

Jencay Australia Investment Fund

Quarterly report – 30 September 2025

JENCAY
capital

AFS Licence Number 402024
ACN 148810413

Performance Table

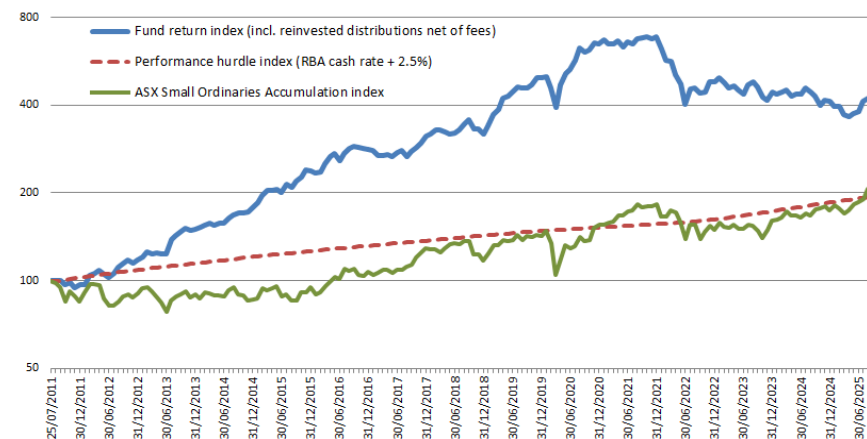
Returns are net of fees, exclude buy/sell spreads and assume reinvestment of distributions/income. Returns are annualised apart from the Latest Quarter figures.

	Fund total return %	ASX Small Ordinaries Accumulation index %	Performance hurdle % (RBA cash rate + 2.5%)
Since inception p.a.	10.9	5.5	4.8
Latest 5 years p.a.	(7.1)	9.3	5.1
Latest 3 years p.a.	(1.4)	15.5	6.7
Latest 12 months	(1.5)	21.5	6.8
Latest quarter	10.9	15.3	1.6

Unit Price

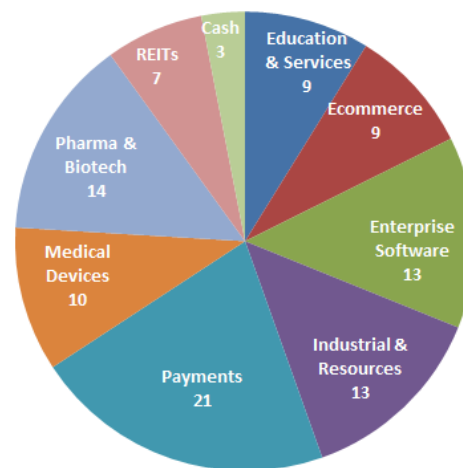
NAV per unit		AUD 2.2077
Application price	(0.5% spread added)	AUD 2.2187
Redemption price	(0.5% spread deducted)	AUD 2.1967

Performance Chart



The chart tracks the movement in value of AUD100 invested in the Fund at inception, relative to the Reserve Bank of Australia cash rate plus 2.5% (performance hurdle) and relative to the ASX Small Ordinaries Accumulation index. Returns are net of fees, exclude buy/sell spreads and assume reinvestment of distributions/income. The chart utilises a log scale on the vertical axis to reflect relative returns more clearly.

Fund Composition



Fund size: **AUD 108m**

Top 10 stock positions as % of overall portfolio: **58%**

Small and micro caps outperformed large caps in the quarter – a welcome change in trend that assisted Jencay to its best quarter for some time.

The biggest positive contributors in the quarter were: Aroa Biosurgery, Praemium, Cleanspace and AI Media. Medadvisor was the biggest detractor. Jumbo Interactive and AI Media re-entered the top 10, replacing Urbanise and 3P Learning, driven by relative share price movements.

Although an improvement in small and micro-cap performance is encouraging, it is too early to assess whether this trend will be sustained. The most speculative pockets of the market are currently enjoying the biggest price rises, which is reason for caution. Jencay's portfolio looks comparatively defensive and over the long-term, we are confident that the Fund is well-positioned in terms of fundamental performance and value.

Top 10 Stock Positions

Weight %	Name	Summary (recent developments in italics)
9	Smartpay	Leading operator of card payment terminals in New Zealand and challenger in merchant acquiring in Australia with the recent launch of acquiring in New Zealand. <i>A scheme of arrangement has been entered into with Shift4 Payments, a global payments peer based in the US, at a price of NZ\$1.20 per share. If the scheme is successful Smartpay will exit the Fund in the next quarter – which would be a disappointing outcome for a well-managed business with significant growth runway.</i>
7	Aroa Biosurgery	Fast-growing challenger in soft tissue wound care and surgical scaffold products, with a superior tissue source (sheep forestomach) and proprietary processing technology that confer Aroa a cost and quality advantage over peers. <i>Their 1Q26 quarterly cashflow update reflected positive net cash flows, an encouraging start to the year.</i>
6	Cleanspace	Producer of innovative powered air purifying respirators for Industrial workplace safety. <i>The company enjoyed a strong second half – producing positive EBITDA and free cashflow and 25% revenue growth for F25. Their R&D pipeline contains exciting product additions that are awaiting regulatory clearance.</i>
6	Praemium	Praemium operates a market leading, modern wealth management platform in Australia that is taking share from the large, legacy institutional platforms. <i>Praemium finished the year solidly and secured another new large private client stockbroker (Bell Potter) for their Scope+ outsourced admin service. Refer overleaf for a comprehensive discussion on Praemium.</i>
5	EML Payments	Provider of prepaid debit cards and payment solutions in Australia, North America and Europe. <i>The 2H result was somewhat disappointing with flat revenue and messy one-offs and adjustments. Encouragingly, the reinvigorated business development team is building a solid pipeline and have already signed meaningful new customers which bodes well for future growth.</i>
5	Orion Properties	US REIT focused on single tenant net lease suburban office properties and specialised use real estate. <i>Orion knocked-back a second, increased takeover offer, which we are pleased about given our conviction that significant upside remains. They made solid leasing and asset sale progress in 2Q and are anticipating that results will bottom and start to lift in the coming quarters.</i>
5	AI Media	Leader in the provision of live caption services primarily to broadcasters, with a slate of language product additions in the pipeline. <i>2H results showed strong growth in technology revenues but overall flatness as they navigate the transition away from human services to their automated technology solutions. Several pilots are being conducted for their new Lexi Voice automated translation offering with a couple that have converted to paid customers. Their new automated voice description product launched, opening an additional new revenue driver.</i>
5	Tyro	Leading provider of merchant acquiring and payment services in Australia with significant share in the health, hospitality, and retail segments. <i>F25 was in line with expectations/guidance, and the new year has started positively with transaction volumes lifting on improved consumer spending. Gaining traction in new vertical (Automotive servicing) where Tyro is integrated with a leading POS partner.</i>
5	Jumbo Interactive	Reseller of official Australian Lottery tickets via the www.ozlotteries.com website. Their platform is being leveraged as a SAAS and managed services offering for charity and state lotteries. <i>Jumbo produced a solid 2H given the weak jackpot environment. RSL Queensland, Australia's biggest charity lottery operator, joined as a SAAS customer – another solid win entrenching their market leadership in the charity lottery space. Their own in-house subscription game, Daily Winners, is growing strongly – something they are looking to replicate internationally.</i>
4	Clinuvel	Clinuvel's orphan drug Scenesse is a unique hormone replacement implant used to treat patients with erythropoietic protoporphyria (EPP), a rare skin disease that causes intolerance to light. Their IP is being utilised to develop drugs in adjacent areas such as Vitiligo, DNA skin repair and cosmetics. <i>The company slightly missed revenue expectations in 2H due to large shipments slipping over year-end. Opex is expected to level out at current levels for the next few years (due to winding down of the Vitiligo clinical program) which should produce strong profit growth.</i>

Praemium

Following last quarter's spotlight on [Aroa Biosurgery](#), in this edition we will focus on top 10 position Praemium – another high quality, growing business that has been ignored by a market rewarding size and liquidity ahead of fundamentals. We started buying Praemium in June 2020 at a price just above 50c. Our average purchase cost is 41c vs. the current share price of 75c. Although we are in the money, the share price has lagged the substantial improvement in revenues and earnings over the 5-year period as shown below:

- Share price increase 45%
- Revenue increase 136%
- Eps increase >300%

Business background

Praemium developed sophisticated portfolio software in the early 2000s and became pioneers in Managed Accounts in Australia. They embarked on international expansion in the 2010s, potentially a distraction that allowed later entrants to the managed accounts space, namely Netwealth and Hub24, to catch up. Praemium's singular focus on managed accounts also became a hurdle to attracting clients that wanted a comprehensive wealth management platform incorporating full wrap functionality.

A change in management in 2021 triggered a shift in strategy that led to the sale of the lossmaking international business and a refocus on Australia. The merger with Powerwrap (which ran Praemium software) and acquisition of Onevue's platform business added wrap functionality and scale to the business at sensible acquisition metrics.

The recent launch of Spectrum, a comprehensive wealth management platform, has closed Praemium's product gap relative to peers with encouraging early traction.

Competitive positioning

Hub24 and Netwealth have been the key beneficiaries of a structural shift of retail wealth away from the vertically integrated bank and insurance aligned legacy wealth platforms towards modern, independent, agile wealth platforms.

Praemium has lagged the two market leaders due to some strategic missteps in the past. Nevertheless, it has grown strongly over time (revenue CAGR of 15-20%) and is superior to its well-known peers in several key aspects i.e.

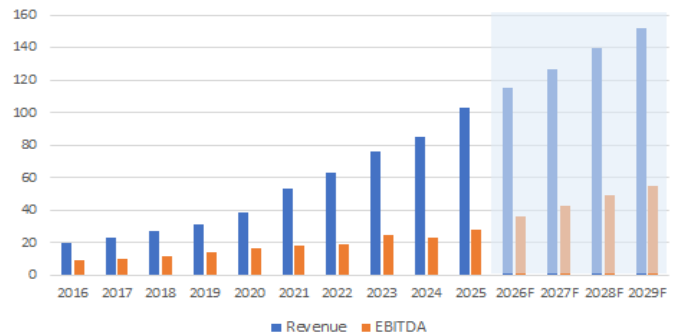
- *Non-custodial portfolio software* (Scope) that allows wealth management businesses to host and administer their own in-house client portfolios (numbering 64,000 currently) off platform;
- *Non-custodial administration service* called Scope+ which utilises Scope software to efficiently manage back-office administration for wealth advisory businesses that have chosen to outsource this non-core function. Scope+ has been growing strongly and currently supports just under 10,000 client accounts and \$34b in FUA.
- *Superior reporting tools*
- *Widest range of alternative assets* on platform.

The differentiation highlighted above means Praemium is uniquely positioned to support advisors focused on the high-net-worth (HNW) segment of the market. The wealth platform market is NOT a winner take-all market and Praemium is carving an important niche in this high value part of the market.

A significant share of wealth advisors servicing the HNW segment reside in stockbroking businesses – Praemium currently services over 40% of this market segment in some form and is successfully increasing market share in this segment and penetration within existing customers (we estimate that their current share of this opportunity is only 10-20%). Over the last 12 months they have won new business from three of Australia's biggest private client stockbrokers i.e. Euroz Hartleys, Morgans and Bell Potter. Those clients alone, if successfully implemented, can drive significant growth for Praemium in the coming years.

Financial history and projections

The chart below reflects historical and forecast (blue shaded) revenues and EBITDA for the Australian business:



Source: Company accounts and Jencay forecasts. Amounts in AUDm. The lossmaking international business was sold in 2022 and is excluded from historical numbers.

Although Praemium has grown revenues reasonably consistently over time, profit progression has been a bit bumpy due to operating expense movements that have not followed revenue patterns. Significant investments made over the last few years to integrate Powerwrap and Onevue and deliver the market leading Spectrum offering, resulted in EBITDA growth slightly lagging revenue growth for the Australian business. We expect operating leverage to emerge in future with revenues set to expand faster than costs.

Valuation

Despite impressive growth, product leadership and anticipated scale leverage, Praemium offers compelling value, particularly relative to peers, as illustrated by the table below:

	Market Cap	Revenue	EBIT	FUA (\$b)	5yr Rev CAGR %	EV / Revenue	EV / EBIT	EV / FUA
Praemium	368	103	20	30	16	3.2	16.4	1.1%
HUB24	8,438	407	101	113	30	20.6	82.9	7.4%
Netwealth Group	7,277	316	150	113	21	22.5	47.5	6.3%

Source: Factset and Jencay, amounts in AUDm

Praemium's current share price is roughly 70% below our estimate of fair value. Although Praemium's respectable historical growth lags market leaders HUB24 and Netwealth, the valuation disparity is far too great. There is a strong possibility that Praemium's future growth rates can outstrip the two leaders given its lower base, strong early traction in the HNW and Stockbroker segments, and recent launch of Spectrum.

Why is Praemium this cheap, particularly relative to its peers? As with Aroa, the key reason is that Praemium is smaller, less liquid and not included in major ASX indices – it is certainly not due to poor fundamental performance.

Conclusion

Given Praemium's strong management, well-articulated strategy, excellent product range and solid execution, they should sustain strong, profitable growth relative to the majority of ASX companies. In time this is likely to result in Praemium making its way into important ASX indices thereby improving liquidity, which will ultimately narrow the unwarranted valuation gap relative to its peers.

I am often asked what the catalyst will be for microcaps to catch up to large caps in terms of valuation metrics. It is very difficult to answer this question generically but what I am confident about is that companies like Praemium, that are likely to outstrip market growth, will ultimately rerate and produce attractive returns. Many of the stocks in the portfolio have similar attributes.

Fund Key Features

Investment strategy	The Fund seeks to generate attractive risk-adjusted returns over the long term and protect capital by buying securities trading significantly below fair value (bargains) and holding cash on deposit when bargains are not available in the market. The Fund has a small cap bias in accordance with the Manager's opinion that most bargains are found amongst small caps.
Investment universe	Securities publicly traded on a recognised securities exchange and cash to be held on deposit
Investment restrictions	<ul style="list-style-type: none"> Maximum of 40 individual securities Maximum exposure of 15% to a single security No direct short positions No leverage at Fund level
Base management fee	1% p.a. excluding GST. Management Expense Ratio 1.025% p.a. inclusive of non-recoverable GST.
Performance fee	20% of returns above the Hurdle rate subject to a high-water mark. The Hurdle rate is the Reserve Bank of Australia Cash Rate Target plus 2.5%.
Redemption notice	6 months' redemption notice required otherwise 5% early exit penalty to be applied
Custodian & Administrator	Apex Fund Services Pty Ltd (head custodian and Administrator) and JP Morgan Chase Bank N.A. (sub-custodian)

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