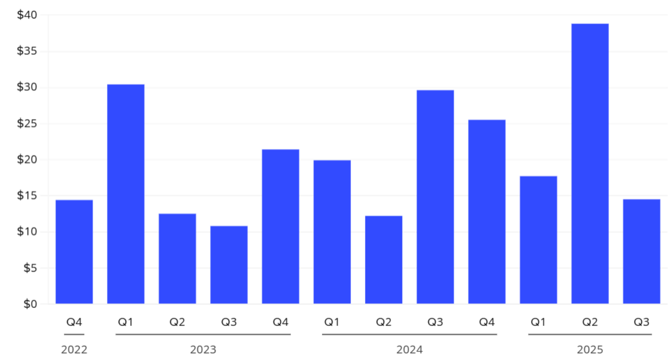
Source: Koyfin, Equitable Investors

Quarterly ECM activity - Australasia (in USD)



Source: LSEG, WSJ

Quarterly Australasia M&A (in USD)



Source: LSEG, WSJ

WHAT'S ON OUR MINDS

Price Discovery	Index-tracking; momentum and quantitative strategies have caused a structural shift in equity markets and the allocation of capital no longer seems to occur across a broad cross-range of companies. "Passive inflows perpetuate price trends… and capital shifts further into passive strategies" - Research Affiliates. A 2025 study found "flows into passive funds disproportionately raise the prices of the economy's largest firms" and "makes the size distribution of firms more skewed". A 2024 experimental study found when passive investing reaches ~38% of market participation (reflecting US equity market conditions), it significantly impairs informational efficiency, reducing the elasticity of prices to underlying asset values by ~60% compared to scenarios with no passive investors.
M&A	Global M&A is up 33% year-on-year in US dollar value for CY2025-to-date (as of September 7, 2025) and in Australasia the aggregate deal value is up 25%. A regular flow of transactions involving small-to-mid cap ASX-listed companies has continued.
Liquidity	Trading in the S&P/ASX Emerging Companies Index has remained well below the peak dollar values of 2022 (32% below the peak 12 month period, which ended April 2022) but up 18% year-on-year, using the 12 month trailing trade value in the Emerging Companies Index (through to the end of Aug. 2025) as a proxy for micro and small caps.
Private market valuations	Private markets continue to slowly adjust to changes in the cost of capital that have occurred over the past few years. Despite marketeers labelling private assets as low volatility, there is underlying volatility in the pricing of private assets AND correlation with public markets. ➔ A decade high 15.9% of VC-backed deals in 2025 were "down rounds" and every major US IPO in the June quarter was priced below its peak valuation, said Fortune. ➔ About 45% of private equity buy-outs are in breach of leverage caps as exits and financing becomes more challenging" according to Bloomberg. ➔ 56% of respondents to a July 2025 Mercer survey of private debt managers expect average loss rates to increase by between 10 and 50 basis points (bps) over the next two years, while a further 9% expect loss rates to rise by more than 50 bps. Among managers with less than US$40 billion under management, 12% expect to see a significant increase in loss rates.
Our private Investments	A key lesson for us when investing in unlisted entities has been the importance of having adequate influence with the investee. When problems arise, exiting private investments is often not an option. But if we can influence the actions taken in response, we can push for the best possible outcome.
"Artificial Intelligence" (AI)	A study from MIT, "The GenAI Divide: State of AI in Business 2025", found 95% of generative AI projects in businesses were failing to deliver a meaningful return on investment at the enterprise level. A plethora of pilot projects failed to scale and deliver tangible results. OpenAI co-founder and CEO Sam Altman recently called out an AI "bubble" and that "someone's gonna get burned." At Equitable we have AI-focused investments and we actively utilise AI tools, while recognising their short-comings. But we are cognisant of the likelihood that a lot of capital may be torched before the winners emerge and the long-term benefits of applying AI are enjoyed economy-wide.
Interest rates & inflation	Interest rates remain low by historical standards (see 700 years of declining rates charted here). Markets are currently pricing in modest official interest rate declines in both Australia and the US. Rate cuts are typically positive for equities - and small caps in particular - BUT large cap equities traded strongly through the last rate hiking cycle and equity risk premiums currently appear low, especially for larger cap equities.
Energy	The world is going to need all forms of energy to sustain or advance standards of living. Goldman Sachs has predicted an increase of as much as 165% in global power demand from data centers between 2023 and the end of the decade. The Australian Energy Market Operator (AEMO) predicted a doubling of electricity consumption by 2050.

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

Key Characteristics

Unique Opportunities	Invests in businesses that often lack widespread investor awareness.
Proprietary Research	Continually updating investment views, meeting companies, researching, evaluating.
Constructive Approach	Open dialogue with companies assists in maximising value.
Expertise	Equitable's founder has well over 20 years of experience.
Alignment of Interests	Seeded by the Manager & all our best ideas go into the Fund.

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Dragonfly Fund has the capability to "swap" shares in a company or companies for Fund units where Equitable Investors finds them attractive and suitable investments. To date we have used this capability sparingly, rejecting all but a very small number of proposals, but we continue to seek favourable opportunities. Further info is available here.

Equitable Investors Pty Ltd
ABN 72 120 965 979

contact@equitableinvestors.com.au
www.equitableinvestors.com.au