

Innovation Strategy – Investment Newsletter

Performance (As at 31 st March 2021)	Quarter (%)	Rolling 1yr (%)	Rolling 3yr (%)	Inception Gross (%)	Inception Annualised (%)
JMFG Innovation Strategy	-1.72	+83.14	+93.62	+127.91	+24.58
Benchmark - Fixed Rate 10.25% pa	+2.44	+10.25	+34.01	+44.16	+10.25
Emerging Companies Accumulation Index	+3.24	+113.01	+40.14	+72.59	+15.67
Outperformance vs Benchmark	-4.16	+72.89	+59.61	+83.75	+14.33

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 March quarter

The JMFG Innovation Strategy had a weaker December quarter, falling 1.72%, while it is still well ahead for the rolling year having returned 83.14% over the last 12 months. 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 since its inception.

The recovery in smaller companies from the lows of last year has been substantial, reflected in the index total return over the year with the Emerging Companies Index achieving a return of 113.01%. This return reflects the fact that small, emerging companies were oversold into the lows last year so that they thereby staged a larger recover as conditions and market sentiment improved.

The Innovation portfolio continues to be dominated by Health Care names, at around 46% 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 fell to 20% as we entered some new positions. During the quarter we were quite active adjusting positions on significant price changes. We also introduced several new companies to the Strategy, including Self Wealth, EMVision, Betmakers (wagering services technology), ImExHS (Healthcare imaging and storage targeting smaller healthcare networks) and a pre-IPO position in Hydralite, which is to be listed later in the calendar year.

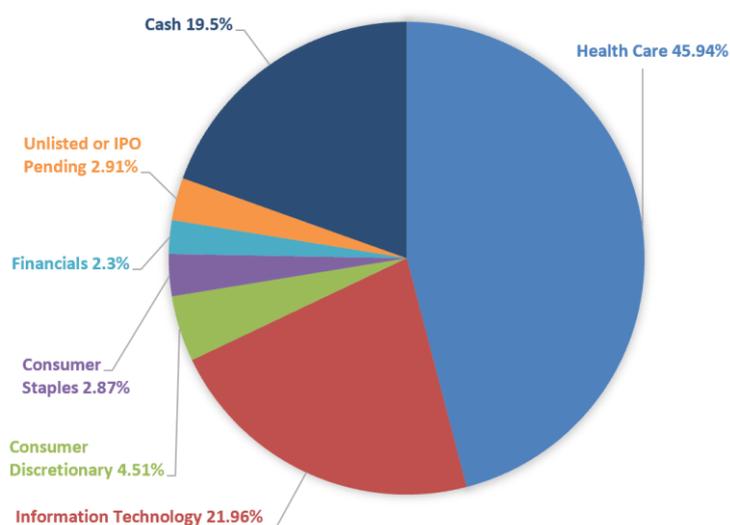
The strongest performers for the portfolio during the quarter included:

- Alcidion Group +68%, Dusk Group +53%, Codan +39%, and LiveHire +38%

The weakest performers for the portfolio during the month included:

- PolyNovo -30%, Tesserent -30%, Genetic Signatures -22%, and Bigtincan Holdings -21%

Innovation Strategy Industry Exposures – 31 March 2021



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 March 2021

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

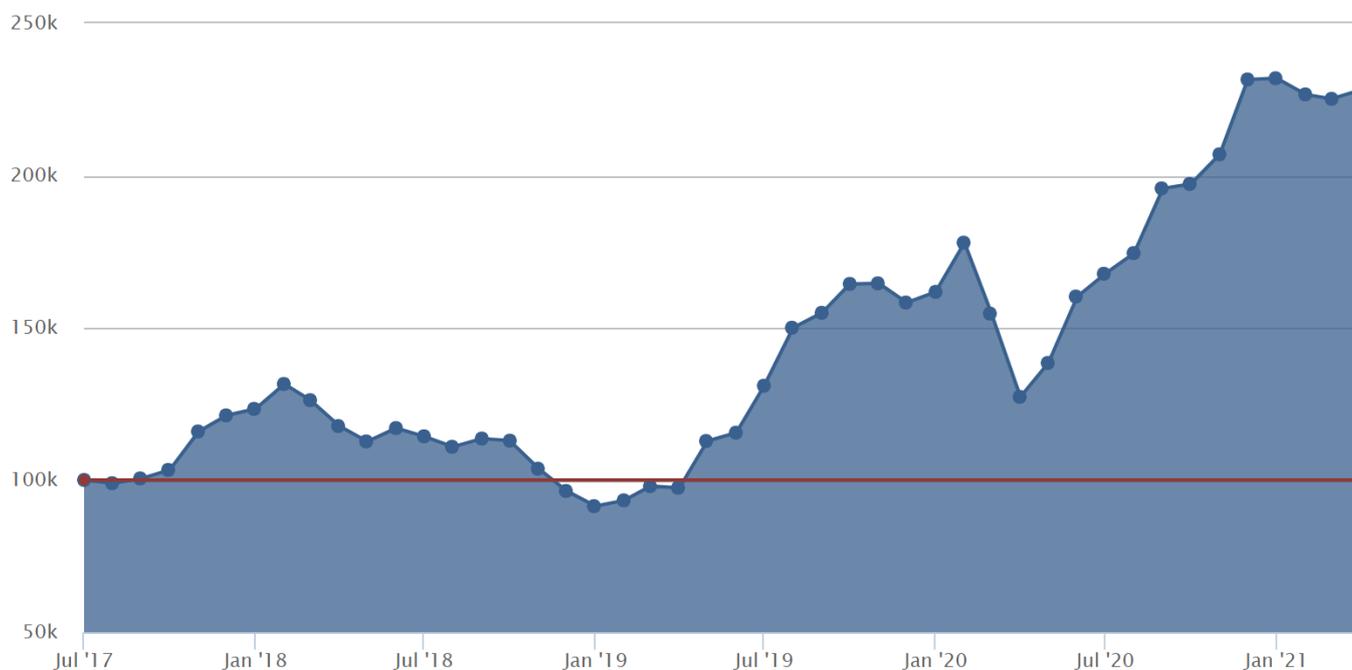
Alcidion Group (ALC) – up 68%. Alcidion is quickly gaining momentum in winning contracts with its product offering. The company announced that 1H revenue was up 36% on PCP and was expecting a strong second half as hospital conditions return to pre COVID-19 levels. Alcidion also announced signing 2 contracts during the quarter, including a second NHS Trust in the UK.

Dusk Group (DSK) – up 53%. Dusk Group reported record sales at the end of its first half as a listed company with like-for-like store sales rising 49% on PCP. Dusk also reported 68% growth in Diffusers & Consumables sales, validating the company's efforts in product technological innovation in fragrance distribution devices.

Tesseract (TNT) – down 30%. Tesseract announced the acquisition of Secure Logic's Managed Services business late in the quarter taking total annual turnover to ~\$150m. However with the focus now on executing its aggressive consolidation strategy the share price eased back following a six month period where it increased over 300%.

PolyNovo (PNV) – down 30%. PolyNovo reported sales numbers for the last 3 months of 2020 that were substantially less than expected. While the managing director gave guidance at the AGM in November that the company was harnessing momentum to double revenue in FY21, the 1H sales numbers fell well short of the annual target, growing by 31% on PCP. The company noted that month-to-month sales vary substantially and that the business outlook remained strong.

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



Top 5 Holdings by Weight at End March 2021 Quarter

Mach7 Technologies	13.6%	Medical software enabling efficient access/use of healthcare data and imaging
Alcidion	6.3%	Medical software for records management, patient flow, clinical decisions support
PolyNovo	5.5%	Dermal regeneration and tissue repair via proprietary medical grade polymers
Codan	4.7%	Electronics and communications devices and solutions for global markets
Dusk Group	4.5%	Omnichannel specialty retailer of aromatic candles, diffusers, oils, homewares etc