

# Emerging Companies Fund

Monthly Update: May 2025



Dear Fellow Investors,

Our Emerging Companies Fund was down -1.3%\* in May vs +3.0% for the Emerging Companies Accumulation Index (XECAL) and +4.0% for the Small Industrials Accumulation Index (XSIAL). Since inception, the Fund has generated +11.0%\* p.a. and a total return of +137.8%\* (or +165.5%\* if distributions have not been reinvested) vs +92.4% for the XECAL and +59.9% for the XSIAL.

Much like the last four years since the micro-cap market took a sharp dive, May was a weak month for many micro-cap industrials as the latest round of tax loss selling arrived for those stocks in the sector that remain well below their highs (or even average price) reached during that 2019 - 2021 period. With the mid and large cap sector having again performed well during FY25, inevitably there are many micro-cap stocks (including ones we own) that become obvious candidates to offset taxable gains from sales of mid to large cap stocks that continue to reach new highs (CBA being a prime example). We expect, just like the last three years, we will see a strong bounce in the portfolio's performance during July after this period of artificial share price weakness concludes.

Unfortunately, this market anomaly was exacerbated during May by more transition flow, including the closure of yet another small cap fund due to the loss of a significant mandate. These unfortunate events don't just affect those stocks in the specific portfolio being liquidated (albeit they feel it most), it tends to have a cascading effect on many of the stocks that sit around them, as they are used as a source of funding to capitalise on the forced liquidation of their peers. The silver lining of these current market dynamics is they are enabling us to progressively add two more stocks to the portfolio at very attractive prices, while having minimal market impact.

Unusually, there was no material news flow released by any of our stocks during the month. However, we did receive another rate cut of 25bps, as well as the first clear signal from the RBA that there could be several more to come. So while the first half of 2025 has been punctuated by extreme volatility (largely due to the trade war) and overall sluggish performance, given the combination of a declining rate environment and significant valuation upside, we remain very upbeat on the Fund's prospects for CY25 and FY26.

The key positive contributors during May were Imricor (IMR, +7%), Vysarn (VYS, +1%) and Hydration Pharmaceuticals (+25%). The key negative contributors were Murray Cod Australia (MCA, -10%), Airtasker (ART, -9%) and Wrkr (WRK, -8%).

## 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%	-3.7%	-10.8%	+8.7%	-1.3%								-5.9%	-4.3%	+71.4%

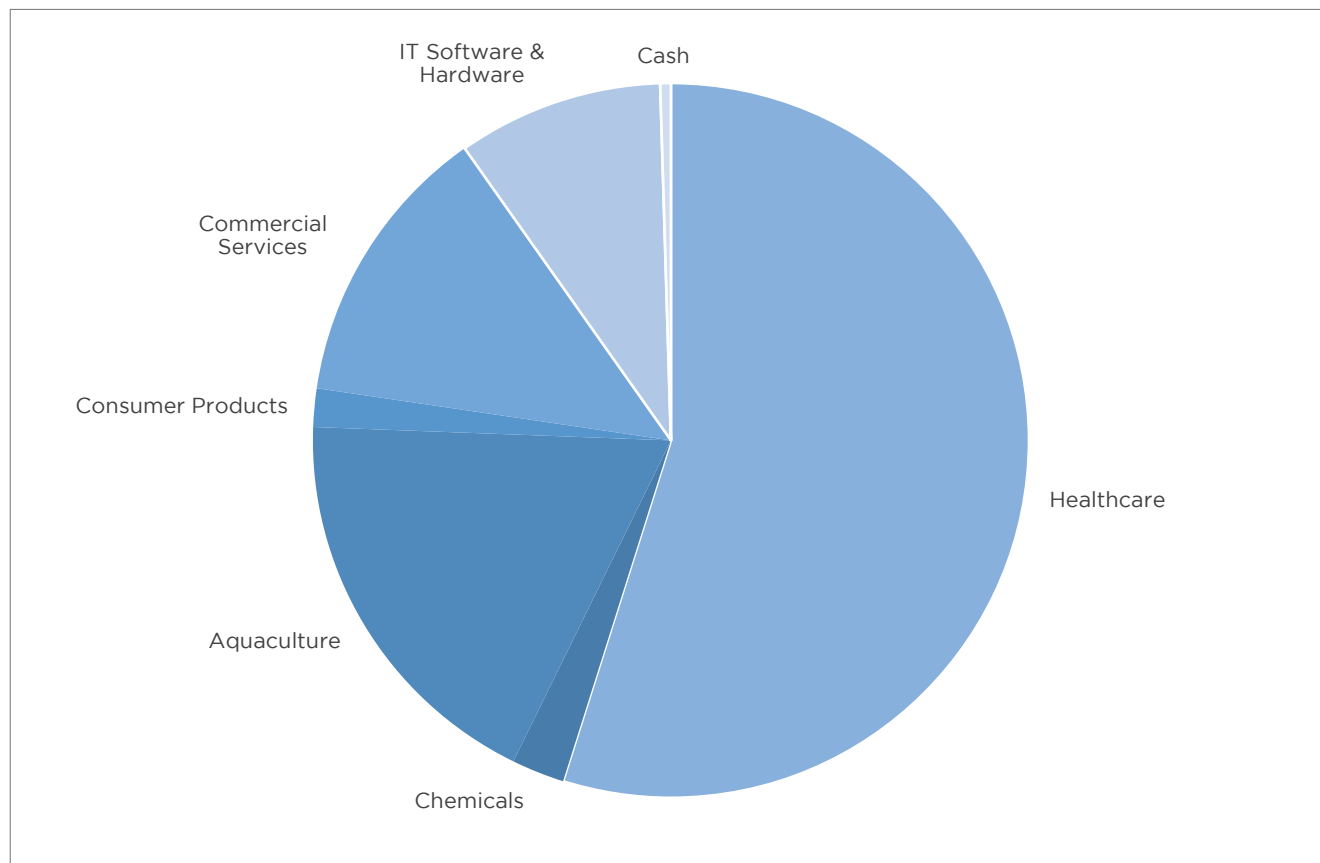
Returns are based on the Main Series only, net of all base fees, performance fees and expenses of the Fund

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\*Past performance is no guarantee of future performance

## 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 July on our performance during June.

Kind regards,

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### Important Information

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