

# Emerging Companies Fund

Monthly Update: March 2025



Dear Fellow Investors,

Our Emerging Companies Fund was down -10.8%\* in March vs -1.3% for the Emerging Companies Accumulation Index (XECAI) and -6.7% for the Small Industrials Accumulation Index (XSIAI). Since inception, the Fund has generated +10.3%\* p.a. and a total return of +121.8%\* (or +157.2%\* if distributions have not been reinvested) vs +87.6% for the XECAI and +50.9% for the XSIAI.

March was one of the more volatile months we can recall for the Fund. Early in the month we saw a decline of ~10%, followed by a rebound to almost parity, before it declined by ~10% again in the final two days. The volatility was linked to the changing tariff rhetoric coming out of the US and the uncertainty/panic this is causing across global markets. Unfortunately for us, one of the few places to hide has been in small gold stocks (thus propping up the XECAI vs the XSIAI), which we don't own as part of our investment strategy. Furthermore, despite having no material direct exposure in the portfolio to US tariffs, as usual micro-cap industrial stocks still bore the initial brunt of the risk-off trade. Interestingly, the volumes on the weak days were relatively light, particularly on the final two days of the month where most of the damage was done, suggesting that the weakness is being driven by retail panic as opposed to a shift in institutional sentiment. Perversely, the fear of a US, and indeed global, recession is seeing bond yields decline sharply, which, once the dust settles, is actually very positive for our current portfolio, especially if they are followed by rate cuts, particularly in Australia.

While no two periods are ever the same, there are some potential parallels to be drawn between early 2020 and the period we are in right now. During its initial response to the uncertainties posed by the COVID pandemic and lockdowns, the market used a blunt tool and de-rated almost everything. However, within a few weeks it started to make some significant adjustments, sifting through the likely winners and losers from the pandemic, while enjoying the tailwind of easing monetary conditions that accompanied the fears of a global recession. So, while the cause of this market pullback is entirely different, the levels of uncertainty are not entirely dissimilar, thus providing the potential for active investment management to significantly outperform passive. As such, despite the recent weakness and near-term volatility, we are still very positive on the outlook for the Fund in 2025. Furthermore, unlike past periods of weakness, the stocks in our portfolio are well capitalised and thus will not be seeking to raise capital into a deteriorating market.

## Performance summary\*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	3M	12M
<b>2017</b>		-3.2%	+2.6%	-0.6%	-1.0%	+7.6%	+6.4%	+2.7%	+4.0%	+13.2%	+9.5%	+8.1%	+60.1%		
<b>2018</b>	-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%		
<b>2019</b>	+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%		
<b>2020</b>	-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%		
<b>2021</b>	+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%		
<b>2022</b>	-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%		
<b>2023</b>	-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%		
<b>2024</b>	-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%		
<b>2025</b>	+2.2%	-3.7%	-10.8%										-12.2%	-12.2%	+42.7%

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

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\*Past performance is no guarantee of future performance

## Performance commentary

The only positive contributors during March were Wrkr (WRK, +23%) and Vysarn (VYS, +3%). The key negative contributors were Airtasker (ART, -21%), Imricor (IMR, -13%) and Murray Cod Australia (MCA, -11%).

IMR raised A\$70m via a placement at an offer price of \$1.41 (no discount to market) during the month, increasing its cash reserves to A\$87.3m and ensuring it is now fully funded for at least the next three years. The funds raised from the Placement, together with existing cash, will be used to support the Company's growth strategy, including growing the installed base and expanding indications in Europe, expanding commercial operations into key markets, such as the USA and Middle East, and funding ongoing R&D activities and its regulatory efforts (including FDA and TGA). The capital raising was very well supported by existing and new institutions, as evidenced by the lack of a discount to market (which is highly unusual) and now puts the Company within touching distance of inclusion in the ASX300, which would likely drive increased passive ownership of the stock. In the meantime, the next key catalyst is the successful completion of the first heart ablation operation to treat ventricular tachycardia using IMR's patented Vision-MR Ablation Catheter, which we expect to occur during April.

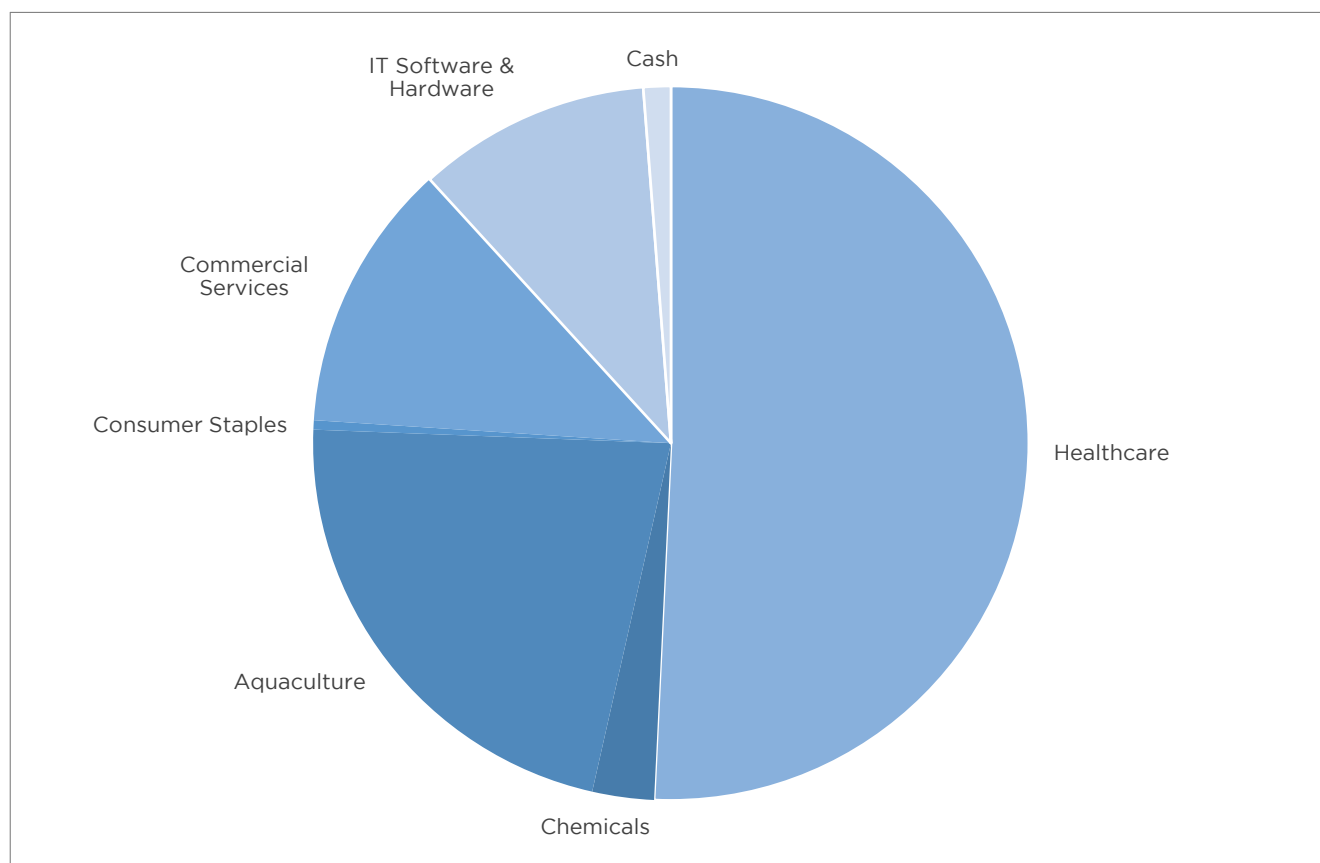
Terragen (TGH) undertook the commercial launch of its long-awaited dry Mylo product at the end of March, which is now available leading rural retailers. The product is offered in two specialised formulas; Probiotic for Ruminants for beef, dairy, calves and lambs, and Probiotic for Ruminants Ultra, ideal for intensive feedlot systems. The extended shelf life of up to two-years complements the three convenient, resealable retail packs of 100g, 250g, and 500g, meanwhile wholesale orders of the product are also available. As previously noted, based on independent trial results, the product has significant potential for increasing feedlot cattle performance, delivering net returns of up to \$50 per head. We will now watch with interest as to how this product performs from a commercial perspective and if it can help to drive significant sales growth (and profitability) for TGH.

Following on from its lapsed option agreement with CRH Ventures and the lack of any other imminent deals that could see the business fund its entry into the US construction market, we decided to exit our position in FBR. Given our knowledge of the business and belief in the technology, we will remain close observers of their activities in the coming months, particularly with regards to Samsung. However, with an increasing number of other potentially compelling investment opportunities emerging in the current market, we felt that our capital could be put to better use elsewhere while FBR works towards an agreement with Samsung and seeks out another potential partner in the US market.

In a disappointing, but unsurprising, turn of events, Bluechiip (BCT) entered into Voluntary Administration (VA) during the month. The decision was taken following a process to procure a strategic investor and/or purchaser of the business failed to yield a satisfactory result, leaving the Company facing imminent insolvency. While we remain of the view that BCT's technology has significant commercial potential, which had again been validated by its recent contract and partnership agreement with BioLife, the Company's weak balance sheet and dwindling shareholder support to fund its loss-making operations ultimately put it in an untenable position. Frustratingly, we think its inability to properly fix its balance sheet following the loss of the Labcon contract during the COVID pandemic was a key reason why existing and potential large customers were never willing to sign any meaningful contracts with them given the uncertainty over whether BCT would be able to service those orders. We still own the same equity stake in BCT, but given the current circumstances and very low probability that there will be any residual value left for shareholders from the VA process, we have written the value of our interest down to zero.

## Portfolio characteristics

We currently have ~99% of our capital invested in 10 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 May on our performance during April.

Kind regards,

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