

Emerging Companies Fund

Monthly Update: December 2023



Dear Fellow Investors,

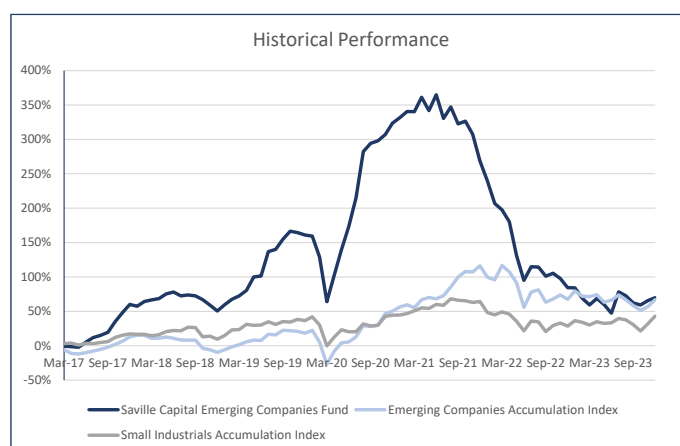
Our Emerging Companies Fund was up +2.6% in December vs +6.5% for the Emerging Companies Accumulation Index (XECAI) and +8.5% for the Small Industrials Accumulation Index (XSIAI). Since inception, the Fund has generated +8.1% p.a. and a total return of +69.9% vs +67.0% for the XECAI and +43.1% for the XSIAI.

Similar to November, the segments of the market where institutions are far more prominent (e.g. the Small Industrials and Small Ordinaries) saw stronger relative performance, with the XSIAI up +8.5% and the XSO up +7.2%. Furthermore, the Russell 2000 Index (best proxy for US small cap performance) was up +12.2% during December. It is frustrating to see so many sharp upward moves in other segments of the market, yet still be faced with some of the same headwinds of the past two years within our own segment. Furthermore, our Fund lagged the XEC this month primarily due to inexplicably aggressive selling in Bluechiip (BCT, -27%), despite no negative news flow, which was a significant drag on our monthly performance. Our anecdotal observations are that some of our larger/more liquid stocks e.g. Dropsuite (DSE, +19%) are now seeing a modest improvement in institutional interest. Conversely, where institutions are not prevalent, the typical retail investor is still more inclined to sell into any initial improvement in liquidity, rather than chase the momentum, quickly curtailing (and often reversing) any share price rebound. Overall, this still feels like a typical transition period, where small stocks with limited turnover take longer to clear stale holders before they can start to converge with the broader market's improving performance. In addition, while the macro backdrop for equities has clearly improved in recent months, the macroeconomic data trends remain volatile/unclear and therefore the pathway to lower yields/interest rates isn't quite set.

Performance summary

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	3M	12M
2017		-3.2%	+2.6%	-0.6%	-1.0%	+7.6%	+6.4%	+2.7%	+4.0%	+13.2%	+9.5%	+8.1%	+60.1%		
2018	-1.6%	+4.2%	+1.6%	+1.1%	+4.1%	+1.6%	-3.1%	+0.7%	-0.8%	-3.2%	-4.8%	-5.2%	-5.9%		
2019	+6.0%	+4.8%	+3.1%	+4.7%	+10.8%	+0.6%	+17.6%	+1.4%	+6.1%	+4.6%	-0.8%	-1.3%	+73.2%		
2020	-0.6%	-11.7%	-28.4%	+23.3%	+18.4%	+14.1%	+16.0%	+20.7%	+3.1%	+1.0%	+2.3%	+4.0%	+62.3%		
2021	+1.9%	+2.1%	-0.1%	+5.0%	-4.4%	+5.5%	-8.0%	+4.3%	-5.5%	+1.0%	-4.5%	-9.6%	-13.0%		
2022	-7.9%	-9.6%	-3.0%	-5.8%	-17.6%	-15.5%	+10.1%	-0.3%	-6.1%	+2.0%	-3.8%	-6.7%	-49.9%		
2023	-0.2%	-8.1%	-6.1%	+6.1%	-5.4%	-7.8%	+21.2%	-3.7%	-5.6%	-1.8%	+3.9%	+2.6%	-8.1%	+4.8%	-8.1%

Returns are net of all base fees, performance fees and expenses of the Fund



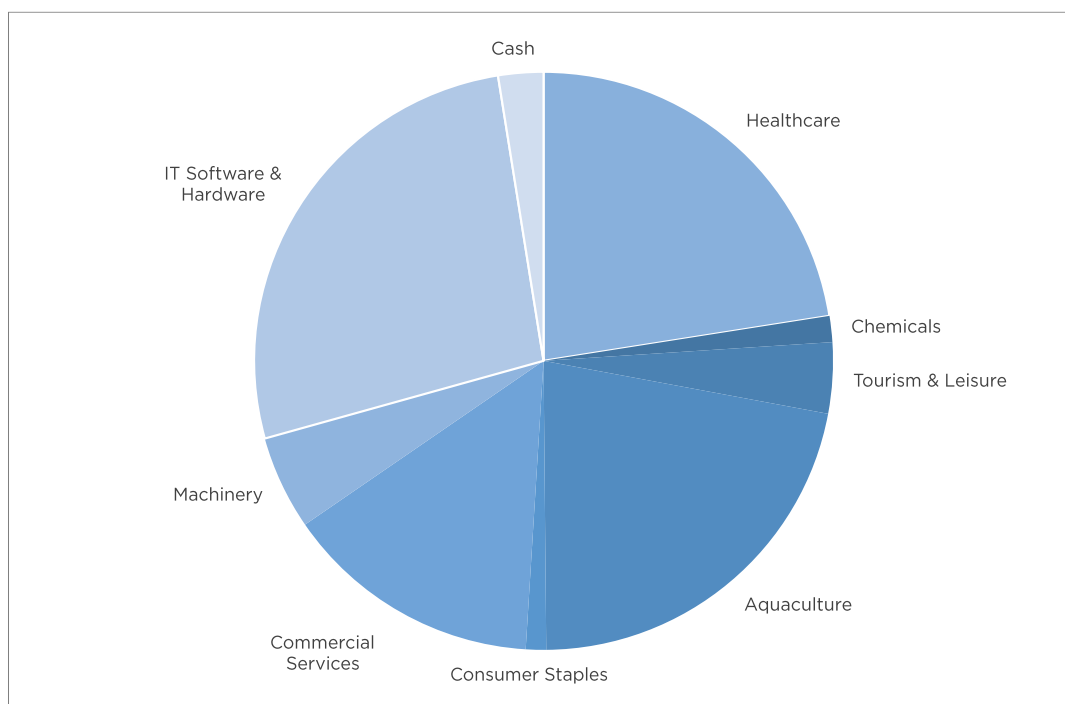
Performance commentary

The key positive contributors during December were Dropsuite (DSE, +19%), FBR Limited (FBR, +23%) and Fleetwood (FW, +13%). The key negative contributors were Bluechiip (BCT, -27%), Hydration Pharmaceuticals (HPC, -20%) and Imricor (IMR, -2%).

There was no material news flow for any of our holdings during December, so we now eagerly await the December quarter results period in late January.

Portfolio characteristics

We currently have ~97% of our capital invested in 14 stocks.



Please get in touch should you have any queries regarding the above. Thanks again for your interest and support and I look forward to providing another update in early February on our performance during January.

Kind regards,

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