Renaissance Emerging Companies Fund
Quarterly Report – June 2024

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*	1.39%	12.70%	2.15%	15.57%	17.23%	13.97%
S&P/ASX Small Ords Acc. Index	-4.46%	9.35%	-1.55%	3.70%	6.33%	5.47%
Value added	5.85%	3.35%	3.70%	11.87%	10.91%	8.50%

*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 June quarter, your portfolio returned 1.4% whilst the Small Ordinaries benchmark returned -4.5%, resulting in outperformance of 5.9%. For the year to June, the Portfolio returned 12.7% while the benchmark returned 9.3%, outperforming by 3.4%.

Index Returns

Index	Qtr %	1 Year %
Small Ords	-4.5	9.3
Small Industrials	-4.5	12.4
Small Resources	-4.3	0.7
ASX 100	-0.8	12.2
ASX 100 Ind.	0.7	18.3
ASX 100 Res.	-5.5	-4.1

Your Portfolio

Australian equity markets didn't fare as well as their global counterparts, the S&P ASX 300 down - 1.2%, the S&P ASX 100 -0.8% and the Small Ordinaries -4.5%. The Small Ords underperformed large caps with the market focussing on a higher for longer rate view as persistent inflation continues to undermine investor confidence. With the ABS releasing a higher than expected 4% inflation rate for the year to May, which was up from 3.6% in April, surprising most economists, and putting the prospect of a rate cut this year out of the picture. In fact, some economists are now forecasting a rate hike at the next RBA meeting in August. Particularly after Bullock conceded at her media conference "Recent data… reinforced the need to remain vigilant to upside risks to inflation,". In the meantime, markets will need to focus on company profit warnings over July, leading into reporting season in August, and will be eagerly awaiting the Q2 CPI number which is due at the end of July and may provide an answer to whether an RBA hike occurs in August.

The Small Ordinaries Index returns were driven by larger Index stocks including Telix Pharma (+45%), Life 360 (+25%), Alumina Ltd (+19%), West African Resources (+34%), and Mesoblast Ltd (+78%) and micro-cap stocks lagged the broader small-cap market. Your portfolio outperformed due to good stock selection in Clarity Pharma (+63% but we sold a little early), Paragon Care (+42%), MLG Oz Group (+41%), Capitol Health (+31%), Austin Engineering (+18%) and Drone Shield Ltd (+115%). We continued to review investments that are not delivering, and we sold out of the following investments Australian Pacific Coal Ltd, Ballymore Resources Ltd, Redflow Ltd & Motorcycle Holdings. We took profits in the following: Prophecy International, Immutep Ltd, Genetic Signatures Ltd, Veem Ltd, Austin Engineering & Acrow Ltd. We did add some new investments during the quarter including Sayona Mining, Silk Logistics Ltd, Pantoro Ltd, Finbar Group and Intelligent Monitoring Group.

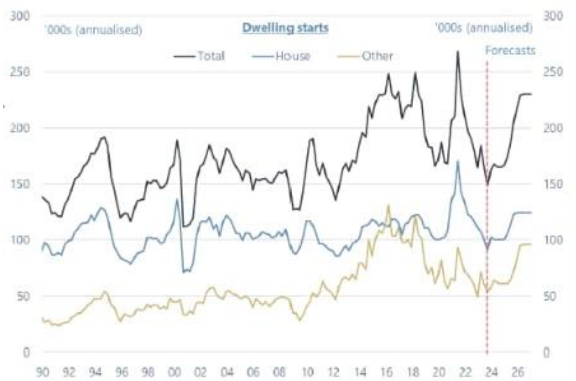
Well, that's the formal part of the review out of the way so now let's look at some investment ideas. Last Quarter we reviewed Paragon care Limited (PGC) & Trajan Group TRJ). PGC completed their merger as expected and we see a positive outlook going forward and the stock has outperformed over the last quarter. Trajan not so good!

We purchased TRJ after it had fallen from grace, and they were dealing with client destocking and had guided to better trading conditions in the June half. They are better but less than management guided to, and the stock came under further pressure. We had built a small position & added to it under 70c and it has rebounded somewhat, we remain confident about its long-term outlook but will need to get through the volatility first.

Small Cap stocks leveraged to Residential Property

Almost everyone has an opinion on residential property and the subject is quite contentious depending upon whether you are in or out of the market. There are some key drivers to property demand including affordability, availability of credit, supply, employment, income, confidence as well as other factors. We are cautious on interest rates as the upcoming CPI data could force the RBA to hike interest rates and this would be a shock to the market. But we have had significant growth in immigration for a number of years and new supply is constrained, in fact the rate of growth has been declining. We found a few micro-cap stocks that are leveraged to demand, have stock that can meet the market and will benefit from improved sales volumes. We have an investment in Finbar Group (FRI) and have just started building a position in Cedar Woods Properties (CWP).

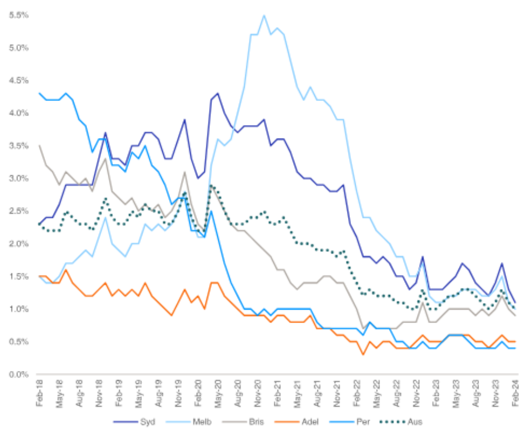
CWP highlight that housing starts have been falling



People line up to view an apartment

Good Luck if you want to rent – Vacancy less than 1%

Figure 2 - Vacancy remains < 1% in Perth, Adelaide and Brisbane



Source: ABS

Australia needs more supply and there are several companies well placed to deliver into this market. Finbar is a West Australian based developer and has operated in the Perth market for decades. They have stock completing from now into 2025/26 that will lead to large profits during the 2025 year. A major project "Civic Heart" starts to settle in the last week of June but the bulk of the $445m will settle in the FY25 year. Following this project includes Äurora" which will settle in the September Quarter ($149m) and then "The Point" starts to settle in the December Quarter ($106m). That's a lot of cash to flow through a company with a market capitalisation of just over $200m. FRI also has a number of income producing property investments that will underwrite earnings during cyclical downturns. What does FRI do with the cash that flows through the PandL during the second half of C2024.

"The Directors have determined that the Company will not pay an interim dividend for the half year to December 2023 but will reward shareholders through the most appropriate capital management means at the conclusion of the major projects due for completion in the middle of the 2024 calendar year". (Feb 24 Finbar Results)

We interpret that FRI will pay a significant fully franked dividend, return of capital, buyback or a combination of all capital management tools. And it's only a few months to go.

Cedar Woods Properties – well placed to clean up

CWP is really a two-year story, so we have only initiated a small position so far. The company operates 35 projects including land sub-division, apartments and townhouses, some commercial and retail properties associated with master communities and even some retirement product. They have a long history and are a quality developer. Over the last decade they have diversified from a largely WA based developer to one with significant projects in VIC, SA and QLD. More recently the company has entered into partnership agreements with parties that have property assets or capital. QIC is a Queensland based institution that owns property assets such as shopping centres and CWP entered a 50/50 JV to develop these assets, CWP has the development expertise and QIC the assets, both benefit from the relationship as the residential development adds value to the retail assets and they both profit from the deal. CWP also charge development and management fees to QIC and there could be multiple projects that span over the next decade. We could start to see the first sales in '26 but certainly by '27. Tokyo Gas is the second partner and there is a similar arrangement although CWP will be largely sourcing properties for development within this JV, they are considering multiple sites and CWP would expect sales from '27 as well. Hence the company has a capital light business plan that can turbo charge the growth of the business.

Both companies are seeing strong demand returning to their projects and they are achieving price growth. The 24 year includes profits from the sale of a shopping centre, but recent price increases will be reflected in sales in the 2025 year. We expect to see margins jump in the second half as some lower margin projects complete in H1. From there we see a pathway to significant growth into the 2026 year and the company has a generous dividend policy.

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Renaissance Asset Management

Outlook and Strategy

The soft-landing narrative remains still largely intact for most major central banks, while here in Australia inflationary pressures persist, coupled with a slowing economy and weak consumer demand. Investors will anxiously be waiting for the June CPI print, due to be released at the end of July, which will determine what direction the RBA takes in their August meeting. We do believe however that current conditions should set a platform for Australian small caps. We have already seen them gain lost ground over their large cap counterparts and believe this will continue over the medium term, on the proviso there are no left field surprises around the corner. Regardless, we continue to see opportunities like Trajen, Paragon Care, Veem and Acrow where we can add value to your portfolio, and we are expecting better returns into the future.

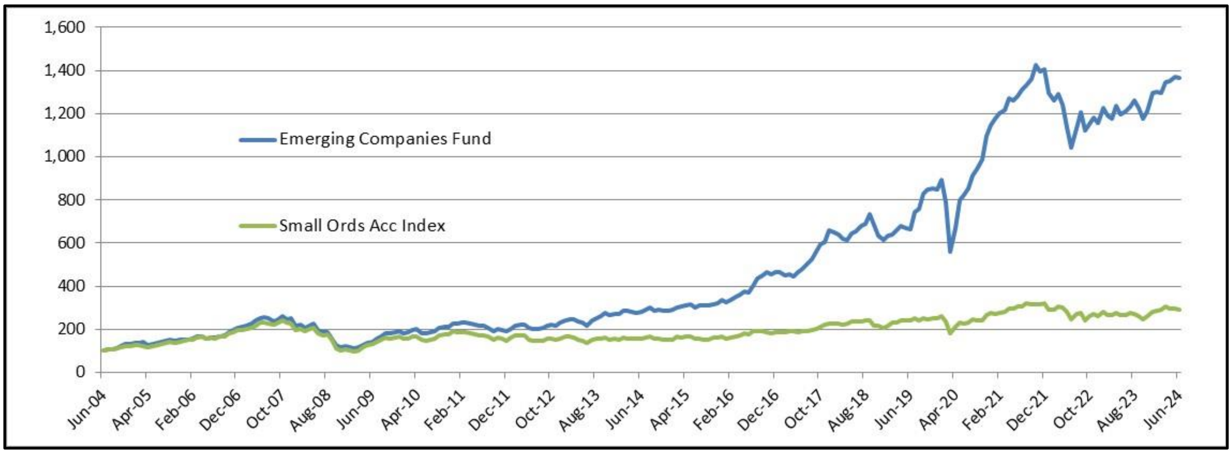
Top 10 Holdings

Company Name	Portfolio %	Index %
IPD Group	4.2	0.0
Veem Ltd	3.9	0.0
Viva Leisure	3.6	0.0
Acrow Limited	3.5	0.0
Mayur Resources	3.1	0.0
Retail Food Group	3.1	0.0
Fleetwood Limited	3.1	0.0
Close the Loop	3.0	0.0
Paragon Care	3.0	0.0
Austin Engineering	3.0	0.0
Total Top 10	**33.4**	**0.0**

Sector Exposure

Sector Exposure	Portfolio %	Index %
Communication	4.3	5.5
Consumer Discretionary	11.2	16.3
Consumer Staples	0.0	2.7
Energy	0.6	5.4
Financials	6.1	11.0
Health Care	16.2	7.6
Industrials	30.4	8.0
Information Technology	5.9	6.6
Materials	16.2	23.6
Property Trusts	2.7	13.2
Utilities	--	--

Growth of Emerging Companies Fund



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