

## Innovation Strategy – Investment Newsletter

<b>Performance</b> <i>(As at 30<sup>th</sup> September 2020)</i>	<b>Quarter (%)</b>	<b>Rolling 1yr (%)</b>	<b>Rolling 3yr (%)</b>	<b>Inception Gross (%)</b>	<b>Inception Annualised (%)</b>
<b>JMFG Innovation Strategy</b>	<b>+17.20</b>	<b>+19.42</b>	<b>+84.75</b>	<b>+90.85</b>	<b>+22.00</b>
Benchmark - Fixed Rate 10.25% pa	+2.50	+10.25	+34.01	+37.32	+10.25
Emerging Companies Accumulation Index	+21.30	+4.66	+30.80	+42.39	+11.49
<b>Outperformance vs Benchmark</b>	<b>+14.70</b>	<b>+9.17</b>	<b>+50.74</b>	<b>+53.53</b>	<b>+11.75</b>

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 1<sup>st</sup> 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 September quarter

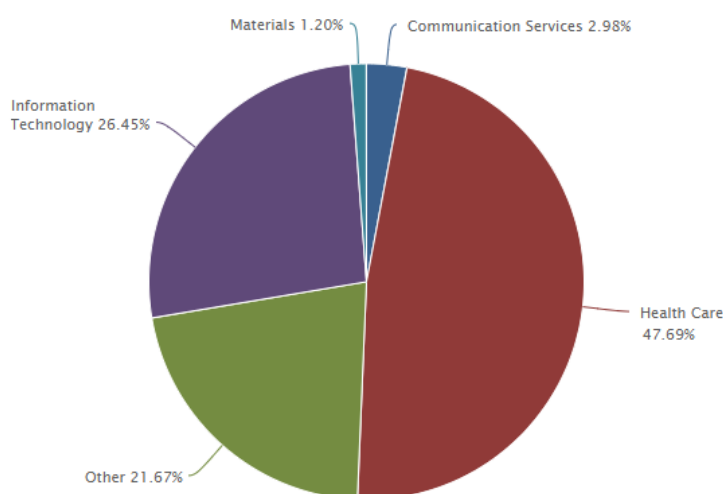
The JMFG Innovation Strategy continued to recover during the September quarter, rising 17.20%, to exceed its prior peak valuation set in the early part of the calendar year. From the quarter end low point in March the Strategy has experienced a 57% recovery, to be 19.4% up for the rolling year and placing it ahead of both its 10.25% annual benchmark return and the Emerging Companies Accumulation Index, which is quoted in the table above for comparison purposes.

The outperformance of smaller companies in the broader Australian market continued this quarter with the Emerging Companies Accumulation Index rising 21.0% compared with the S&P/ASX 200 Index which retreated 0.4% over the same period. This reflects in part the growth of new disruptive businesses which continue to emerge. It also reflects the many new digital technologies that aim to assist and improve efficiencies of existing large and small businesses. Many new health technologies have been born from the shift to digitisation along with the improvements in data analytics and artificial intelligence.

The Innovation portfolio continues to be dominated by Health Care names, at around 48% by value, with a mix of I.T and Communications businesses making up the balance. Cash in the portfolio at the end of the quarter was 22% as we moderated some positions following significant share price appreciation. We exited LiveTiles and reduced holdings in Clover Corporation toward quarter end. We also moderated positions in Codan, Opthea, Pacific Knowledge Systems and Universal Biosensors all on solid share price strength. We profitably traded in and out of SelfWealth through the quarter after a 30% appreciation, and also built a small position in LiveHire.

Over the past quarter, our best-performing stocks were Tesseract +175%, Bigtincan Holdings +82%, Codan +57%, Pacific Knowledge Systems +56% and Class +53%. Our detractors for the quarter included Genetic Signatures -22%, PolyNovo -13%, Clover Corporation -4% and Alcidion -3%.

### Innovation Strategy Industry Exposures – 30 September 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 September 2020

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

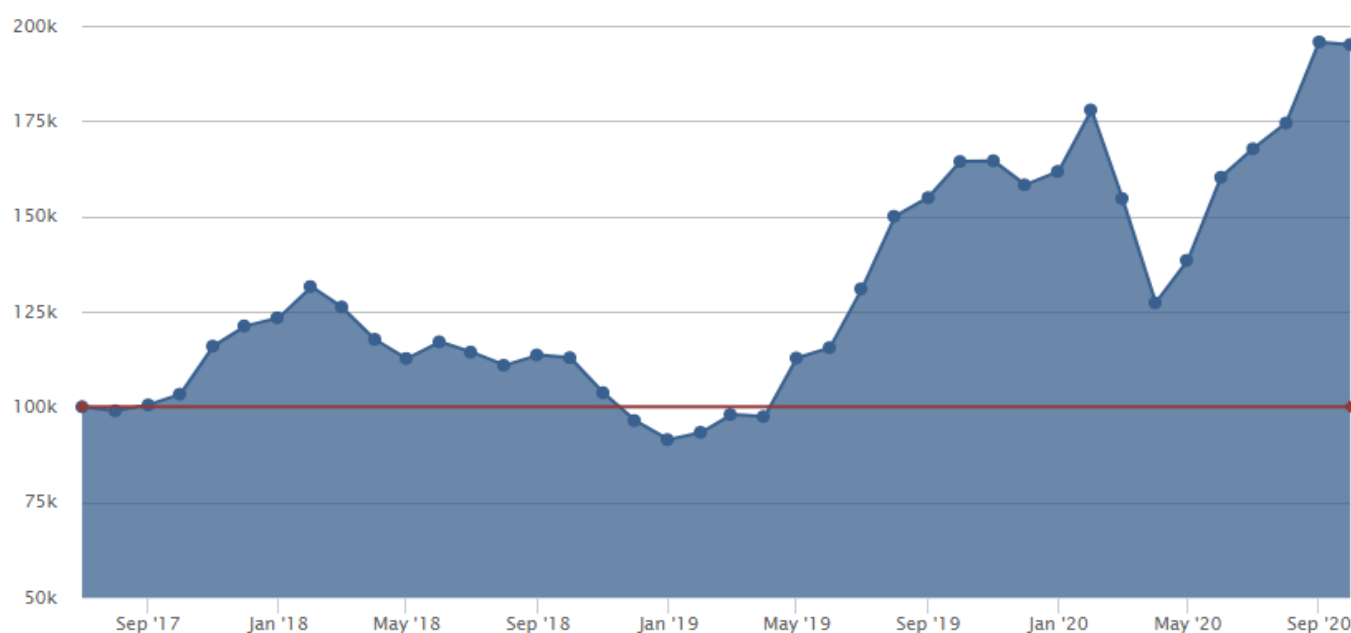
**Tesserent (TNT)** – up 175%. TNT continued to execute its roll-up strategy by deepening its cyber technology offerings, and broadening its customer base across its focus industries in Government, Defence, Health, and Financials through a range of acquisitions in what has been a highly fragmented space. Cost and revenue synergy benefits from the acquisitions have just started to become evident, with significant potential still to come through organic growth as it establishes an industry-leading position.

**Bigtincan Holdings (BTH)** – up 82%. After raising capital in May, Bigtincan went on to secure a contract with Red Bull and post a better than expected FY20 result, with revenue growing 56%. More importantly, annual recurring contracted revenue grew 53% to \$35.8m. While operational leverage has been limited to date as the company has continued to expand costs in its sales and marketing effort, with gross margins in the order of 85%, that leverage should not be far off.

**Genetic Signatures (GSS)** – down 22%. This retreat came after strong price appreciation over the previous half followed an increase in its sales on the back of Covid-19 testing demand – through the development of the EasyScreen SARS-CoV-2 detection kit to support the international pandemic response. The company sees several global growth opportunities in FY21, across a range of disease testing products. Genetic Signatures posted a sales update in early October, which was ahead of expectations and saw the price recover 12% in the first few days of October.

**PolyNovo (PNV)** – down 13%. The annual result seemed to slightly miss analyst expectations, with sales growth being limited by lockdowns and travel restrictions. This occurred following a response from the FDA requesting additional information, and suggesting improvements to the rigour of their Pivotal trial protocol, with some design and administrative changes recommended. The company is working through the requests and suggestions along with the Biomedical Advanced Research and Development Authority (BARDA), and, while this may delay the trial, it should ultimately have no impact on continuing sales and growth in North America.

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



### Top 5 Holdings by Weight at End September 2020 Quarter

<b>Mach7 Technologies</b>	<b>18.2%</b>	Medical software enabling efficient access/use of healthcare data and imaging
<b>PolyNovo</b>	<b>12.9%</b>	Dressing for full-thickness wounds and potential for use in reconstructive surgery
<b>Tesserent</b>	<b>9.1%</b>	Cybersecurity and data security-as-a-service specialty products and services
<b>Codan</b>	<b>5.0%</b>	Electronics, comms, tracking and metal detection for wide range of applications
<b>Bigtincan Holdings</b>	<b>4.8%</b>	Software development for sales teams to access interactive content while mobile