Emerging Companies Fund

Monthly Update: September 2026

Dear Fellow Investors,

Our Emerging Companies Fund was down –10.1%* in September vs -3.8% for the Emerging Companies Accumulation Index (XECAI) and -1.3% for the Small Industrials Accumulation Index (XSIAI). Since inception, the Fund has generated +5.1%* p.a. and a total return of +62.4%* (or +126.3%* if distributions have not been reinvested) vs +160.5% for the XECAI and +55.7% for the XSIAI.

In a month where we had no material news flow for any of the stocks in our portfolio, unfortunately a rapid deterioration in the macro landscape yet again completely overwhelmed the Fund's performance, much like it did back in March. Global bond yields surged higher, with the Aussie 10yr moving from 5.09% to 5.34% (after peaking at 5.42%, their highest level in 15 years) amid re-escalating tensions in the Middle East and thus a surging oil price. This is a huge monthly move which, when coupled with yet another rate rise from the RBA and some concerns there could be more to come, creates a very challenging market backdrop for asset prices, and particularly the kind of stocks that sit within our portfolio. Despite all of this, the Fund was still sitting in positive territory up until the middle of the month, before the share prices of several key stocks completely capitulated (yet again) as investors became increasingly nervous about the impact of the imminent rate hike and what the RBA commentary might signal for the remainder of FY27.

While it is deflating to have given back all of the gains from the past three months in the space of a fortnight, particularly given they were based on positive operational outcomes amongst several of our companies, we think this is a temporary setback. Firstly, October will provide plenty of stock-specific news flow, including 1Q FY27 results from most of our key stocks, which should see recent positive operating momentum continue and serve as another reminder of how dislocated share prices have become from fair value. Secondly, the macroeconomic data in the past week or two has already weakened the case for another rate rise. It is important to remember that we have already absorbed the share price impact of the Middle East conflict as well as a substantial change in interest rate expectations. In the meantime, none of our stocks have any need to raise equity in the foreseeable future so they are not at the behest of prevailing market conditions. As we saw in 2024, once the RBA cash rate stabilised and it became clear that the next move would be down, the Fund started to rebound very strongly and there is no reason why this pattern won't be repeated. It is frustrating that this remains such a key driver of our returns, but with a strong retail investor influence across our stocks, until we are in a more stable macroeconomic situation this will likely continue to be the case. Ironically, with the RBA cash rate now likely at or very near its peak, it will soon work in our favour again.

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%				-30.1%	-1.9%	-31.7%

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

Performance commentary

The only positive contributor during September was Biome Australia (BIO, +10%). The key negative contributors were Pentanet (5GG, -29%), Imricor (IMR, -19%), Airtasker (ART, -7%) and Medical Developments (MVP, -5%).

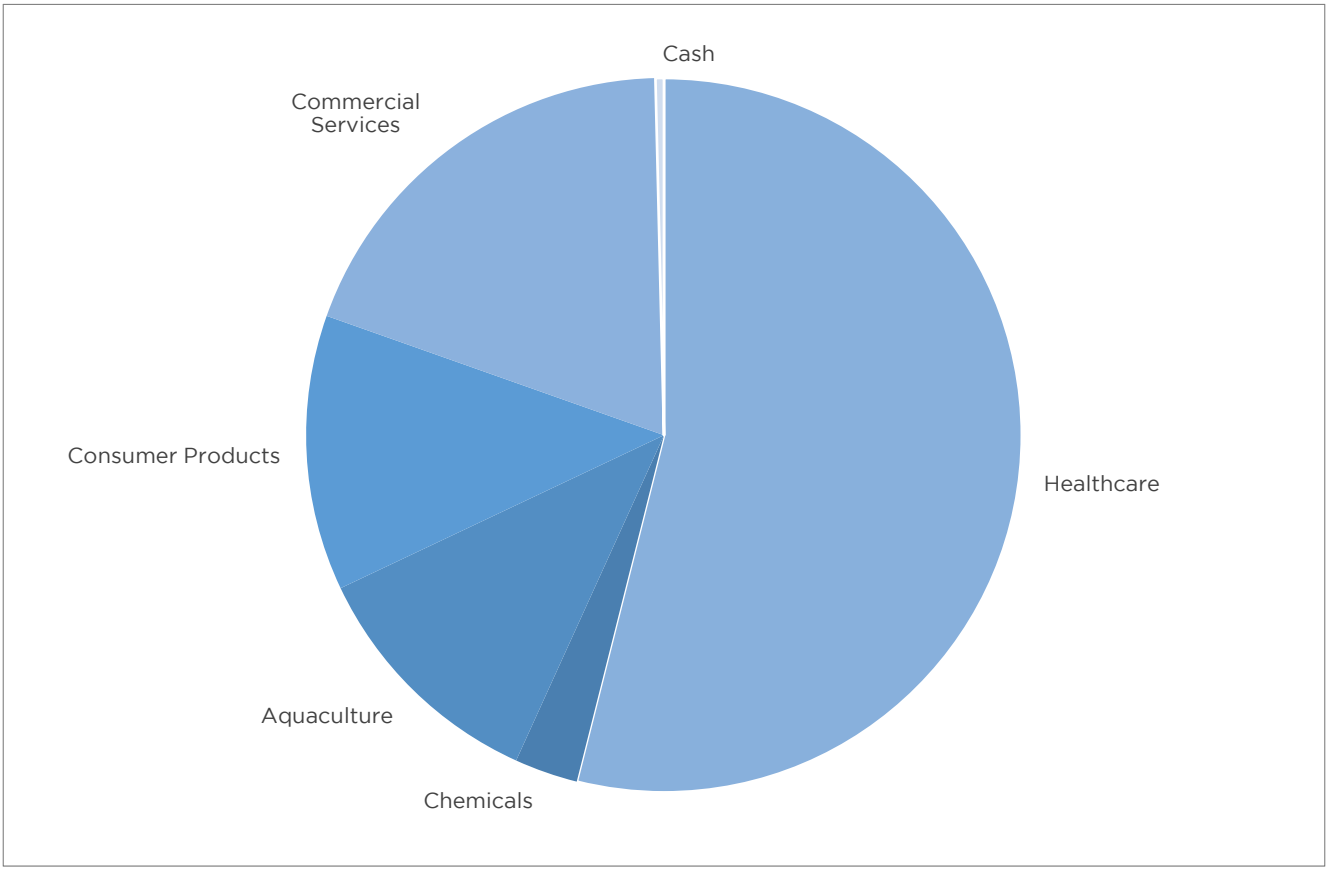
IMR announced that it received notification from the U.S. Food and Drug Administration (FDA) that the FDA has completed its evaluation of the manufacturing module of the Company's Premarket Approval (PMA) submission, and that the module has been accepted and is considered closed. The manufacturing module covers the design, manufacturing and quality processes surrounding seven products in total. Six of these are the Company's own products undergoing the FDA's PMA process, including the Vision-MR® Ablation Catheter and the RF-5000™ Ablation Generator and Pump, together with a third-party product that IMR will distribute. The module encompassed design controls, the receipt, inspection and storage of raw materials, build procedures, process validation, part and device traceability, and the applicable quality management systems. Given the number of devices involved, it was one of the largest and most complex components of the Company's PMA submission. IMR continues to progress through multiple FDA processes – both 510(k) and PMA – across a broad portfolio of electrophysiology devices to support the commercial launch of its EP platform in the United States. We continue to believe the risk around this process is very low given the Company has already gained approval for its EP platform in Europe under its CE Mark certification.

Given its increased size and liquidity over the past 12 months, IMR also obtained inclusion in the ASX300 Index as of 21 September. Ordinarily, this would see its share price move higher in response to forced buying by passive funds that track the various indices, however in a perverse situation it, along with almost all of the other stocks that gained inclusion during the month, has attracted a spate of short selling. We are not sure of the logic behind this particular strategy, presumably it is based on a perceived short-term demand/supply imbalance once the passive buying is done, but we expect the impact will be temporary given that it isn't specifically targeted at IMR or based on anything fundamental. Nonetheless, it is both ironic and disappointing that stocks that should have benefited from inclusion (in line with past examples) have this time suffered because of it.

In another example of the perverse outcomes we face when investors place so much more emphasis on macro signals ahead of company-specific signals, during September both the Chairman and the CEO of MCA separately added to their holdings in the Company. The share price peaked at $0.20 during the month (up from $0.15 at the end of August) and was still as high as $0.185 on 18 September, before finishing at $0.145, down -3% for the month and down -28% from its intra-month peak. Generally, insider buying is a positive indicator for the operational outlook of a business, so it seems counterintuitive that investors would then be aggressively selling ahead of its upcoming quarterly results in October. However, this is a perfect example of how short-term broader market sentiment can translate into what appears to be irrational behaviour at the stock-specific level.

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 November on our performance during October.

Kind regards,

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