For wholesale investors only - not for retail distribution

LSN Emerging Companies Fund

October 2026 Monthly Report

The LSN Emerging Companies Fund declined -6.5% for October, after fees, inline with a -6.4% decline for the S&P/ASX Small Ordinaries Accumulation Index (benchmark). Top performers included **Ingenia Communities**, **Pinnacle Investment Management** and **AUB Group**, while **Elevra Lithium**, **Megaport** and **NRW Holdings** detracted from returns. Over three years, the Fund has returned 13.6% p.a., ahead of the 10.0%p.a benchmark.

Australian small caps offer an increasingly attractive opportunity following a significant market repricing. The S&P/ASX Small Ordinaries Index is trading at its lowest 12-month forward EV/EBITDA multiple in 15 years, providing attractive valuation support for investors willing to look beyond near-term uncertainty. The Small Ordinaries Accumulation Index is down 20% year to date, Small Industrials have fallen around 20% from their October 2025 highs, and Small Resources have declined 30% in 2026.

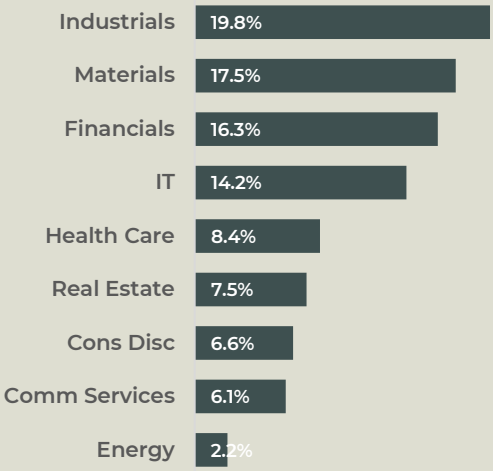
These declines reflect a challenging combination of reaccelerating inflation; 125 basis points of interest rate rises and pressure on household spending. Higher financing costs and discount rates have weighed on smaller companies, while May's Budget tax changes combined with uncertainty around demand and rising input costs have constrained business and consumer confidence. The Iran conflict has added further pressure through higher energy prices and renewed inflation risks.

Although Australia's direct listed AI exposure is limited, AI-related volatility has also affected Australian contractors and commodity producers exposed to the infrastructure buildout, as investors reassess hyperscaler spending, funding needs and investment returns. Encouragingly, the latest US reporting season points to strong underlying demand and increasing monetisation: Google Cloud revenue grew 103%, Azure 48%, AWS 39% and Meta advertising 26%. While the investment cycle may remain uneven, we see substantial long-term productivity benefits from broader AI adoption. These gains should support economic growth well beyond the technology sector.

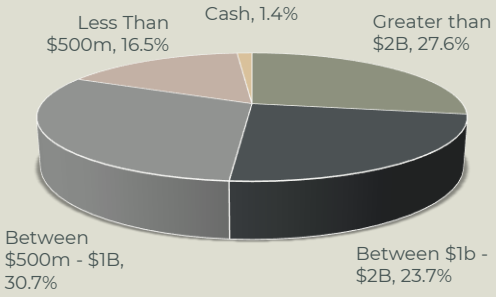
History also provides grounds for optimism, without guaranteeing a repeat. Across four previous small-cap drawdowns since 2010, rebounds from the trough ranged from around 20% to almost 70% following COVID. The time taken to regain previous index highs varied from about four months to just over three years, reinforcing both the recovery potential and the value of maintaining a long-term investment perspective.

Looking ahead, a potential peak in the domestic rate cycle, progress towards de-escalation in Iran and greater clarity following the US mid-term elections could help ease uncertainty.

SECTOR EXPOSURE



PORTFOLIO BY MARKET CAP



TOP 5 HOLDINGS*

APZ	Aspen Group
COG	COG Financial Group
FRS	Forrestania Resources
INA	Ingenia Communities
MP1	Megaport

* 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	**-6.5%**	**-1.3%**	**-7.9%**	**13.6%**	**12.0%**	**42.6%**	**7.5%**
S&P/ASX Small Ordinaries Accumulation Index	**-6.4%**	**-3.9%**	**-14.4%**	**10.0%**	**6.0%**	**3.4%**	**0.7%**
Outperformance	**0.0%**	**2.6%**	**6.5%**	**3.6%**	**5.9%**	**39.1%**	**6.8%**

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

Past performance is not a reliable indicator of future returns.

While the timing and pace of recovery are uncertain, we remain constructive on quality small caps with strong market positions and solid growth prospects. Attractive entry valuations, durable growth opportunities and potential catalysts support our confidence in the long-term opportunity.

Rising M&A activity involving Ingenia Communities, Reliance Worldwide, FleetPartners, Equity Trustees and Cleanaway provides further encouragement. It highlights strategic demand for quality assets and offers useful valuation reference points suggesting corporate buyers see value beyond prevailing listed prices. Following prolonged small-cap underperformance and de-rating, this reinforces our confidence in the long-term opportunity.

The Fund has had limited Consumer Discretionary exposure over the past 12 months, with Universal Store the key holding prior to October. Following **Nick Scali's** AGM sales update, we established a position in the founder-led furniture retailer, which has a long track record of execution and growth. We recognise the current pressure on consumers, particularly for higher-value furniture, but profit expectations have been reduced by around 30% this calendar year and now appear to reflect a more realistic outlook for FY27 and FY28. Based on these estimates, Nick Scali trades at 17x forecast earnings for the next 12 months, with a net cash balance sheet and an ROE of around 20%.

More broadly, the Fund is invested across a range of sectors in businesses that combine strong market positions, solid growth prospects and valuations we consider attractive despite the challenging backdrop. **Ingenia Communities** and **Aspen Group** benefit from rising replacement costs and tight rental markets. **Megaport** remains a top-five holding, providing exposure to AI-related digital infrastructure and growing demand for connectivity and compute. **Wagners**, **GenusPlus** and **SHAPE** are benefiting from a stronger capital expenditure cycle.

Portfolio metrics show attractive valuations alongside strong growth expectations. Next-12-month EPS and revenue growth are 17.1% and 14.7%, respectively, while the portfolio trades at 14.1x P/E. Nearly half of holdings are net cash and/or have some form of capital management in place, supporting our confidence in the portfolio's growth prospects.

Portfolio Characteristics

Portfolio Characteristics	LSN Emerging Companies Fund	Small Ordinaries Index	Profile
Return on Invested Capital (ROIC)	11.9%	8.5%	Superior Companies
Return on Equity	15.3%	11.1%	
Dividend Yield	2.5%	3.5%	Attractive Valuation
Price / Earnings (PE) x	14.1x	13.6x	
EPS growth next 12 months	17.1%	9.4%	Strong Growth
Revenue growth next 12 months	14.7%	5.2%	

Source: LSN Capital and LSEG; October 2026 portfolio data.

FUND DETAILS

FUND NAME	LSN Emerging Companies Fund
APIR CODE	LSP6493AU
STOCKS	30-50
CUSTODY, REGISTRY & FUND ADMIN	MUFG Corporate Markets
NET ASSET VALUE (UNIT PRICE)	$1.266
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 outperformance over the index, after recovery of prior underperformance
DISTRIBUTIONS	Annually
ZENITH RATING	Zenith APPROVED

For distribution enquiries contact:

CONTINENTAL
Funds Group

info@continentalfg.com.au

continentalfg.com.au

DRAFT DISCLAIMER: The following wording is reproduced from the September 2026 report for reference and has not been confirmed as the current approved October disclosure. Confirm current approved wording before distribution. Equity Trustees Limited ("Equity Trustees") (ABN 46 004 031 298), AFSL 240975, is the Responsible Entity for the LSN Emerging Companies Fund ("the Fund"). Equity Trustees is a subsidiary of EQT Holdings Limited (ABN 22 607 797 615), a publicly listed company on the Australian Securities Exchange (ASX: EQT). This document has been prepared by LSN Capital Partners Pty Ltd (AFSL 550265) to provide you with general information only. In preparing this information, we did not take into account the investment objectives, financial situation or particular needs of any particular person. It is not intended to take the place of professional advice and you should not take action on specific issues in reliance on this information. Neither LSN Capital Partners, Equity Trustees nor any of its related parties, their employees or directors, provide any warranty of accuracy or reliability in relation to such information or accepts any liability to any person who relies on it. Past performance should not be taken as an indicator of future performance. You should obtain a copy of the Product Disclosure Statement before making a decision about whether to invest in this product. LSN Emerging Companies Fund's Target Market Determination is available at https://swift.zeidlerlegalservices.com/tmds/LSP6493AU. A Target Market Determination is a document which is required to be made available from 5 October 2021. It describes who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this financial product may need to be reviewed. The Zenith Investment Partners ("Zenith") Australian Financial Services License No. 226872 ratings (assigned March 2025) referred to in this document is limited to "General Advice" (s766B Corporations Act 2001) for Wholesale clients only. This advice has been prepared without taking into account the objectives, financial situation or needs of any individual and is subject to change at any time without prior notice. It is not a specific recommendation to purchase, sell or hold the relevant product(s). Investors should seek independent financial advice before making an investment decision and should consider the appropriateness of this advice in light of their own objectives, financial situation and needs. Investors should obtain a copy of, and consider the PDS or offer document before making any decision and refer to the full Zenith Product Assessment available on the Zenith website. Past performance is not an indication of future performance. Zenith usually charges the product issuer, fund manager or related party to conduct Product Assessments. Full details regarding Zenith's methodology, ratings definitions and regulatory compliance are available on our Product Assessments and at http://www.zenithpartners.com.au/RegulatoryGuidelines.