Extract from 8IP Emerging Companies Limited Annual Report for period ended 30 June 2016

Chief Investment Officer's Report

Growth rates have been below trend in the current economic cycle. The driver of the increase in the structural debt burden that contributed to the global financial crisis in 2008 has shifted to Governments from consumers and banks . This debt overhang combined with the global over-supply of labour and the rapid progression of technology has resulted in weak income growth. It is unsurprising to us, then, that economic growth rates have been disappointing despite aggressive monetary stimulus.

Lack of growth is a problem for equity investors. The Company was established in the belief that in a world where economic growth is constrained, meaningful capital appreciation can only be captured by investing in companies which are themselves engaged in creating real economic value. This means targeting growth industries, innovators and managers who understand what it means to compete strategically.

Our objective is to generate attractive absolute returns for investors. Our approach involves identifying the characteristics of companies that are most likely to achieve well above "normal" growth; to hunt for them; and to take meaningful positions within a concentrated portfolio. Equally, we are not blind to risk. We have a capacity to hold up to 20% in cash, to invest in convertible notes with attractive yields and substantial upside potential, and to offset market risk using derivatives.

How we invest

The "Company Profile" on page 5 details our overall Investment Philosophy. We believe markets are inefficient; and we seek to invest in "Stars", "Turnarounds" and "Under-researched stocks". This approach is derived from a variety of academic / professional studies, and the career experience of our team, which we believe differs from traditional funds management.

At the individual stock level, we are looking for significant, early stage growth opportunities, and the companies we invest in typically display each of the following characteristics;

Exposure to a large, high growth market. Of all the various financial measures of performance, revenue growth is the key. Because we are looking for significant growth opportunities, we look for small companies playing in large, fast growing revenue pools.

Competitive advantage. We want to hold shares in companies that can grow market share in the markets in which they compete. Companies take market share when they sell better products or services than those offered by competitors. They create those products through the application of *competitive advantage*. The discovery, delineation and quantification of competitive advantage is fundamental to our investment approach.

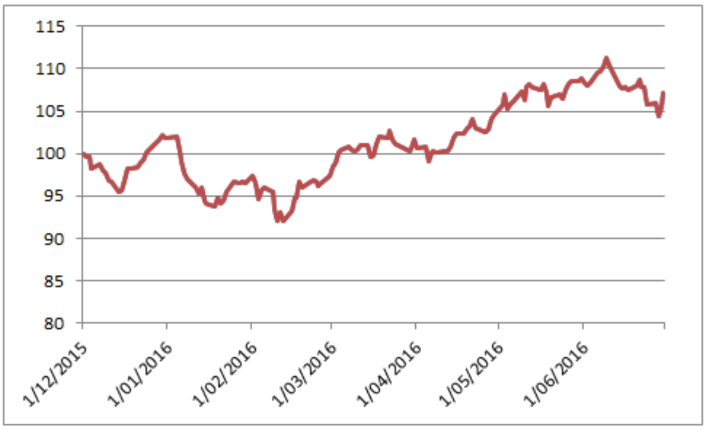
Early stage of its business cycle with near term potential to deliver a sharp acceleration in sales growth. When we find true competitive advantage we are prepared to take positions in smaller companies at an earlier stage than many other fund managers consider.

The number of stocks held within the portfolio is comparatively small because it compels us to select only those companies which most closely fit our criteria and because companies with these characteristics are rare. We visit hundreds of businesses every year. Our team and advisory network is resourced to enable us to invest in any sector of the market.

Portfolio Performance and Composition

The S&P/ASX Small Ordinaries Index (XSO) performed well over the period since listing on 1 December 2015, rising +7.1%. While 8EC targets absolute as opposed to relative performance, pleasingly the portfolio out-performed the XSO and the Company's pre-tax NTA per share rose by approximately +13.7%, from the starting point NTA of $0.9760. It is further worth noting XSO outperformed the ASX100 Index over this period, as shown in the chart below.

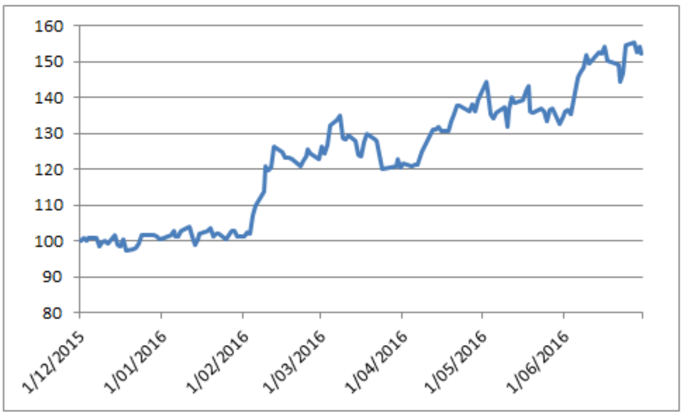
S&P/ASX Small Ordinaries Index Relative to ASX/S&P 100 Index
(Price Indices)



Source: Bloomberg

The following chart shows the performance of the S&P/ASX Small Resources Index relative to that of the S&P/ASX Small Industrials Index. From 1 February 2016, small resources outperformed small industrials by approximately +50.3%. The portfolio was well positioned for this and four of the five best performing stocks were resource-related.

S&P/ASX Small Resources Index Relative to S&P/ASX Small Resources Index
Price Indices)



Source: Bloomberg

While each stock in the portfolio was carefully selected for its individual characteristics, some industry biases were evident. Sector exposure, at 30 June 2016, was as follows:

Sector:	Portfolio
Consumer Discretionary	15.4%
Consumer Staples	6.8%
Energy	2.5%
Financials	13.1%
Health Care	9.8%
Industrials	0.8%
Information Technology	26.3%
Materials	24.4%
Total	**99.2%**

Within these groupings, the portfolio was especially exposed to the following thematics;

Electric batteries. Markets are debating exactly when mass adoption of electric vehicles, power walls and the like will take place. Meanwhile, providers of the raw materials are growing in value as manufacturers seek to tie up supply. **Pilbara Minerals Limited** is developing a rock lithium resource of global strategic significance. **Orocobre Limited** has delivered rising production volumes from its lithium brine deposit in Argentina into a market where prices have risen dramatically. **Hazer Group Limited** is developing a technology to manufacture both graphite and hydrogen. The global hydrogen market is already substantial, but could be set for dramatic growth as Japan continues to develop hydrogen powered cars.

Gold miners. The price of gold in US dollar rose during the first half of 2016 driven by political and economic uncertainty, both of which seem likely to persist. Australian dollar cash margins per ounce in the gold industry expanded and drove a substantial rerating of the sector. We were especially pleased by the performance of **Gascoyne Resources Limited**, a company in which we first began investing at 12.5 cents in January 2016 and which closed at 51.5 cents on 30 June 2016. We also invested in **Western African Resources Limited**, **Beadell Resources Limited**, and **OreCorp Limited**, all of which enjoyed a substantial uplift in value.

Medical devices. The combination of ageing populations, rising wealth and the capabilities of multiple new and emerging technologies provides many opportunities to invest in relatively young Australian healthcare businesses. The best of these are tremendous opportunities, being highly focused, with unique and patentable intellectual property, and global market potential. At 30 June 2016, the Company had holdings in **Nanosonics Limited** (infection prevention), **Impedimed Limited** (early detection of lymphedema and heart disease) and **Airxpanders Inc** (post-operative care of breast cancer patients).

Telco and IT. This is a very broad space defined by the ongoing growth of connectivity across multiple spheres of activity. **Vita Group Limited** manages one third of Telstra's retail outlets and is expanding its service offering into the small business and corporate segments.

Other key holdings include convertible notes over two ASX-listed stocks. These notes have attractive coupons and provide the potential to participate in upside of the listed stocks above the conversion price.

Market Outlook

We expect the key themes currently driving markets will continue to be dominant in the coming year.

We further believe that markets will attribute high valuation multiples to companies with the potential to generate sustainable growth. Smaller companies, particularly those with products or services that have a competitive advantage, are better positioned to grow strongly and we expect these will be re-rated. As a result, we expect smaller companies to continue to outperform larger companies.

We acknowledge that macro factors such as the potential tightening of monetary policy in the US and political events in Europe and the US will create risks going forward. The design of the Company investment parameters provides the ability to mitigate against these risks and we will look to employ an active hedging strategy at times during the coming year.

29 August 2016