

Innovation Strategy – Investment Newsletter

Performance (As at 31 st December 2020)	Quarter (%)	Rolling 1yr (%)	Rolling 3yr (%)	Inception Gross (%)	Inception Annualised (%)
JMFG Innovation Strategy	+18.88	+40.20	+83.87	+126.80	+26.35
Benchmark - Fixed Rate 10.25% pa	+2.50	+10.25	+34.01	+40.73	+10.25
Emerging Companies Accumulation Index	+17.40	+27.08	+33.23	+67.17	+15.81
Outperformance vs Benchmark	+16.38	+29.95	+49.86	+86.06	+16.10

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.

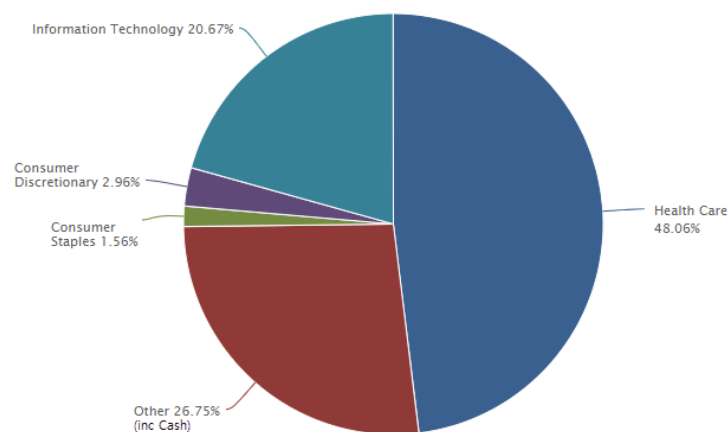
Quarter in Review – A review of events that influenced the portfolio in the December quarter

The JMFG Innovation Strategy had a solid December quarter, rising 18.88% to achieve a 40.20% return for the calendar year and a return since inception, after all management and performance fees and GST, of 126.80%. The JMFG Innovation Strategy substantially exceeded its 10.25% fixed rate benchmark over the year and is well ahead since inception. Whilst the Emerging Companies Accumulation Index is not an entirely appropriate benchmark for the JMFG Innovation Strategy, it does provide some form of relative market measure. The Innovation Strategy has also comfortably exceeded this higher-risk index over both the calendar year and since inception.

It has certainly been a year for the smaller companies, reflected in the relative index total returns over the year; with the Emerging Companies Index achieving a return of 27.08%, the ASX Small Companies Index 9.21%, ASX All Ordinaries at 3.64%, and the ASX 200 at 1.40%. This reflects, in part, the growth of new disruptive businesses which continue to emerge in this increasingly digital high-speed era where data storage/retrieval capability is centralised, allowing faster deployment of software upgrades and increasingly greater flexibility in data manipulation and analysis. There may be much more to come in so many different fields of business and, if correct, we expect to see many more opportunities emerge on this front in the foreseeable future.

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 majority of the balance. Cash in the portfolio at the end of the quarter was 27% as we continued to moderate positions following ongoing share price appreciation in PolyNovo, Codan, and Tesserent. During the quarter, we added to our holding in Resonance Health and added two new stocks to the portfolio; Aroa Biosurgery, and Dusk Group on its IPO – and we exited the remainder of our holdings in Clover Group and Sensen Networks. Over the past quarter, our best-performing stocks were PolyNovo +75%, Universal Biosensors +58%, Tesserent +52%, Resonance Health +45% and PKS Holdings +43%. Our detractors for the quarter included Opthea -32%, Bigtincan Holdings -18%, Aroa Biosurgery -15% and Livehire -3%.

Innovation Strategy Industry Exposures – 31 December 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 December 2020

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

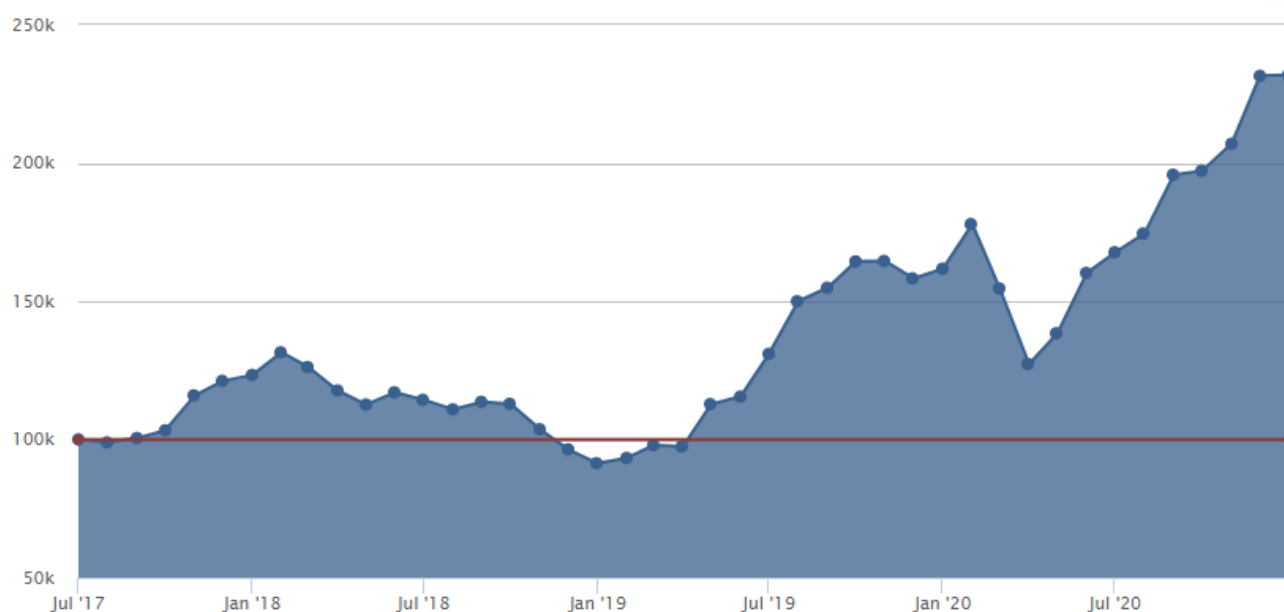
PolyNovo (PNV) – up 75%. PolyNovo had quite an active quarter. It received FDA approval in Taiwan and announced entry into Belgium, Netherlands, Luxembourg, and Sweden via an extension of its partnership with PolyMedics Innovations (PMI) which already distributes on behalf of PolyNovo into Germany, Switzerland, and Austria. PolyNovo also announced entry into Greece with the appointment of Biogenesys and received approval from the FDA for the pivotal trial investigation device.

Universal Biosensors (UBI) – up 58%. Universal Biosensors appointed its first distribution partner in Europe for its coagulation test strip, Xprecia Stride, with the appointment of Promedeus to distribute in the Czech and Slovak Republics. Perhaps more importantly, the company also announced completion of the validation study at California State University into its wine analyser, Sentia, and a distribution agreement for the product in the Australian market with Grapeworks P/L with a first order of \$300,000. Later in the quarter, the company announced a global exclusive Licence Agreement with LifeScan Global to develop a biosensor, test strip, to measure diabetes in animals.

Bigtingcan Holdings (BTH) – down 18%. Bigtingcan announced two acquisitions in the quarter, Agnitio, a Danish company and pioneer in sales enablement for the life sciences sector, and ClearSide, a sales engagement technology platform operating across three continents. In conjunction with the larger ClearSide acquisition, the company raised \$35m through an institutional placement.

Opthea (OPT) – down 32%. Opthea announced the launch of a proposed Initial Public Offering in the US to fund its Phase 3 Wet AMD trial, with a target size of US\$160m and an option for the underwriters to purchase an additional 15% at the offer price less any underwriting discounts. The amount raised was US\$128m and, despite several positive North American broker research reports since then, the share price has continued to drift.

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



Top 5 Holdings by Weight at End December 2020 Quarter

Mach7 Technologies	16.5%	Medical software enabling efficient access/use of healthcare data and imaging
PolyNovo	9.7%	Dressing for full-thickness wounds and potential for use in reconstructive surgery
Tesseract	8.7%	Cybersecurity and data security-as-a-service specialty products and services
PKS Holdings	5.1%	Clinical decision support systems for healthcare organisations and practitioners
Universal Biosensors	4.3%	Point-of-care cell-level diagnostic testing technology devices and systems