Emerging Companies Fund

Monthly Update: October 2026

Dear Fellow Investors,

Our Emerging Companies Fund was down –10.7%* in October vs -9.5% for the Emerging Companies Accumulation Index (XECAI) and -2.8% for the Small Industrials Accumulation Index (XSIAI). Since inception, the Fund has generated +4.5%* p.a. and a total return of +54.1%* (or +117.3%* if distributions have not been reinvested) vs +135.8% for the XECAI and +51.4% for the XSIAI.

In a month where we received another pleasing set of results and stock-specific news flow, the Fund's performance was dominated by a deteriorating market backdrop. Every stock in the portfolio declined, regardless of size, liquidity, profitability, growth profile or balance sheet strength. It was another mass liquidation event in response to the September rate hike and subsequent RBA commentary that all but guaranteed a November rate hike, which did eventuate. It is very disappointing to absorb such a sharp decline in the Fund's NAV in such a short space of time, especially given we had already suffered from significant macro-based selling earlier in the year. Encouragingly, performance in November thus far would indicate that a recovery has already started.

As you may recall, the last time the Fund's NAV was at these levels (May 2024) it rose >70% over the subsequent 12 months as the market drew comfort from a growing body of evidence that the cash rate had peaked and the next move would be lower. Our stocks are trading at unsustainably large discounts to both larger peers and our (plus brokers') view of fair value, so this is not permanent, it is just an unfortunate part of the market cycle which has gone on much longer than any participant could have reasonably anticipated. If it continues to persist then eventually corporate suitors will take advantage (we have seen many examples of this already), however this is not our preferred exit pathway as the bids, while at a premium, are generally priced as opportunistic, rather than fair to full.

If there is a silver lining that comes with this latest cleansing event, it is that we are finally seeing a significant recalibration within the market, where heavily overbought momentum trades are unwinding, providing an overdue opportunity for stocks (and sectors) that have been completely ignored, like ours, to come back into focus. As we saw during the June to August period when markets were more stable, even when we were getting some fantastic updates from several of our stocks, we were receiving minimal price recognition from the market anyway. At least now with bond yields retreating, and many lead indicators showing increasing signs of economic stress, we are very confident that domestic interest rates have peaked, giving investors more confidence to seek opportunity in areas that have been hardest hit by such an aggressive rate hike cycle.

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%	+0.4%	-3.8%	+1.1%	-8.1%		
2026	+2.0%	-6.5%	-10.7%	-3.7%	-14.6%	+1.9%	+2.2%	+6.8%	-10.1%	-10.7%			-37.6%	-14.3%	-39.3%

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

Performance commentary

There were no positive contributors during October. The key negative contributors were Medical Developments (MVP, -16%), Imricor (IMR, -15%) and Biome Australia (BIO, -9%).

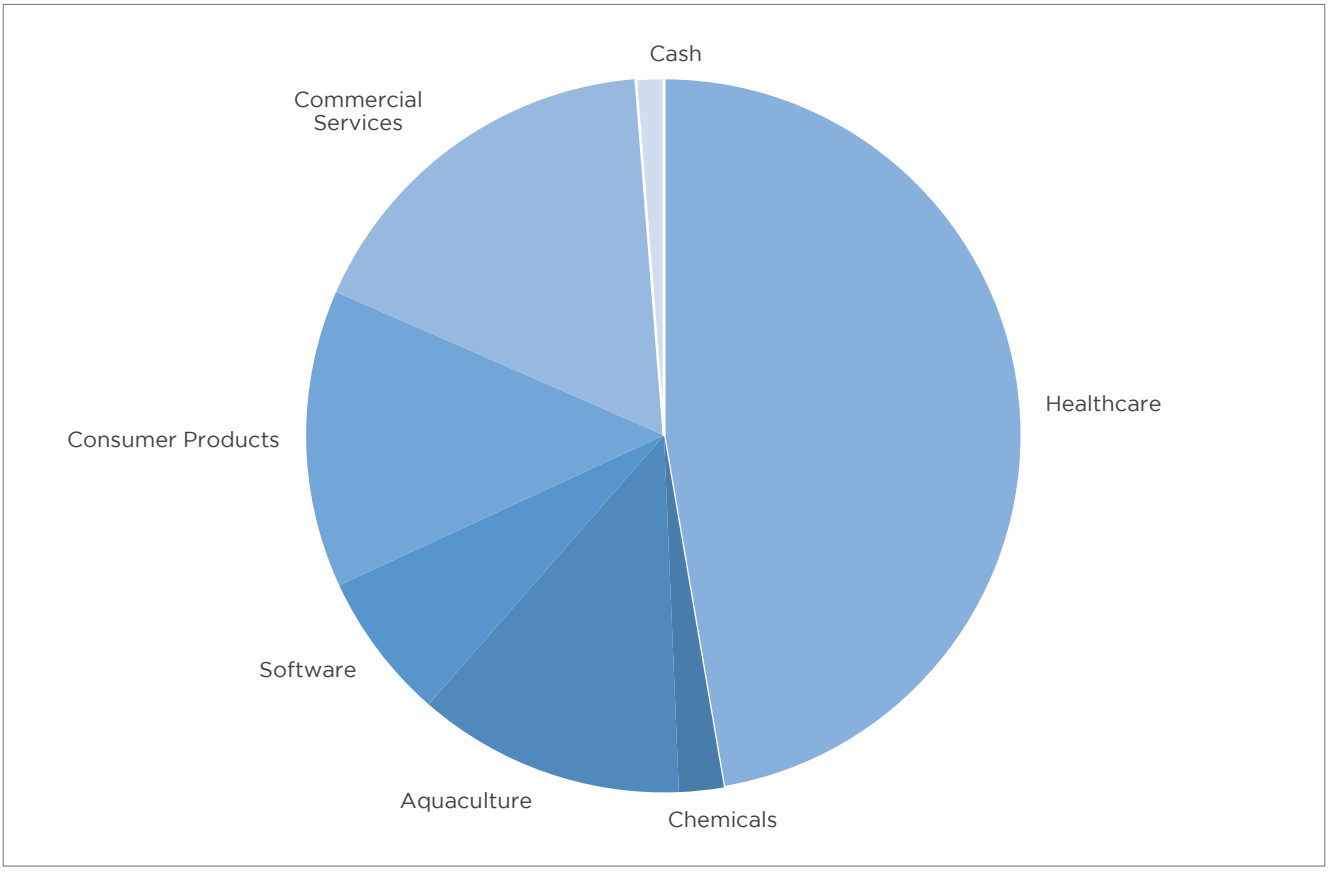
Murray Cod Australia (MCA, -3%) delivered a very encouraging 1Q FY27 result (net sales +34.2% on pcp and +25.7% on 4Q FY26), particularly given it only launched its new grocery offering with Woolworths in September (Coles to follow in November). Furthermore, it is not just the store rollout (expected to reach ~400 stores during November) which will support accelerating growth, but also expanding from the RIVERLI 200g chilled product into offering fresh Murray Cod in the seafood counters and a national ranging of the RIVERLI 1kg frozen product. Through our own regular visits to local supermarkets, we are seeing the product and store rollout occur in real-time, with clear evidence that stock is selling well and being regularly replenished on shelves. MCA is also working with specialist third-party seafood processors to expand its value-added product portfolio to access new retail and foodservice opportunities, increase fish protein yield and create additional sales pathways for available biomass. Crumbed and battered Murray Cod products are targeted for launch during Q2 FY27, offering foodservice customers convenient, ready to prepare formats. Development is also underway to reintroduce a hot-smoked Murray Cod range during FY27, with initial interest received from grocery and foodservice customers. MCA has also developed a premium Murray Cod mince using trimmings recovered during filleting, increasing the value recovered from each fish, with potential applications including burger patties, sushi, finger foods and premium fillings being presented to potential large customers.

In addition to the accelerating revenue growth trajectory through greater customer penetration, diversification and product development, MCA is continuing to strengthen its operating discipline, with a focus on labour productivity, energy costs, feed efficiency and farm performance. Headcount has been reduced by over 10% while production capacity has increased significantly, moving from one shift on only three days per week to now operating six days per week, with a second shift introduced to support higher sales volumes and biomass conversion. Furthermore, energy costs at Stanbridge have halved and revised feed formulations are expected to deliver annual savings of ~$0.5m yet harvest volumes during 1Q FY27 were up +110% on pcp. Management also reiterated that while it has sufficient funding capacity available, particularly given its growth outlook, achieving a sustained reduction in operating cash outflow remains a key priority as it seeks to transition to becoming cash flow positive within FY27.

Airtasker (ART, -2%) delivered a strong quarterly result, particularly in Australia. Australian GMV was up +20.9% on pcp to $57.3m in 1Q FY27, more than 3x the growth rate of 1Q FY26 (+6.1% pcp growth). Australian revenue was up +15.0% on pcp to $12.2m, noting that with the growing success of memberships, revenue growth will trail GMV as membership fees are included in GMV when paid, but recognised as revenue over the membership period. Encouragingly, paid subscriptions surpassed 25,000 members at 30 September, up from 10,000 at 30 June, and well on track to achieve ART's FY27 target of 50,000 members. Not only is this a growing source of recurring revenue, it is also helping to increase task frequency and volumes. ART's international growth continues to moderate from elevated levels (UK 1Q FY27 +39%, US +21%) as management seeks to reduce cash investment in these markets to ensure the Group can return to being cash flow positive in FY27 (as per guidance). We see this as a sensible decision in the current environment, particularly given the share price has declined significantly despite the Company delivering very strong international growth over the past two years. Our interpretation of this is that the market doesn't want to fund the international expansion through further potential equity raisings. Notably, the last time ART prioritised Group cash generation over international growth was in early 2024, and over the subsequent 12 months the share price increased by ~130%, from ~$0.20 to $0.46. Coupled with the likelihood that domestic interest rates have peaked, as they had just prior to the beginning of 2024, we see no reason why history cannot repeat with ART's share price performance.

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 December on our performance during November.

Kind regards,

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