# Jencay Australia Investment Fund

## Quarterly report – 30 June 2026

JENCAY capital
AFS Licence Number 402024
ACN 148810413

## Performance Table

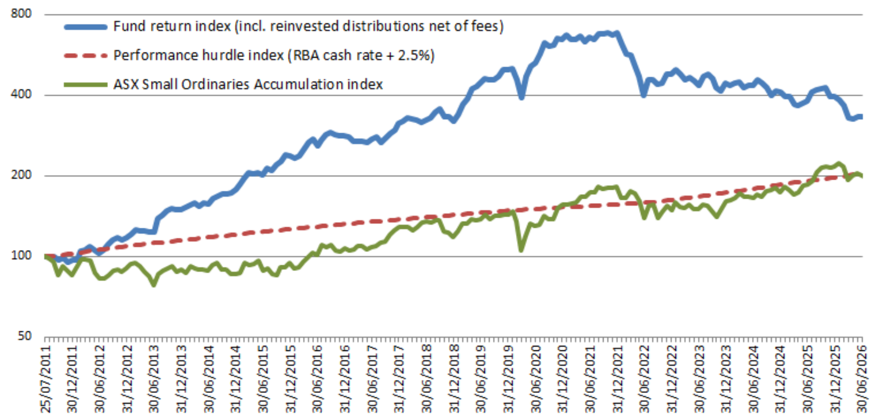
| Returns are net of fees, exclude buy/sell spreads and assume reinvestment of distributions/income. Returns are annualised apart from the Latest quarter figures. | Fund total return % | ASX Small Ordinaries Accumulation index % | Performance hurdle % (RBA cash rate + 2.5%) |
|---|---|---|---|
| Since inception p.a. | **8.4** | 4.7 | 4.9 |
| Latest 5 years p.a. | **(12.8)** | 3.0 | 5.7 |
| Latest 3 years p.a. | **(8.7)** | 9.9 | 6.8 |
| Latest 12 months | **(12.4)** | 8.1 | 6.5 |
| Latest quarter | **1.4** | 3.3 | 1.7 |

## Unit Price

**NAV per unit** **AUD 1.7432***

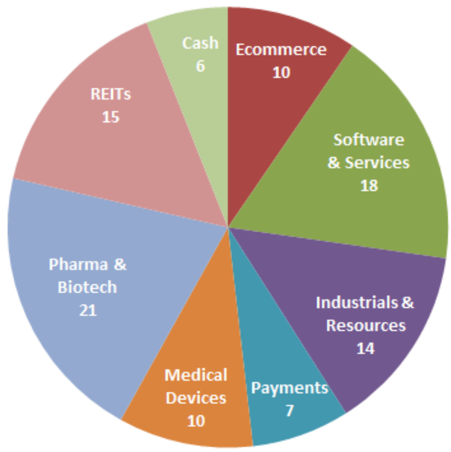
* The NAV per unit is a cum-distribution NAV (i.e. inclusive of the June distribution, which is yet to be finalised). Once the distribution has been calculated, ex-distribution redemption and application prices for 30 June will be produced and reflected on the website.

## 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 82m**

Top 10 stock positions as % of overall portfolio: **62%**

In the June quarter our international stocks enjoyed strong share price rises that offset the continued share price weakness in our Australian microcap holdings - a trend that is apparent in the composition shifts seen in our top 10 positions. The following international stocks debuted in our top 10: Rigel Pharmaceuticals (discussed overleaf), CBL & Associates Properties and Protalix Biotherapeutics. Tyro and EML Payments moved out of our top 10 but remain core positions whilst Assertio received a takeover offer that was successful and has departed the portfolio after doubling our money in just over a year.

The biggest detractor in the quarter was **EML Payments**. The biggest positive contributors were **Orion Properties**, **CBL Properties** and **Rigel Pharmaceuticals**.

## Top 10 Stock Positions

| Weight % | Name | Summary *(recent developments in italics)* |
|---|---|---|
| 9 | **Orion Properties** | US REIT focused on single tenant net lease suburban office properties and specialised use real estate. *Sales of vacant properties continued in the period, which will materially reduce operating expenses in 2026. Leasing activity continues to improve, which should drive occupancy and earnings growth moving forward.* |
| 8 | **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. *F26 results were released and despite significantly exceeding prior revenue and earnings guidance the share price remained flat. The US "skin substitutes" market has been severely disrupted by recent reimbursement changes that favour a good, cost-effective product such as Aroa's Symphony – Aroa will invest in F27 to drive share in this market, which may temporarily delay profit growth.* |
| 7 | **Rigel Pharmaceuticals** | Profitable US biotech/pharmaceutical company focused on niche oncology/haematology with a portfolio of revenue generating and development assets. *Refer overleaf for an investment case summary.* |
| 6 | **Praemium** | Praemium operates a market leading, modern wealth management platform in Australia that is taking share from the large, legacy institutional platforms. *Solid Q3 net inflows reported during quarter. A solid replacement Chairman has been elected to replace the retiring Chair, who has added value for shareholders.* |
| 6 | **CBL Properties** | REIT holding a portfolio of over 80 retail properties, mostly shopping malls spread throughout second tier cities predominantly in the US Midwest. Current implied cap rate of 11.5% is indicative of the value on offer notwithstanding solid operational performance, steady to improving occupancy and manageable debt. Many of their malls are dominant "only game in town" within their trade catchments. |
| 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. |
| 5 | **Articore** | Articore Group's *www.redbubble.com* and *www.teepublic.com* are two leading global marketplaces that link independent artists with 3rd party fulfillers for on-demand production and distribution of unique apparel and other items to end customers. *Core business sales decline rates continue to abate. Directors and management continue to buy shares on market and company share buybacks continue.* |
| 5 | **Jumbo Interactive** | Reseller of official Australian Lottery tickets via the www.ozlotteries.com website; proprietary prize-draw operator in the UK and US; leading SAAS and managed services provider for charity and state lotteries. *We topped up our position following a selloff prompted by what we consider an unfair broker downgrade. Jumbo is at risk of exiting the ASX Small Ordinaries index which may be adding selling pressure.* |
| 5 | **Cleanspace** | Producer of innovative powered air purifying respirators for Industrial workplace safety. *The company reduced their revenue growth guidance for F26 to single digit. Their new "loose fitting" respirator, which addresses a regulatory compliance gap in their product range that has hindered recent sales growth, received regulatory approval, removing a significant hurdle to sales growth.* |
| 5 | **Protalix Biotherapeutics** | Has developed two FDA approved cell therapies utilising their proprietary plant-based protein cell expression system – the only plant-based cell therapies approved globally. Therapies already in market treat Gaucher and Fabry, both orphan/rare diseases, via sales/distribution partners. In addition to the two commercial products that are growing revenues strongly, Protalix has an exciting development pipeline including a superior treatment for uncontrolled gout. Protalix just became profitable and should grow strongly in future. |

# Rigel Pharmaceuticals

Rigel, the latest addition to our top 10 positions, is another example of a high growth, well managed business, that is underappreciated by the market. We started buying Rigel in February this year.

### Description

San Francisco based Rigel focuses on niche/rare indications in the oncology/haematology space. Rigel was a pioneer in the development of Kinase biology – protein tagging that helps to restore natural molecular pathways or block harmful ones, effectively targeting the root cause of certain disorders.

Rigel burned through a lot of capital in their early years of research and development, but has emerged as a profitable business with three revenue generating drugs in market plus a pipeline in development. They recently in-licensed their fourth molecule which will launch shortly as a new option for treating certain types of breast cancer. All their drugs are oral formulations (pills) that are easy to administer. The company, under the leadership of CEO Raul Rodriguez since 2015, has acquired assets via astute and accretive licensing deals and has been extremely disciplined in managing costs.

Haematology/Oncology is an area with high medical need but large numbers of genotypes/mutations that are best served by niche/targeted/unique treatments. The big drug companies have little interest in niche areas with revenue potential less than $1b per indication. This leaves a lucrative gap for players like Rigel that are happy to provide 2nd or later line treatments that typically generate revenues in the tens to hundreds of millions rather than billions.

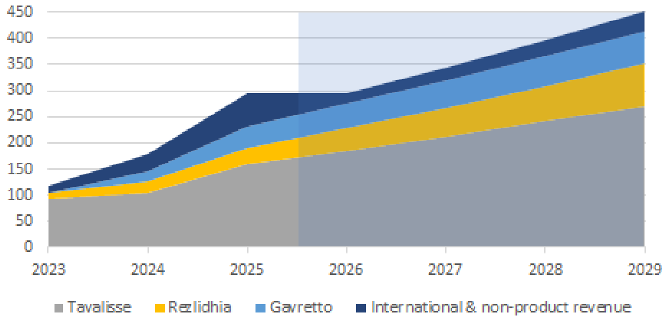
### Rigel's portfolio & competitive positioning

Market positioning for Rigel's three current commercial products and their new in-licensed asset (Veppanu), as well as their development pipeline, is summarised below:

| | |
|---|---|
| *Tavalisse*<br>Internally developed lead product | Treats Immune thrombocytopenic purpura (ITP) by helping to stop the blood from destroying its own platelets. Typically used in 3rd and later treatment lines when other treatments stop working. Global ITP market exceeds $5b with Tavalisse revenues approaching $200m p.a. |
| *Rezlidhia*<br>In-licensed 2022 | Treats adult patients with relapsed Acute Myeloid Leukemia (AML) caused by a specific gene mutation (6-9% of AML cases). This is a niche market of about $0.5b dominated by incumbent Tibsovo. Rezlidhia seems a better, more targeted molecule that received approval 4 years later than Tibsovo. It has significant potential to grow beyond its $30m annual revenue rate within AML as well as other cancers exhibiting a similar gene mutation. |
| *Gavreto*<br>In-licensed 2024 | Treats adult patients with metastatic RET fusion-positive non-small cell lung cancer (NSCLC) and thyroid cancer. About 1-2% of NSCLC is driven by RET fusions. Gavreto blocks specific molecules from stimulating cancer cell growth within the RET protein. Gavreto, which was licensed for a very modest upfront $15m, is approaching $50m in annual revenue, and likely repaid its upfront cost within a year. |
| *Veppanu*<br>In-licensed in May 2026 | The first and only FDA-approved oral PROteolysis TArgeting Chimera (PROTAC), which destroys harmful proteins. Veppanu is a new oral treatment option for 2nd & 3rd line in a specific type of metastatic breast cancer. Potential to become Rigel's biggest revenue product. Rigel anticipate a very modest addition to their overheads to support this new asset as existing reps will merely add it to their range. They are paying $70m upfront plus milestones and royalties on sales. |
| *Development pipeline* | The most prospective candidate in the clinic is a dual inflammatory inhibitor targeted initially at treating Myelodysplastic Syndrome (MDS), where the bone marrow is under attack by the body's own immune signals. The molecule has shown excellent outcomes in early-stage trials and could be a blockbuster, if later stage clinical results confirm the early data, given a large patient population with unmet needs. |

### Financial history and expectations

Revenue has more than doubled over the last two years as illustrated in the chart below. Product sales growth combined with international upfront licensing deals drove the strong increase from 2023 to 2025. 2026 revenues are expected to be flat on 2025 due to large one-off upfront licensing revenues in 2025 that won't repeat in 2026, but strong growth is expected to resume thereafter. The chart below ignores potential revenues from Veppanu, the new addition, which Rigel believes could become their biggest product.




*Source: Company accounts and Jencay forecasts. Amounts are revenue in USDm*

Rigel has grown revenues strongly on a relatively flat cost base, moving from a loss in 2023, to modest profits in 2024, and in 2025 stepping up to pre-tax profit of $120m and free cash flow of $75m notwithstanding a significant investment in R&D.

Gross margins (90% average) are high and Rigel has demonstrated strong scale leverage by keeping opex relatively flat, despite adding two additional products to their portfolio and growing revenues strongly.

### Valuation

Despite Rigel's impressive history of successfully developing and commercialising their lead product; doing three sensible, value accretive in-licensing transactions for assets that fit tightly into their niche strategy; possessing an exciting clinical pipeline; and being profitable and cash generative, the stock trades on the following modest valuation metrics/ratios:

- EV/Sales – **2x** (based on 2025 actual revenue)
- Forward P/E (based on Jencay normalized cash earnings forecasts):
  - 2026F **7x**
  - 2027F **6x**
  - 2028F **5x**
- Price/Fair Value: **less than 25% of Jencay's estimated fair value**

We are still not quite sure why Rigel is this cheap given its flawless execution and robust growth potential. The following factors are likely contributors:

- Expected flat revenues and lower earnings in 2026 vs. 2025
- Being part of the unloved healthcare sector
- Small market cap ($650m)

### Conclusion

We are excited about the latest addition to our portfolio which clearly deserves the Growth For Free (GFF) label that we described in our previous quarterly report. Rigel adds diversity and strong earnings growth potential to the portfolio at a bargain price.

# 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 | ▪ Maximum of 40 individual securities<br>▪ Maximum exposure of 15% to a single security<br>▪ No direct short positions<br>▪ 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) |

# Disclaimer