

Jencay Australia Investment Fund

Quarterly report – 30 September 2026

JENCAY
capital

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Performance Table

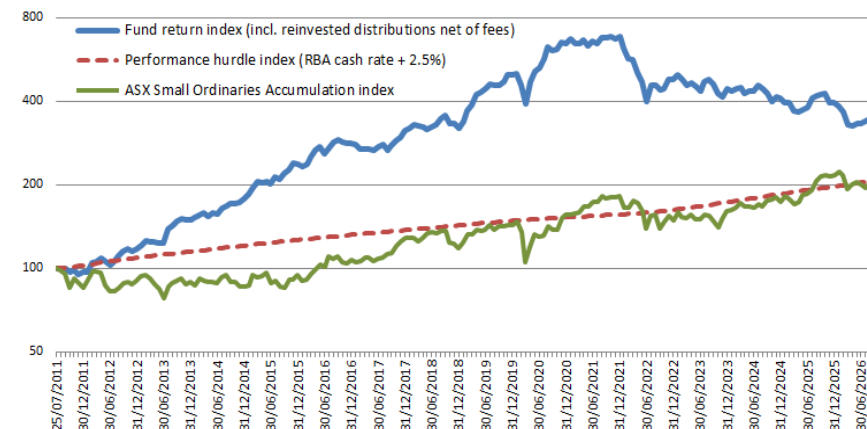
Returns are net of fees, exclude buy/sell spreads and assume reinvestment of distributions/income. Returns are annualised apart from the Latest quarter figures.

	Fund total return %	ASX Small Ordinaries Accumulation index %	Performance hurdle % (RBA cash rate + 2.5%)
Since inception p.a.	8.2	4.6	4.9
Latest 5 years p.a.	(13.2)	2.2	6.0
Latest 3 years p.a.	(10.2)	10.4	6.8
Latest 12 months	(20.9)	(6.7)	6.6
Latest quarter	0.1	(0.5)	1.7

Unit Price

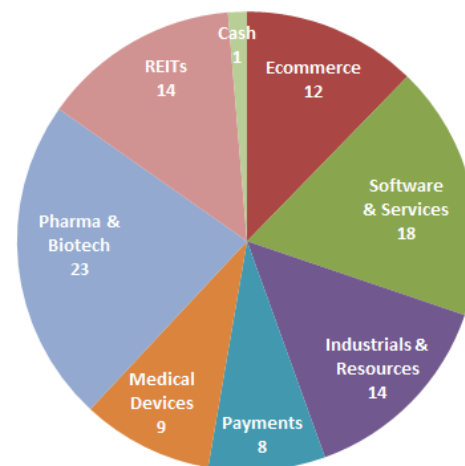
NAV per unit		AUD 1.6725
Application price	(0.5% spread added)	AUD 1.6809
Redemption price	(0.5% spread deducted)	AUD 1.6641

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



The pattern from the last quarter continued – aggregate gains for our international holdings offset by a moderate decline for the Australian portfolio, delivering a roughly flat performance overall. Our buying was concentrated in existing Australian holdings that have experienced undue selling pressure – AI Media, EML Payments, Jumbo Interactive, Praemium and Tyro. Tyro replaced Clinuvel in the top 10 due to relative share price movement.

The biggest positive contributors to performance were **Articore**, **Rigel** and **Protalix**. The biggest detractors in the quarter were **Orion**, **Praemium** and **Aroa**.

Top 10 Stock Positions

Weight %	Name	Summary (recent developments in <i>italics</i>)
8	Rigel Pharmaceuticals	Profitable US biotech/pharmaceutical company focused on niche oncology/haematology with a portfolio of revenue generating and development assets. <i>New in-licensed asset Veppanu launched in August, demonstrating impressive speed to market post-acquisition but too early to judge take up.</i>
8	Orion Properties	US REIT focused on single tenant net lease suburban office properties and specialised use real estate. <i>June was a quiet quarter, and the outcome of their strategic review has still not been provided.</i>
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. <i>Preliminary results from their ongoing Myriad MASTRR Registry were released - across 411 patients infection rates were extremely low relative to study results for competing products (3% for Myriad vs. 10-30% for competing products) and no adverse events related to the Myriad product.</i>
7	Articore	Articore Group's www.redbubble.com and www.teepublic.com are two leading global marketplaces that link independent artists with 3 rd party fulfillers for on-demand production and distribution of unique apparel and other items to end customers. <i>Refer overleaf for a more in-depth review of Articore's business.</i>
6	Cleanspace	Producer of innovative powered air purifying respirators for Industrial workplace safety. <i>F26 was flat on F25, a disappointing result held back by regulatory delays in the US and a gap in their product range (loose fitting respirator) that has now been filled by the recently launched Agile model. F27 has started well with good demand for Agile and the biggest order in the company's history from a single mine in Indonesia.</i>
6	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. <i>F26 was a respectable result in a very low jackpot year. Jumbo exited the S&P ASX 300 index in September – the resulting selling pressure gave us an opportunity to top up at an incredibly low price.</i>
6	Protalix Biotherapeutics	The company's proprietary plant-based protein cell expression system produces approved enzyme replacement therapies for Gaucher and Fabry and has an exciting development pipeline that includes a potentially superior treatment for uncontrolled gout. Gaucher and Fabry are both orphan/rare diseases with partners responsible for sales/distribution of Protalix's drugs. <i>Protalix had a profitable June quarter driven by growing Fabry penetration.</i>
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	Praemium	Praemium operates a modern wealth management platform in Australia that is taking share from the large, legacy institutional platforms, particularly in the HNW and stockbroking channels. <i>The F26 result was solid at an underlying level but messy on a statutory basis due to one-offs relating to restructuring and a platform rebuild underway. Praemium's technology should be market leading post the rebuild with the company well placed for profitable growth.</i>
5	Tyro	Leading provider of merchant acquiring and payment services in Australia with significant share in the health, hospitality, and retail segments. <i>Solid F26 result reported. Successfully cross-selling their improved e-commerce payments capability into their existing in-store enterprise base with a couple of notable conversions such as GyG and Jaycar. Tyro has significantly improved their go-to-market capability in Enterprise and Healthcare supported by important new practice management system integration partnerships.</i>

Articore Group (formerly Redbubble)

Previous quarterly top 10 stock discussions covered two categories of companies – the first category, **structural growers**, includes Praemium, Aroa and Rigel. Orion properties belongs in the second category i.e. **cyclical asset owner**. **Articore Group** started life as a structural grower but became a **turnaround situation** (a 3rd category) following the Covid boom and subsequent bust. Management missteps and Google’s algorithm changes compounded the situation.

Jencay has held Articore for a decade and been a passenger on this wild roller coaster throughout. Although we cut our position significantly as the bubble expanded during Covid (2020-2021), we retained a small holding and started buying too early following the price collapse in 2021. Although Articore was a big contributor to our returns prior to 2021, the severe price declines from 2021 to 2025 have been painful for the Fund. The share price bottomed in May 2025 at 14c and had recovered to 35c (at quarter end), i.e. a 150% gain from the bottom driven by a turnaround to profitability and free cash generation combined with a significant slowing of sales declines.

Articore’s share price journey is an excellent case study in the extremes of market psychology – the euphoria during the Covid boom (reflected in a share price reaching \$7 and market cap reaching \$2b) switched to absolute despair leading up to its lows in 2025 (14c share price and enterprise value of \$10m) when net cash on balance sheet (\$30m) represented 3/4 of Articore’s market cap. Although the share price is above its lows, it remains well below historical ranges and fair value as we’ll explain below.

Articore’s stable of businesses

Articore started life as Redbubble Group. [Redbubble.com](#), the marketplace, is still a core business owned by the group. [Teepublic](#), a competing marketplace, was acquired in 2018 and ran largely separately until the last couple of years when more and more functions were consolidated across both platforms to reduce cost and improve efficiency. Two early-stage businesses/platforms now reside in the group – internally developed Dashery, and recently acquired Indian marketplace, Frankly Wearing. We provide more information below:

Redbubble	Global marketplace started in 2007. Redbubble enables creators to upload artistic images to their website, then shoppers find a relatable image matched to a T-shirt, other apparel, posters, stickers etc. When they finalise their purchase, the order is immediately directed to an independent Print-On-Demand (POD) fulfiller on its network, who prints the chosen image onto the selected blank and ships it to the shopper. Redbubble was a bigger winner than Teepublic in the Covid bubble due to a wider product range that appealed to house-bound buyers but also suffered a bigger falloff post-Covid. Redbubble historically derived significant traffic and revenue from free sources due to its long tail of unique content but Google deprioritising free traffic has further dented revenues.
Teepublic	Teepublic copied the Redbubble model in 2013 however to this day have retained the following key differences: largely US centric with a heavy focus on T-shirts, more niche, pop culture focused and a heavier emphasis on curating the artists and content. Their revenues have been far more stable than Redbubble’s due to product range differences and far lower reliance on unpaid, organic traffic.
Dashery	With the emergence of platforms like Shopify, Instagram and easily accessible POD networks, successful creators started their own websites housing content that they could sell directly to their fans/followers (another challenge for Redbubble and Teepublic). Dashery, launched 18 months ago to capture such creators, enables them to quickly set up their own ecommerce storefront and access Articore’s extensive POD network and ecosystem at very competitive rates. Dashery is growing quickly from a small base.
Frankly Wearing	One of the only marketplaces like Articore operating in India. Although revenues are currently tiny, they are growing at triple digit %es, which is an acceleration post Articore’s involvement. The Indian business adds a low-cost global capability centre which the group intends to grow and leverage.

Redbubble and Teepublic are the dominant global platforms of their type. As coordinators of one of the biggest POD fulfilment networks globally, they are the natural venue for artists looking for a commercial POD solution. These attributes are being leveraged into their growth businesses Dashery and Frankly Wearing.

Financial history and expectations

amounts in AUDm	2023	2024	2025	2026	2027	2028	2029	2030
Marketplace Revenue	467.5	423.1	379.1	354.6	364.0	379.5	402.1	432.8
- Teepublic	176.8	181.8	184.0	182.0	189.3	197.8	207.7	219.1
- Redbubble	290.7	241.3	194.7	170.1	168.4	168.4	170.1	173.5
- Dashery			0.4	2.4	4.8	9.6	16.8	25.2
- Frankly Wearing				0.1	1.5	3.8	7.5	15.0
GP after paid acquisition	97.6	108.3	100.5	101.4	104.0	108.8	116.0	126.0
Opex	(122.6)	(98.3)	(91.3)	(85.0)	(82.0)	(83.8)	(86.2)	(89.5)
EBITDA	(25.0)	10.0	9.2	16.4	22.0	25.0	29.8	36.5
Revenue growth		-9%	-10%	-6%	3%	4%	6%	8%
GPAPA margin	21%	26%	27%	29%	29%	29%	29%	29%
EBITDA margin	-5%	2%	2%	5%	6%	7%	7%	8%

Source: Articore Group accounts and presentations and Jencay workings

The following is apparent from the above table:

- Teepublic revenues have been stable since 2023 notwithstanding declining unpaid traffic – in USD terms revenues have grown modestly with paid traffic having grown respectably.
- Redbubble has suffered severe revenue declines, firstly because a large portion of their historical revenues came from free traffic sources which have been smashed by Google deprioritizing free traffic; and secondly due to Articore’s conscious effort to prioritize profits over revenues.
- A concerted effort to improve supply chain efficiency, combined with amendments to artist revenue share arrangements, has increased GPAPA margins (GP after deducting paid acquisition marketing costs as % of marketplace revenue).
- The merging of tech, marketing and other functions across Teepublic and Redbubble and further streamlining has resulted in significant opex savings.

The actions management took over the last few years has significantly improved profitability and free cashflow (\$10m FCF in F26 vs. negative \$50m in F23) notwithstanding the revenue challenges. They are now turning their attention to growing revenues in a profitable manner.

Why revenues seem to be bottoming and poised for growth:

- The damage from the Google free traffic headwind is largely behind them – the revenue that remains is primarily paid traffic that has continued to grow modestly over the years on the back of the Group’s unique content.
- Dashery and Frankly Wearing are nascent with the potential to contribute meaningfully to growth in future.

Valuation

Management has successfully turned the business from losses to profits and expect revenues to grow in the future. Nevertheless, it trades on the following modest valuation metrics:

- EV/Sales – **0.2x** (2026 actual sales)
- EV/EBITDA – **4.4x** (2026 actual EBITDA)
- Forward P/E (based on Jencay earnings forecasts):
 - o 2026F **6x**
 - o 2027F **5x**
 - o 2028F **4x**
- Price/Fair Value: **less than 25% of Jencay’s estimated fair value**

Conclusion

The journey with Articore has been bumpy to say the least and we have experienced both ends of the psychological and share price spectrums. The current share price implies that revenues and profits will decline in the future. If profits just remain at F26 levels going forward there is upside - but if Articore manages to grow profits, as we expect, significant returns remain. Management and the Board have demonstrated their conviction via individual share purchases and an on-market buyback by the company.

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 - 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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