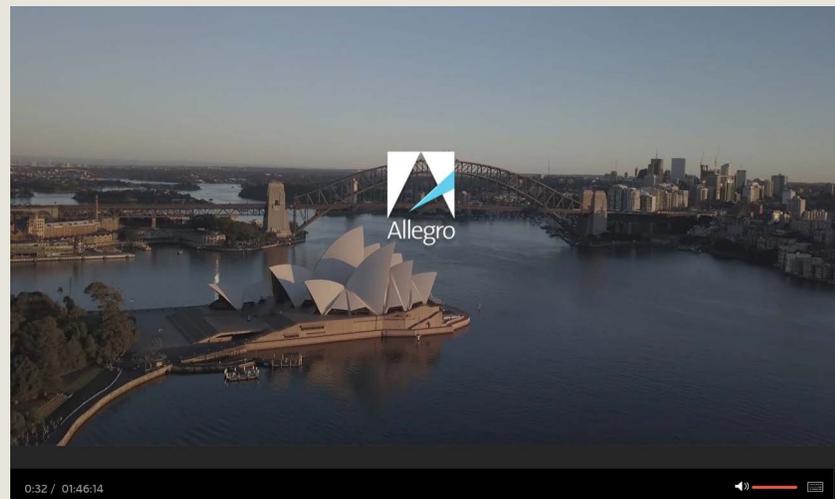


ALLEGRO NEWS



WELCOME

Welcome to the Autumn edition of our Allegro 2021 newsletter. It's been a busy start to the year. Our first completely virtual Annual General Meeting (AGM) was held on the 2nd of March. We have two deals in the advanced stages of review. We completed the sale of Ngahuia Group Ltd (Ngahuia) to the management buyout team, resulting in a distribution to our Fund III investors. This is in addition to a distribution paid to investors earlier in the year from one of our portfolio companies. Finally, we continue to progress the Best & Less Group (BLG) towards an exit this year.



OUR 2021 ANNUAL GENERAL MEETING

Our first completely virtual Annual General Meeting (AGM) took place on Tuesday 2nd March 2021, with two sessions streamed to accommodate viewers in different timezones. The AGM delivered market insights post-COVID from a turnaround and transformation point of view. We covered performance of our existing portfolio, deal flow activity and broader macro themes. The event was livestreamed and remains available to investors. Thank you to everyone who provided feedback on the event. The consistent theme was that the AGM duration worked well for attendees, including the level of detail. However the missing live interactive element is something we need to consider for future years. Please contact us if you would like more information.

DEAL FLOW

The beginning of 2021 saw a noticeable positive change in deal flow. The volume of deals has increased, and the quality of deal flow is stronger.

The last few months have been busy as we've made significant progress with a number of deals. We are well advanced with a highly complex special situation deal that has our deal team and operating partners highly engaged. We are in the final stages of this process and if successful, will see the Fund complete its 6th investment by the middle of this year. We look forward to keeping our investors and followers updated on the status of these opportunities.

Our pipeline remains robust, and includes industries such as retail, building products, containers and packaging as well as suppliers within the metals and mining industries.

Given the pickup in deal activity and being close to finalising two deals, we now expect to be engaging with our investors in relation to Fund IV in early July. The team wants to be well positioned with capital at hand, given the notable increase opportunities specific to our style of investing.

EXIT ACTIVITY

Hannahs numberoneshoes

During the quarter Fund III completed the sale of its investment in Ngahuia, New Zealand's leading footwear retailer operating 100 stores across two iconic retail brands — Number One Shoes and Hannahs. Hannahs is one of New Zealand's oldest brands and has operated for over 150 years while Number One Shoes has operated for over 40 years. Both brands are focused on the value to mid-market segment.

In October 2017, we partnered with a management buy-in team to acquire Ngahuia from ASX listed Bapcor (ASX:BAP), who sold the business as a non-core asset. Since the acquisition, EBITDA has grown significantly. Both brands had common ownership and operated in the same market, however they competed against each other and had standalone operations, including separate CEOs, management teams, head offices, DCs and systems. Today, the brands have been integrated with one team, unified infrastructure and single systems. This operational and organisational transformation of the business increased profitability and provided

the foundations for future growth. The business pursued an aggressive customer and digital led strategy while shrinking its physical footprint and lowering its operating cost base. Online sales have grown from what they were previously, and will continue to grow. The business invested in data capability to drive CRM and digital marketing across its 1m+ customer database, representing nearly one fifth of the NZ population. A new store-in-store model – 'New Zealand's ultimate shoe destination' – was developed by integrating Hannahs into nearby larger Number One Shoes' stores. This saved significant operating costs and turned previously unviable locations into successful stores.

Our investment in Ngahuia had all the hallmarks of a classic Allegro deal: we bought well, de-risked quickly through structure and turnaround, and partnered with management to drive a successful transformation and repositioning strategy.

This successful exit allowed the fund to realise a gross money multiple of more than 3x and a net money multiple of 4.8x. Pleasingly the exit proceeds were distributed to investors during March 2021.

BEST AND LESS GROUP

Lots has been happening with our investment into BLG. The business has performed well, and the management team are focused on several future growth opportunities. We recently appointed several advisers to assist with moving this business towards an exit. We cannot say much here due to commercial sensitivities, however we look forward to sharing more with you once certain milestones have been achieved.

THE SMITH FAMILY CHALLENGE

In mid-March, Chester Moynihan, Rob Thorpe, Fay Bou and Nicole Connolly (Allegro Unplugged) participated in The Smith Family Challenge, a gruelling 110km course around Sussex Inlet, on the stunning south coast of NSW. Over two days, the team had to navigate by foot, bike and water over complex terrain to complete the challenge. Determination, commitment, courage, grit, teamwork and a good dose of mental toughness helped the team cross the finish line, albeit



BEST AND LESS: FROM LEFT TO RIGHT, JASON MURRAY, FAY BOU AND RODNEY ORROCK.

with aching bodies and limbs! Our own Nicole came off the bike several times, indicative of the difficulty of the tracks being navigated. And even our experienced mountain biker, Chester, was thrown head first over the handle bars and sustained an impressive bump to the nose.

Allegro Unplugged committed to raising \$40,000, however the team blew this target out of the water and raised over \$50,000! Collectively, the 15 teams who participated in the event raised over \$1.3 million which is a record for the event. All participants pay their own event costs, so 100% of donations go directly towards helping kids in need.



THE SMITH FAMILY CHALLENGE: LEFT TO RIGHT ROB THORPE, CHESTER MOYNIHAN, FAY BOU AND NICOLE CONNOLLY.

BABY BOOM

Allegro Investment Director, Chris Koeck and his wife Debbie welcomed a baby boy on 21 February. And it does not stop there. Fellow Allegro Investment Director, Jeffrey Largier and his wife Michelle welcomed a baby girl on 16 March. We love seeing the extended Allegro family continue to grow.

Congratulations Chris and Debbie, Jeffrey and Michelle!



CURRENT PORTFOLIO



Best&Less
Postie



theinteriorsgroup



EXITED PORTFOLIO



CONTACT US

If there is anything that you are keen to hear more about, please don't hesitate to contact us. We have a lot going on, but we always welcome the opportunity to chat with our investors, supporters and followers.

For further information or to speak to one of our team, please visit our website www.allegrofund.com.au, or call +61 (0) 282288781 or email us at enquiries@allegrofund.com.au.