BMY Group Pty Ltd

05/09/2018

Annual Investment Managers Report to Investors
BMYG Australia IPO Opportunities Fund – Tranche 2

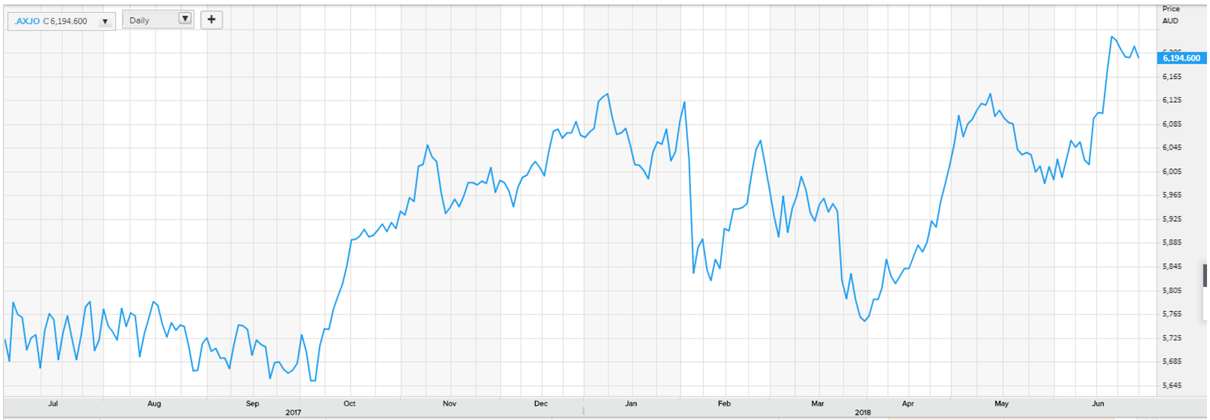
Dear Investors,

Thanks a lot for your support!

Executive Summary:

The Australian equity market has experienced both ups and downs during the last financial year. As the number of IPOs moderately increased in third quarter of last calendar year, the secondary market in Australia became more active. This somewhat meets our expectation that the Australian economy will begin to recover. As some investments made significant gains in the last quarter of 2017, we proactively sold a number of the assets we held to lock in returns.

While the global market experienced strong fluctuations in the first quarter of this year, we didn't make many investments, so to avoid investment risk. During the second quarter, we saw the Australian stock market began to recover, especially large-cap mining stocks which rose significantly, which led the Fund's performance to rebound in June.



Graph 1 : ASX 200 Index Movement (Source: Thomson Reuters)

As at 30 June 2018, the operating loss for the financial year is $796,327, with unit price of $0.76. During FY18, we have made a total distribution of 11.62% (including 5% capital distribution). This Fund performance is lower than our expected target return. Considering the extreme volatile equity market environment in FY18 and this is the first year since the new Fund was established, we are confident that as the market is recovering, we would explore more valuable investment opportunities to boost up the Fund performance in the coming year.

Investment Description:
The Fund is holding the following investment at the end of FY2018:

1. **Helium One:** This is a focused explorer developer, and ultimately producer of high value bulk liquid helium for the international market. The company recently completed the formal pre-IPO financing round with a price 25% higher that our share purchase costs. In operations, the company completed the initial seismic re-interpretation, which will enhance imaging of previous mapping and make prospective helium volume calculations more accurate. Negotiations are at an advanced stage with a US gas group, with initial drilling expected to commence in Q4 of this calendar year or early next year. At the same time, the company is preparing for listing early next year.

2. **1AL**: The company is a fast-growing outdoor furniture business vertically integrated from design, manufacture to distribution of its products. The company has acquired a new warehouse in Spain, with close proximity to its current operations so to unlock significant synergies through integration of logistics operations. Upgrade of manufacturing facilities in China got delayed, as the company is planning to modify it current design, in order for the facility to have more space than planned. We are confident that the company will deliver greater capacity after this significant investment and therefore we will still intend on holding its shares.

3. **CPH:** The company is an Australian cannabis company, which develops cannabis and hemp derived therapeutic-grade nutraceuticals and medicinal cannabis products for human and animal health. Cannabis concept stocks returned to fair valuation after a crazy hype last December. In this quarter, the company's update and progress didn't provide much to support a share price increase. Shortly after the reporting period, the company announced a non-renounceable rights issue to existing shareholders. We decided not to participate, considering the company's recent under-performance relative to our expectations.

4. **ZNT:** This is a community-based healthcare operator, providing integrated in-home and in-community healthcare services and clinics in Australia. The company have demonstrated strong growth supported by favourable industry conditions, with organic growth rate of 7.5% for 1H18. Completion of 4 additional acquisitions are expected in the coming months, with the company's proforma gross revenue base expected to be $170m. As the company trades at quite a large discount to domestic healthcare peers, we are confident on its FY19-20 financials and business forecast and therefore would like to keep our holdings.

5. **OVO:** This is a telecommunication service provider, uniquely targeting sports fans and family. The company has been growing close to its expectations and worked hard to integrate last year's acquisition and rolling out more advertising capabilities. We are now working to try to realise our investment in next year.

6. **FRX:** This is a developer and producer of the new generation flame retardant (FR) plastic material 'Nofia', which provides the world's first "Polymeric" halogen- free FR solution. The company signed two major pillar clients this quarter and currently have 37 buying customers. The company is ahead of plan for first half of 2018 and tends to exceed $A10M in revenue for the full year. To protect and maximized return for current shareholders and debt holders, the company would opt for a trade sell instead of planned IPO, to uplift valuation of the company.

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Potential trade sell is currently in discussion and is expected to be confirmed by end of this year with settlement early next year.

7. **Mobecom:** This is a mobile and cloud technology solutions provider. The company recently did a placement to support the working capital and its roll out in South Africa. We are confident that the transaction would support the company's future growth. And its recent move towards blockchain technology is also welcomed.

8. **TZN:** During this quarter, the company completed final design and environmental impact assessment for Tala Hamza project. This project however was delayed for about 3 months, causing the share price to fall. However, we are not too concerned about the temporary share price movement and confident that the company will get its mining license this year. At the same time, the company is considering the demerger of its base and precious metals business. The demerger is expected to provide strategic clarify in company direction and improve operation efficiency for each division. We would expect to see the positive impacts on secondary market.

Future Investment Outlook:

The Fund's main strategy and investment philosophy is still the same. Future intention of investments is to buy stocks directly in the secondary market, but only as a complimentary to the existing mandate of direct investing into Pre-IPO, IPO and Placement.

Going forward, we will consider exit strategies for the majority of assets in our current portfolio holding. Since the end of FY18, the Fund invested in the following company with more detailed description and update to be provided in the next report:

1. **Pinnacle Investment Managerment (ASX: PNI):** This is an investment management firm providing affiliated investment managers with distribution, infrastructure and other support services. We entered into the investment via a placement. The company currently finished an acquisition to MCP and Omega. The acquisitions are forecast to be EPS accretive in the first 12 months, and existing shareholders may not be diluted by the new issue. We expect that this new affiliation will lead to strong profits in the future.

We would like to thank you for your continued support in the Fund. Please do not hesitate to contact our office if you have any questions.

Kind regards

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