

**Bailador Technology
Investments Limited (BTI)**

Listed Managed Investments

March 2019 Quarterly Review

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IIR was established in 2004 under Aegis Equities Research Group of companies to provide investment research to a select group of retail and wholesale clients. Since March 2010, IIR (the Aegis Equities business was sold to Morningstar) has operated independently from Aegis by former Aegis senior executives/shareholders to provide clients with unparalleled research that covers listed and unlisted managed investments, listed companies, structured products, and IPOs.

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- 3) Our research does not provide a recommendation, in that, we do not provide a "Buy, Sell or Hold" on any stocks. This is left to the Adviser who knows their client and the individual portfolio of the client.
- 4) Our research process for valuation is usually more conservative than what is adopted in Broking firms in general sense. Our firm has a conservative bias on assumptions provided by management as compared to Broking firms.
- 5) All research mandates are settled upfront so as to remove any influence on ultimate report conclusion;
- 6) All staff are not allowed to trade in any stock or accept stock options before, during and after (for a period of 6 weeks) the research process.

Rating



LMI Type

Listed investment company

Investment Area

Private equity

Investment Assets

Private companies

Investment Sectors

Information Technology

Key Investment Information

Price (\$) as at 27 June 2019	1.035
Market cap (\$M)	124.5
Shares on issue (M)	120.2
Options on issue (M)	0.0
Shares traded (\$M p.a)	14.2
12-month L/H (\$)	0.74/1.05
Listing date	November 2014

Fees:

Management Fee (%)	1.75
Performance Fee(%)	17.5*

*Performance fee is subject to a 8% compound annual increase in the NAV of the company.

Premium/Discount to Pre-tax NTA

As at 31 March 2019	-31.6%
Average since listing	-18.9%

Dividend Yield

	%
FY16	na
FY17	na
FY18	na

Largest Shareholders

	%
Washington H Soul Pattinson	19.1
David Kirk via Kirk Family Holdings	7.0

As at 31 March 2019

COMPANY OVERVIEW

Bailador Technology Investments Limited (ASX: BTI) is a listed investment company providing exposure to a portfolio of unlisted internet related businesses founded in Australia and New Zealand. It invests in companies in the expansion stage, with a demonstrated revenue and customer base. Bailador Investment Management Pty Ltd is the Investment Manager.

INVESTMENT OBJECTIVE

BTI aims to provide investors with exposure to a portfolio of private information technology companies with recurring revenue, strong business model and are seeking expansion capital.

STYLE AND PROCESS

The Investment Manager sources investment prospects through its many formal and informal networks. The Manager particularly favours businesses that have either a subscription or marketplace revenue models. The Manager has some key investment criteria that an investment opportunity will typically meet: 1) Proven technology; 2) Proven management; 3) Proven business model; 4) Repeating revenue; 5) Globally competitive technology; 6) Highly profitable unit economics; 7) Large global addressable market; 8) Rapid growth potential; and 9) Potential to generate a sufficient return on investment.

PORTFOLIO CHARACTERISTICS

The portfolio is concentrated with its 10 investments accounting for 97.9% of the portfolio, with the remainder being cash. Thus shareholders should be aware of concentration risk compared to more diversified LIC's.

The largest holding is in SiteMinder, which makes up 39.7% of the portfolio. The heavy weighting is on the back of a significant increase in the value of the investment with the investment accounting for only 15.7% of the capital invested.

INDEPENDENT INVESTMENT RESEARCH COMMENTS

BTI offers investors a unique opportunity to gain exposure to direct investment in a portfolio of private technology companies with ASX liquidity. The Investment Manager comprises a team of five professionals with technology, business and investing experience led by three highly experienced individuals in the technology and investment industry.

As at 31 March 2019, the company was trading at a 31.6% discount to pre-tax NTA. We view discounts such as these to provide attractive entry points for prospective investors. However, we note that such discounts can persist for long periods of time or even widen as can be seen from the track record of the discount of BTI on the graph on the following page.

The ability of the company to conduct transactions like the STG IPO in the prior quarter should give investors confidence in the strategy.

However, we continue to remind investors that private equity style investing has different risks and returns can be lumpy and take time to be realised. This type of investment may not suit all investors but BTI does offer an investment strategy not easily available through an ASX listing or to private and retail investors normally and thus provides a possible diversification as part of an overall asset allocation in portfolio.

Investment Limitations

1) Initial Investment cannot exceed 40% of the portfolio.

2) Up to 15% of the portfolio can be listed in publicly listed technology companies and IPO's, excluding any existing investments that have exited via IPO and in which the company has retained an interest.

3) Cannot invest in start-up businesses.

4) Cannot invest in bitechnology companies.

5) The Manager can make follow-up investments in subsequent fund raising rounds of businesses in the portfolio when the investment is deemed to be value creating for shareholders.

6) Can invest in a range of securities including but not limited to, convertible preference shares, convertible notes, preference share, ordinary equity, warrants and debt-like instruments.

Board of Directors

David Kirk	Executive Chairman
Paul Wilson	Executive Director
Andrew Bullock	Independent Director
Sankar Narayan	Independent Director
Jolanta Masojada	Independent Director

PERFORMANCE ANALYTICS

Performance	Mar Quarter	1 year	3 year p.a	5 year p.a
Pre-tax NTA + Dividends (%)	0.9	9.3	0.3	na
Share Price + Dividends (%)	5.3	-5.3	-7.3	na

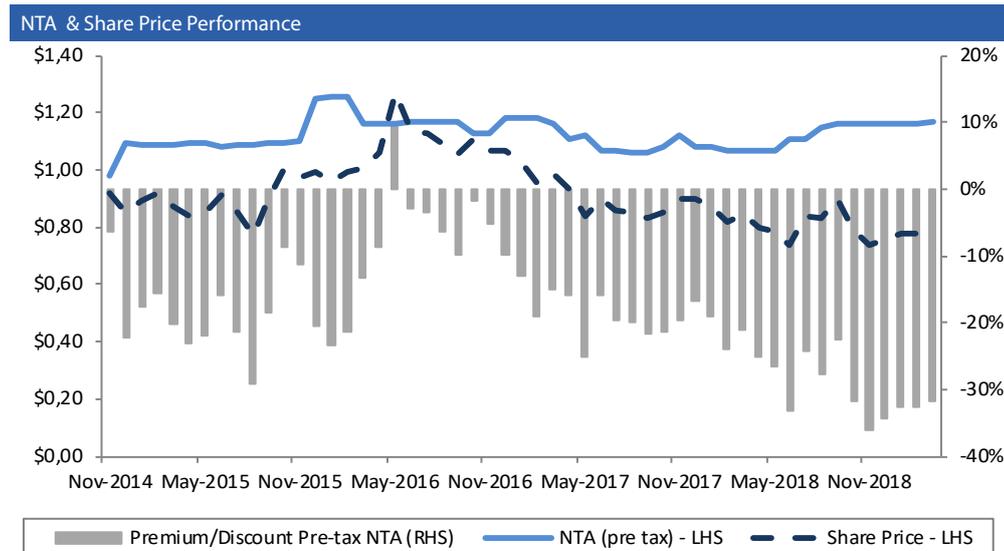
OTHER DATA

- ◆ Dividend policy – Dividends will be paid where possible following the realisation of investments.
- ◆ Capital management policy – na
- ◆ LIC tax concessions – No
- ◆ DRP available – No

BTI's Portfolio Weighting

Company	Valuation (\$m)	NTA Per Share \$	Gain/Loss (%)
SiteMinder	55.9	0.47	305%
Instaclustr	14.6	0.12	225%
Stackla	12.6	0.10	13%
Lendi	10.7	0.09	112%
SMI	9.6	0.08	30%
DocsCorp	9.2	0.08	83%
Straker Translations	9.0	0.08	44%
Viostream	7.4	0.06	-72%
Rezdy	5.9	0.05	64%
Brosa	3.0	0.02	0.0%
Total Value of Investments	137.9	1.15	
Cash & Other	2.8	0.02	

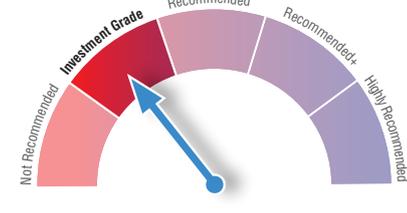
Source all figures: BTI/Independent Investment Research/IRESS.
All data as at 31 March 2019 unless otherwise specified.



APPENDIX A – RATINGS PROCESS

Independent Investment Research Pty Ltd “IIR” rating system

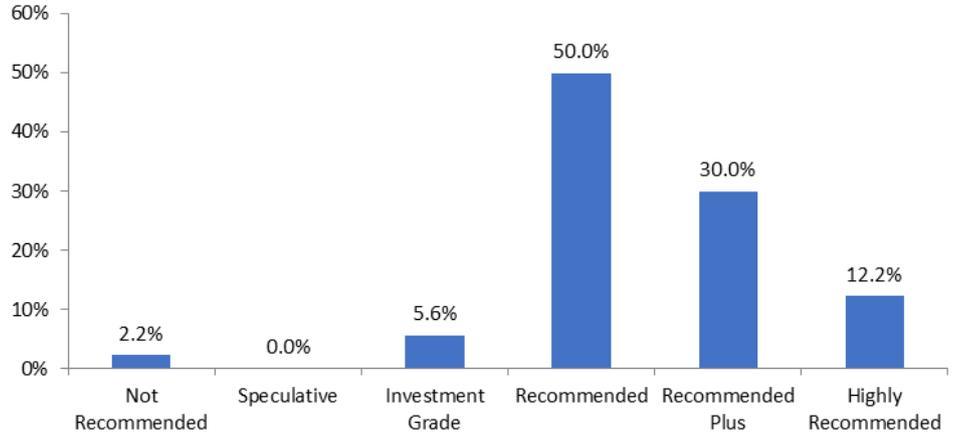
IIR has developed a framework for rating investment product offerings in Australia. Our review process gives consideration to a broad number of qualitative and quantitative factors. Essentially, the evaluation process includes the following key factors: management and underlying portfolio construction; investment management, product structure, risk management, experience and performance; fees, risks and likely outcomes.

LMI Ratings	SCORE
Highly Recommended	83 and above
	<p>This is the highest rating provided by IIR, indicating this is a best of breed product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved exceptionally high scores in a number of categories. The product provides a highly attractive risk/return trade-off. The Fund is likely effectively to apply industry best practice to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors.</p>
Recommended +	79–83
	<p>This rating indicates that IIR believes this is a superior grade product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved high scores in a number of categories. In addition, the product rates highly on one or two attributes in our key criteria. It has an above-average risk/return trade-off and should be able consistently to generate above average risk-adjusted returns in line with stated investment objectives. The Fund should be in a position effectively to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors. This should result in returns that reflect the expected level of risk.</p>
Recommended	70–79
	<p>This rating indicates that IIR believes this is an above-average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an above-average risk/return trade-off and should be able to consistently generate above-average risk adjusted returns in line with stated investment objectives.</p>
Investment Grade	60-70
	<p>This rating indicates that IIR believes this is an average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an average risk/return trade-off and should be able to consistently generate average risk adjusted returns in line with stated investment objectives.</p>
Not Recommended	<60
	<p>This rating indicates that IIR believes that despite the product’s merits and attributes, it has failed to meet the minimum aggregate requirements of our review process across a number of key evaluation parameters. While this is a product below the minimum rating to be considered Investment Grade, this does not mean the product is without merit. Funds in this category are considered to be susceptible to high risks that are not reflected by the projected return. Performance volatility, particularly on the down-side, is likely.</p>

APPENDIX B – MANAGED INVESTMENTS COVERAGE

The below graphic details the spread of ratings for managed investments rated by Independent Investment Research (IIR). The managed investments represented below include listed and unlisted managed funds, fund of funds, exchange traded funds and model portfolios.

Spread of Managed Investment Ratings



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