

Jencay Australia Investment Fund

Quarterly report – 31 March 2026

Performance Table

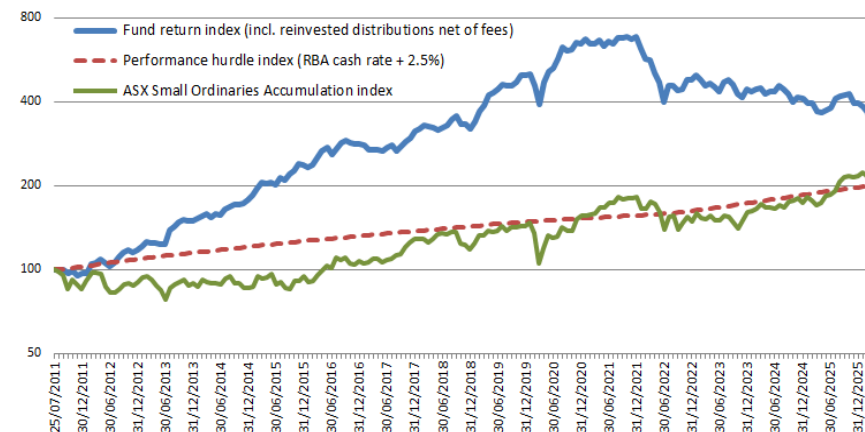
Returns are net of fees, exclude buy/sell spreads and assume reinvestment of distributions/income. Returns are annualised apart from the Latest quarter figures.

| | Fund total return % | ASX Small Ordinaries Accumulation index % | Performance hurdle % (RBA cash rate + 2.5%) |
|----------------------|---------------------|---|---|
| Since inception p.a. | 8.4 | 4.6 | 4.8 |
| Latest 5 years p.a. | (12.7) | 4.0 | 5.5 |
| Latest 3 years p.a. | (10.5) | 8.5 | 6.8 |
| Latest 12 months | (11.2) | 13.7 | 6.4 |
| Latest quarter | (16.7) | (10.9) | 1.5 |

Unit Price

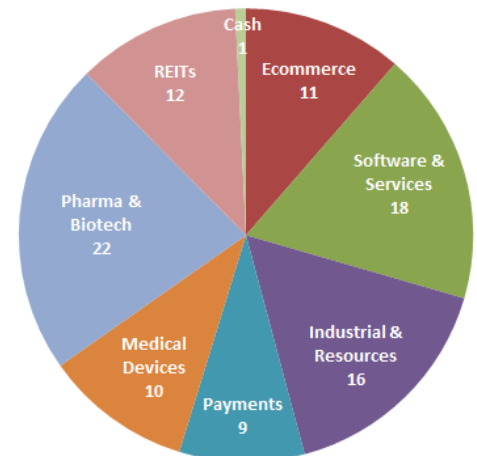
| NAV per unit | | AUD 1.7194 |
|-------------------|------------------------|------------|
| Application price | (0.5% spread added) | AUD 1.7280 |
| Redemption price | (0.5% spread deducted) | AUD 1.7108 |

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 78m**
Top 10 stock positions as % of overall portfolio: **59%**

March was another tough quarter for the Fund – the war in Iran created significant volatility and a shift back to the perceived safety of large caps – and advances in AI capability triggered indiscriminate selling of technology related stocks. Most companies in the portfolio reported strong numbers for the period to December 2025 and encouraging forward guidance but share prices moved in the opposite direction. Please refer overleaf for a revealing analysis of valuation relative to fundamental performance for Jencay's Top 10 positions.

The biggest detractors in the quarter were: **AI Media**, **3P Learning**, **Cleanspace**, **EML** and **Jumbo**. The biggest positive contributors included a UK listed oil & gas producer (not in our top 10) and new top 10 position, **Assertio Holdings**. Despite topping up **AI Media** at recent depressed prices it has slipped below our top 10.

Top 10 Stock Positions

| Weight % | Name | Summary (recent developments in italics) |
|----------|--------------------------|--|
| 9 | 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>Solid Q3 reported and F26 guidance affirmed.</i> |
| 7 | Orion Properties | US REIT focused on single tenant net lease suburban office properties and specialised use real estate. <i>Sales of vacant properties continued in the period, which will materially reduce operating expenses in 2026. The leasing pipeline continues to improve, which should drive occupancy and earnings growth moving forward. Orion successfully extended its debt facilities beyond 3 years at attractive rates.</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>A restructuring of the company's technology team, enabled by the recent Technotia labs acquisition, will materially reduce costs, benefitting 2027 and beyond. A solid H1 was reported.</i> |
| 6 | Articore | Articore Group's www.redbubble.com and www.teepublic.com , are two leading global marketplaces linking independent artists with 3 rd party fulfillers for on-demand production and distribution of unique apparel and other items to end customers. <i>1H results demonstrated an impressive turnaround in profitability and strong growth (off a low base) for their new Dashery offering for creative influencers. Core business sales decline rates are abating.</i> |
| 6 | Cleanspace | Producer of innovative powered air purifying respirators for Industrial workplace safety. <i>Revenue growth for 1H at 10% was below expectations, held back by the impact of the US government shutdown on US sales and temporary closure of an Indonesian mine (one of the company's biggest customers). Growth should reaccelerate when two exciting products in development receive regulatory clearance.</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>1H results were in line with expectations. 2027 will benefit from a full year contribution from the newly acquired US and UK prize draw businesses.</i> |
| 5 | Assertio | Profitable US biotech focused on the oncology space. Lead drug Rolvedon reduces the risk of Febrile Neutropenia for patients undergoing chemotherapy and is taking share from incumbents due to a differentiated molecule. <i>Assertio should finish the year with net cash equivalent to two-thirds of its market cap. We started buying when their market cap equated to net cash – the business was essentially free notwithstanding significant free cashflow generation.</i> |
| 5 | 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>Revenue growth continued into 1H despite a change in ordering patterns in the US that dragged on sales. A potential competing drug in the clinic, received a Complete Response Letter from the FDA, which will delay the competitor's approval.</i> |
| 5 | Tyro | Leading provider of merchant acquiring and payment services in Australia with significant share in the health, hospitality, and retail segments. <i>Respectable transaction volume growth was sustained in the first half. Bolt-on acquisition completed - small business software for invoicing and tax reconciliation to enhance merchant experience and loyalty. The RBA released their final card payments and surcharging changes that remove surcharging by merchants and substantially reduces the interchange fees that card issuers (banks) can charge. Tyro will not suffer margin erosion (as it is not an issuer) and is well placed to win customers from peers whose business models may be disrupted.</i> |
| 4 | EML Payments | Provider of prepaid debit cards and payment solutions in Australia, North America and Europe. <i>EML's new business pipeline continues to build with a meaningful portion already signed and contributing revenue. EML announced the build-out of a mobility focused card product which should have market leading capabilities relative to the legacy incumbents – this is a substantial opportunity.</i> |

Growth for Free (GFF)

The March quarter was tough for small caps and for the Fund. Most businesses held by the Fund reported good results to December but suffered price declines, nonetheless. We feel it is therefore an opportune moment to take a step back from our series spotlighting individual top 10 positions to provide perspective on the pricing of our portfolio relative to fundamentals.

The overwhelming majority of companies in the portfolio are quality, well-run businesses investing to build significant future value - but the market does not appear to be interested. There seems a preference by market participants to chase hot themes including defence, critical minerals and lately energy (even if those companies burn cash) whilst offloading profitable, quality compounders (particularly technology and healthcare) with no regard for fundamental value.

The behaviour described above has driven stock prices (for the Fund's holdings and other microcaps that are not favoured by the investment fashion of the day) down to absurd levels which we attempt to convey in the table below:

Valuation multiples relative to historical and future expected revenue and earnings growth – Jency Top 10 positions:

| | Sales CAGR - last 3 yrs (%) | EV / Sales latest | 3 year price return | Sales CAGR - 3yrs to 2028 (%) | EV / F28e EBITA | Notes |
|--------------------------|-----------------------------|-------------------|---------------------|-------------------------------|-----------------|-------|
| Aroa Biosurgery | 27 | 2.4 | (44.8) | 17 | 6.6 | a |
| Articore Group | (9) | 0.1 | (28.9) | (4) | 1.3 | b |
| Assertio Holdings | (9) | 0.9 | (79.1) | 9 | 1.7 | c |
| CleanSpace Holdings | 14 | 1.5 | 9.3 | 19 | 5.8 | |
| Clinuvel Pharmaceuticals | 13 | 2.3 | (52.5) | 8 | 4.0 | d |
| EML Payments | (1) | 1.1 | (0.9) | 5 | 3.7 | e |
| Jumbo Interactive | 12 | 3.8 | (27.1) | 25 | 4.7 | f |
| Orion Properties | (11) | 3.7 | (54.1) | 3 | 6.5 | |
| Praemium | 18 | 2.9 | (4.7) | 11 | 5.4 | |
| Tyro Payments | 14 | 0.7 | (45.6) | 4 | 6.9 | |
| Median | 12.4 | 1.9 | (36.8) | 8.8 | 5.0 | |

Sources: Factset, company financials and Jency forecasts.

EBITA is earnings before interest, taxes and acquired intangible amortisation. EV is Enterprise Value. CAGR is compound annual growth rate.

Notes

- 2028 figures exclude any potential revenues from innovative new products under development but include significant R&D costs (the adjusted EV / F28e EBITA multiple ignoring R&D costs is 4.8x).
- Articore's revenues have shrunk over the last 3 years - we anticipate modest further reductions, but earnings are now positive and improving. Their net cash is more than half their current market cap, part of which they are using to buy back shares.
- Assertio suffered revenue declines over the last 3 years due to their lead drug losing patent protection and share to generic competition. Their new lead drug has long term patent protection, and its solid sales growth should more than offset future declines from the rest of their portfolio. By year-end, net cash should be around 2/3rds of current market cap.
- The projected sales exclude any contribution from drugs in development that have a high probability of approval including the potentially transformative Vitiligo program and imminent approval of their ACTH generic. Clinuvel's net cash balance is almost half its market cap.
- The projected 5% Sales CAGR incorporates conservative interest rate assumptions (interest earned on float is a meaningful contributor to revenues). Projections exclude potential contribution from the large Mobility segment which EML is planning to enter.
- Sales growth to 2028 assisted by the recent international acquisitions. The cost is incorporated in Enterprise Value.

General reflections

Following years of revenue/earnings growth combined with share price declines, every top 10 stock now trades on very low multiples of current revenue (range of 0.1 to 3.8x; median 1.9x) and a F28e median EV/EBITA multiple of 8.2x, compared to 12-14x for the ASX200 i.e. **a far lower earnings multiple for significantly faster earnings growth than the overall market.**

Median pre-tax earnings for our top 10 are expected to grow more than 50% over the two-year period to 2028 resulting in our F28e median EV/EBITA of **5x**.

Many well-regarded investors are proponents of a GARP strategy (growth at a reasonable price) because quality compounders are scarce and it is usually a challenge to find them trading at reasonable prices – yet within the microcap end of the market it is now possible to find quality, growing businesses trading at single digit earnings multiples – **cheap** rather than reasonable!

Growth For Free (GFF) is now a reality in select microcaps. We argue that GFF is now a fair categorisation for much of our portfolio.

Portfolio management in this environment

Given the obviously cheap prices of the stocks in the portfolio, combined with the Fund's low current cash holding (we find it incredibly difficult to stand on the sidelines and not deploy our cash when clear bargains are on offer as illustrated above), we are being forced to consider selling stocks trading at less than 50% of fair value (about the most expensive in the Fund) to fund the purchase of stocks trading at less than 20% of fair value. We would welcome inflows to avoid being forced to sell quality stocks at such cheap prices.

We added to our personal investment in the Fund during the quarter – I acknowledge we have done this on multiple occasions over the last few years illustrating the difficulty in pinpointing the exact bottom. And while it is almost impossible to time the bottom perfectly, we are very confident that investing at this level provides significantly greater long-term upside than downside. We will look back on this period in the years ahead as a having been a remarkable opportunity to buy select microcaps.

Update on our International exposures

The weighting of our international stocks has been steadily increasing due to a combination of better relative share price performance and the addition of new stocks. In summary:

- International exposure (% of portfolio) 28%
- Number of stocks: six
- Sector exposures (% of International):
 - o Healthcare 48%
 - o Real Estate 40%
 - o Energy 12%

Our international stocks significantly outperformed our Australian portfolio in the March quarter producing a net positive absolute contribution even after considering AUD strength.

Indeed, the Russell 2000 (US small cap index) significantly outperformed the S&P 500 US large cap index in the quarter – the opposite of what transpired on the ASX. The Russell 2000 outperformance is hopefully the start of a trend that will transfer to Australia – at some point the compelling valuation metrics of the microcaps becomes too difficult to ignore.

Whatever the reason for the divergence in performance between US and Australian small caps, we are pleased with our gradual shift towards a more geographically diverse portfolio which is improving portfolio liquidity, diversification and expanding our universe of opportunity. We believe we have discovered a few gems that fit squarely into the GFF mantra i.e. quality compounders at bargain prices.

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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