

Emerging Companies Fund

Monthly Update: September 2025



Dear Fellow Investors,

Our Emerging Companies Fund was down -0.4%* in September vs +13.4% for the Emerging Companies Accumulation Index (XECAL) and -0.7% for the Small Industrials Accumulation Index (XSIAL). Since inception, the Fund has generated +10.5%* p.a. and a total return of +137.9%* (or +165.5%* if distributions have not been reinvested) vs +148.4% for the XECAL and +81.2% for the XSIAL.

September 2025 was one of the more extraordinary months that we have witnessed in markets, particularly micro-caps. While the Emerging Companies Index had another very strong month, this was largely driven by another significant jump in the gold price (among other precious metals) which is manifesting in a spectacular surge in gold stocks. The gold price is now up ~50% CYTD and was up >10% in September alone, which is culminating in a huge gold stock rally that is having a disproportionate impact on certain emerging and small company indices. Unsurprisingly, the Small Resources Index was also up another +13.5% for the month (and is now +47.4% in CY25), in stark contrast to the Small Industrials Index, which was down -0.7% for the month (while ASX200 was -0.8%).

The Fund's relative performance to the Emerging Companies Index doesn't concern us given we deliberately don't invest in resources stocks, however it can lead to a source of negative absolute performance if investors chase the momentum (and capital raisings) in gold/resources and use industrials (such as stocks we own) as funding sources, which we believe may have been the case during September. Having been up >5% by the middle of the month, we noted a clear shift thereafter whereby several of our key stocks came under persistent selling pressure during the subsequent fortnight. Whether this was institutions making a conscious decision to recalibrate their portfolios towards owning more small resources stocks or simply portfolio/passive transition flow, we are not sure. But the selling was reasonably aggressive and was biased towards stocks in our portfolio which are more widely held by institutions, which disappointingly put a halt to some strong momentum that had been building within the Fund in recent weeks.

With the strong performance of large caps, mid caps, small caps and now micro resources over the past 12 to 24 months, it feels like micro industrials is the last remaining sector that is yet to attract strong widespread market support. Therefore, our view remains that in the absence of a left-field market event, a significant catch-up trade for that sector is inevitable over the next 6 to 12 months, which would clearly help our Fund's performance.

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%	-4.2%	-1.4%	+6.3%	-0.4%				-5.8%	+4.4%	+41.3%

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 key positive contributors during September were a recent addition called Medical Developments (MVP, +22%), Terragen (TGH, +29%), and Pentanet (5GG, +3%). The key negative contributors were IDT Australia (IDT, -13%), a recent addition called Biome Australia (BIO, -13%) and Wrkr (WRK, -4%).

MCA undertook a \$17m capital raising, in which we participated, at \$0.95/share (before ending the month at \$1.10), primarily to improve its balance sheet strength and flexibility ahead of reaching a significant sales inflection point during FY26. This will now allow the stock to react more positively to future sales and cash flow updates, unencumbered by the previous perception that its weak balance sheet could make it prone to a potential capital raise. The funds will also enable completion of the Stanbridge development and provision for construction of 24 future ponds at Gogeldrie, as well as some processing plant upgrades and strengthening of its sales & marketing capabilities. The capital raise was very well supported, attracting seven new institutions to the stock, which is important for improving the breadth and depth of its register, enabling it to more easily cycle through any further selling pressure from stale retail holders. While our Fund has been a long-term holder of MCA, we are yet to be rewarded with sustained share price gains. However, we maintain that we are on the verge of seeing our patience and persistence be handsomely rewarded. With the balance sheet and share register now in a much stronger position, significant biomass available for sale and distribution channels being opened up, the Company is poised for a period of significant share price appreciation, which given its size in the portfolio, will lead to a substantial positive impact on the Fund.

IMR announced the successful completion of its Human Factors (HF) study covering all of the Company's devices currently under review by the FDA. This was a 7-month usability study involving 46 healthcare professionals, comprising 23 electrophysiologists and 23 EP nurses/technologists from ~20 hospitals across the US. The HF study is a critical step in the FDA approval process, ensuring that each device can be used safely and effectively by clinicians in real-world settings. Completion of this extensive study across IMR's full product portfolio represents a major milestone in advancing towards FDA market approval. This project required comprehensive testing across multiple devices, workflows, and clinical scenarios and its completion underscores the strong momentum IMR is building as the Company continues to progress through the US regulatory pathway, which is a significant growth opportunity and major inflection point in its global strategy.

BIO, as noted above, is a fairly recent addition to the portfolio which we will discuss in more detail in a subsequent Fund Update. However, it is worth highlighting that it made a couple of positive announcements during the month. Following on from recent strategic distribution deals with Mecca (they are including BIO's *Activated Probiotics* as part of their launch of a new wellness category) and Go Vita (Australia's largest health food distribution platform), BIO announced that it has agreed trading terms with Green Cross Health Limited, positioning *Activated Probiotics* for retail launch across New Zealand's largest pharmacy network from September onwards. This strategic partnership represents another key milestone in BIO's international expansion strategy (noting it already has a presence in the UK and Canada), providing immediate access to 328 established pharmacies operating under the Life Pharmacy and UniChem brands. Green Cross Health processes over 34 million prescriptions annually, representing 40% of New Zealand's total prescription volume, while serving ~2m loyalty program members. Finally, BIO also provided 1Q FY26 guidance for revenue to exceed \$5.5m, which we have subsequently learnt came in at \$5.94m (a new record), delivering +40% growth on pcp and +19% growth QoQ. The business continues to build strong momentum off a solid foundation of sustainable industry tailwinds, attractive gross margins (>60%) and a modest level of positive EBITDA. As such, we think it can be a strong contributor to the Fund's performance over the next couple of years as it continues to increase its penetration of the Australian market and gradually execute on its international expansion strategy.

Company in focus: Medical Developments International Limited (MVP)

MVP manufactures and distributes emergency medical solutions in Australia, Europe, the US and across the globe, operating in two distinct segments of Pain Management and Respiratory. In Pain Management, it offers Pentrox® (the “Green Whistle”) which is a fast-onset, non-opioid analgesic indicated for pain relief by self-administration in patients with trauma (e.g. ambulance services, emergency departments and sports medicine) and those requiring analgesia during short procedures. Pentrox® has been used safely and effectively for over 40 years in Australia and is now approved for sale in over 40 countries with ~8 million administrations globally. In Respiratory, it supplies pharmacies, medical clinics and hospitals with a range of devices to help patients manage asthma and chronic obstructive pulmonary disease (COPD), including space chambers, peak flow meters, portable nebulisers and silicon face masks.

After a challenging few years, in CY24 MVP made a strategic pivot to focus on initiatives that could significantly improve its near-term financial performance and strengthen its balance sheet. These included pausing its FDA approval process for Pentrox® entry into the US market, replacing direct sales with a distributor model in France and Switzerland, pushing through significant price increases in Australia, undertaking business efficiency initiatives to reduce unnecessary costs and raising \$10m via a placement and entitlement offer. All of this culminated in a step-change improvement in earnings and cash flow in FY25, underpinned by revenue growth of +18% on pcp. This delivered an improvement in underlying EBIT of +\$11.6m and FCF of +\$12.9m on pcp, generating a broadly breakeven outcome for both line items and placing the business in a much more stable and sustainable financial position from which it could then pursue longer term growth.

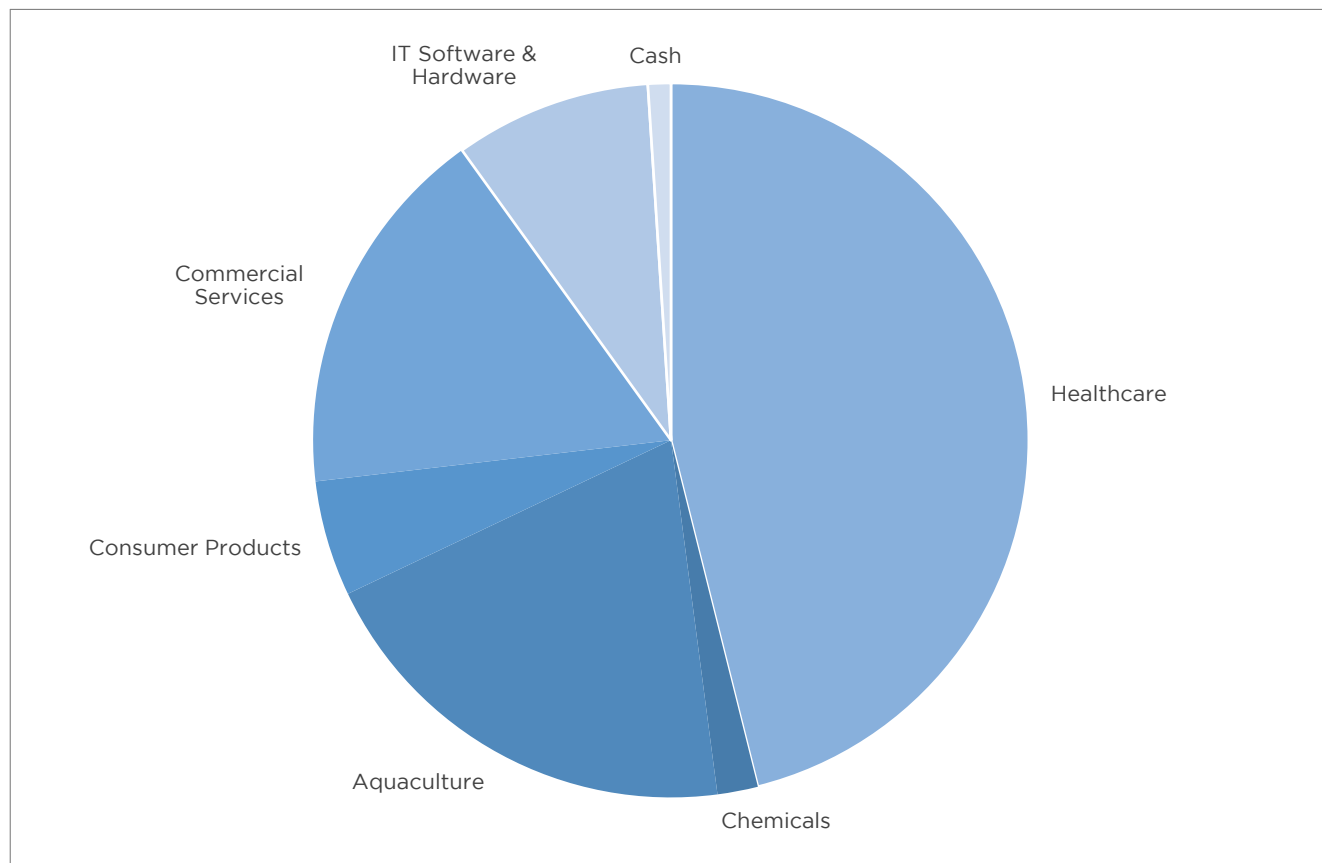
One challenge the business has had in the past is that the age indication for Pentrox® in the UK and Europe has been 18 years and older, thus not only limiting its addressable market but also complicating its entry (and use) in particular health settings. However, in August 2025, the Health Products Regulatory Agency (HPRA), as the Reference Member State for the EU Decentralised Procedure (DCP), approved the extension of the indication for Pentrox® to include children aged 6 years and older (as it already is in Australia). HPRA's approval now allows for national regulatory approval by member states which comprise Ireland, France, UK, Austria, Czech Republic, Denmark, Finland, Croatia, Iceland, Norway, Sweden, Slovenia and Slovakia. All of these regulatory approvals are expected within 12 months and will not only broaden the addressable market for Pentrox®, but increase penetration of existing customers where the age limit has made the pace and level of adoption slower and more complicated than it otherwise would have been (e.g. UK ambulance sector).

With wider paediatric use of Pentrox® coming from FY27 onwards, a more effective sales approach in Europe and greater use of studies/KOL's to accelerate penetration in existing markets such as Australia (particularly in hospitals and emergency departments), MVP appears poised to continue (if not, accelerate) its recent growth trajectory. Furthermore, it still has longer term growth options like the US market in its sights, but these can wait until it is in a better position to self-fund that investment rather than rely on external capital. In the meantime, it has a very healthy balance sheet (net cash of ~\$18m) to support other near-term growth/marketing initiatives, as well as potential accretive M&A.

In terms of our own investment criteria, we are attracted to MVP's product characteristics, strong margin profile, earnings scalability (from what is still a relatively low base), healthy balance sheet and its appeal to potential acquirers seeking to add unique products to a global distribution footprint, with capacity to fund/accelerate US market entry should they decide to do so. Finally, and just as importantly, MVP offers compelling value on a range of metrics (including our own DCF). It is trading on just ~1x FY27 EV/Revenue, and while the FY27 EV/EBITDA headline multiple of ~20x seems 'less' compelling, it is important to note that its EBITDA is currently sitting only modestly above breakeven, so this multiple will rapidly decline as its fixed cost leverage kicks in, with the low base effect of its EBITDA likely to amplify the contraction of its earnings multiple from FY28 onwards.

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 November on our performance during October.

Kind regards,

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