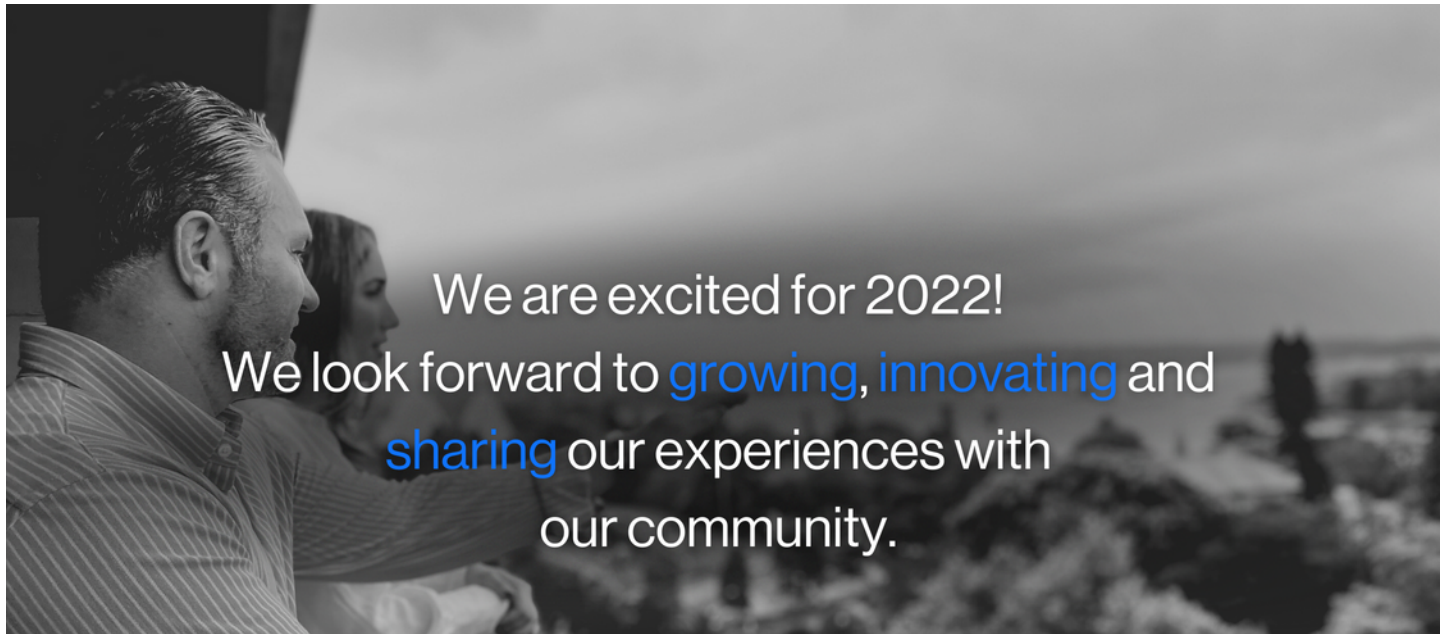


PAC NEWSLETTER

Persistence Ambition Consistency



We are excited for 2022!
We look forward to **growing, innovating** and
sharing our experiences with
our community.

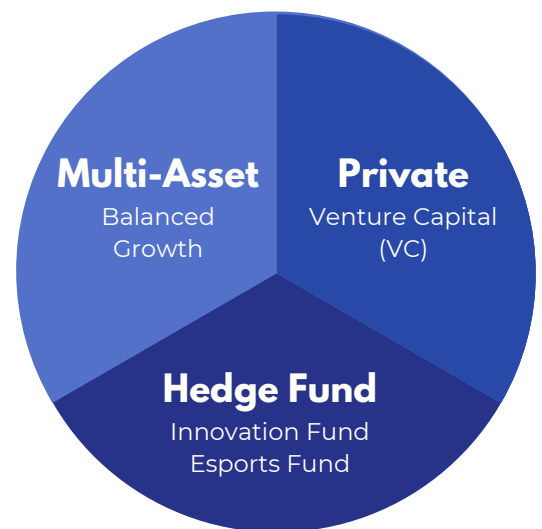
A Message from the Chief Investment Officer

by Clayton Larcombe

As we approach year's end, I would like to wish all a Merry Christmas, Happy Hanukah and a safe and prosperous New Year!

Despite the tumult brought about by the COVID-19 pandemic, 2021 proved to be a transformational year for PAC Capital. We grew our team to broaden and diversify our skillsets and capabilities. We launched two new product offerings – the PAC Global Esports Fund and PAC Global Innovation Fund, to capitalise on the unprecedented speed with which the world is changing due to technological advances and shifts in behaviour. And our multi-asset portfolios continued to provide steady reliable returns in what was an incredibly unpredictable macro environment. We are optimistic for what lies ahead, and eager to share some exciting developments in early 2022.

I wish you all the very best and thank you profusely for your support.



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PAC's Macro Wrap

by George Smyrnis - Senior Analyst

November proved a timely reminder of the near-term unpredictability of financial markets. The month began with a relaxation of global travel restrictions as governments and corporations continued their return to normalcy. Data relating to COVID-19, and in particular the then recent delta variant, continued to look positive with stabilising mortality despite increasing cases and increasing vaccinations. However, strong global market performance reversed during the final week of the month due to the World Health Organisation labelling Omicron as a 'variant of concern' and Jerome Powell's renewed hawkishness surrounding inflation. Despite strong performance across our multi-asset portfolios through November, these events prompted us to reflect upon our current market views and exposures.

Our strongest performing asset classes throughout November included: (i) listed equities; (ii) listed property and; (iii) listed infrastructure. We remained overweight to international equities to provide our portfolios with a slight bias to the technology sector that we expected would be sheltered from inflationary pressures and COVID-19 disruptions. This proved only partially correct as a renewed focus from the Federal Reserve on price stability caused international markets to falter. Our strategic exposure towards property and infrastructure continued to provide our portfolios with protection against inflation and exposure to the reopening thematic and associated fiscal stimulus policies both within Australia and abroad.

Powell's recent statements show an about turn on his usual dovish sentiment and conflicted with our belief that accelerated tapering is unlikely. His comments have demanded we reassess the possibility of accelerated rate tapering should inflationary pressures appear less transitory. The emergence of the Omicron variant also impacted financial markets. Although research is ongoing and existing data is sparse, initial evidence suggests (in decreasing levels of certainty) Omicron: (i) appears more transmissible; (ii) appears less than or equally as deadly than the Delta variant; and (iii) may or may not subvert vaccine efficacy regarding death. Global markets declined, market breadth narrowed and yield curves flattened following these events indicating at least heightened market fragility and at worst a bearish market outlook.



Markets Overview

for the month to 30th November 2021



Indices

	Close	+/-	%
Dow Jones	34,483.72	-1,335.84	-3.73%
S&P 500	4,567.00	-38.38	-0.83%
NASDAQ Composite	15,537.69	39.30	0.25%
VIX	27.19	10.93	67.22%
FTSE 100	7,059.45	-178.12	-2.46%
Hang Seng	23,475.26	-1,901.98	-7.49%
Japan Nikkei 225	27,821.76	-1,070.93	-3.71%
S&P ASX 200	7,255.97	-67.73	-0.92%



Currency

	Close	+/-	%
AUD/USD	0.710	-0.041	-5.52%
AUD/EUR	0.630	-0.019	-2.94%
AUD/GBP	0.536	-0.012	-2.19%
AUD/CAD	0.910	-0.021	-2.30%
AUD/NZD	1.045	-0.005	-0.46%



Commodities

	Close	+/-	%
Gold (NYM\$/ozt)	1,773.60	-9.4	-0.53%
Crude Oil (NYM\$/bbl)	66.18	-17.39	-20.81%
Silver (NYM\$/ozt)	22.87	-1.14	-4.75%
Iron Ore 62% (\$/mt)	94.97	-26.26	-21.66%
Copper (LME\$/t)	9,605.00	-350.00	-3.52%

The Metaverse

by Zac Collie - Analyst

It is becoming increasingly likely that we are heading towards the creation of virtual worlds that offer potentially boundless simulated experiences. The term that encapsulates this, and one that has been increasingly prevalent since Facebook changed its name to Meta, is the 'Metaverse.' This article will explore the meaning of this term and give an overview on one of PAC Capital's holdings - Roblox (NYSE:RBLX), who are at the forefront of this emerging innovation.

A Metaverse is a persistent virtual space in a virtual universe, where people can go to play, explore, learn, and socialise. In its idealised form, every user would share a single virtual universe, where the features and items within that universe persist across time. Users engage with the Metaverse through a virtual identity or avatar that also persists across different worlds and experiences. Increasingly, avatars will be able to accumulate digital items including fashion, land, pets, art & more. The persistence of virtual identities that reside in virtual spaces and procure virtual items, is a core feature of the Metaverse.

Roblox (NYSE:RBLX) is at the forefront of the Metaverse trend. The company engages in the provision of online gaming services and its platform allows users to explore 3D digital worlds. Its mission is to build a human co-experience platform where people can come together to play, learn, communicate and explore. The Roblox platform has grown rapidly over the past few years and it is reported that over half of American children now use the platform.

PAC Capital initiated a position in Roblox earlier this year based on: (i) the enormous tailwinds behind the gaming industry and the Metaverse theme in particular; (ii) the company's experienced and well-aligned management team; (iii) network effects in its business model; (iv) multiple growth options and; (v) the company's efficient scalable business model with a strong track record in generating cash.



Roblox is up ~50% in November following strong third quarterly results, which included strong growth in revenues and daily active users, as well as lower operating expenses, making it our best recent performer.

The Metaverse offers brands the opportunity to deliver highly immersive experiences to an audience at the height of engagement. Within the Roblox platform, fashion brands including Gucci and Vans, have already created digital experiences and items which users can purchase with virtual currency. It may even be possible that one day users will be able to shop for real world items within these platforms and have them delivered to their homes. These developments suggest that Metaverse platforms could offer advertisers an alternative to social media, which may explain why Facebook changed its name to align itself with this trend.

The music industry is another that has shown early interest in virtual experiences. Roblox has announced a handful of partnerships with leading music publishers to bring virtual concerts to its platform. In 2021 the platform hosted a virtual concert by artist Lil Nas X in collaboration with Columbia Records, which was attended 33 million times.

We expect that Metaverse platforms will have their own virtual economies, which will enable users to buy and sell virtual goods and services, invest and trade. Until recently, it was not clear how to verify unique ownership to a virtual item or avatar, but with the use of blockchain technology and NFT's (Non-Fungible tokens) in particular, true digital ownership of virtual items should be possible. Additionally, NFT's open the door to possible secondary market activities enabling virtual goods and currency to be traded or even moved between Metaverses owned by different companies.

Although still in its infancy, we believe the Metaverse is already demonstrating incredible potential and, therefore, presents an enormous opportunity for investors.

Oddin.gg: Esports Betting Meets AI

by Clayton Larcombe - Chief Investment Officer



PAC Private's latest addition is Oddin.gg, having taken a significant position in its Series A round. Oddin is the industry leading B2B ('Business to Business') provider of Esports odds feed and risk management services for Esports betting companies.

Oddin has built a full service Esports data back-end operation with tightly integrated capabilities. They begin with raw game data and processes it to create wagerable events. They distribute those odds through a feed to their customers. For most of these customers, they also provide risk management services.

A key competitive differentiator in the industry is the availability and variety of odds. This is where Oddin excels. Oddin drives volume and profit margins to bookmakers by enabling Esports bettors to engage with multiple betting opportunities on a 24/7 basis. Using their proprietary AI and ML models, they create value by processing raw data from Esports tournaments and delivering a constant stream of wagerable events to customers. Oddin offers the highest number of live markets in the industry.



Additionally, because Esports is in its infancy and Oddin has unique insights into consumer behaviour, the company has received numerous requests for marketing assistance from their B2C ('Business to Consumer') clientele. Oddin is currently implementing multiple initiatives to capitalise on this demand.

Firstly, they are finalizing the acquisition of "1000 Lives", a full-service agency which will give it the in-house capability to offer enhanced marketing services to all its customers. As well as this, their upcoming joint venture with Livesport.io, one of the world's largest sports betting super-affiliates, will create a new division specifically focused on driving Esports betting traffic to B2C customers (and others). The ultimate target will be the virgin US market. The JV partners will participate in a revenue share based on the LTV ('life time value') of each customer directed to the B2C betting sites, with revenue shares as high as 40%.

PAC has become a key adviser to Oddin and will continue to support the company and guide it through the next chapters of funding, growth and development.

PAC Capital

