

Small Companies Strategy – Investment Newsletter

Performance (As at 30 th September 2021)	Month (%)	Rolling 3 Months (%)	Rolling 1yr (%)	Rolling 3yrs (%)	Inception Gross (%)	Inception Annualised (%pa)
JMFG Small Companies Strategy	-2.75	-4.69	+6.49	+50.78	+202.02	+16.47
Small Ords Accumulation Index	-2.14	+3.44	+30.41	+31.04	+101.39	+10.14
Outperformance	-0.61	-8.13	-23.92	+19.74	+100.63	+6.33

Although the JMFG Small Companies 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 after management fees (post 1 Jan 2017), performance fees (paid or accrued), GST, and excludes the effect of franking credits. Strategy Inception for Performance Data is July 1st, 2014.

Month in Review – A review of events that influenced the share market and portfolio in September

For the month of September, the JMFG Small Companies strategy finished marginally behind its benchmark, dropping 2.75% versus the benchmark of minus 2.14%. Although the strategy has had a poor year by its recent standards, it still has very strong longer-term performance, averaging a positive 16.47% per annum after fees and taxes since inception over 7 years ago. Encouragingly, we saw signs of a turnaround in the relative performance of many companies, which we see continuing into October.

The best-performing sector for September was Energy which rose by 16.7%. Other strong-performing sectors in September were Utilities +2.5%, Financials +1.6%, and Telecommunications +1.3%. Materials was again the worst-performing sector falling 9.3% on the back of a continued weakening of the iron ore price. Other weak sectors included HealthCare -4.9%, Information Technology -3.9%, and Property Trusts -2.2%. Industrials and Consumer Discretionary sectors both fell only marginally.

Trading during the month of September consisted of continued consolidation of positions into higher conviction names and cutting underperformers. The portfolio cash position was also reduced during the month as we took advantage of falling prices during September.

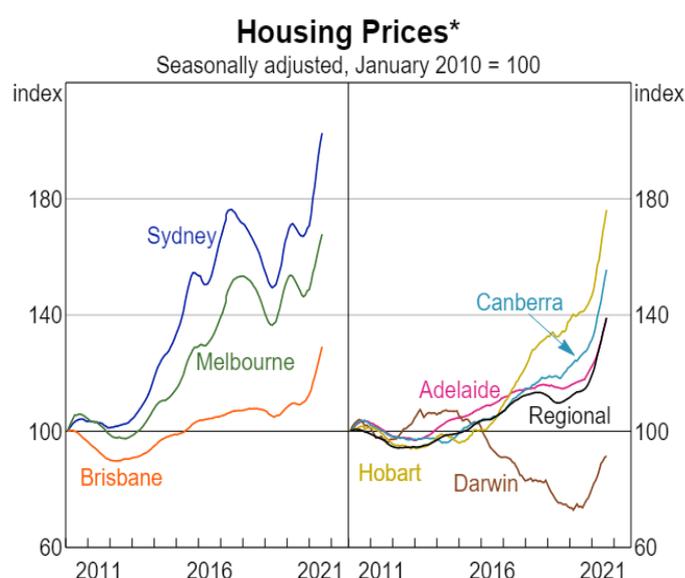
The strongest performers for the portfolio during the month included:

- Medical Developments +42%, Kathmandu Holdings +16%, Mach7 Technologies +13%, and Webjet +11%

The weakest performers for the portfolio during the month included:

- Mineral Resources -18%, Regis Resources -17%, Appen -17%, and Aurelia Metals -15%

Chart of the Month – Australian House Prices



* Hedonic housing price indices for Perth have been temporarily suspended

Sources: CoreLogic, RBA

Housing is becoming increasingly scrutinised by governments and regulators in Australia and around the world, with prices soaring higher. The chart to the left from the RBA shows how house prices across Australia have jumped substantially over the last 12 months across all states. In April 2021, the RBA noted in its Financial Stability Review that low interest rates and rising asset prices could become a risk to financial stability if lending standards weaken. New Zealand has also faced a similarly strong housing market over the last 12 months and the RBNZ has taken more drastic actions. The RBNZ noted its objective of supporting more sustainable house prices as supporting its decision to raise the cash rate to 0.5%. This comes after the RBNZ was directed by the NZ government to focus on more sustainable house prices and affordability. Conversely, in March 2021, RBA Governor Philip Lowe said it would not make sense for the central bank to target house prices using higher interest rates. Instead, Lowe suggests that lending standards should be the mechanism to address the housing market so that monetary policy can maintain a focus on currency stability, employment, and economic growth. This is something that we have since seen more of with APRA announcing in early October an increase in the loan serviceability requirements for borrowers.

JMFG Small Companies Strategy		ASX Small Ordinaries Index	
Best	Worst	Best	Worst
Medical Developments (MVP)	Mineral Resources (MIN)	Liontown Resources (LTR)	Marley Spoon (MMM)
Kathmandu Holdings (KMD)	Regis Resources (RRL)	Novonix (NVX)	PPK Group (PPK)
Mach7 Technologies (M7T)	Appen (APX)	Beach Energy (BPT)	IRESS (IRE)

Hits & Misses – A summation of the top hits and misses for the month of September

Medical Developments (MVP) – up 42% for the month. Medical Developments has had a difficult year falling 46% from the start of the year to the end of August with slow revenue growth. At the end of August and beginning of September, several announcements were released relating to insiders buying stock while at multi-year lows. Notably, Medical Developments Chairman Gordon Naylor acquired 263,695 shares, signalling insider confidence in the business.

Liontown Resources (LTR) – up 48% for the month (Not held). Shares in Liontown continued to rise as lithium pricing continues to gain strength, and the company was added to the S&P ASX 300 Index. The company continued the demerger of its non-lithium assets into ASX-listed Minerals 260, to be completed early October – a move which will focus Liontown and fund it as a pure-play lithium enterprise.

Mineral Resources (MIN) – down 18% for the month. Company sold its stake in successful lithium producer Pilbara Minerals at the start of September, to focus on its iron operations. Iron ore pricing continued to slide and adversely affect MIN’s valuation - the cash windfall from the sale occurring around Pilbara’s September peak may have served fortuitously to soften the fall.

Marley Spoon (MMM) – down 30% for the month (Not held). Despite anticipated growth announced alongside solid half year results, shares fell in September with Woolworths announcing it had sold down a ~10% holding and Marley Spoon’s share price continued to slide to the end of the month. Woollies says it remains committed to the 5-year strategic alliance, however.

Due Diligence – A closer look at a stock of interest

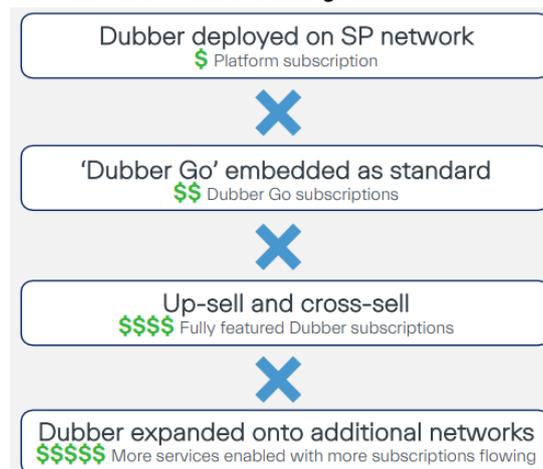
Dubber Limited (DUB)

A recent addition to the S&P/ASX Small Ordinaries Index, Dubber provides a cloud-based call recording, dubbing, and voice-data analytics platform. The platform readily scales to small and large businesses with no requirement for physical installation and many potential use cases. In recent years, Dubber has formed relationships with major service providers, confirming Dubber’s position as a leader in this space and giving it a sizeable platform for further growth.

While Dubber can sell directly to customers, its business model primarily focuses on entering agreements with Carriers and Service Providers who then embed Dubber in their offerings. The Dubber platform has endless use cases, making the addressable market for the technology substantial. In a sales-focused setting, businesses can use the Dubber AI to analyse sentiment throughout sales calls to better understand conversations with customers and improve the sales experience. Alternatively, from a compliance perspective, the platform can be used to detect risky or suspicious behaviour based on keyword analysis and send instant alerts to compliance departments. Adding to its product offerings on 20th

September, Dubber announced the acquisition of Brisbane-based company Notiv and its US-based parent Pinch Labs. The Notiv AI platform enables users to automatically take transcribed notes and summaries from meetings. The recently launched Dubber Foundation Partner Program also looks to be a substantial platform for growth for the company with the potential to rapidly increase its customer base. The

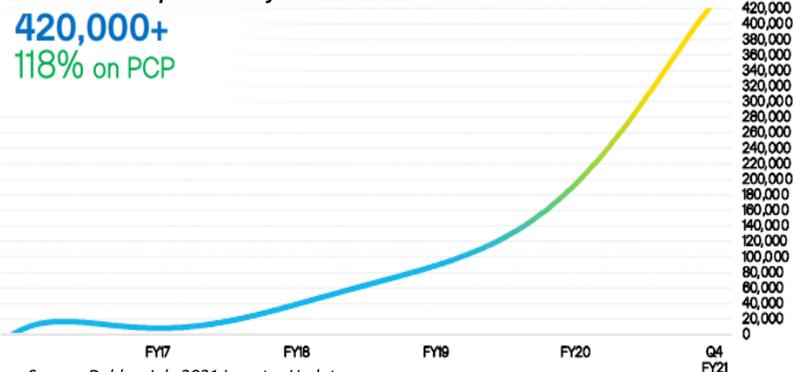
Dubber Foundation Partner Program



Source: Dubber July 2021 Investor Update

The Foundation Partner Program model is illustrated in the diagram above. Foundation partners will enable Dubber Go (a 'lite' version of the platform) to all existing users, for which they pay a fee to Dubber. This gives all users of the service provider’s network the opportunity to use Dubber Go for free, increasing the exposure of the product through the network. This exposure then offers Dubber the opportunity to up-sell more feature-rich versions of the Dubber offering to the users of this network. Cisco was announced as Dubber’s first Foundation Partner, enabling Dubber call recording for free with Cisco Webex Calling. In September, Cisco reported more than 39 million Webex users worldwide, highlighting the potential opportunity for Dubber.

Dubber Subscriptions as of 30 June 2021



Source: Dubber July 2021 Investor Update