Renaissance Emerging Companies Fund
Quarterly Report – December 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*	1.51%	9.84%	0.37%	10.81%	17.38%	13.82%
S&P/ASX Small Ords Acc. Index	-1.01%	8.36%	-1.57%	4.01%	7.33%	5.60%
Value added	2.52%	1.49%	1.94%	6.80%	10.05%	8.22%

*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 1.5% whilst the Small Ordinaries benchmark returned -1.0%, resulting in outperformance of 2.5%. For the year to December, the Portfolio returned 9.8% while the benchmark returned 8.4%, outperforming by 1.5%.

Index Returns

Index	Qtr %	1 Year %
Small Ords	-1.0	8.4
Small Industrials	-0.4	12.1
Small Resources	-2.7	-2.0
ASX 100	-0.8	11.7
ASX 100 Ind.	2.5	22.3
ASX 100 Res.	-12.2	-16.4

Australian equity markets were weak in December and generally in negative territory for the quarter. The S&P ASX 300 was down -0.8%, the S&P ASX 100 -0.8% and the Small Ordinaries -1.0%. The RBA once again left the cash rate at 4.35% in December. However, the Board did note that they were gaining confidence that inflation is moving towards its target range. The labour market remains strong with employment rising to another record peak over the period. Retail sales growth picked up in October, driven by early discounts on offer leading into Black Friday. The 3Q gross domestic product (GDP) was another soft print at 0.3% quarter-on-quarter (q/q), well below consensus estimates.

Your Portfolio

Your portfolio outperformed over the quarter and the year, but we were disappointed by the meagre level of value added to your portfolio during 2024. Stocks that detracted from portfolio performance included Amaero International (-37.5%), IPD Group (-23.8%), Sigma (large cap and hence Nil holding), Elanor Investors and Veem International. On the other side Silk Logistics was a star performer up (+56%) and Airtasker (+49%), Alflabs, MoneyMe, and Dropsuite were all key contributors to your portfolio. We sold out of Embark Early Education and Adacel Technologies during the December Quarter, and we reduced our position in the following companies: Silk Logistics (takeover bid announced), IVE Group, Intelligent Monitoring Group, Pioneer Credit and IPD Group. We added new positions in Airtasker (ART), Qoria Ltd (QOR), High Pages (HPG) and we also added to existing positions including Attura, Sayona Mining as well as MLG Oz Ltd.

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 MLG Oz Ltd, and we remain confident regarding the company's medium-term prospects, outlook and valuation. This quarter we are going to look at a new stock that we added to the portfolio during the period,

Airtasker Ltd

Airtasker (ART) developed and operates an innovative online marketplace that brings consumers and taskers (typically handymen but has extended to a myriad of roles) together to perform tasks or odd jobs. For this service ART charges a small fee and the business has grown from a home business to a prospective global platform. Just a year after COVID ART came to the market with a celebrated listing, the stock initially traded well as business momentum had been strong and they were using the capital raised to invest in growth. Growth investors initially cheered them on and supported an overseas acquisition but access to cheap capital and multiple growth ideas do not always work. As it turns out the company wasted a significant amount of capital, time and opportunity cost. Institutional investors dumped the stock, the cost of equity capital rose significantly, and the company had to reinvent themselves.

Changes were made during 2023, costs were cut, resources were redirected to the core business, some of the "growth" investments were sold or closed and they stabilised the business. During 2024 the business started to demonstrate that the changes made were working and the core underlying business was performing. It was time to have a hard look at ART.

The September Quarter cashflow statement indicated that ART was back on track with the core Australian business generating cash - the model is working. ART grew revenues by 13.6% in the Sept Qtr, cash receipts were up, and operating cash expenditures were down by 9.1% during the period. At this point we have a cash producing tech platform that is delivering in the small Australian market, but they continue to invest in the USA and UK although these investments remain embryonic. However, management had cut the cash "burn" and growth would be internally funded. They strive to grow but committed to cut the businesses if they couldn't replicate the Australian model in these overseas markets. ART planned significant growth and sought to invest in growth without utilising shareholder cash, they sought to manage risk. When ART was a start-up, they formed a JV with the national TV Network Channel 7 (SWM) where they exchanged equity for a national advertising program. At the time this strategy was incredibly successful in building the brand. ART was now seeking to turbo charge the brand in Australia as well as launching the brand in the US and the UK, but they were cash constrained. Back to the future for ART.

Airtasker announce a $6m advertising deal with OohMedia

ART announced a $6m media deal with prominent outdoor advertising group oOh Media (OML) and they followed this up with a similar deal with the Australian Radio Network (ARN). Same strategy but different medium (Outdoor and radio v Television). Hence, during the December Quarter ART initiated a domestic media spend of $11m and we expect to see benefits emerge over the next two years. This investment in marketing should support the current strong growth that the company is achieving. If the strategy fails, then it's the media company's cash and if it works all are happy but ART reserves the right to buy the equity back. A smart deal. Late in the December Qtr ART announced global media deal. In the US a US$6m ($A9.2m) advertising deal to launch the US platform and in the UK an AUD $7.8m deal which was an extension of a previous $6.7m deal. ART is now investing in three core markets with little risk to shareholders, we think that ART is now positioned to perform!

We started buying ART around 30c and at that time the Enterprise Value was around $120m, they produced $13m cash from the Australian business but invested this elsewhere. We see growth opportunities in all their markets, and we see profitability by 2026, it's our assessment that we can double our investment in ART. During our research process we also had a look at High Pages (HPG) but more on that in the next Quarter.

Outlook and Strategy

After two strong years of global equity market returns, albeit led by a small cohort of stocks, global investors will have a new focus leading into the new year as Donald Trump prepares to take centre stage for his return performance. We would expect heightened volatility as Trump does have a penchant for making shock announcements that can roil markets, such as his election promise to impose significant tariffs. This will add further pressure on the Fed and the interest rate cut debate. The RBA has its own conundrum to deal with as it had disappointing economic data to finish the year with, but a strong labour market on the other hand. The RBA meeting in February will be under the spotlight for domestic investors. We accept that there remain uncertainties in the world and equity markets today. There are also a cohort of stocks in small cap index that experienced valuation re-rate and in our opinion look extremely over-valued. We remain disciplined, and thus we believe there are ample opportunities to find quality companies at attractive valuations.

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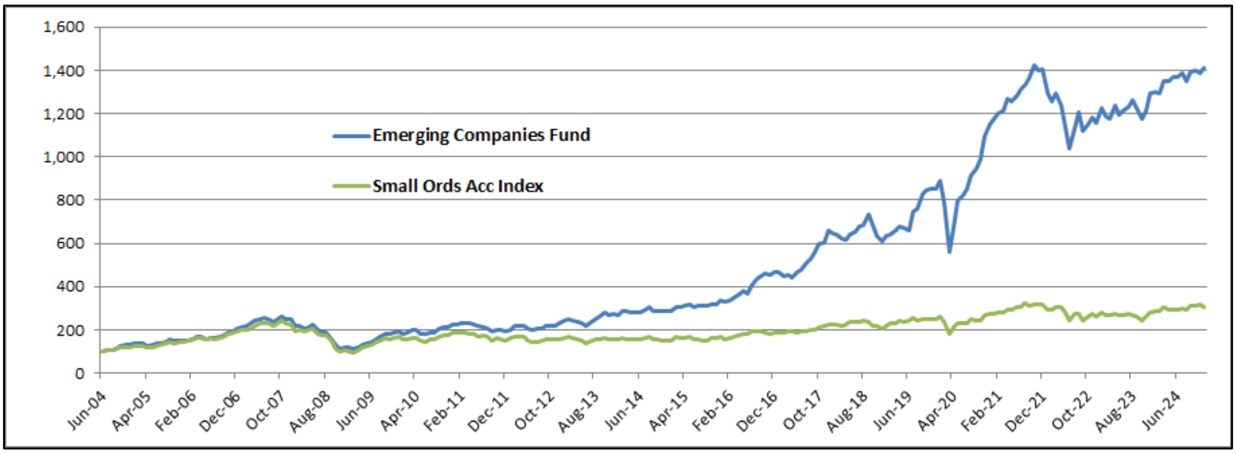
Renaissance Asset Management

Top 10 Holdings		
Company Name	**Portfolio %**	**Index %**
Viva Leisure Ltd.	3.8	0.0
Acrow Limited	3.7	0.0
Airtasker Ltd	3.6	0.0
Paragon Care Limited	3.3	0.0
Mayur Resources	3.2	0.0
Trajan Group Holdings	3.2	0.0
Antipa Minerals	3.0	0.0
Dropsuite Ltd.	2.9	0.0
Fleetwood Limited	2.9	0.0
Alfabs Australia Ltd.	2.8	0.0
Total Top 10	**32.4**	**0.0**

Sector Exposure		
Sector Exposure	**Portfolio %**	**Index %**
Communication	4.9	5.5
Consumer Discretionary	9.9	15.4
Consumer Staples	--	2.6
Energy	1.3	5.0
Financials	9.0	13.0
Health Care	15.6	7.2
Industrials	22.4	7.8
Information Technology	10.9	8.0
Materials	16.6	23.8
Property Trusts	5.4	11.5
Utilities	--	--

Growth of Emerging Companies Fund



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