

Innovation Strategy – Investment Newsletter

Performance <i>(As at 30th June 2020)</i>	Quarter (%)	Rolling 1yr (%)	Rolling 3yr (%)	Inception Gross (%)	Inception Annualised (%)
JMFG Innovation Strategy	+31.04	+26.35	+62.92	+62.92	+17.68
Benchmark - Fixed Rate 10.25% pa	+2.50	+10.25	+34.01	+34.01	+10.25
Emerging Co's Accumulation Index	+44.88	-1.90	+17.38	+17.38	+5.49
Outperformance vs Benchmark	+28.54	+16.10	+28.91	+28.91	+7.43

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 – and is after management fees, taxes (excl imp. credit benefits) and any paid or accrued 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 June quarter

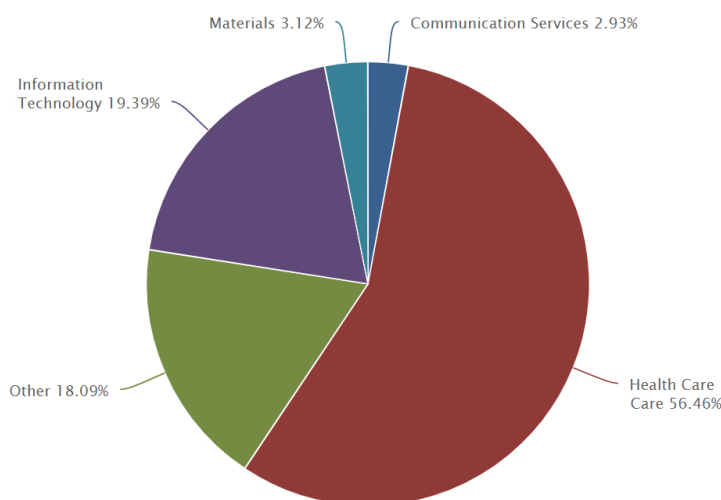
The JMFG Innovation Strategy, having fallen 23.1% in the March quarter, gained 31.0% in the June quarter to finish slightly in the black for 2020 to date. To say it has been a rollercoaster ride is an understatement. While we underperformed our 10.25% annual fixed rate benchmark over this turbulent 6-month period, we beat the Emerging Companies Index by over 11% (+0.7% JMFG Innovation Strategy vs -10.8% Emerging Co Index), essentially by preserving as much capital as possible as the market fell dramatically through late February and March.

As at the end of June, the portfolio has been in existence for three years, providing a reasonable timeframe for assessment. Having tinkered with the structure of the portfolio over the first 12 months, concentrating from around 20 positions to between 10-15 higher conviction names, we have been able to achieve more consistent annual returns, albeit with expected intra-year volatility given the size and nature of the companies the portfolio is mandated to invest in. We are pleased with the results to date but more is to be achieved.

The portfolio continues to be dominated by Health Care names, at around 50% by value, with a mix of I.T, Financials, Communications, and Security businesses making up the balance. Having built up cash levels to 36% at the end of the March quarter we progressively reinvested into companies, through on-market purchases and capital raisings in existing stocks as well as adding new stocks to the portfolio. We exited Volpara Health during the quarter but added Clover Corporation, Tesseract, BigTinCan, Universal Biosensors and Class Ltd. We also added to positions in SenSen, Resonance Health, Alcidion and PKS Holdings and reduced positions in Genetic Signatures and Opthea.

Over the past quarter, our best-performing stocks were Mach7 Technologies +92%, PKS Holdings +73%, PolyNovo +58% and Resonance Health +43%. Our relatively weaker performers, albeit all in positive territory for the quarter, included Clover Corporation +10%, Alcidion +12% and Opthea +20%.

Innovation Strategy Industry Exposures – 30 June 2020



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 2020

Hits & Misses – A summation of the strongest and weakest stocks in the portfolio during the quarter

Mach7 Technologies (M7T) – up 92%. An encouraging business update in April was followed by a five-year extension and expansion of a contract in Qatar of \$840,000p.a. and increasing total contracted annual recurring revenue to \$9.2m. In June, the company completed a capital raising to fund the acquisition of Client Outlook, Mach7's partner providing the viewing technology of its Enterprise solution.

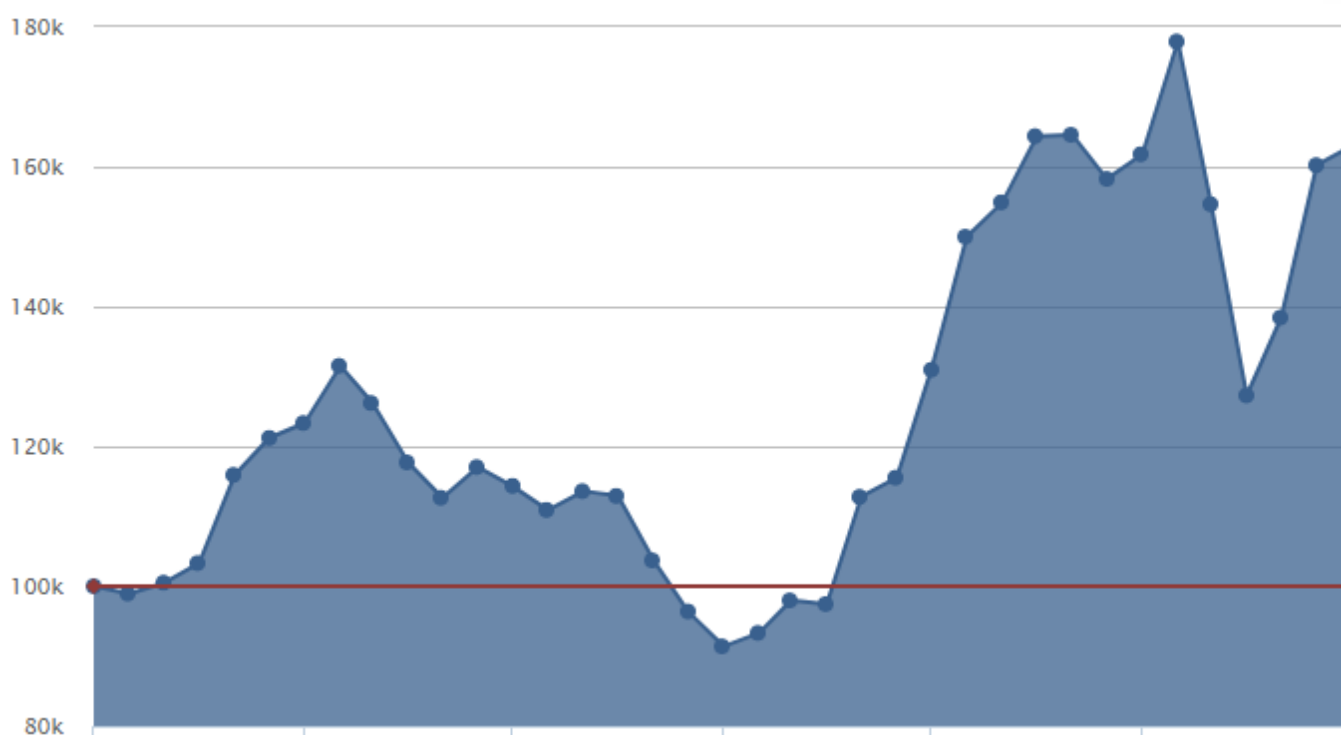
PKS Holdings (PKS) – up 73%. PKS renewed its third largest customer in April and announced the acquisition of Pavilion Health. PKS is a SaaS platform technology providing audit and risk applications, and consulting services to hospitals and governing health bodies.

Clover Corporation (CLV) – up 10%. Clover provided a trading update to the market mid-May, stating an increase in fourth quarter demand from infant formula manufacturers.

Alcidion (ALC) – up 12%. Alcidion announced both local and global contract extensions and new contract wins through the quarter. The company also confirmed total contracted revenue for FY20 as at the end of March at \$17.2m (FY19 \$16.9m) with \$10.0m recurring.

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

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Top 5 Holdings by Weight at End June 2020 Quarter

Mach7 Technologies	19.1%	Medical software enabling efficient access/use of healthcare data and imaging
PolyNovo	17.8%	Dressing for full-thickness wounds and potential for use in reconstructive surgery
Codan	4.7%	Electronics, comms, tracking and metal detection for wide range of applications
Tesserent	4.1%	Cybersecurity and data security-as-a-service specialty products and services
Genetic Signatures	4.0%	Technology to screen a wide array of specific infectious pathogens rapidly