



MIRRABOOKA  
*Investments Limited*

14 October 2020

The Manager  
ASX Market Announcements  
Australian Securities Exchange  
Exchange Centre  
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**Electronic Lodgement**

**Mirrabooka Investments Limited  
2020 Annual General Meeting Presentation**

Dear Sir / Madam

The following presentation will be delivered to shareholders at the Company's Annual General Meeting to be held today.

Yours faithfully

Matthew Rowe  
Company Secretary

Authorised for release by the Company Secretary



# Presentation Agenda

- Objectives and Approach (Mark Freeman)
- Financial Year in Summary (Andrew Porter)
- Markets and the Portfolio (Kieran Kennedy)
- Outlook (Mark Freeman)
- Closing Remarks (Terry Campbell)

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# Objectives

## Investment Objectives

The Company aims to provide medium to long term investment gains through holding core investments in selected small and mid sized companies.

To provide attractive fully franked dividend returns.

# Our approach

## What We Look For When Investing

Business  
Quality

Attractive, sustainable return  
on capital prospects

No impediments to  
continued growth

Financial  
Strength

Balance sheet providing resilience  
and reinvestment potential

Returns supported  
by cash flow

Management

Act like a substantial  
shareholder, and often are

Experienced, effective,  
passionate

## Approach to Managing the Portfolio

Buy with a medium to long term view

Pay fair value for quality,  
wary of overpaying

Holdings often grow with increased  
conviction or price dips

Sell when investment case  
adversely changes

Monitor holdings for excessive  
valuations to manage risk

Maintain a spread of holdings;  
enhancing consistency of returns



# Financial Year in Summary

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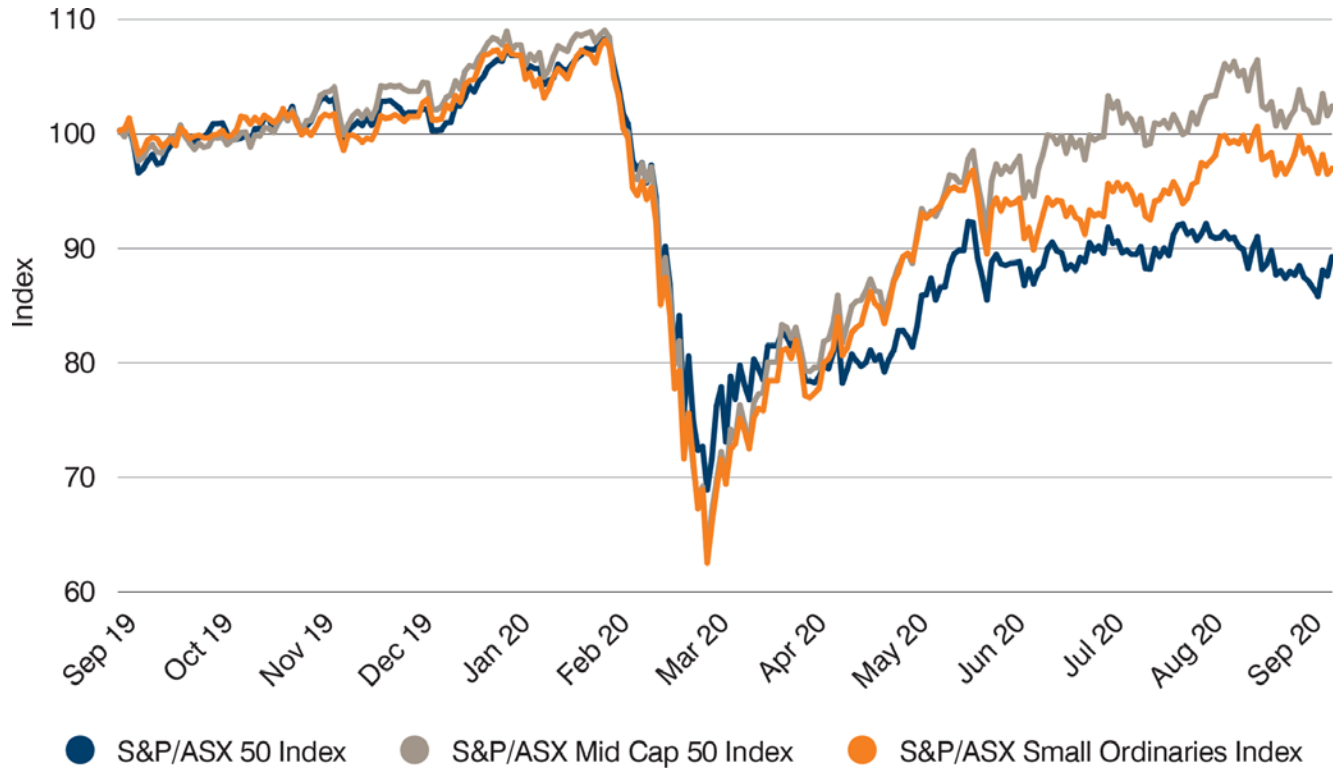
	2020			2020		
<b>Profit for the Year</b>	\$6.4m		Down 28.3% from 2019	<b>Total Shareholder Return</b>	1.3%	Share price plus dividend including franking*
<b>Fully Franked Dividend</b>	6.5¢ <small>Final</small>	10¢ <small>Total</small>	20 cents total in 2019 including a 10 cent special interim dividend	<b>Management Expense Ratio</b>	0.63%	0.61% in 2019
<b>Total Portfolio Return</b>	7.1% <small>Including franking*</small>		Combined S&P/ASX Mid Cap 50 and Small Ordinaries Accumulation Indices including franking* -1.9%	<b>Total Portfolio</b>	\$392.5m	Including cash at 30 June \$393.9 million in 2019



A close-up photograph of a person's hands holding a dark blue smartphone. The phone is held vertically, and the person's fingers are visible at the bottom and sides. The background is a soft, out-of-focus sunset or sunrise over a mountain range, with warm orange and yellow light. A white rectangular box is overlaid on the right side of the image, containing the title text.

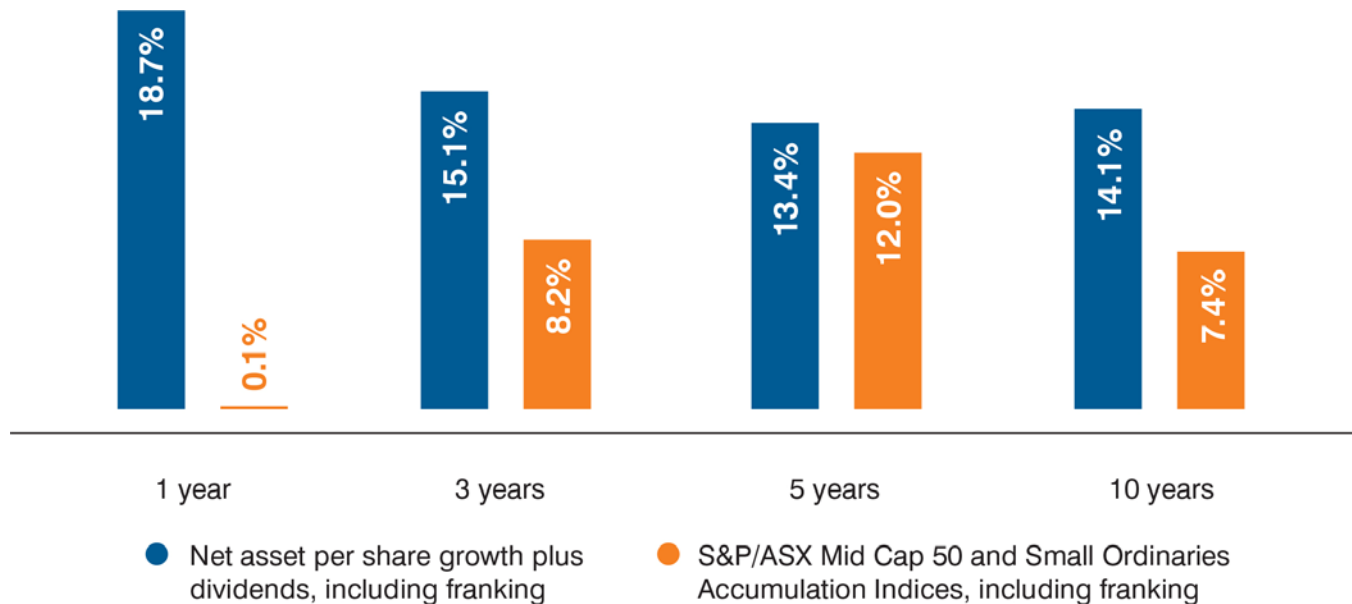
## **The Market and Portfolio**

# Our approach has held up in very challenging market conditions



Source: FactSet

# Portfolio Performance to 30 September 2020

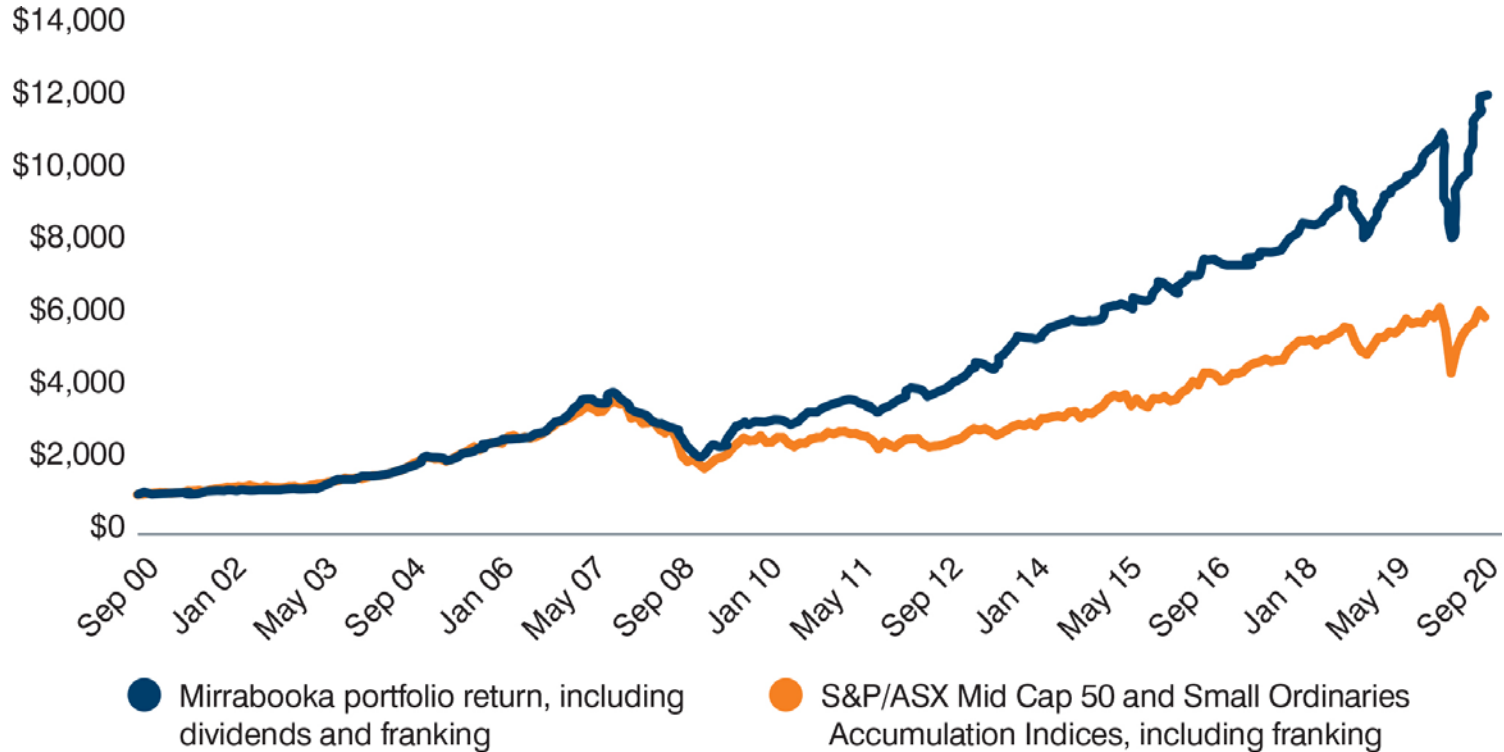


Figures assume an investor can take full advantage of the franking credits.

Note: Mirrabooka's net asset per share growth plus dividend series is calculated after management fees, income tax and capital gains tax on realised sales of investments. It should also be noted that index returns for the market do not include the impact of management expenses and tax on their performance.

Past performance is not indicative of future performance.

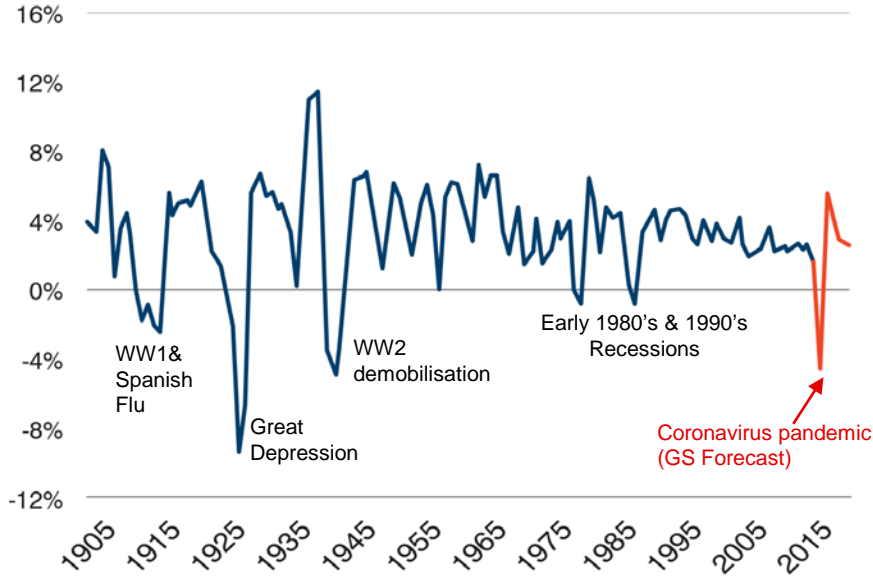
# Long term returns (with franking) – 20 years to 30 September 2020



Assumes an investor can take full advantage of the franking credits

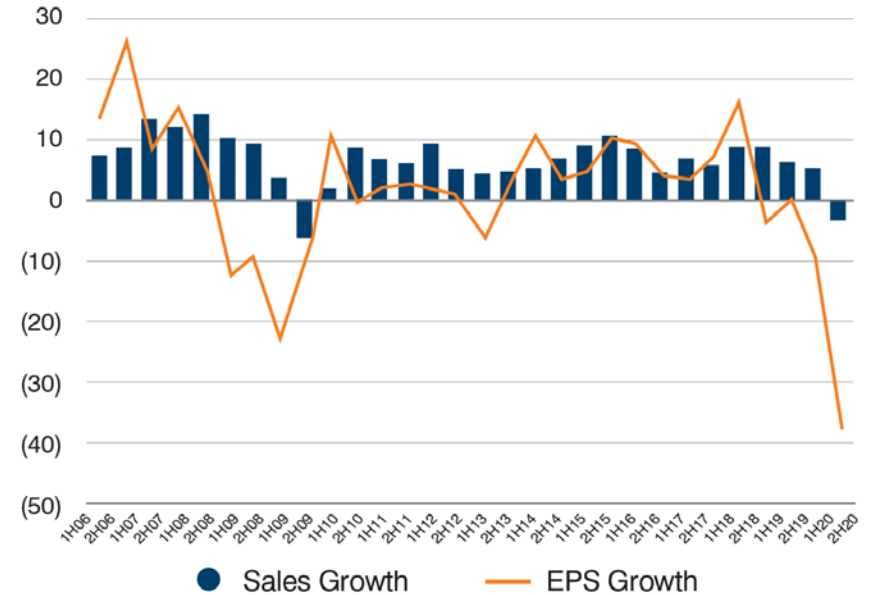
# The Impact of COVID 19 on the economy and company earnings has been significant

A Century of Australian real GDP Growth



Source: Goldman Sachs Global Investment Research

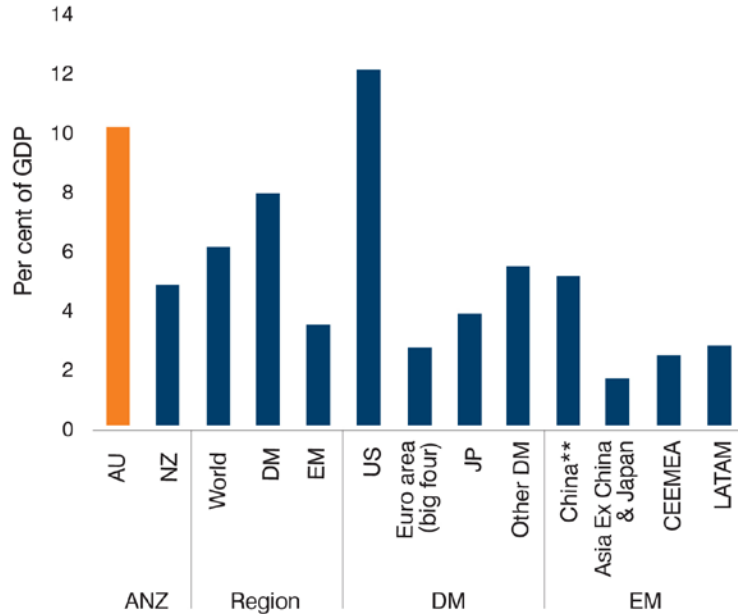
EPS growth fell 38% for the average stock, the weakest since the GFC (-20%)



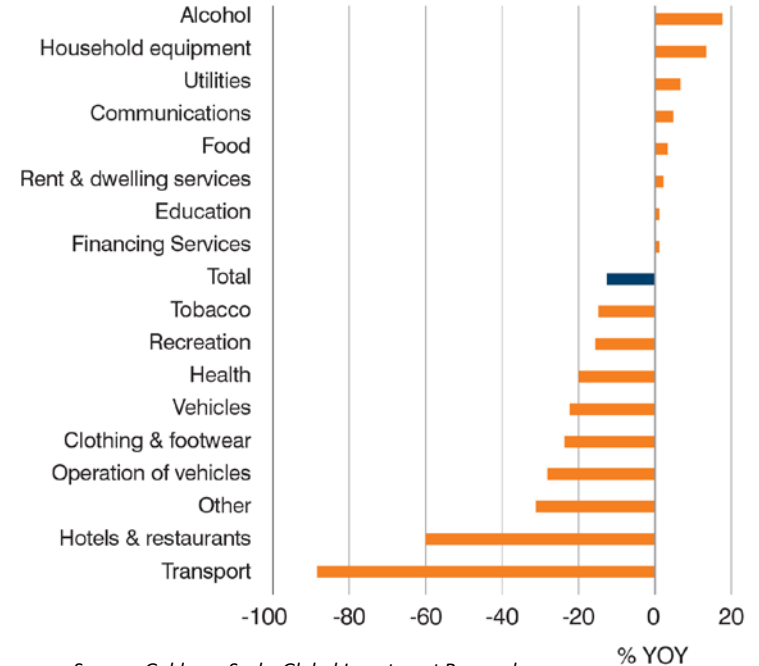
Source: Goldman Sachs Global Investment Research

# With very significant fiscal stimulus to support the economy

Fiscal Easing\* in Response to Coronacrisis



Year-on year % change in real household consumption  
2Q 2020



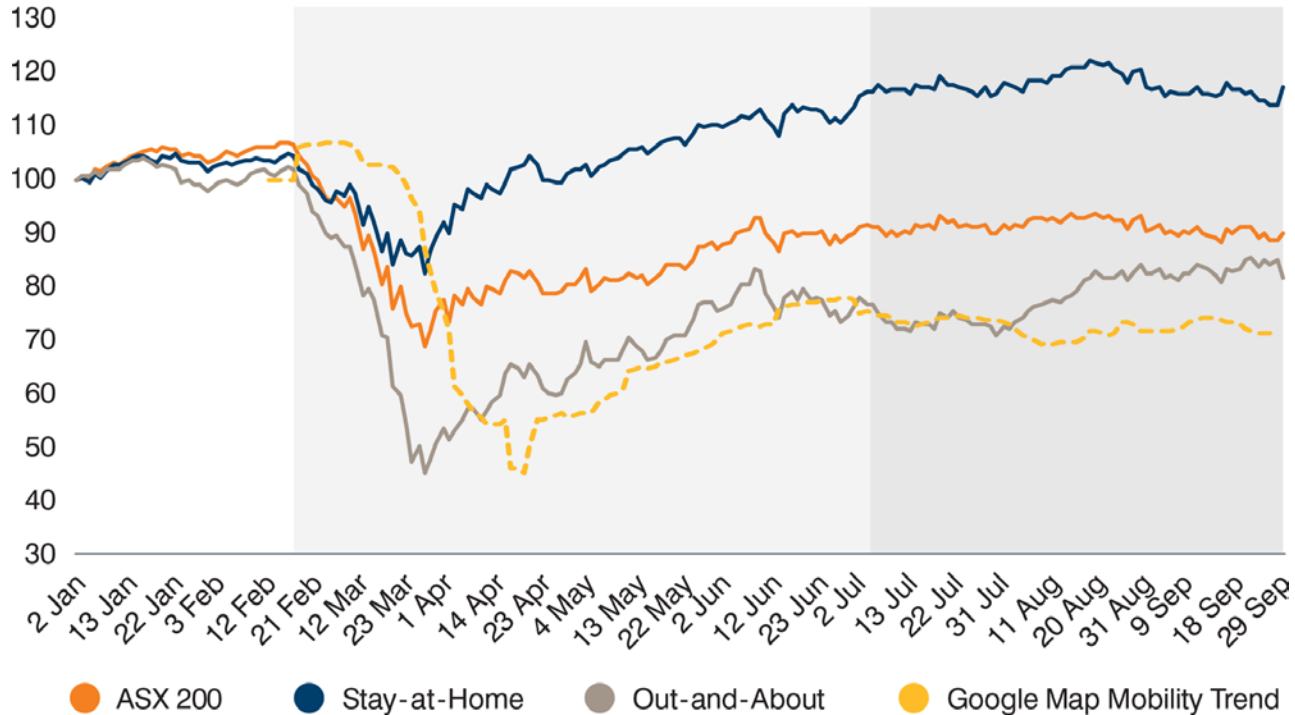
\*Discretionary policy actions taken since the outbreak that lead to higher government expenditures or lower tax receipts  
\*\* GS expected easing

Source: Goldman Sachs Global Investment Research

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# These dynamics have created a wide range of stock performance

“Stay at Home” has outperformed “Out-and-About” by 31% and the ASX200 by 27% since the market peak on 20 February



Source: Goldman Sachs Global Investment Research

# How these conditions have impacted the stocks in the portfolio

## Positive Impact



**Breville**



**whispir**

## Negative Impact





# Market volatility provided opportunity to redistribute capital

Reduced holdings because of valuation risk...

**Objective**

*Lifestyle*  
COMMUNITIES

... sold because of takeovers...

**Dulux**

**wellcom**  
WORLDWIDE

and exited selected positions

**TRG**

**Computershare**

To invest in attractive long term opportunities ...

  
**Oil Search**

**CLEANAWAY**

 **InvoCare**  
Innovation Vocation Care

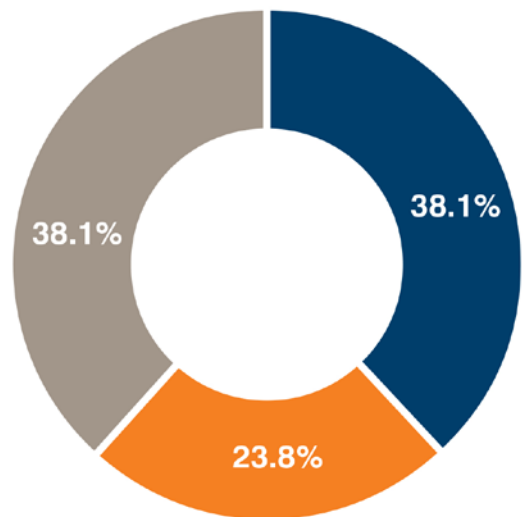
**A** | **Auckland Airport**

**INFO MEDIA**

*In 2020 Mirrabooka participated in 18 capital raisings, worth \$23million (now valued at \$32 million)*

# Portfolio at 30 September 2020 (Excluding Cash)

Diversification of the Portfolio  
– 55 Holdings in Total



● Top 10 ● Next 10 ● Remainder

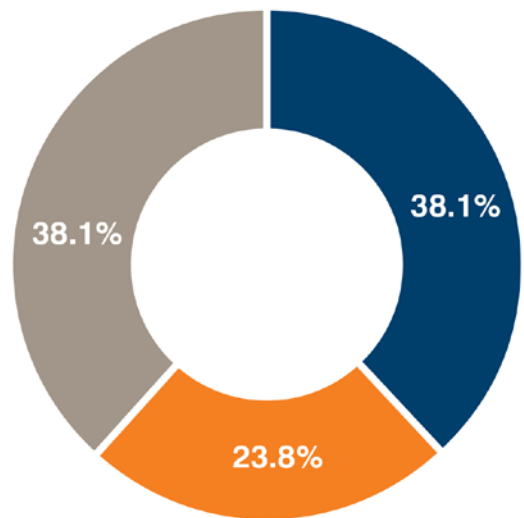
Cash position \$21.3 million  
(4.7% of the portfolio)

Top 10 Holdings

Rank	Company	% of Portfolio
1	Macquarie Telecom Group	5.1%
2	Mainfreight	4.9%
3	ARB Corporation	4.7%
4	Reece	3.9%
5	Netwealth Group	3.6%
6	Breville Group	3.5%
7	NextDC	3.4%
8	Carsales.com	3.2%
9	Qube Holdings	2.9%
10	Objective Corporation	2.9%

# Portfolio at 30 September 2020 (Excluding Cash) continued

Diversification of the Portfolio  
– 55 Holdings in Total



● Top 10   ● Next 10   ● Remainder

Cash position \$21.3 million  
(4.7% of the portfolio)

## Top 10 Holdings

Rank	Company	% of Portfolio
11	James Hardie Industries	2.9%
12	AUB Group	2.6%
13	EQT Holdings	2.5%
14	Seek	2.5%
15	Xero	2.3%
16	Invocare	2.3%
17	IRESS	2.3%
18	HUB24	2.2%
19	ALS	2.1%
20	Fisher & Paykel Healthcare	2.1%



# Outlook

## Common COVID related considerations for companies that we invest in

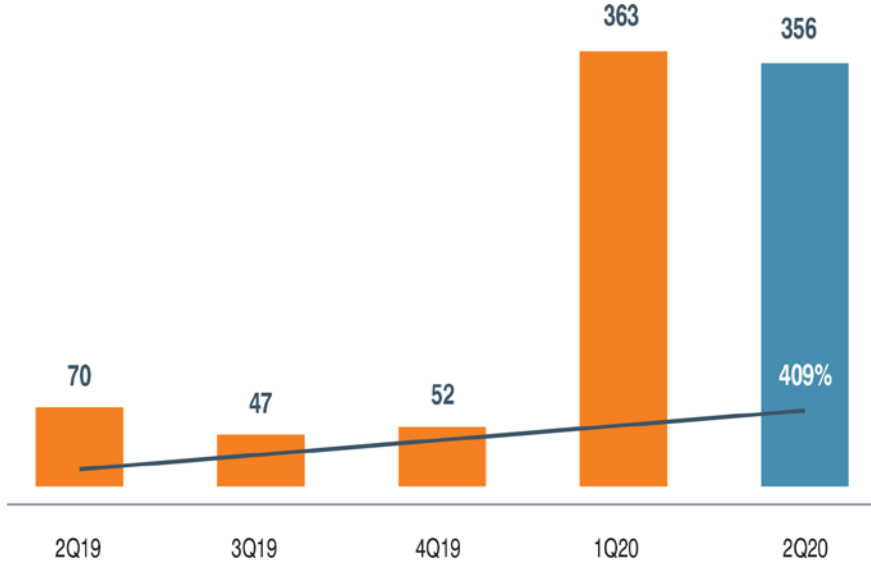
- abrupt shift to working remotely handled well and provides lasting flexibility options:
  - but do productivity and collaboration issues emerge as restrictions persist?
- a significant focus on employee wellbeing:
  - mentally for those working remotely
  - physically as well for front line or essential worker businesses
- the health of the SME sector closely watched:
  - both for its broad employment driven economic importance
  - and the risk of customer loss and bad debts for businesses servicing SME customers

## Common COVID related considerations for companies that we invest in continued

- social distancing is often making it harder to market to new business customers
- supply chain dependencies and redundancy also an ongoing area of strategic focus
- **And most significantly** - what is the true demand picture for the company's goods or service as stimulus fades and we enter a new "covid normal" environment?

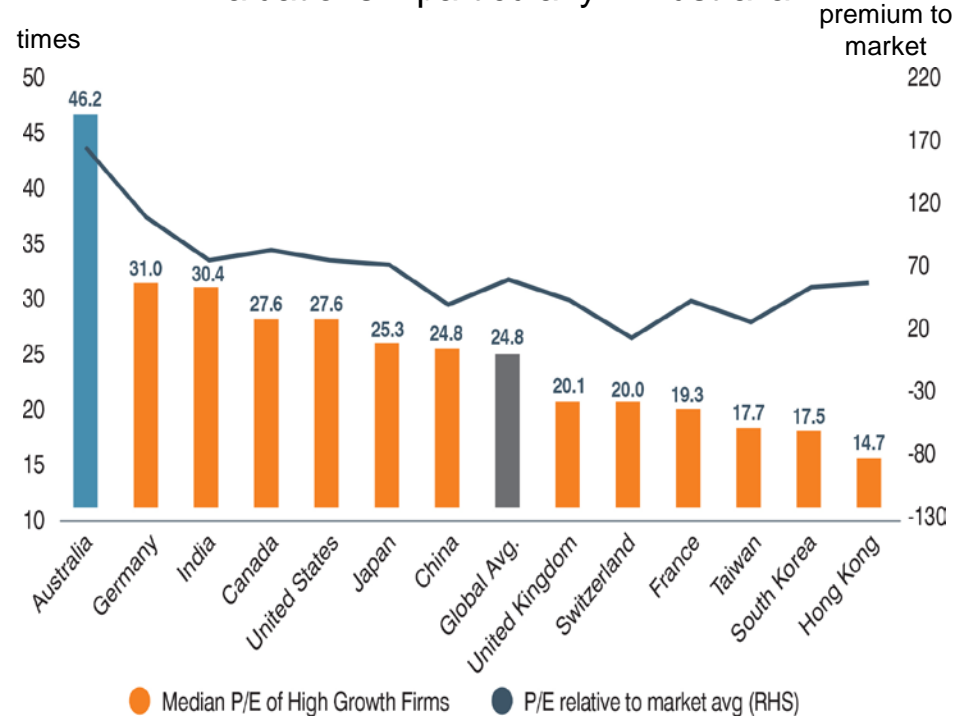
# Factors that are making us cautious

Retail investors are bullish globally  
New accounts for E\*Trade (in '000's)



From E\*Trade Financial Corporation Q2 2020 Financial Report

High growth stocks are on substantial valuations – particularly in Australia



Source: Goldman Sachs Global Investment Research

# Factors that gives us confidence

Our portfolio has good exposure to backable owner/driver management:

41% of our portfolio is in owner/driver led businesses.

A further 33% is in businesses with a CEO with over 5 years tenure and 3 years base salary in equity.

Our portfolio is skewed to strong balance sheets:

38% of our portfolio is in companies with no net bank debt.

A further 20% is in companies with less than 1 year of cash profit in net bank debt.

The shrinking pool of small cap analysts enhances the value of early identification of opportunities for us:







## **Closing Remarks**



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