MEREWETHER CAPITAL

Merewether Capital Inception Fund Performance Summary (at 31 March 2024 net of fees and expenses)					
1 Month	3 Months	6 Months	1 Year	2 Years (p.a.)	Since Inception*
-0.54%	-4.00%	-3.70%	6.14%	-10.79%	-28.65%

Indicative performance is reported net of all fees and assumes reinvestment of distributions. Past performance is not a reliable indicator of future returns. * Inception Date 26 November 2021

Dear Investor,

The Merewether Capital Inception Fund (the “Fund") began the month with an indicative unit price of $0.7174 and ended the month with a unit price of $0.7135 for a -0.54% return.

Global investment markets were generally strong in March, as the potential for an economic “soft landing” continued to increase. Inflation in most regions is moderating and despite the odd spot of weakness general economic indicators are holding up.

Post February reporting season there was little news across the Fund with most stock prices moving as the market continued to digest financial reports and management teams performed investor roadshows.

The most material news in the Fund was the update from **Rectifier Technologies** (RFT) on their board dispute which has been on-going since November last year. Unfortunately, the update confirmed the worst-case scenario with the China-based Chairman attempting to gain control over the operating business with the appointment of his son as CEO.

Though claiming no disruptions to the Australian operating business with all key staff remaining employed in their existing roles (which I confirmed speaking to employees) over the medium to longer term I expect a significant brain drain across the business and even if some economic value is created, I suspect it will not filter down to minority shareholders.

We sold our entire position in the company upon its re-listing on the market, bringing an unfortunate end to a previously high conviction position that I have owned in various investment vehicles since 2014.

As I wrote back in the November investor update, RFT has been a painful lesson in governance risk, one that is often overlooked or even celebrated by investors when we seek high insider ownership.

We did get some good news came from our largest holding **Prophecy International** (PRO) who provided the market with more details around the partnership they announced with US based cyber security firm Devo Technology last year.

PRO confirmed that their endpoint monitoring solution Snare would be replacing Devo’s in-house solution and sitting within Devo’s overall technology at no additional cost for customers, requiring no selling activities from PRO.

27 of Devo’s customers are currently being on-boarded with an average subscription value of $38k, adding over $1m of high margin recurring revenue as Devo provides support and maintenance to the customer as part of their overall cyber security solution.

When all of Devo’s customers are on-boarded, it is expected to generate more than $5m in recurring revenue. Devo closed a $100m funding round in 2022 and grew over 50% last year around according to some reports, leaving PRO well placed to leverage that growth in a very capital light manner.

While the financial impact from the Devo partnership is material to PRO, perhaps more importantly is the confirmation of their positioning in the end point monitoring space with a well-resourced cyber security firm conceding their in-house technology couldn’t offer the scale and functionality of Snare. PRO has already indicated they are looking at further partnerships to integrate directly in other cyber security offerings.

Smart Parking (SPZ) made a small acquisition in March but like PRO it may be the signal the news provided that is most material rather than the news itself.

SPZ acquired Local Parking Security, a small parking management company with 126 sites under management in the UK, 72 of which use automated number plate recognition technology. SPZ paid roughly 4x EBITDA out of cash reserves meaning current earnings will accrete strongly, with the potential to roll out ANPR technology across the rest of the site portfolio and generate synergies from shifting Local Parking Security onto SPZ's SmartCloud platform.

However, the biggest risk to SPZ remains the threat of restrictive regulation, particularly in the UK where a new Parking Code of Practice threatened to drastically lower the cap on fines that parking management companies could levy. That new Code is currently sitting in Parliament, but it is interesting to see confidence in the industry with SPZ investing in an acquisition alongside private equity buying two larger players in the last few months. Recent commentary within Parliament also suggests some members are more open to increasing the cap on fines rather than decreasing them to potentially provide more deterrence for parking breaches.

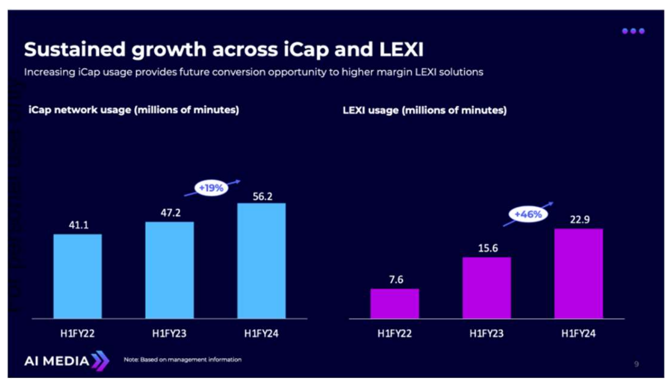
We also added a new position to the Fund in March, initiating a small holding in **Ai-Media** (AIM). AIM is a captioning service provider, with their niche historically being in live broadcast captioning. Prior to the emergence of speech to text technology, this had to be performed by specially trained stenographers to ensure a speedy turnaround with captions delayed by no more than three to five seconds.

At it's IPO in 2021 AIM was entirely a services business, with over 2000 contractors globally they could engage on behalf of their customers. While a solid niche that AIM had grown strongly in since being founded in the early 2000's, the rapid growth in quality of speech to text solutions meant severe disruption was on the horizon.

Rather than try to consolidate within a dying industry, AIM management were proactive about leveraging the new technology that was emerging and shortly after the IPO acquired EEG Enterprises, a US based business that would form what AIM now refers to as it's "Technology" segment.

Technology is now made up of three key products; low latency encoding hardware/software (Falcon/Alta) that splits and encodes the audio and video feeds, a cloud-based platform (iCap) that distributes audio feeds to captioning providers and an automated captioning service (Lexi) that has recently surpassed human captioners with 98.9% accuracy.

The key to AIM's growth in Technology is the first two products providing the optimal distribution for Lexi as the big value driver for customers. Between Falcon/Alta and iCap, AIM is the dominant provider of captioning infrastructure in the US and that foothold allows them to leverage a first mover advantage for customers looking to shift to automated captioning.

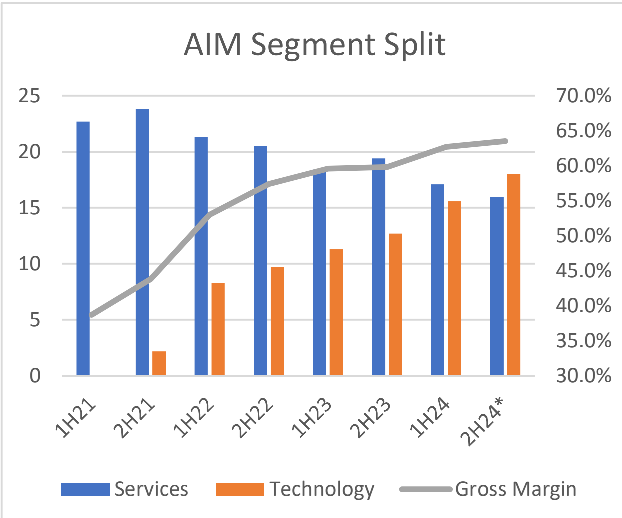


AIM grew total usage on the iCap network 19% last half but impressively it was the penetration of Lexi that grew 46% and made up over 40% of all minutes captioned on the iCap network that is driving Technology revenue growth.

With the quality of Lexi now overtaking human captioners the shift to an automated solution is an easy decision for customers with a cost of ~$8 per hour compared to a human captioner of ~$80 per hour.

MEREWETHER CAPITAL

As with most companies who shift revenue from labour intensive services to automated solutions, AIM is seeing a dramatic increase in their gross margins which is flowing through to bottom line profitability:



Over time as Services terminally declines, group margins will shift up over 80% where the Technology segment sits today. Importantly, the improving gross margin has resulted in profitability at the bottom line, though it is currently being masked by the accounting amortisation of historical intangibles.

Given the big split between statutory amortisation (~$4m) and cash re-investment (~$500k), the best profitability metric for AIM is operating EBITDA minus cash re-investment. On that metric, AIM has generated roughly $2.5m operating cash earnings over the last twelve months compared to the current $70m market cap.

2x Technology revenue and 28x operating cash earnings is a very reasonable multiple for the embedded growth AIM has on offer. They are continuing to grow their dominant network position, and within that driving high margin automated solutions to customers. More importantly however is that historically EEG was focused largely on the US and English language market, leaving plenty of room for growth internationally.

In the last half French and Spanish made up 5% of Lexi volumes, compared to 1% a year ago, and is expected to continue as a key driver of growth. The speed and value of automated live captioning also opens up new customers who were previously uneconomical with human captioning such as government, education, places of worship and large events. AIM's positioning as a "one stop shop" for captioning infrastructure and an automated solution leaves them in good stead as these industries continue to open up due to automated solutions.

Despite a flat result for the Fund in March, there has been substantial green shoots in the ASX micro-cap market in the last couple of months with strong share price moves on increased liquidity for businesses who are executing well. As conditions are improving more businesses are gaining the confidence to approach the market for growth capital giving them the flexibility to make investments in acquisitions or internal opportunities.

Thanks for your on-going support.

Luke Winchester (Portfolio Manager)