

LSN Emerging Companies Fund

September 2026 Monthly Report

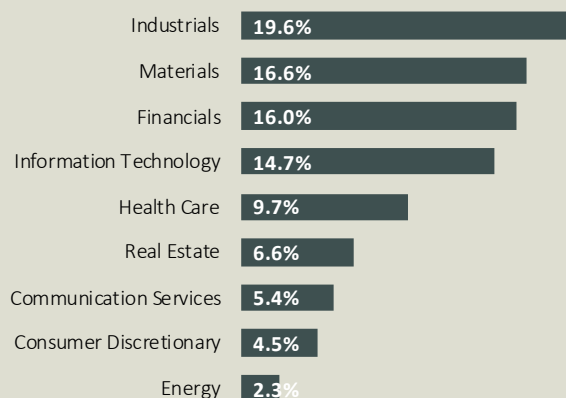
The LSN Emerging Companies Fund declined -0.8% after fees in September, compared with a -2.3% decline for the S&P/ASX Small Ordinaries Accumulation Index. Performance was led by **Ingenia Communities**, **Megaport** and **COG Financial**, while weakness in **Elevra Lithium** and **Pinnacle Investment Management** detracted from returns. Over the past three years, the Fund has generated a return of +13.2% p.a., compared with the benchmark's +10.4% p.a.

September saw renewed pressure on global equity markets as rising bond yields and persistent inflation concerns weighed on investor sentiment. US market performance diverged, with continued enthusiasm for AI supporting technology stocks and the Nasdaq (+1.6%), while the S&P 500 (-0.2%) finished modestly lower. Government bond markets weakened sharply as higher energy prices and resilient economic activity reinforced expectations that interest rates would remain elevated. Escalating tensions in the Middle East and disruptions to oil supplies added to inflation risks, with Brent crude (+14.0%) up strongly.

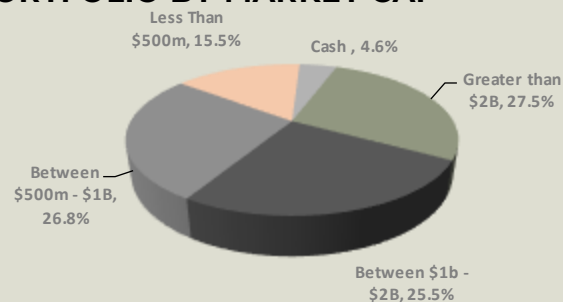
Against this backdrop, the Federal Reserve increased its policy rate by 25 basis points to 3.75–4.00%, citing elevated inflation and continued resilience in domestic demand. Closer to home, the RBA raised the cash rate by 25 basis points to 4.60%, its fourth increase this year. While acknowledging that the economy was slowing, the RBA highlighted stronger-than-expected inflation, rising energy costs and ongoing domestic capacity pressures, leaving open the possibility of further tightening. The domestic economy remains uneven, with consumer spending easing, housing prices falling across most capital cities and new housing lending declining. Business investment and borrowing, however, remained strong. This divergence reinforced the importance of selecting companies with identifiable earnings drivers and the financial capacity to navigate a more challenging operating environment.

Ingenia Communities rose during September amid increased takeover interest, with Warburg Pincus lifting its initial, rejected proposal from \$4.75 to \$5.05 and subsequently \$5.25. Ingenia has agreed to provide initial, non-exclusive due diligence access. The Board has not determined that the proposal constitutes a 'Bidder Superior Proposal' under the Peet scheme implementation deed or indicated an intention to recommend it, and there is no certainty a binding offer will emerge. Ingenia continues to progress its acquisition of Peet. Media reports have also flagged potential rival bidder interest, and we would not rule out a competing transaction. At ~14x PE, the \$5.25 proposal remains below our assessment of fair value.

SECTOR EXPOSURE



PORTFOLIO BY MARKET CAP



TOP 5 HOLDINGS*

COG	COG Financial Services
DUR	Duratec Ltd
INA	Ingenia Communities Group
MP1	Megaport Ltd
RWC	Reliance World Corp.

* Alphabetical order

Net Performance (%)	1 month	3 month	1 year	3 year pa	4 year pa	Since Inception* total	Since Inception* pa
LSN Emerging Companies Fund[^]	-0.8%	-2.6%	1.4%	13.2%	16.3%	52.4%	9.2%
S&P/ASX Small Ordinaries Accumulation Index	-2.3%	-0.5%	-6.7%	10.4%	9.5%	10.6%	2.1%
Outperformance	1.5%	-2.1%	8.2%	2.8%	6.8%	41.8%	7.1%

Past performance is not a reliable indicator of future returns.

Performance is reported after all fees and expenses. * Inception date 15 December 2021.

Megaport delivered another positive update late in the month, upgrading guidance following solid execution across existing Compute contracts, continued momentum in the Network business and further Compute contract wins. AI adoption is driving substantial demand for compute capacity across the economy and Megaport is benefiting from these structural tailwinds, with new contracts being secured at attractive return metrics. Investors remain cautious about the economics and appropriate valuation of this emerging business, however, assuming existing contracts become operational in line with their terms, we estimate Megaport could generate >\$900m of EBITDA in FY29, placing the stock on less than 6x EV/EBITDA.

COG Financial Services contributed positively, supported by strong growth in Salary Packaging and Novated Leasing, which now accounts for ~60% of group EBITDA. The segment delivered 88% EBITDA growth, including 32% organic growth, while salary packaging customers increased 31% and novated settlements rose 66%. New government contracts expanded the eligible employee base from ~300,000 to more than 500,000 during FY26, providing a substantial growth opportunity as participation builds over the next 12-18 months. Increased scale strengthens COG's ability to compete for major tenders, supporting conservative guidance for >10% EBITDA growth in FY27. Trading on ~11x PE, COG offers an attractive growth outlook, with around \$50m of acquisition capacity providing further upside.

Elevra Lithium detracted from performance as lithium prices fell ~22% in September, overshadowing progress on its North American Lithium expansion. **Pinnacle Investment Management** fell 21.3% in September as concerns surrounding Metrics Credit Partners weighed heavily on investor sentiment, despite Metrics representing only ~7% of Pinnacle's FY26 net profit. Pinnacle now trades on ~15x PE, with forecast EPS growth >40% in FY27 and 20% in FY28.

The economic outlook remains uncertain, with higher interest rates and energy costs placing further pressure on households and businesses. Nevertheless, market volatility continues to create opportunities to invest in high-quality companies with strong balance sheets, defensible market positions and credible pathways to earnings growth. The portfolio is forecast to deliver EPS growth of 15.5% over the next 12 months and trades on a PE of ~13.7x.

Portfolio Characteristics	LSN Emerging Companies Fund	Small Ordinaries Index	Profile
Return on Invested Capital (ROIC)	11.9%	8.5%	Superior Companies
Return on Equity	14.7%	11.1%	
Dividend Yield	2.2%	3.3%	Attractive Valuation
Price / Earnings (PE) x	13.7x	12.8x	
EPS growth next 12 months	15.5%	9.6%	Strong Growth
Revenue growth next 12 months	13.3%	5.0%	

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 (UNIT PRICE)	\$1.3533
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	

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