

Innovation Strategy – Investment Newsletter

Performance <i>(As at 31st December 2019)</i>	December Quarter (%)	Fin. Year to Date (%)	Cal. Year to Date (%)	Rolling 1yr (%)	Inception (%)
JMFG Innovation Strategy	+1.21	+24.00	+75.57	+75.57	+60.63
Benchmark - Fixed Rate 10.25% pa	+2.58	+5.17	+10.25	+10.25	+25.64
Emerging Companies Accumulation Index	-3.31	+9.93	+30.95	+30.95	+31.54
Outperformance vs Benchmark	-1.37	+18.83	+65.32	+65.32	+34.99

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), taxes and 1.48% est. accrual of performance fees. Strategy Inception for Performance Data is July 1st 2017. S&P ASX Emerging Companies Accumulation Index (XECAI) is shown as a comparison guide only.

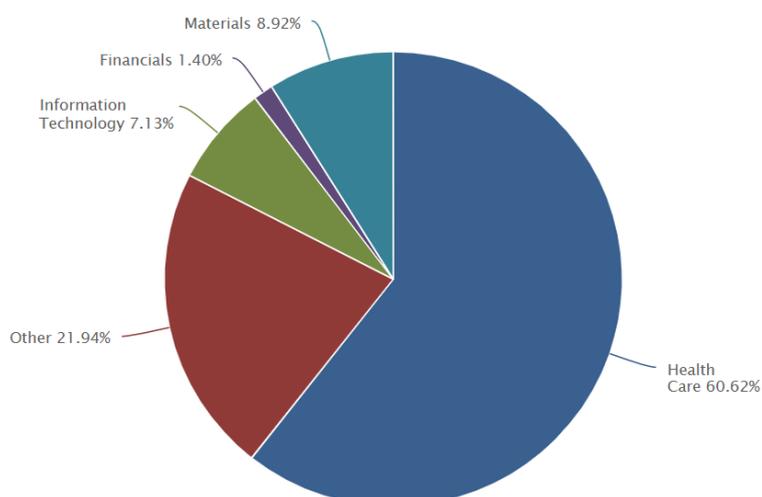
Quarter in Review – A review of events that influenced the portfolio in the December quarter

The December quarter saw a relatively modest return of +1.21% for the JM Innovation Strategy, after the two very strong quarters to September 2019. For the calendar year, the JM Innovation Strategy returned in excess of 75.5% after expensing all accrued management and performance fees, comfortably beating our fixed rate benchmark of +10.25% p.a. In comparison, the S&P ASX Emerging Companies Accumulation Index increased 30.95% for the calendar year.

Over the past three months, two new small positions were added to the portfolio; New Century Zinc an innovative tailings operation of the old Century Zinc mine with exploration upside, and Alcidion which has developed, and sells both locally and internationally, a patient management software suite to monitor, track and prioritise patient requirements. We added to our position in Genetic Signatures on a capital raise and also added to our position in Opthea on price weakness. No positions were exited during the quarter, but we did reduce positions in Mach7 Technologies, PolyNovo, SelfWealth, Codan and Loneer all on price strength. The portfolio's cash position at quarter's end was 21.5%, up from 14.3% at the end of the September quarter.

Over the past quarter, our best-performing stocks included Codan, rising 34%, Volpara 15% and Mach7 10%. Our worst performers included SelfWealth -38%, Alcidion -22% since initial purchase, and Loneer -18%. While SelfWealth fell 38% during the quarter, we reduced our holding at much higher prices with only a small residual holding, c1%, now remaining, having represented 8% of our portfolio at the end of the September quarter. Similarly, Loneer was reduced on price strength, having peaked at \$0.26/share through the quarter and finishing at \$0.19/share. The Innovation Strategy continues to have a significant skew towards Health Care, with Mach7 and PolyNovo representing around 40% of portfolio valuation, down from 45% at the end of the September quarter. Our next largest stocks, Genetic Signatures, Opthea and Volpara are also in the Health Care space with our top 5 companies representing around 55% of valuation.

Innovation Strategy Industry Exposures – 31 December 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 December 2019

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

Codan – up 33.6%

Upgrades to guidance at the AGM in October and a stand-alone upgrade in mid-December saw increased broker interest in the company and upgrades to forecasts for FY20, all conspiring to push the share price higher.

Volpara Health Technologies – up 14.9%

Ongoing growth in cash receipts and annual recurring revenue in line with guidance were supported by encouraging trial results in DENSE breast screening being published in the New England Journal of Medicine.

SelfWealth – down 38.2%

While metrics all continue on a positive trend, the share price retreated 38% having more than doubled through the September quarter.

loneer – down 18.2%

loneer range traded between 17c and 26c through the quarter with a mid-quarter capital raise having a negative impact toward quarter end, despite announcing an acid offtake agreement mid-December.

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



Top 5 Holdings by Weight at End December 2019 Quarter

Mach7 Technologies	23.1%	Medical software enabling efficient access/use of healthcare data and imaging
PolyNovo	14.7%	Dressing for full-thickness wounds and potential for use in reconstructive surgery
Genetic Signatures	7.9%	Technology to screen a wide array of specific infectious pathogens rapidly
Opthea	5.5%	Developing combination therapies in wet age-related macular degeneration
Volpara Health Tech	5.4%	Mammography technology company using AI for early detection outcomes