

## Onward Opportunities Limited (ONWD) Factsheet: 30 September 2023

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### INVESTMENT OBJECTIVE

The Company will seek to generate absolute returns of at least 15% per annum through investments in UK smaller companies.

### INVESTMENT PHILOSOPHY

We invest in the tangible; business models and asset bases that we can see and understand, profits that convert to cash and hard catalysts that can unlock an investment's intrinsic value. Investee Companies will typically have certain of the following characteristics:

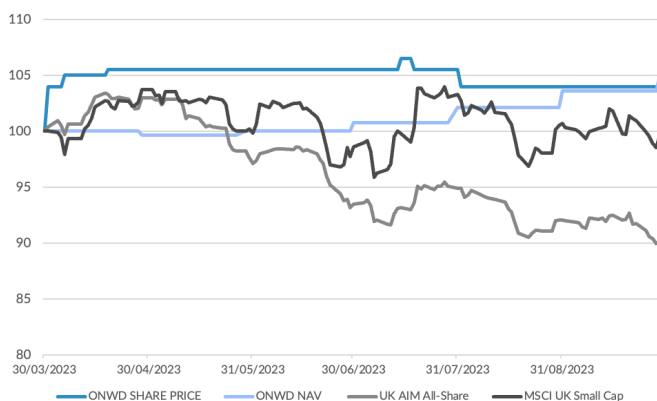
- Balance sheet asset backing.
- A competitive advantage and/or strong management track record.
- Attractive cash flow potential.
- Visibility of earnings/future earnings improvement.
- Scope for exit liquidity in line with the Company's targeted hold period.
- Angle for an active shareholder to accelerate value creation; and/or
- foreseeable events and catalysts to unlock intrinsic value.

### PERFORMANCE TABLE

	Since Inception	Q3 2023
Onward Opportunities NAV Total Return (Investment Performance)	+4.9%	+4.1%
Onward Opportunities Share Price TSR	+4.0%	-1.4%
UK AIM All-Share	-9.9%	-3.6%
MSCI UK Small Cap Index	-2.3%	+0.15%

\* Table referred to overleaf.

### PERFORMANCE CHART



### THE TEAM

Our investment team and committee have a combined experience of c.160 years and a history of value creation for clients. As a team, we are convinced that employing an active investment approach for identifying investment opportunities and driving those investments to an outcome can result in higher returns by capitalising on market inefficiencies.

### KEY FACTS

#### Fund Characteristics:

Launch date	30th March 2023
Lead Fund Manager	Laurence Hulse
Fund currency	Pound Sterling
Fund size	£12.8m
Number of equity holdings	22
AIC Sector	UK Smaller Companies
Fund Structure	Investment Company
Administrator	Maitland
Depository	Butterfield
Management fee	1.50%
Performance fee	12.50% over 6% hurdle
ISA & SIPP eligible	Yes

### TOP 10 HOLDINGS

Holding Name	% of Portfolio	Valuation Value	% Unrealised IRR (Annualised Return)
ANGLING DIRECT PLC	6.6%	£1.04m	117.6%
EKF DIAGNOSTICS HOLDINGS PLC	6.5%	£1.03m	18.6%
REACT GROUP PLC	6.2%	£978k	106.5%
RBG HOLDINGS PLC	5.8%	£924k	176.2%
TRANSENSE TECHNOLOGIES	5.0%	£792k	274.8%
UK(GOV. OF) 0.000% Nov 2023	4.8%	£760k	5.0%
UK(GOV. OF) 0.125% Jan 2024	4.8%	£757k	4.8%
DX (GROUP) PLC GBP0.01	3.8%	£602k	303.1%
UK(GOV. OF) 0.000% Oct 2023	2.9%	£454k	5.5%
UK(GOV. OF) 0.000% Jan 2024	2.8%	£449k	5.9%
OTHER INVESTMENTS	27.3%		
CASH AT BANK	23.4%		

\* Top 10 holdings (Post-fundraise as at 9th October 2023 for illustrative purposes).

### LEAD FUND MANAGER



**Laurence Hulse**  
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## PERFORMANCE COMMENTARY

The fund continued its positive start to investment performance, with the Company's NAV growing +4.1% for Q3 to 100.4p. The portfolio of equities and gilts has delivered a 43.1% IRR since launch and materially outperformed comparator equity markets, as shown in the table overleaf. Seeing early investments set off in the right direction against challenging macro and market backdrops has been encouraging. The fund's Net Asset Value grew 4.1% when the UK AIM All Share was down 3.6%. The NAV performance in the third quarter was mainly driven by positive performance in Angling Direct plc, Restore plc, DX Group, React Specialist Cleaning plc and Transense Technologies, three of which are 'core positions.' The portfolio captured its first two takeover approaches, with DX Group and STM Group investments. Supplementing this work, we initiated our first fundraise since launch, which was completed shortly after the end of the quarter, growing the company by 25% and raising £3.4m at 102.5p/share, a small premium to NAV.

## INVESTMENT ACTIVITY

Since inception, we have carefully invested c.60% NAV into six core holdings as part of a 22-holding portfolio (16 are nursery positions), midway between the targeted 20-25 holdings. The team are working toward another 3 to 4 holdings 'graduating' from the nursery into core positions in Q4.

EKF shares have languished due to downgraded earnings, a misjudged acquisition (now disposed of), and delays in completing a new enzyme production facility. The departure of the previous CEO and CFO, who oversaw many mistakes, further exacerbated things. Our recovery thesis is that Julian Baines can remedy these matters, the company's highly experienced former CEO who has stepped back into an Executive Chairman role. Primarily, we believe the company can now deliver significant earnings recovery as the new enzyme fermenters come online, driving a re-rating in the company's shares and earnings uplift from 60-70% gross margin sales. The site recently won its first order. We also believe the company is a covetable asset given

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Investors should carefully consider the investment objectives and risks as well as charges and expenses of the fund before investing. The prospectus contains this and other information about the fund. If you're unsure of the suitability of an investment please seek advice. Tax rules can change and the value of any benefits depends on your personal circumstances.

The value of investments, and any income from them, can fall as well as rise so you could get back less than you invest. Past

the attractive business model of the Point of Care business (razor/razor blade) along with the high margins and repeatable revenues.

In September, HIG European Capital Partners proposed a possible cash offer for DX Group at 48.5 pence per share, and several large shareholders have since indicated support for the bid whilst DD continues. The offer value compares favourably to our purchase of a 2% weighting at 31p over the summer; however, the team is unsatisfied with this proposal. Our due diligence work required to make the position a core holding had indicated an intrinsic value of between 65-70p over five years. Specifically, the Tufnell deal transformed the profitability and cash flow of the group over the long term.

After some difficult results that we believe mark trough earnings and peak balance sheet stress, we have recently invested in RBG (Rosenblatt Group). RBG is a deep-value opportunity due to the strategic and operational missteps of the past 24 months under the previous team, since removed. The shares have collapsed from over 150p to 20p during this period. Progress to unwind previous strategic and operational errors are now progressing.

Rosenblatt is a professional services group in the UK, including two of the UK's leading law firms, Rosenblatt and Memery Crystal, and these 'gems' had been mired with dilutive strategic activity in litigation funding (now exited) and a poorly timed entry into corporate finance advisory, where there are now di minimum earnings in broker forecasts. The remainder of the business is in the top ten law firms with a history of sector-leading margins but now looks mispriced on spot and recovery multiples that are low single-digit EBITDA versus our target multiple of 7 or 8x. The thesis is primarily one of backing earnings stability, generating cash to pay down debt and a material multiple re-rating under the return of the founder Ian Rosenblatt, who has become Vice-Chair with a primary mandate of leading strategy.

performance is not a reliable indicator of current or future performance.

We believe the information provided here is reliable but should not be assumed to be accurate or complete.

### All information accurate as at 30 September 2023

Sources for all tables and images: Dowgate Wealth 30.09.2023

The Key Information Document (KID) and Admission Document are available, in English, free of charge and can be obtained directly using the contact details in this document. They can also be downloaded from:

<https://onwardopportunities.co.uk/document-centre/>

An investor must always read these before investing.