# LSN Emerging Companies Fund

## June 2026 Monthly Report

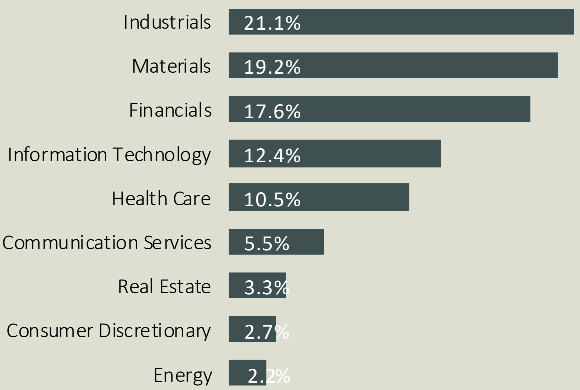
The LSN Emerging Companies Fund returned +1.8% after fees in June, outperforming the S&P/ASX Small Ordinaries Accumulation Index which declined -2.0%. Performance was driven by strong contributions from **Megaport**, **ZIP Co Ltd** and **Southern Cross Electrical**, while **Elevra Lithium** and **Aussie Broadband** detracted from returns. Over the past three years, the Fund has generated returns of +16.4% p.a., ahead of the benchmark's +9.9% p.a.

The conclusion of FY26 marked a strong year for the Fund, delivering a +26.4% return after fees, outperforming the S&P/ASX Small Ordinaries Accumulation Index, which returned +8.1%. Key contributors during the year included **GenusPlus Group** (GNP), which continued to benefit from accelerating investment in Australia's electricity transmission and renewable infrastructure; **Elevra Lithium** (ELV), supported by improving long-term lithium fundamentals driven by accelerating investment in battery storage and electrification; **Codan** (CDA), which delivered another year of strong operational execution and earnings upgrades across both communications and metal detection; and **Megaport** (MP1), where the market increasingly recognised the company's expanding opportunity in AI infrastructure, cloud connectivity and enterprise compute following a series of significant contract wins and strategic investments.

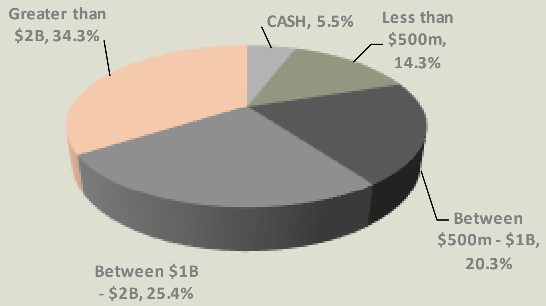
Offsetting these gains were several positions across the consumer and industrial sectors. Higher interest rates, persistent cost-of-living pressures and a weaker housing market continued to weigh on discretionary spending and business investment, resulting in earnings downgrades across a number of domestically exposed businesses. These headwinds were reflected in the S&P/ASX Small Industrials Index, which finished FY26 marginally lower (-0.9%) after falling almost 20% from its peak in October as market expectations shifted from an anticipated easing cycle to further interest rate increases.

While we remain cautious on businesses whose earnings are heavily reliant on the domestic economy, we believe valuations across many high-quality industrial companies are becoming increasingly attractive. As economic growth continues to moderate and inflation pressures ease, we expect the next move in interest rates to be lower. A more supportive monetary policy environment should improve confidence, stabilise earnings expectations and broaden the opportunity set across domestic cyclicals and small-cap growth companies. We believe positioning in these businesses ahead of the rate-cutting cycle has the potential to become an increasingly important driver of portfolio returns over the next 12 to 24 months.

### SECTOR EXPOSURE




### PORTFOLIO BY MARKET CAP




### TOP 5 HOLDINGS*

| | |
|---|---|
| GNP | GenusPlus Group |
| MP1 | Megaport Ltd |
| PNI | Pinnacle Investment Mgt Group Ltd |
| WGN | Wagners Holdings Co. Ltd |
| ZIP | ZIP Co |

* Alphabetical order

| Net Performance (%) | 1 month | 3 month | 1 year | 3 year pa | Since Inception* total | Since Inception* pa |
|---|---|---|---|---|---|---|
| **LSN Emerging Companies Fund^** | **1.8%** | **16.7%** | **26.4%** | **16.4%** | **56.5%** | **10.4%** |
| **S&P/ASX Small Ordinaries Accumulation Index** | **-2.0%** | **3.3%** | **8.1%** | **9.9%** | **11.1%** | **2.4%** |
| **Outperformance** | **3.8%** | **13.4%** | **18.3%** | **6.5%** | **45.4%** | **8.0%** |

**Past performance is not a reliable indicator of future returns.**
Performance is reported after all fees and expenses. * Inception date 15 December 2021.

Global equity markets were mixed in June with divergent performances across regions, with the NASDAQ rising +2.5%, supported by continued strength in AI-related investment and large-cap technology, while the S&P 500 declined -0.8%. In the UK, the FTSE fell -1.1%. Commodity markets were similarly mixed, with copper increasing +0.6%, while gold declined -9.1% and crude oil fell -12.1% as geopolitical risk premiums eased towards month end. The Australian dollar weakened 3.7% against the US dollar.

Australian equities were relatively resilient, with the ASX100 gaining +0.9% during the month. However, small cap stocks underperformed, with the S&P/ASX Small Ordinaries Accumulation Index declining -2.0%. Within the small-cap universe, performance was highly divergent, with industrials outperforming (+3.6%) while small resources fell sharply (-13.4%) on the back of stronger US Dollar driving weakness across lithium, gold and several bulk commodities.

One of the key themes across the portfolio during FY26 has been the significant optionality created by strong balance sheets. As industry tailwinds have strengthened and growth opportunities have emerged, a number of portfolio companies have been able to deploy capital into projects and acquisitions that are expected to generate attractive long-term returns. In June, both **Megaport** and **Southern Cross Electrical** have capitalised on accelerating demand for AI infrastructure and electrification through major contract wins and capacity expansion, while **GenusPlus Group**, **Navigator Global** and **Vysarn** have recently executed value-accretive acquisitions that strengthen their competitive positions and extend future growth runways. We believe the ability to allocate capital into high-return opportunities is a key differentiator of quality management teams and an important driver of long-term shareholder returns. Looking ahead, we expect this theme to continue.

As we enter FY27, we believe the portfolio is well positioned for another year of attractive earnings growth. Many of our portfolio companies remain in a strong financial position and operate in industries benefiting from long-term growth trends, while we are increasingly identifying opportunities in high-quality businesses that we believe will benefit from an eventual interest rate cutting cycle. Despite these favourable growth prospects, the portfolio continues to trade on an attractive median forward PE of approximately 16x, which we believe does not fully reflect the quality of the underlying businesses or their long-term earnings potential.

| Portfolio Characteristics | LSN Emerging Companies Fund | Small Ordinaries Index | Profile |
|---|---|---|---|
| **Return on Invested Capital (ROIC)** | **14.5%** | **8.9%** | **Superior Companies** |
| **Return on Equity** | **16.5%** | **10.8%** | |
| **Dividend Yield** | **1.8%** | **3.2%** | **Attractive Valuation** |
| **Price / Earnings (PE) x** | **16.0x** | **13.2x** | |
| **EPS growth next 12 months** | **22.4%** | **9.4%** | **Strong Growth** |
| **Revenue growth next 12 months** | **15.1%** | **7.5%** | |

Source: LSN Capital and LSEG

| | |
|---|---|
| **FUND NAME** | LSN Emerging Companies Fund |
| **APIR CODE** | LSP6493AU |
| **STOCKS** | 30-50 |
| **CUSTODY, REGISTRY & FUND ADMIN** | MUFG Corporate Markets |
| **NET ASSET VALUE** | $1.4756 |
| **INVESTMENT OBJECTIVE** | Outperform the S&P/ASX Small Ordinaries Accumulation Index over medium to long term |
| **BENCHMARK** | S&P/ASX Small Ordinaries Accumulation Index |
| **INVESTMENT TIMEFRAME** | 5+ years |
| **APPLICATIONS/ REDEMPTIONS** | Daily |
| **PLATFORM ACCESS** | Netwealth, HUB24, Praemium and PowerWrap |
| **MANAGEMENT FEE** | 1.20% (including GST, net of RITC) of Fund NAV |
| **PERFORMANCE FEE** | 20% (including GST, net of RITC) of the amount by which the fund outperforms the index and provided any underperformance from previous periods has been recovered |
| **DISTRIBUTIONS** | Annually |
| **ZENITH RATING** | Zenith APPROVED |

**For distribution enquiries contact:**

CONTINENTAL Funds Group

info@continentalfg.com.au
continentalfg.com.au