Emerging Companies Fund

Monthly Update: January 2025

Dear Fellow Investors,

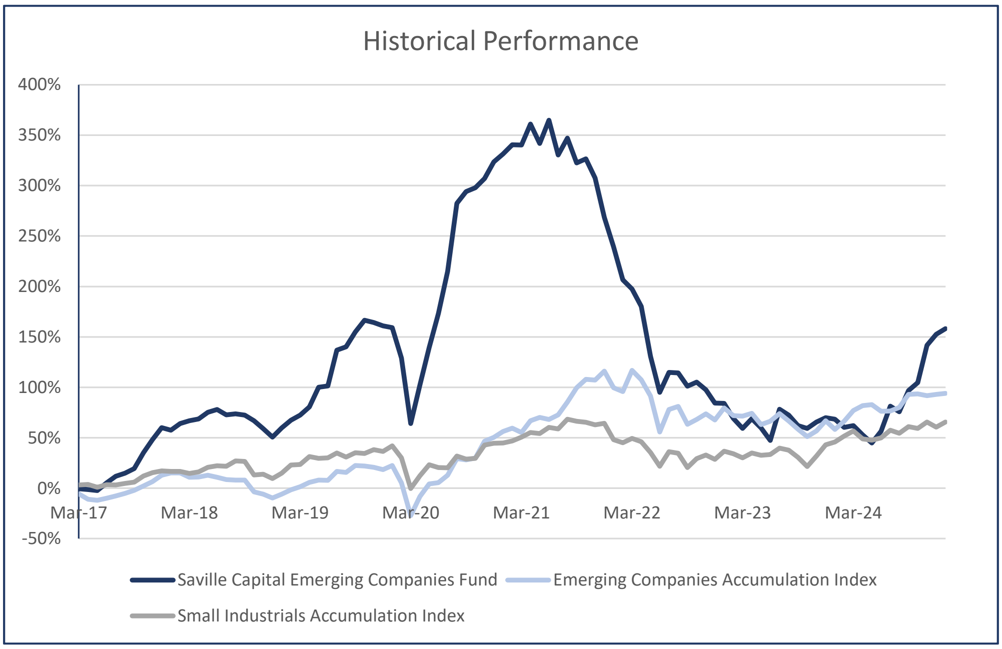
Our Emerging Companies Fund was up +2.2%* in January vs +0.4% for the Emerging Companies Accumulation Index (XECAI) and +3.3% for the Small Industrials Accumulation Index (XSIAI). Since inception, the Fund has generated +12.6%* p.a. and a total return of +158.1%* (or +176.0%* if distributions have not been reinvested) vs +93.9% for the XECAI and +65.7% for the XSIAI.

January was another very pleasing month for the Fund in terms of headline performance and news flow (including both macro and stock-specific). In terms of the macro data, the case for the commencement of a domestic rate cutting cycle continues to build due to moderating inflation, which we still see as a key positive catalyst for our Fund and the broader micro-cap market. In addition, we are observing a sustained improvement in the operating performance of most of our stocks. This isn't due to an improving economic backdrop, which remains soft, but instead the combination of time and greater access to funding (equity and/or debt) enabling them to execute on their key growth initiatives.

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%		
2025	+2.2%												+2.2%	+31.6%	+59.9%

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 January were Pentanet (5GG, +53%), FBR (FBR, +15%), and Imricor (IMR, +6%). The key negative contributors were Airtasker (ART, -9%), Murray Cod Australia (MCA, -4%) and Wrkr (WRK, -4%).

IDT's 2Q FY25 revenue of $5.3m was up +97.7% on pcp and the highest it has been since it commenced its strategic transformation program. The significant increase in revenue and new contracts won in the quarter was driven by the continued growth in the Advanced Therapies vertical, which typically attracts higher margins due to the need for more complex manufacturing processes and higher barriers to entry. Pleasingly, a lot of this demand is being underpinned by repeat business and US-based customers, which has the added benefit of providing IDT with a more geographically diverse customer base. Overseas drug companies are coming to Australia as it's seen as an attractive location to undertake clinical trials due to its cost advantage, high regulatory standards and tax incentives. Given IDT's independence and strong reputation in drug development and manufacturing, the Company is a key beneficiary of this prevailing trend. Finally, the Company submitted 20 customer proposals valued at $17.8 million in the quarter. This strong pipeline and IDT's track record in securing contracts support the Company's expectations that its FY25 full-year results will comfortably surpass that of the prior year.

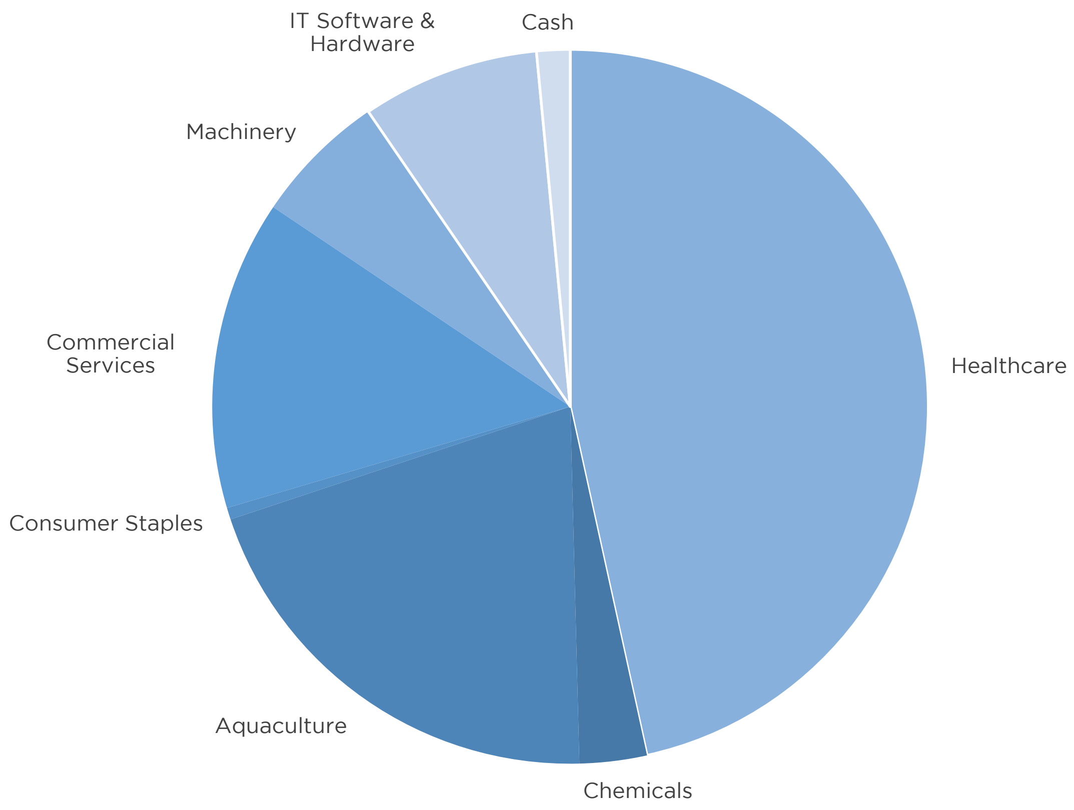
ART showed further improvement in 2Q FY25, with revenue growth accelerating to +11.4% on pcp (was +8.5% in 1Q FY25), underpinned by strong growth in Airtasker marketplaces revenue of +15.8% on pcp (with OneFlare remaining the drag on overall revenue growth). Airtasker Australia marketplaces revenue was up +12.8% on pcp, marking a welcome return to double digit growth, while the UK was up +95.2% on pcp and the US was +278.6%. The momentum in Airtasker marketplaces revenue growth was driven by strong consumer demand with booked tasks up +10.9% on pcp (vs 1Q FY25 +6.1%) coupled with market reliability improvements which saw cancellations reduce by 1.2% on pcp and the monetisation rate improve +3.6% on pcp to 20.8%. ART continues to generate positive free cash flow and increase its cash balance (now $18.3m) as it utilises its media deals to fund a significant investment in brand marketing. It is important to note that while we expect to see some initial uplift in consumer demand from these marketing initiatives, unlike performance marketing which targets immediate customer acquisition, these are being aimed at building brand awareness, which typically has a longer payback period.

5GG generated its maiden positive quarterly EBITDA of $0.6m, which was a $1m improvement on 1Q, mainly due to ongoing cost-reduction initiatives and disciplined financial management. 5GG continued to deliver steady revenue growth, up +7% on pcp to $5.7m. Meanwhile gross profit increased +6% on pcp (and +17% QoQ) to $2.8m. Its 5G subscribers were up +17% QoQ and the Company remains on track to double its 5G network coverage in FY25. Gaming revenue growth was up +27% QoQ, driven by a 23% QoQ increase in Cloud Gaming ARPU, as new pricing plans were rolled out to customers. Finally, its net operating cash flow increased to $0.9m in 2Q FY25, up from -$0.6m in 1Q. With >$2m in cash and ~$7m in unused debt facilities, 5GG will continue to manage its cash flow tightly as it awaits the revenue and earnings uplift from its 5G rollout. Nonetheless, we think the Company is starting to prove that it can operate a profitable business model, which will only be enhanced as its revenue base scales from here.

While sales growth for MCA remains deliberately benign (2Q FY25 was up +2% on pcp), the sales mix continues to improve (average weight per fish sold was up +29% on pcp to 1.6kg), replacing smaller live fish sales with processed fish sales. The economic benefit of fillet yield from larger fish is the key reason behind this strategy as it enables MCA to achieve better price per/kg of whole fish weight and provides options like frozen fillet products to be used for export markets. Meanwhile, MCA's biomass continues to grow rapidly in preparation for a step-change increase in fish available for sale, which is expected to be evident in its 2H FY25 sales revenue (and beyond). Pleasingly, the Company also reported that it had an excellent Spring spawning season, +20% on the pcp.

Portfolio characteristics

We currently have ~98% 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 March on our performance during February.

Kind regards,

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