



DAF – ALPHA UPSIDE

The Diversified Alpha Fund (DAF) successfully operates a Venture Debt investment strategy – this means that DAF lends money to companies and receives regular interest on the loans, but DAF also benefits from an `Alpha Upside` when those companies achieve commercial success. This Alpha portion includes:

- Equity stake** in the company
- Profit share** arrangement
- Option for DAF to convert** outstanding loans to share capital (if company is public)
- Option for DAF to convert** outstanding loans to share capital on IPO of company

So far the investment returns for the successful 4-year track record in DAF have been made up mainly of regular interest payments, with occasional ad-hoc profit share amounts. However, the fund should see Alpha returns added more regularly in 2023 and beyond as the underlying companies start to achieve and progress through their business plans.

Of course in addition to the Alpha starting to be added from these and other companies, DAF will continue to collect the interest on the loan which underpins the Core return of the fund.

ALPHA UPSIDE OPPORTUNITIES

E-Commerce Tech Development



I2Media has developed its own proprietary app to host the media content it owns. The app has been developed over the past year with help and funding from DAF.

This is now due to go live with a paid subscription model in February 2023, driving revenue to I2Media and DAF will benefit from the agreed profit share arrangement.

Advanced Battery Tech



Endurion has been testing its process to show proof of concept for its patented battery technology. We expect them to announce the results of this testing to the market soon. The next Coretec Group shareholder call to provide updates on Endurion's progress is scheduled for the end of Q1 2023.

We anticipate that announcements on the success of this technology will drive The Coretec Group's share price upwards, enabling DAF to start exercising the convertible options on the outstanding loans it holds.

Music distribution



3Tone has worked over the past years to develop a system to help music artists identify and collect publishing monies due globally. This subscription service is now live and gaining users on a monthly basis.

This will drive significant profit into 3Tone, of which DAF will share under the terms of the lending agreement.

DISCLAIMER

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