17th October 2022

To the Unitholders of Blue Stamp Trust,

The Lead Class unit price at the end of September 2022 was $4.3683/unit – representing a gain of 18.39% for the 2023 financial year to date.

If you hold units in classes other than the Lead Class, please login to your account at www.bluestampcompany.com/investors/ to find the relevant pricing information.

Consistent with recent history, volatility remained a feature of the September quarter, with stock prices lurching in response to inflation data, changing expectations of future interest rates, possibilities of recessions, as well as comments made by policy makers. It's a good thing we don't base our investment decisions on short-term macroeconomic forecasts, as we'd never have any time to research companies if we were trying to predict what a central banker might say and do next!

In response to higher prices, our buying activity was tempered compared to last quarter, however we were far from idle, as we progressed our research of some emerging opportunities – opportunities that were uncovered from our continued research of core portfolio holdings.

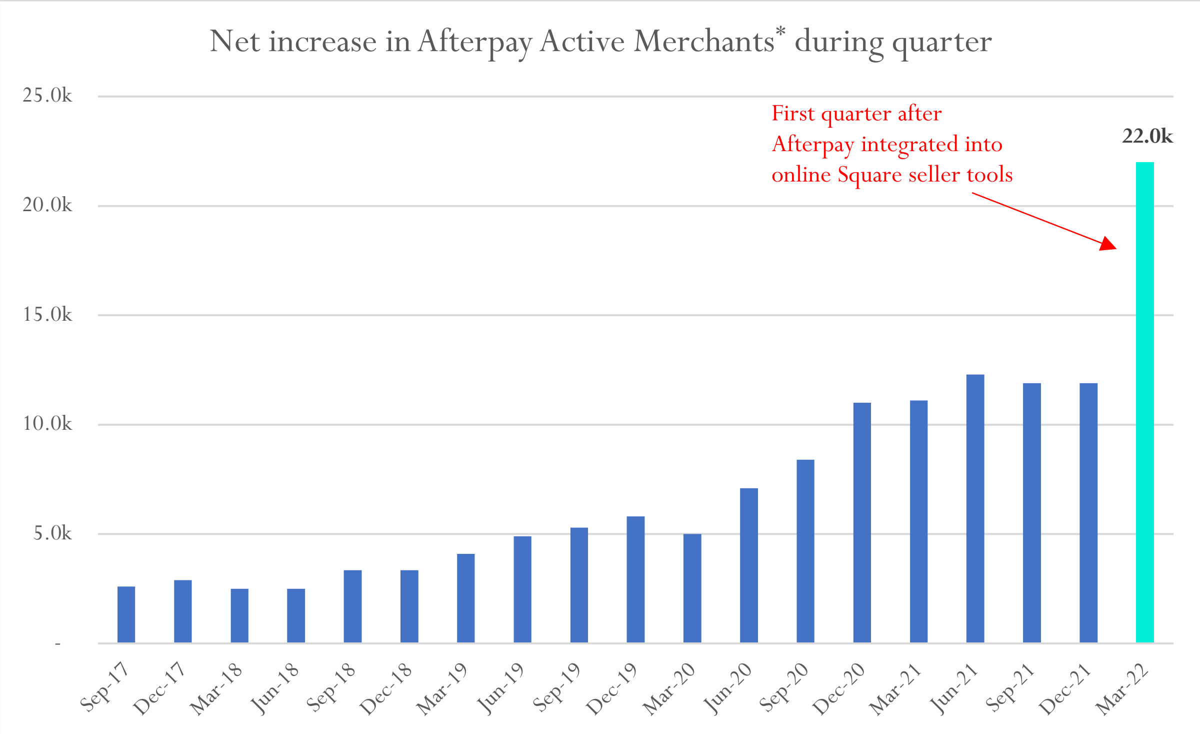
One of these emerging opportunities is a company called Toast (TOST.NYSE) which is a direct competitor of Square, a subsidiary of one of our core holdings in Block (SQ.NYSE). Like Square, Toast provides integrated hardware, software, and payment processing – however, unlike Square, they focus solely on restaurants, with a presence only in the United States (for now). Payment companies that take a percentage clip of the value of a transaction are wonderful businesses to own in inflationary times and provided they're profitable (or have enough cash to see them through to profitability), then a downturn in economic activity and a collapse in their share price, provides wonderful opportunities for long term wealth creation. Although, when we think about adding a new position to the Trust, not only does the prospective opportunity need to exceed our 10% p.a. benchmark return, but it also needs to exceed the expected returns of the current portfolio. Accordingly, even though Toast is the current leader in the (very large) restaurant vertical and demonstrating impressive growth in customers and recurring revenues, when compared side-by-side to Block (and specifically, Square) we continue to see better value in what we already own – so we moved on, looking for the next rock to turn over to find value hiding under.

Despite our subdued buying activity throughout the quarter, we did take action to increase our shareholding in SIV Capital (SIV.ASX) through on-market purchases and participating in the company's dividend reinvestment plan (DRP), which has seen our ownership stake increase to 23% of total shares outstanding. As SIV looks for opportunities to realise the value of tax losses and franking credits we'll be working with the company toward a realization of these shares at a value that represents more than simply the cash in the bank.

As we lapped over 12 months since the announcement of Block's acquisition of Afterpay, we thought it might be helpful to provide an update on the progress of its integration with Square and Cash App (Block's respective seller and consumer ecosystems). So far most of the work has been on the seller-side with Afterpay being natively integrated across all of Square's offerings for online and in-store. In the US and Australia, a Square seller can now easily accept Afterpay in-store and online, simply by the click of a button, providing unheard of ease and accessibility for millions of Square sellers – made possible by Block's ownership of both Square and Afterpay.

These early integrations of Afterpay into the Square ecosystem are already showing meaningful success at accelerating the growth of Afterpay's merchant network – essential for acquiring new Afterpay customers whilst increasing engagement of existing ones – with active Afterpay sellers growing by a record of 22k to 144k as at the end of March 2022 (shown by Diagram 1). This record increase is especially impressive considering Square sellers weren't able to accept Afterpay for in-store payments until May, two months after the quarter ended. The in-store opportunity ahead of Afterpay through converting a portion of the over 1 million in-store Square active sellers is immense. Thus, we expect further record increases in Afterpay's Active Merchants over the next few quarters as these additional integrations start to bear fruit.

Diagram 1



*Afterpay Active Merchant is defined as a seller who has accepted an Afterpay transaction in the last 12 months.

While Block leveraged Square's seller base to expand Afterpay's merchant footprint, it also worked the other way too, whereby Block leveraged Afterpay's existing relationships with its merchants to expand Cash App Pay's merchant network, enabling the budding payment method to appear at the checkouts of enterprise-sized retailers such as Finish Line, JD Sports, SHEIN, thredUP, and Tommy Hilfiger to name a few. These are examples of where one plus one equals five.

It's worth noting that none of these retailers use Square Online or any other hardware or software delivered by Square. By bundling the many different consumer payment offerings Block has to offer into one 'global' API[1], the company offers compelling value to any enterprise retailer or seller looking to increase conversions, acquire new customers, and drive repeat sales, that is hard to match.

[1] An Application Programming Interface (API) allows independent software applications to integrate with each other through leveraging common communication.

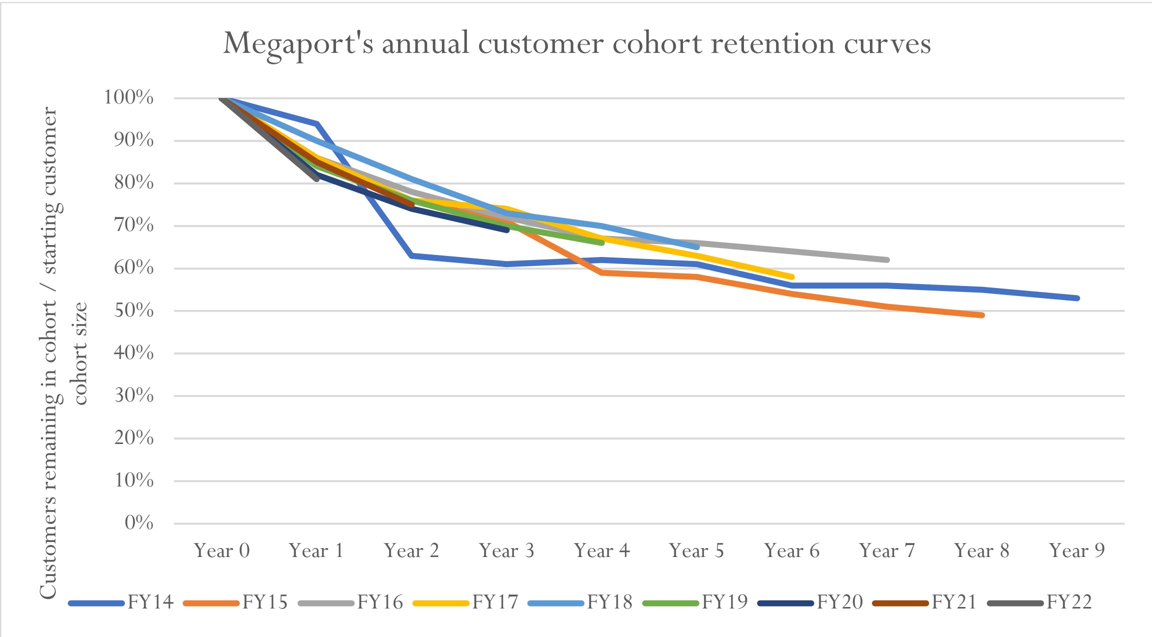
Whilst this global API is yet to be released, it will offer US sellers the ability to access and cater for over **88 million**[2] engaged consumers by offering the following payment options:

- Branded pay-in-full – Cash App Pay;
- Pay-in-4 – Afterpay; and
- Pay in Monthly Instalments (**New**) – Afterpay

The offerings of competing BNPL companies pale in comparison to the breadth and scale of Block's combined consumer ecosystems. For instance, Affirm – a North-American based Afterpay competitor which allows consumers the ability to pay for purchases in four equal instalments or pay monthly over 12 months at a certain interest rate – has ~14 million annual active customers which transact 3x times a year on average. Compare that to the 15x and 145x transactions per annum Afterpay customers and Cash App customers respectively complete on average, and it's quite easy to see how much more valuable Block's consumer ecosystems could be to sellers. As Afterpay rolls out its recently announced Pay Monthly product (which allows consumers to pay in monthly instalments over 6 to 12 months for items with much higher price tags than their core pay-in-4 offering), to the rest of its US-based network of consumers and merchants, the potential value to merchants for having a relationship with Block will only increase further.

As mentioned in our last quarterly letter, during August we were given a clear view of just how compelling Megaport's unit economics are, as management provided what we believe are among the best customer retention and monetisation metrics that we've see of any company, globally. One of the most important charts for any investor in a business is the customer cohort retention curve, which for Megaport is shown in Diagram 3 below.

Diagram 3



2 As at 31/3/2022, Cash App had over 80 million annual active customers and Afterpay had over an estimated 8 million annual actives in the US that weren't already using Cash App.

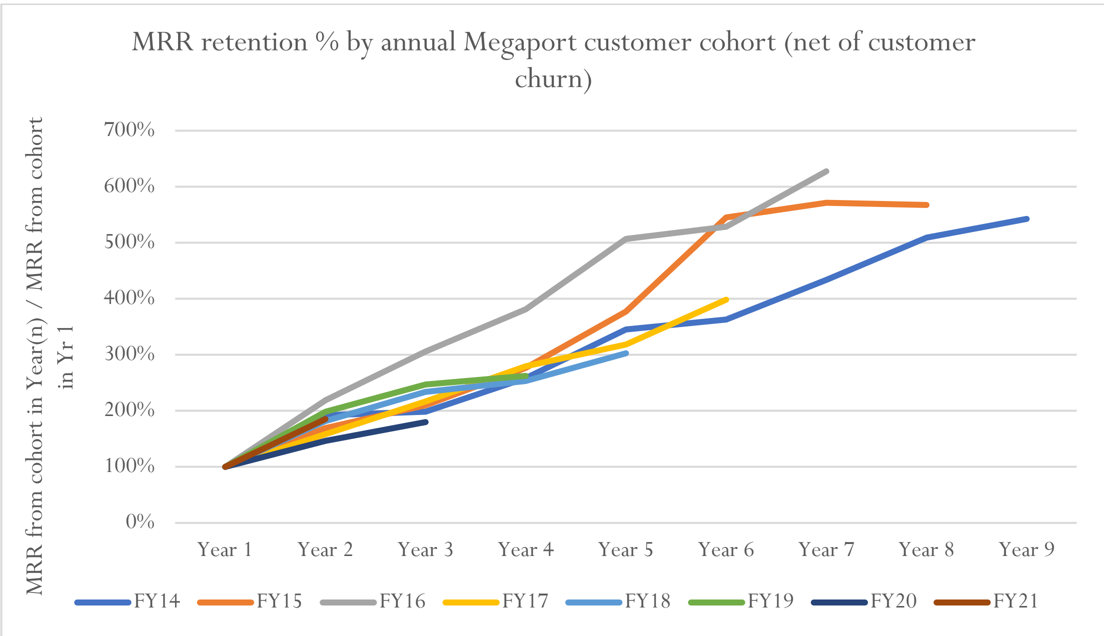
While it might look like a bunch of colourful, but incomprehensible lines, what it's showing is that out of each year's cohort of acquired customers, over 50% of them stick around for the long term. For example, from the customers that Megaport acquired during FY14 (the oldest cohort), more than half of them were still using the product nine years later equating to an annual retention rate of over 93%. Whilst that may not sound impressive to you – "where have half of all their customers gone?!?" – we can assure you it's exemplary. No company ever retains 100% of their customers as some realise the product wasn't a good fit, they can no longer afford it or they discontinue their operations, they can find a better (or cheaper) alternative elsewhere and it's easy enough to switch, etc.

By way of comparison, Slack (a popular internal business communication tool) is often referred to as one of the greatest products in the world as it retains ~80%[3] of its paying customers after five years – though if you included customers using the free-tier we believe their retention rate would be a lot lower. On the other end of the spectrum sits Adore Beauty (ABY.ASX), which is an online retailer, operating in a highly competitive market, who retained only 57.7% of its FY21 annual active customers in FY22. This results in the company needing to spend aggressively on customer acquisition every year to **replace** lost customers rather than retain and grow customer numbers[4]. What did we say about leaky buckets in the last quarterly letter…?

A powerful retention curve is tangible evidence that a business's products are valuable to their customers and as we can see from Diagram 3 above, Megaport's Network-as-a-Service (NaaS) solutions are integral for the many enterprises around the world with mission critical applications.

Layering over revenues per customer gives us an additional perspective on the **earnings** potential of each acquired cohort – see Diagram 4 below, which shows the growth in Monthly Recurring Revenue (MRR) of each annual cohort of acquired customers since they were first acquired.

Diagram 4



[3] Source: Theta Equity – Slack very attractive unit economics but with a very long payback period – link
[4] Source: Adore Beauty (ABY.ASX) FY22 Annual Report

As we can see from the positive gradient, recurring revenues from each year's cohort has **grown** despite, and outweighing, the loss of customers over time. Taking Megaport's FY14 cohort as an example again, we can see that for each $1 of revenue the cohort generated in their first year, they are generating $5.43 in revenue 9 years later. What this means is that unlike the many businesses in the unfortunate position of having to find new customers to simply **replace** lost revenues each and every year (such as Adore Beauty), Megaport's existing base of customers are expanding their use of the service so rapidly that they're not only replacing the lost revenue from those customers that leave, but they're actually growing the Group's total revenue, without needing to add a single new customer into the mix – creating an annuity-like stream of growing revenues.

This additional data confirms our prior notions regarding the incredibly high lifetime value (LTV) of the average Megaport customer. Using the above retention data, as well as other data points provided by the company over time, we estimate that Megaport is likely achieving returns on customer acquisition spend of more than **40%** per annum over 10 years for each customer cohort acquired. As they continue expanding the reach and utility of their network further and faster than their competitors, we see no reason for these returns to diminish in coming years. Rather, as they mobilise their channel partners (such as SD-WAN providers like Cisco) and leverage the sales teams of these channel partners to sell Megaport's products, these returns may increase further yet.

Thus, we believe that management's decision to forgo accounting profits in the short-to-medium term in order to invest aggressively behind their growing customer base will see shareholders richly rewarded over the long term.

Switching now to Marmalade and another quarter of record volumes was delivered, as shown below[5].

		Sep-21 Qtr	**Dec-21 Qtr**	**Mar-22 Qtr**	**Jun-22 Qtr**	**Sep-22 Qtr**	**YoY %**
Active Suppliers	#	34	40	68	92	93	+ 174%
Gross Payments Value (GPV)	$ millions	$ 6.8	$ 15.1	$ 18.8	$ 33.4	$ 46.7	+ 588%
Total Invoice Value (TIV)	$ millions	$ 16.6	$ 23.7	$ 38.1	$ 63.2	$ 75.1	+ 353%
Gross Invoice Value (GIV)	$ millions	$ 10.7	$ 18.7	$ 27.7	$ 43.9	$ 57.3	+ 435%
GIV / TIV	%	64.6%	78.8%	72.7%	69.5%	76.3%	
Gross Cashed-in Value (GCV)	$ millions	$ 4.7	$ 9.4	$ 9.3	$ 13.9	$ 19.1	+ 302%
GCV / GIV	%	44.4%	50.5%	33.8%	31.7%	33.3%	
Invoices Cashed-in	#	1,185	2,405	2,491	3,963	7,526	+ 535%
Avg. Cash-in Value	$	$ 4,005	$ 3,919	$ 3,750	$ 3,512	$ 2,537	

Despite only minor growth in Active Suppliers on the previous quarter, the Group achieved impressive growth in GPV with the company now annualising over $186 million in payment volume over the platform – a six-fold increase on the prior corresponding period. At the same time, Marmalade's

[5]Active Supplier is defined as a Supplier who in the last 30 days has issued an invoice with Marmalade as the payment service
Gross Payment Value (GPV) is defined as the value of payments received by Marmalade and matched to an invoice.
Total Invoice Value (TIV) is the value of invoices created by Active Suppliers.
Gross Invoice Value (GIV) is the value of invoices with Marmalade payment details created by Active Suppliers.
Gross Cashed-in Value (GCV) is the value of invoices cashed-in by Active Suppliers.

headcount has grown at a much slower rate, demonstrating the business is achieving operating leverage, allowing it to support growth in customers and volumes, without a commensurate increase in operating expenses.

Looking out to the longer term, Marmalade's ability to find an ownable channel to repeatably acquire new Suppliers from will be crucial for the long-term success of the company. Unlike consumer-facing products, these channels can often take years to develop as many businesses rely on trusted third parties such as accountants, bookkeepers, customers, suppliers, or existing technology partners as gatekeepers to vet new technologies or products and getting past those gatekeepers can take quite a concerted push. Once these relationships and channels are set up though, a certain inertia can carry the business forwards – something which Xero has excelled at, by turning the accounting industry into vociferous advocates of their application, enabling it to leapfrog the dominant incumbent, MYOB, in a very short space of time.

Having said that, something we've seen a lot of over the last few years is that no matter how superior your distribution strategy or access to potential customers is, a product can still fail to achieve significant traction in a particular market if the product isn't providing meaningful value to anyone. As a CEO, business owner, product manager, or investor it all comes down to the question "is this a painful problem?" and "why hasn't it been solved yet?". Finding a product that is solving a large and under-solved problem in a manner which is very difficult to replicate is key to long term value creation not just for shareholders but customers, employees, and society at large.

Through this lens Marmalade is solving a large and valuable problem that is faced by many small businesses globally with a unique solution that abstracts away much of the complexity of invoice payments. Whilst this complexity ensures that it is no picnic for the team to pursue the opportunity ahead of them, each hurdle they overcome adds to the 'wall' they're building behind them to protect the value they're creating from the competitors that will inevitably follow, should they demonstrate material success.

The value that Marmalade is bringing to its customers is beginning to be noticed, as it was a finalist for the Xero Australia Awards in the Emerging App category, whilst also receiving specific mention by Leigh O'Neill (EGM, Global Financial Services at Xero) at Xerocon, in front of 3,000+ people.

As with any of our holdings, the journey for Marmalade is unlikely to be a straight line up and to the right, but nonetheless, we remain excited by the long-term opportunity ahead and the potential to deliver outsized returns to Unitholders.

Thank you for the opportunity to invest on your behalf.

Kind regards,

Luke Trickett and Brock McCamley
Blue Stamp Company Pty Ltd

Performance Summary (Lead Class units)

	Sep-23 Qtr	FYTD	1 year	3 years	5 years	2-Mar-10*
BST^	18.39%	18.39%	(66.40%)	(9.81%)	7.14%	13.57%
Benchmark	2.50%	10.00%	10.00%	10.00%	10.00%	10.00%
AOAI	0.80%	0.80%	(8.57%)	3.12%	7.10%	7.15%

^Blue Stamp Trust returns are net of all fees and charges and assume the reinvestment of distributions. Annualised returns are shown for periods of 1 year or greater.
*Blue Stamp Trust commenced on 2 March 2010
AOAI – All Ordinaries Accumulation Index
FYTD – Financial Year To Date