

Innovation Strategy – Investment Newsletter

Performance (As at 30 th June 2019)	June Quarter (%)	Fin. Year to Date (%)	Cal. Year to Date (%)	Rolling 1yr (%)	Inception (%)
JMFG Innovation Strategy	+31.63%	+12.83%	+41.07%	+12.83%	+29.16%
Benchmark - Fixed Rate 10.25% pa	+2.56%	+10.25%	+5.08%	+10.25%	+20.47%
Emerging Companies Accumulation Index	-0.37%	-2.89%	+19.12%	-2.89%	+19.66%
Outperformance vs Benchmark	+29.07%	+2.58%	+35.99%	+2.58%	+8.69%

Although the JMFG Innovation Strategy is generally representative of client portfolios, individual performance may differ from the results above. These differences can arise due to various issues, some of which may relate to initial timing of investments and cash inflows and outflows. Performance is calculated on a TWRR basis; non-annualised, and includes fees (post 1 Jan 17) and taxes. Strategy Inception for Performance Data is July 1st 2017. S&P ASX Emerging Companies Accumulation Index (XECAI) is used as a comparable guide only, and is not part of performance fees assessment.

Quarter in Review – A review of events that influenced the portfolio in the June quarter

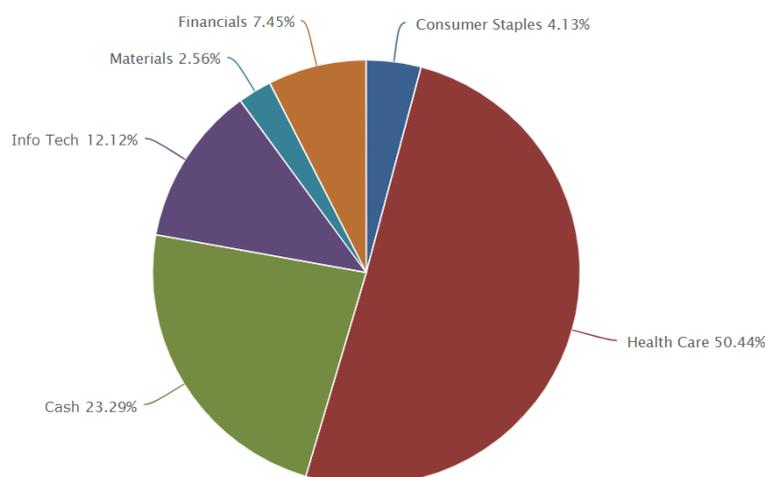
The JMFG Innovation Strategy has been running for two years. We had always anticipated this portfolio would have high volatility and it has certainly not disappointed. After a difficult calendar year 2018 we streamlined the portfolio, in particular focusing on the stocks where our confidence levels were higher and toward stocks that were in the early part of their commercialisation phase where operational leverage was evident. Correspondingly, we shifted away from companies where their technologies were still in the proof of concept stage, or where the rate of commercialisation was slow and/or operational leverage was limited. This allowed us to concentrate positions in our more favoured companies.

Our more focused approach has rewarded investors handsomely over the past six months with the JM Innovation Strategy returning 41.1%, including 31.6% over the past quarter, beating our fixed rate benchmark, which sits at 10.25% p.a. The performance also compares favourably against the S&P ASX Emerging Companies Accumulation Index, which increased 19.1% for the six month period.

Over the past three months, we exited positions in Nuheara, Novonix and Bluechiip. New companies to the portfolio include Codan, Genetic Signatures, Elixinol Global, and Volpara Health Technologies. We also invested in Superloop as an asset play but subsequently sold following a non-binding indicative proposal from QIC Private Capital. The portfolio's cash position at quarter's end was 23.3%.

Over the past quarter our best performing stocks included; Mach7 Technologies, rising 157% and Polynovo which increased 105%. We continue to anticipate promising prospects and solid shareholder returns from each of these companies over the longer term, hence we have chosen not to reduce positions on price strength at this stage. Mach7 and Polynovo currently account for over 40% of the Innovation Strategy. Our worst performers over the past quarter included loneer -21%, and Elixinol down -4% since adding to the portfolio.

Innovation Strategy Industry Exposures – 30 June 2019



Principles of the Innovation Strategy

The JMFG Innovation Strategy is designed to take advantage of listed Australian micro capitalisation companies that have potential to grow exponentially.

Candidate companies typically have innovative concepts, technologies, or natural assets that are likely to be in demand through the development of technologies which have potential to become a part of everyday life within the foreseeable future.

We aim to acquire companies once the technology or concept has been largely developed with commercialisation at or very close to realisation. We expect initial equity upside potential to be within the coming quarters, and sustainable upside for several years as execution of growth strategies are realised.

In most circumstances, we aim to have a close relationship with management to ensure the companies invested in have the necessary skills to take their business from concept stage through to full commercialisation. We would normally expect management to have a significant personal exposure to the success of the business.

JMFG Innovation Strategy – Results Overview for Quarter Ending June 2019

Hits & Misses – A summation of the top hits and misses for the portfolio during the June quarter

Mach7 Technologies – up 156.8%

Mach7 announced that Mr David Chambers was appointed to the role of Chair of the Board, having previously been a non-executive director of the company. David has extensive healthcare and I.T. industry experience, having previously been the CEO of Promedius and has held senior positions across a number of Nasdaq-listed companies. Through the period the company also announced additional contract extensions in Asia and North America, as well as a management restructure to achieve cash-flow breakeven.

Polynovo – up 105.3%

Following its first half FY19 sales of \$3.75m, vs \$0.9m in first half FY18, ongoing territory approvals for product sales and their first \$1m sale month in April 2019 followed up with another \$1m-plus month in May 2019, along with approval to access US Department of Defence and other Federal contracts all provided support for the stock.

loneer – down 20.6%

Despite an upgrade to its mineral resource and testwork to produce battery grade lithium hydroxide and carbonate as well as boric acid, loneer continued to decline. The market has become restless waiting for a boric acid offtake agreement and partner to fund construction.

Elixinol Global – down 3.8%

Moderate softness following a \$50m capital raising mid-June to assist in the development and marketing for broad-based distribution of their nutraceutical and related hemp-based products.

Innovation Progress [per \$100k Invested at Inception 01 July 2017]



Top 5 Holdings by Weight at End June 2019 Quarter

Mach7 Technologies	25.7%	Medical software enabling efficient access/use of healthcare data and imaging
Polynovo	17.5%	Dressing for full-thickness wounds and potential for use in reconstructive surgery
Selfwealth	8.0%	Online trading and investor services platform
The Citadel Group	4.7%	Secure, real-time enterprise data and services to Health, Education, Defence
Volpara Health Tech.	4.3%	Cloud-based breast screening, imaging, and density analytics for onco-radiology

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