

Innovation Strategy – Investment Newsletter

Performance (As at 30 th September 2019)	September Quarter (%)	Fin. Year to Date (%)	Cal. Year to Date (%)	Rolling 1yr (%)	Inception (%)
JMFG Innovation Strategy	+23.96	+23.96	+74.91	+40.54	+60.15
Benchmark - Fixed Rate 10.25% pa	+2.58	+2.58	+7.67	+10.25	+23.06
Emerging Companies Accumulation Index	+13.69	+13.69	+35.43	+13.24	+36.04
Outperformance vs Benchmark	+21.38	+21.38	+67.24	+30.29	+37.09

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.

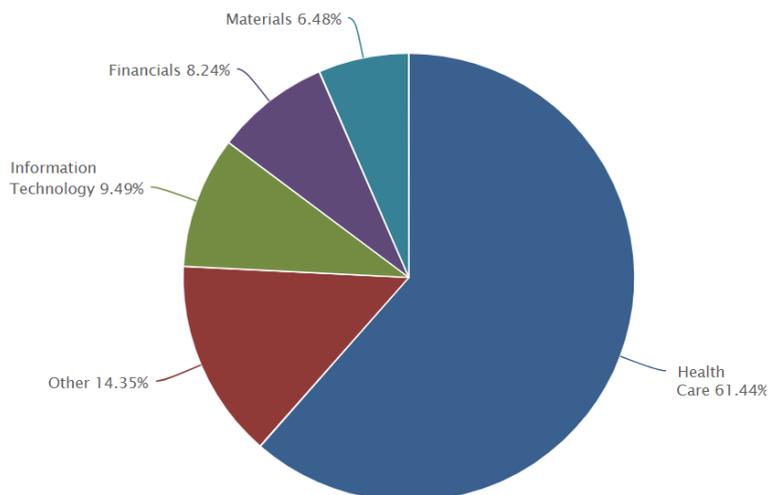
Quarter in Review – A review of events that influenced the portfolio in the September quarter

Our more focused approach continued to deliver strong returns in the September quarter with the JM Innovation Strategy returning +24.0%, comfortably beating our fixed rate benchmark of +2.6% (+10.25% p.a.) and beating the S&P ASX Emerging Companies Accumulation Index, which increased 13.7% for the quarter. For the calendar year to date, the Innovation Strategy is ahead by 74.9% compared with its fixed rate benchmark of +7.7% and the S&P ASX Emerging Companies Accum., which increased 13.2% for the nine-month period.

Over the past three months, we exited positions in Elixinol, having undertaken a highly risky global product marketing and distribution strategy, and Citadel immediately following a disappointing result where little underlying growth was evident. New companies to the portfolio included: Opthea, following the release of outstanding Phase 2b wet AMD results; Jervois, as a means of gaining exposure to rising cobalt prices and; PKS Holdings, a small health care software technology business. During the quarter, we added to positions in Codan on increased growth confidence, and Volpara and Sensen on price weakness. We reduced positions in SelfWealth on price strength, and Loneer as part of ongoing selling. The portfolio's cash position at quarter's end was 14.3%.

Over the past quarter, our best-performing stocks included Opthea, rising 400%, SelfWealth 120%, Loneer 63%, and Codan 60%. Our worst performers included Genetic Signatures -23% and Volpara Health -3%. The Innovation Strategy now has a significant skew towards Health Care, with Mach7 and Polynovo representing around 45% of portfolio valuation – a result of their respective strong performance over the calendar year. Our next largest stock holding is SelfWealth at 8%. While we are mindful of the portfolio return volatility this will create from time to time, we continue to have a high degree of confidence in these businesses and, until our view changes, or more compelling alternatives present, we plan to maintain a relatively high position in these companies.

Innovation Strategy Industry Exposures – 30 September 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 September 2019

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

Opthea – up 400.0%

Opthea released outstanding Phase 2b results in their wet age-related macular degeneration trial, meeting its primary endpoint of a statistically significant vision benefit compared to traditional treatment. Opthea's drug, OPT-302, in combination with Lucentis, an existing treatment, achieved a mean gain of 14.2 letters of vision from baseline compared to 10.8 letters in the control group.

SelfWealth – up 120.0%

On the last business day in August, SelfWealth released their annual report and investor presentation, which highlighted that quarterly trade volumes for the first two months had exceeded their quarterly record. In addition, the company announced their adviser platform had launched and the ETF application was expected to launch in Q1.

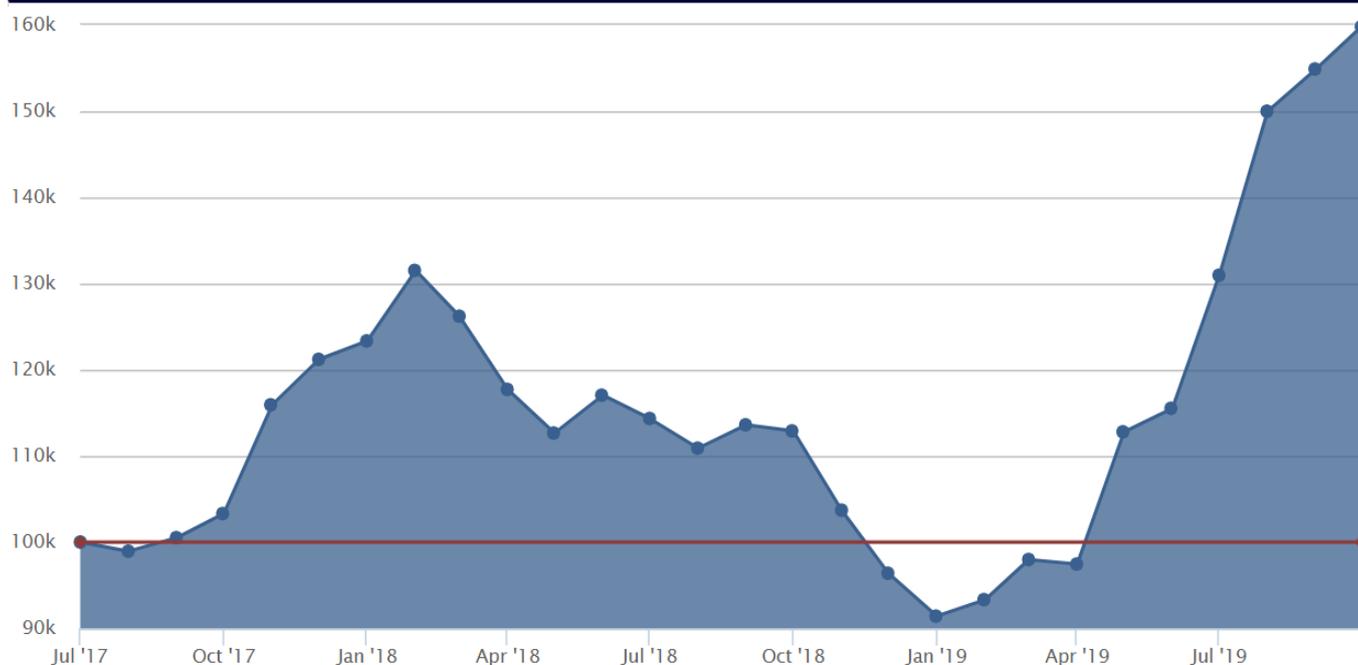
Genetic Signatures – down 23.3%

A lack of any new news over the quarter saw the share price drift back, after peaking late in the June 2019 quarter.

Volpara Health Technologies – down 2.7%

New distribution agreements and an annual recurring revenue at end 1Q of NZ\$14.6m tracking guidance have not been enough to lift the share price.

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



Top 5 Holdings by Weight at End September 2019 Quarter

Mach7 Technologies	24.1%	Medical software enabling efficient access/use of healthcare data and imaging
Polynovo	20.5%	Dressing for full-thickness wounds and potential for use in reconstructive surgery
SelfWealth	8.2%	Online trading and investor services platform
Codan	5.5%	Metal Detection, tactical and land radio communications, proximity tracking
PKS Holdings	5.2%	Health care software technology in the pathology space