

Fund Performance

	3 Months	1 Year	3 Years p.a.	5 Years p.a.	10 years p.a.	Since Incept. p.a. [^]
Renaissance Emerging Companies Fund*	3.35%	22.37%	31.92%	25.33%	21.97%	16.30%
S&P/ASX Small Ords Acc. Index	2.03%	16.90%	15.71%	11.97%	7.98%	6.88%
Value added	1.32%	5.48%	16.21%	13.37%	13.99%	9.42%

*Fund returns are calculated net of all fees and expenses and assume reinvestment of distributions. Past performance is not a reliable indicator of future performance, the value of investments can go up and down. The fund name was changed from Renaissance Smaller Companies Fund to Renaissance Emerging Companies Fund as of 1 July 2015. The Information Memorandum was changed to reflect name and change of strategy for this fund from a small cap strategy to an emerging company's strategy. Please refer to the Information Memorandum for further details. ^ Inception date 1 July 2004.

Portfolio Commentary

For the December quarter, your portfolio returned 3.3% whilst the Small Ords benchmark returned 2.0%, resulting in an outperformance of 1.3%. For the year to December, the Portfolio returned 22.4% while the benchmark returned 16.9%, outperforming by 5.5%.

The Quarter

The December Quarter continued to remain volatile, with resources dominating the Small Cap Index return. Your portfolio started the Quarter off well but did not have enough resource positions to keep up with the market in the later months of the year hence the results were somewhat disappointing.

Stocks that added value to your portfolio during the quarter included Prophecy International, Intega Group (takeover completed during the quarter), Green Technology Metals, Acrow Formwork and Korvest. Stocks that detracted value include Swoop, SciDev Limited, Energy Technologies, Veem Ltd and Vonex Limited. IPO's & placements has added value to your portfolio during the year but during the December Quarter this source of new stock ideas detracted value as the market is saturated with new stocks. Detractors included Swoop, IntelliHR, Tesserent & IPD Group. During the Quarter we sold positions in Intega Group (accepted takeover offer), Veem Limited (following disappointing announcement), Imricor Ltd & Tesserent.

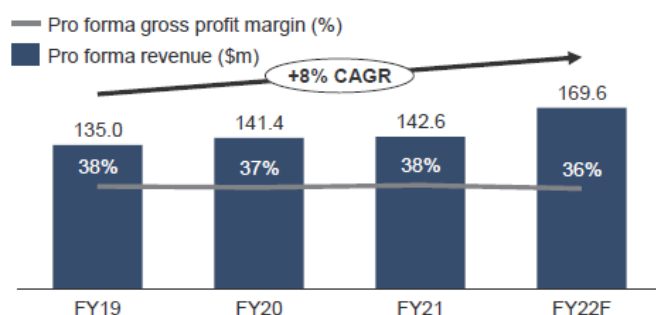
So, let's talk about a few stocks that we found interesting during the Quarter.

IPD Group (IPG)

IPG is a national distributor servicing the electrical industry. The company represents ABB, Elsteel Emeson as well as many other global brands sold into the electrical distribution market. IPG has a sales base of \$170m with EBITDA of \$18m and growth has come through organic as well as acquired growth. The funds from the IPO will be used to fund further acquisitions, working capital as well as some sell down. The company enters the listed market with a cashed-up balance sheet and bolt on acquisitions are likely to be very EPS accretive to new shareholders.

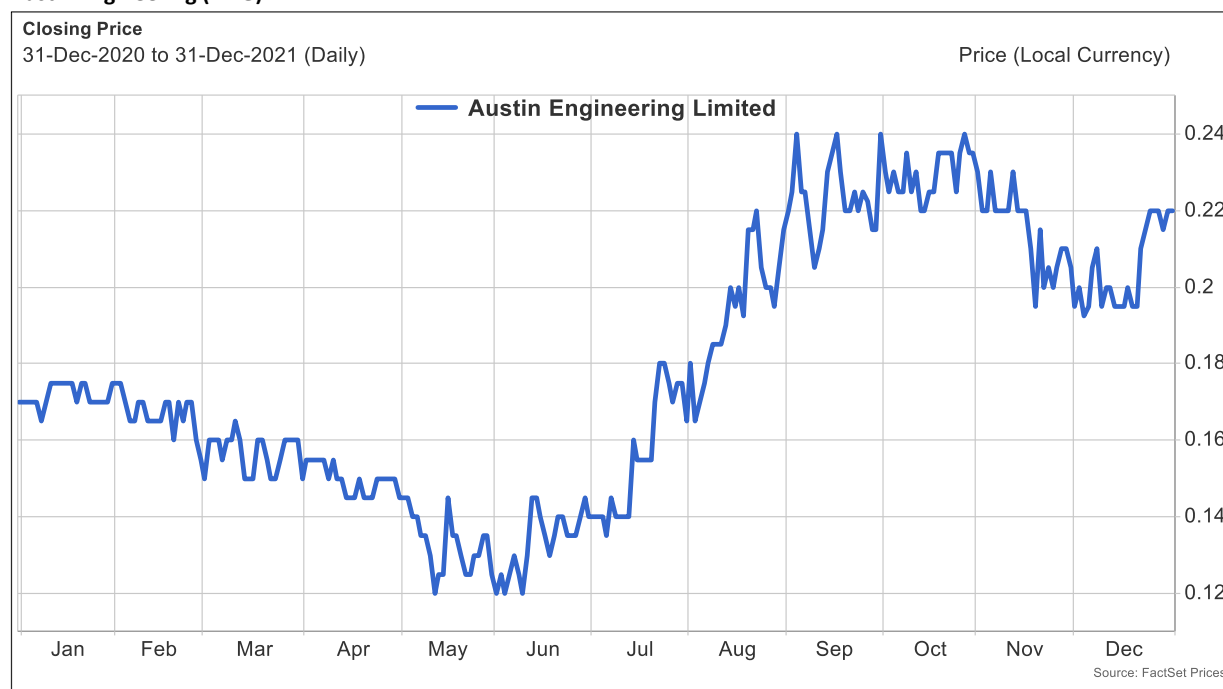
Revenue growth is supported by a strong industry backdrop, new products, the acquisitions of Addelec in 2019, Control Logic in 2020 & HTC in 2021. Further, IPD expanded their distribution agreement with ABB to include significantly more products & this should deliver strong growth into 2022 & 2023 (full year effect). The table below demonstrates the strong sales growth expected during the 2022 year.

Pro forma revenue and gross profit margins



IPG is trading on an EV multiple of circa 5.6X, a PER of 10.5X and has a prospective Dividend Yield of 4.8% and we found these metrics attractive.

Austin Engineering (ANG)



Source: Factset, Renaissance

ANG operates in the mining services sector and expanded aggressively during the last cycle, but this was mostly a flawed strategy. The company has a comparative advantage in light weight truck trays, and these are used in mine sites (largely iron ore mines), the trays are stronger than the OEM tray as well as being lighter which leads to a superior payload. This can significantly add to the economics of the mine & ANG trays have been well sought after globally.

There was a change in management and subsequently they addressed the strategic problems, in Phase One they have pulled back the operations and removed \$10m of costs as well as focussing on their core manufacturing & engineering business. The second phase of reorganisation relates to better manufacturing where ANG are adding automation to improve quality, reduce costs and increase production capacity. These changes are being put in place this year and we should start to see the benefits during the 23 fiscal year. In the meantime, the company has been successful in winning contracts and boosting their order book. ANG announced \$30m in new contract wins in August & was upbeat at the AGM. During the first week of 2022 ANG announced that it had won \$60m orders during the last two months of 2021 & the orderbook is now 19% larger than this time last year. ANG is off to a good start, and we should see a strong June half as well as a strong 2023 year. The stock is trading on 4.8X EV and a PER of 8X 2023.

Outlook & Strategy

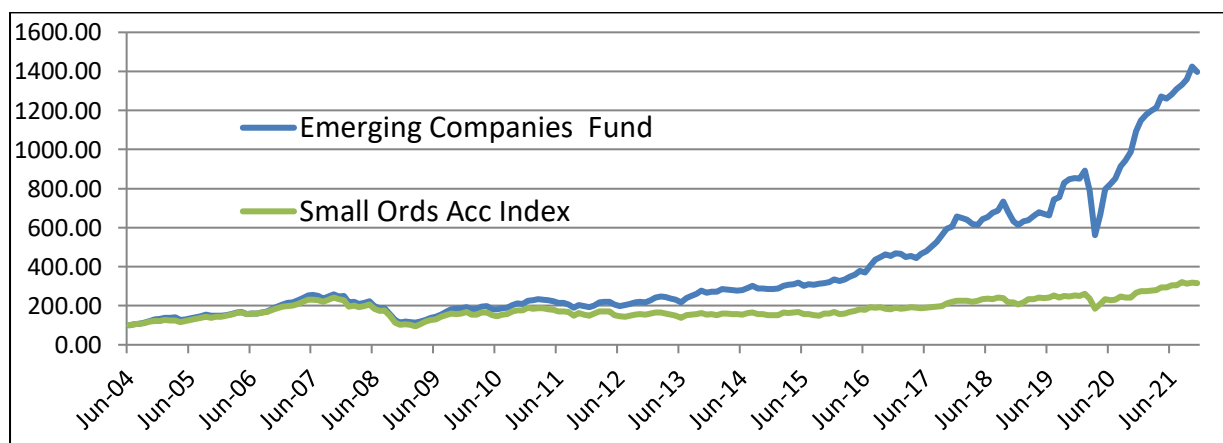
Due to the resurgence of the COVID-19 Omicron variant global economic growth has been pared back for 2022, we think that we will see a large spike but then some normalcy will return. The biggest risks continue to be rising inflation, supply-chain disruptions as well as political risks in the region. As vaccinations roll-out across the globe, the success of the vaccination programs is pretty clear, but the number of unvaccinated people is baffling in the first world.

Regardless, we remain optimistic regarding the outlook for investing in micro caps over the medium term.

Top 10 Holdings		
Company Name	Portfolio %	Index %
Dropsuite Ltd.	3.9	--
Acrow Formwork and Con.	3.7	--
Prophecy International	3.3	--
IPD Group	3.3	--
Viva Leisure	3.0	--
Elanor Investors Group	3.0	--
Capitol Health Limited	2.8	--
Pacific Current Group	2.7	--
Swoop Holdings	2.7	--
intelliHR Ltd.	2.6	--
Total Top 10	31.1	0.0

Sector Exposure		
Sector Exposure	Portfolio %	Index %
Communication	1.6	5.4
Consumer Discretionary	18.3	15.6
Consumer Staples	--	4.8
Energy	3.3	4.4
Financial x Property	15.6	11.3
Health Care	8.5	6.8
Industrials	16.6	7.6
Information Technology	22.3	10.3
Materials	8.3	19.5
Property Trusts	--	14.3
Utilities	--	--

Growth of Emerging Companies Fund



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