Renaissance Emerging Companies Fund
Quarterly Report – March 2022

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*	-8.1	6.4	25.2	23.5	19.4	15.5
S&P/ASX Small Ords Acc. Index	-4.2	9.7	9.6	10.5	6.0	6.5
Value added	-3.9	-3.3	15.5	13.0	13.4	9.0

*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 March quarter, your portfolio returned -8.1% whilst the Small Ordinaries benchmark returned -4.2%, resulting in underperformance of 3.9%. For the year to March, the Portfolio returned 6.4% while the benchmark returned 9.7%, underperforming by 3.3%. Clearly a disappointing Quarter for our portfolio and it was tough for micro-cap investors in general.

The Quarter

The March Quarter was extremely volatile as investors responded to significant global threats including war, commodity price spikes as well as transitory inflation becoming somewhat permanent. The "Macro" is not our key focus but when markets seek security, they can dump micro-cap stocks, seeking more defensive investments. We also made some mistakes over the last six months, and these detracted from portfolio performance. During the last half of 2021 we participated in several equity placements & initial public offers (IPO's). Over the last five years we have added value investing in this segment as IPO's are often priced cheaply to attract early investors. When markets turn these securities can underperform as investors become less comfortable with newly listed businesses. The second factor contributing to underperformance was the outperformance of larger small-cap resources companies which now dominate the Index, but the portfolio can't get exposure to them as they are outside the mandate. Your portfolio holds a limited position in resource and mining services companies, but they did not offset the large exposure to resources in the Small Ordinaries Index.

Stocks that added value to your portfolio during the quarter included IPD Group, Austin Engineering, Acrow Formwork, Atturra Ltd, Paragon Care, Big River Industries & Macmahon Holdings whilst stocks that detracted from portfolio performance included East33, Damstra Holdings, Birddog Technology, Lumos Diagnostics & Wizr Ltd. During the Quarter we sold positions in Vonex Ltd, Spirit Telco, Damstra & Austin Engineering and we purchased new investments in TerraCom Ltd, Paragon Care Ltd, MaxiPARTS Ltd & Big River Industries.

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

Paragon Care Ltd (PGC)

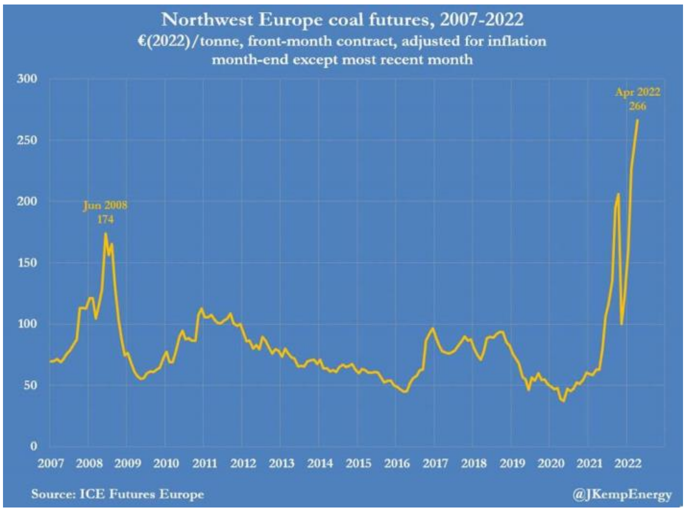
PGC has a long history as an ASX listed company & has had several management teams that sought to grow the business via acquisitions. Management stumbled during 2019 & this was a catalyst for a restructure. We watched this from the sidelines until recently when the company announced a significant merger with Quantum Health Group & the appointment of wellknown industry executive Mark Hooper as the new CEO. We started acquiring stock during December 2021. The merger has now been implemented & Mr Hooper has started with PGC.

PGC is a distributor of products and consumables into the healthcare markets selling to aged care, hospitals and general medical. Quantum distributes equipment into similar markets but it also services dermatology, cosmetic medicine, operating theatres, ophthalmic, imaging and oncology. There is a significant overlap, and the merged entity should find revenue and cost synergies to drive returns for shareholders. Quantum has a distribution business in Asia and the merged group see opportunity in these markets.

PGC should start to deliver strong growth as they deliver on the merger and start to get revenue synergies, we expect group sales to exceed $300m in the first full year (FY23). Trading on a 12X PER and an EV multiple of 8X, the valuation is very much undemanding.

TerraCom Limited (TER)

Some years ago, TER purchased the Blair Athol mine from RIO for $1 and took the mine from care and maintenance into production. They also extended the life of the asset by further drilling and with current coal prices they look like geniuses. The company de-geared in the March Quarter and have now announced a dividend policy that will see shareholders rewarded. As a commodity we do have long term concerns regarding coal but these issues are extremely long term and as the world transitions to cleaner, more expensive energy sources traditional fossil fuels will remain highly priced.



The coal price is trading at record levels, and this is partially due to the politics of Russian sanctions. However, coal was tightening up before Russia's war in Ukraine. There is simply not a lot of new supply entering the market & even if Australian miners could get new mines approved, they are constrained by ports & shipping. New mine approvals are taking five to seven years, they involve exhaustive EPA processes & are costly. Once approved the mine may take two years to build and boards are unlikely to be as bullish on the thermal coal price in 2032. So, we think that the coal price remains supportive for TER for some time and once the company has repaid its debt (it's pretty much happening as we speak) the company will pay dividends, note the announcement by TER on the 8/4/22 *"the company's dividend policy will return to 40-70% of NPAT".* TER has 9 of its 10 shipments in the June Quarter linked to an Index price & a fixed price contract at $US300 per tonne. Whilst there has been cost inflation over the year there is a lot of fixed cost leverage to current coal prices & the dividend yield is likely to be quite high.

Outlook & Strategy

The world is currently a pretty volatile place with war, commodity price inflation as well as supply driven disruptions that have driven current inflation, sending bond yields higher. Regardless of the macro, we remain optimistic that we will uncover profitable new opportunities to invest in micro caps over the medium term.

Top 10 Holdings

Company Name	Portfolio %	Index %
IPD Group	5.4	--
Acrow Formwork and Con.	4.5	--
Dropsuite	4.1	--
Pacific Current Group	3.4	--
Prophecy International	3.1	--
Big River Industries	3.1	--
Elanor Investors Group	3.0	--
Austin Engineering	3.0	--
Attura Limited	2.9	--
MacMahon Holdings	2.8	--
Total Top 10	**35.4**	**0.0**

Sector Exposure

Sector Exposure	Portfolio %	Index %
Communication	--	5.9
Consumer Discretionary	16.9	13.4
Consumer Staples	--	4.6
Energy	5.4	5.3
Financial x Property	16.2	10.6
Health Care	9.6	5.0
Industrials	15.8	7.5
Information Technology	19.2	9.5
Materials	12.0	24.4
Property Trusts	--	13.9
Utilities	--	--

Growth of Emerging Companies Fund