Emerging Companies Fund

Monthly Update: December 2024

Dear Fellow Investors,

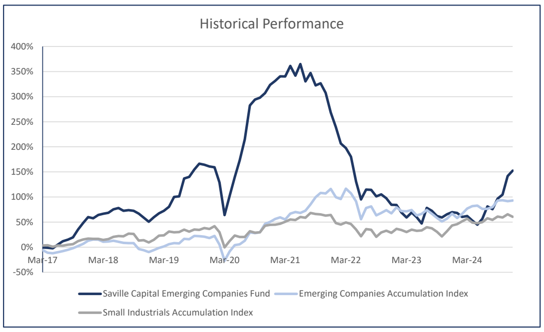
Our Emerging Companies Fund was up +9.0%* in December vs +0.7% for the Emerging Companies Accumulation Index (XECAI) and -3.1% for the Small Industrials Accumulation Index (XSIAI). Since inception, the Fund has generated +12.4%* p.a. and a total return of +152.6%* (or +173.2%* if distributions have not been reinvested) vs +93.1% for the XECAI and +60.5% for the XSIAI.

In terms of positive news flow, December was an exceptional month for the Fund, which we will cover over the page. While performance was also very strong, especially in relative terms, it wasn't what it should (or could) have been. The positive is that the performance upside that we missed isn't permanently lost, it has just been delayed. As we have mentioned ad nauseum, the micro-cap market remains challenged at a macro level, but unlike a year or two ago, the indiscriminate selling pressure has now abated and individual stocks can re-rate under the right circumstances. The conditions required are positive stock-specific news flow, a share register that is cleansed of stale holders and/or a market cap that is large enough to attract new institutional shareholders to soak up any stale retail selling. As an example, Imricor (IMR, +17%) continues to deliver positive news flow which is being rewarded by the market, as it has a refreshed share register that includes several new institutions as well as a market cap that is >$300m, putting it on the radar of an expanding audience of other institutions. Conversely, Murray Cod Australia (MCA, unchanged) is also delivering significant positive news flow, but the share price isn't responding, as yet, given its stale retail shareholder base, a more modest market cap (~$150m) and very low liquidity. The latter point is largely due to the fact that MCA is tightly held by its board members and just a few key institutions, including ourselves. This will eventually work in its favour, but for now it still needs to churn out some of its stale retail holders before its share price will start to better reflect its operational milestones.

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%		
2024	-0.9%	-4.8%	+1.1%	-5.6%	-5.4%	+8.1%	+15.9%	-3.1%	+12.0%	+4.0%	+18.2%	+9.0%	+55.1%	+34.0%	+55.1%

Returns are based on the Main Series only, net of all base fees, performance fees and expenses of the Fund



*Past performance is no guarantee of future performance

Performance commentary

The key positive contributors during December were Airtasker (ART, +43%), Imricor (IMR, +17%) and FBR Limited (FBR, +5%). The key negative contributors were Wrkr (WRK, -20%), Pentanet (5GG, -12%) and Vysarn (VYS, -3%).

MCA announced that it has secured finance facilities totalling $43m from Westpac, with a term of three years. The funds will be used to: refinance and extinguish the existing $20m facility with iPartners (delivering interest savings of >$1m pa); purchase a property adjoining the Company's existing Bilbul Site (comprising 10 hectares of irrigated land, plus residence and shedding); provide capital for completion of Stanbridge; and fund the ongoing working capital requirements of the Company, including growing existing fish out to harvest and increasing the hatchery and nursery stocks for future years. Importantly, not only does this facility provide validation of MCA's fish inventory and associated assets, it also funds it through to cash flow positive, removing any further need to raise equity.

FBR announced that the Demonstration Program with CRH Ventures in Florida, US, is now complete. Using the Hadrian X® and concrete masonry blocks supplied by an affiliate of CRH Ventures, FBR constructed the external walls of nine homes in the Program, with one of the homes being built in a single day. Each structure was confirmed by independent structural engineers to meet applicable building standards. Following the completion of nine structures and the achievement of the milestone of building the walls of a home in a single shift with only three personnel on site, FBR and CRH Ventures reached agreement that the capabilities of the Hadrian X® had been adequately demonstrated and deemed the Program complete, with the period of 45 days for CRH Ventures to exercise its option to enter an exclusive joint venture with FBR to commence on 2 January 2025, triggering a US$400k payment to FBR. In the meantime, FBR and CRH Ventures intend to complete at least one home for major US builder PulteGroup outside of the scope of the Program, as well as a home for Neal Communities, another prominent builder in southwest Florida. As a reminder, CRH is listed on the NYSE with a market capitalisation of ~US$60B and is one of the largest construction materials companies in the world, including operations in the US, Europe and Australia. Once the Option is exercised, a US$40m rolling loan facility will be established to fund construction of the Hadrian X® units and the JV will execute a binding conditional purchase order for 20 units. Two further conditional purchase orders of 39 and 40 Hadrian X® units will be placed subject to meeting utilisation and gross margin metrics (neither of which are onerous) on preceding orders, followed by options for a further 200 units. CRH subsidiaries will become the exclusive concrete block suppliers to the US JV and the parties will share in the profits generated from the JV as the units are hired out to US builders. To put all of this into context, the revenue potential of 300 units being deployed at 70% utilisation is >US$1.1B pa, with target gross margins >50%. Remarkably, the completion of this Program has not yet prompted a re-rating in FBR's share price. This could be due to the binary risk that the Option isn't exercised or that another capital raising will be necessary once it is exercised. Regardless, FBR is now on the verge of significant value creation for shareholders.

After receiving regulatory approvals in Qatar and Saudi Arabia in 2024, IMR has been working with its distributor partners to bring MRI-guided ablations to leading hospitals in the Middle East. Pleasingly, during December it received its first purchase order for capital equipment and consumables from Qatar, beginning the rollout of iCMR labs in the region.

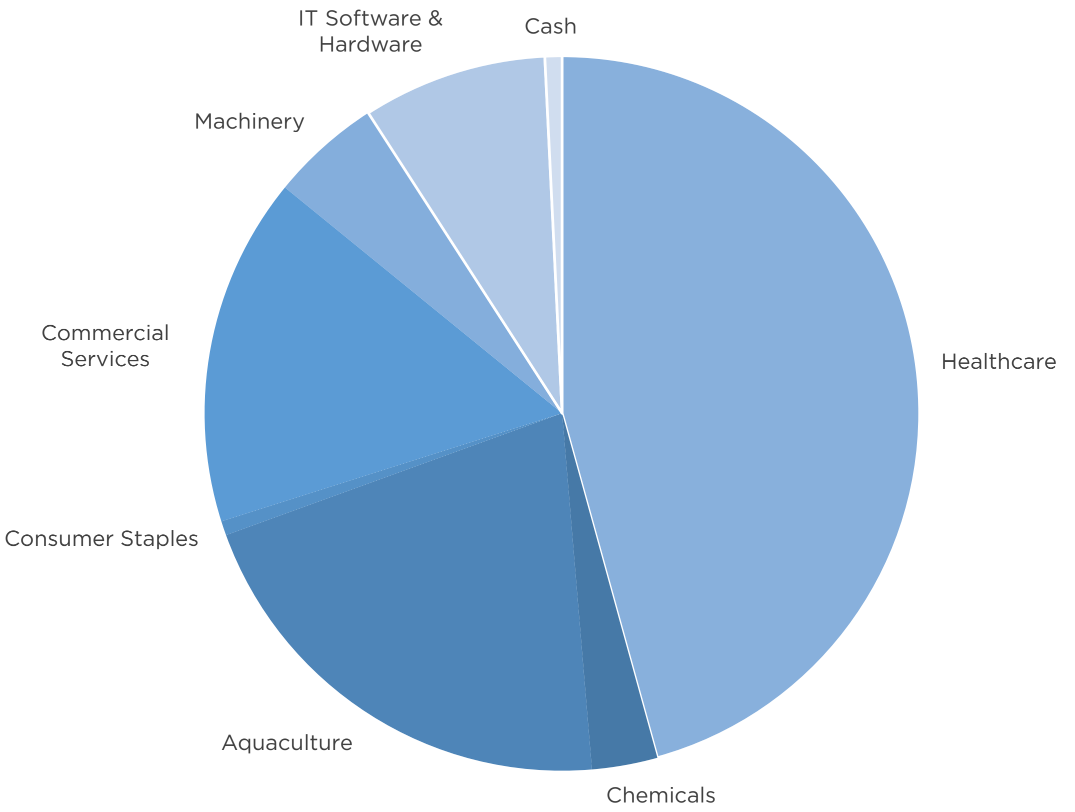
IDT Australia Limited (IDT, +5%) announced that it has secured a three-year $20m loan facility with Scottish Pacific, which will provide it with the financial flexibility to support its growing sales pipeline and capitalise on recent contract wins, positioning the Company for continued growth. This facility replaces IDT's current $4.7m facility with the NAB and underscores IDT's strategic commitment to scaling its operations in response to increased demand and expanding market opportunities in Australia and internationally. The facility has an initial term of 36 months, with potential to roll into an ongoing term. The interest rate is 10.60% pa (variable base rate of 8.35% plus a 2.25% margin) and the facility is secured against a portfolio of IDT's assets. Similar to MCA, this facility now funds IDT through to being cash flow positive, removing the need for any further equity from shareholders and the associated potential overhang on the share price.

Bluechiip (BCT, unchanged) announced the execution of a licence, development and supply agreement with US-based BioLife Solutions (NYSE-listed with a market cap of ~US$1.3B), a market leader in bioproduction tools and services for Cell and Gene Therapy (CGT). Under the Agreement, BioLife will gain exclusive rights to integrate BCT's unique technology into its proprietary primary packaging containers for the CGT market. This partnership represents a major milestone for BCT, with the potential for ongoing royalties and product sales as the products reach the market. The bioproduction tools and services of BioLife support hundreds of clinical applications and their products represent the gold standard in maintaining the viability of biologics through manufacturing, storage, and distribution, vital to CGT production and delivery. As part of the agreement, BioLife will pay BCT an upfront license fee for the first year of $US300k, and will subsequently pay quarterly licence or royalty fees, whichever is greater, on BCT-enabled products entering the market. BioLife will also gain global exclusive use of BCT technology in primary containers in CGT technology manufacturing and final dose. However, the exclusivity does not include standard BCT products used across multiple applications or existing BCT products (e.g. readers, software or cryovials or cryolabels). BCT technology is expected to be incorporated into BioLife's range of CellSeal and CryoCase final packaging containers in a project anticipated to be initially valued up to $US750k. BioLife will also have non-exclusive access to distribute BCT's existing product range with sales assistance from BCT's team. The Chairman and CEO of BioLife Solutions publicly stated that "Bluechiip's technology provides the potential for BioLife to further differentiate our products in the critical temperature-sensitive environments of cell and gene therapy." In our view, this Agreement not only provides further validation of BCT's product suite, but more importantly some much-needed upfront and future ongoing revenue (the potential of which is significant). In the meantime, as part of its strategic review, the Company continues to engage with potential equity providers (including BioLife) to improve its balance sheet before it resumes trading on the ASX after its AGM on 30 January 2025.

TGH undertook a placement and entitlement offer (in which we participated) during the month to raise a total of $4.75m. Funds raised will be used to fund ongoing scientific research and development as well as accelerate global commercialisation opportunities, in addition to supporting working capital. In addition, TGH published the results of its beef feedlot trial which tested TGH's dry ruminant probiotic feed supplement on beef cattle at different dose rates against liquid MYLO and control groups for equivalence and dose rate response. The test groups were: liquid MYLO, Dry Ruminant Probiotic 1x dose, Dry Ruminant Probiotic 2x dose and a control group (no supplement). 264 Angus steers were selected to enter the trial with an average live weight of 400kgs upon induction. Key results were that the Dry Probiotic 2x dose delivered the highest exit live weight of +8.8 kilograms heavier than control and a 4.6% higher average daily weight gain than control across the trial period. Feed conversion ratio (FCR) in all probiotic treatment groups showed a strong numerical trend in favour of probiotics. The Dry Probiotic 1x dose recorded a 12.8% better FCR vs control. Meanwhile, the Dry Probiotic 2x dose achieved a 4.73x net carcass value return on investment on a National Feedlot Accreditation Scheme (NFAS) grain grid. Therefore, at an average ration cost of $380 per tonne, Dry Probiotic 1x average FCR of 12.8% above control delivered a $48.64 per tonne saving. The probiotic treated groups outperformed the control in hot standard carcass weight (HSCW), yield percentage per carcass, eye muscle area, marble score, ossification score, MSA index and carcass value. These beef feedlot trial results build on existing data and evidence through peer-reviewed published research papers that TGH's probiotic delivers productivity gain increases in feedlot lambs, as well as increased cow milk production. TGH's Dry Probiotic is anticipated to launch in March 2025 and will be commercially available in Australia.

Portfolio characteristics

We currently have ~99% of our capital invested in 11 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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