

Emerging Companies Fund

Monthly Update: June 2021



Dear Fellow Investors,

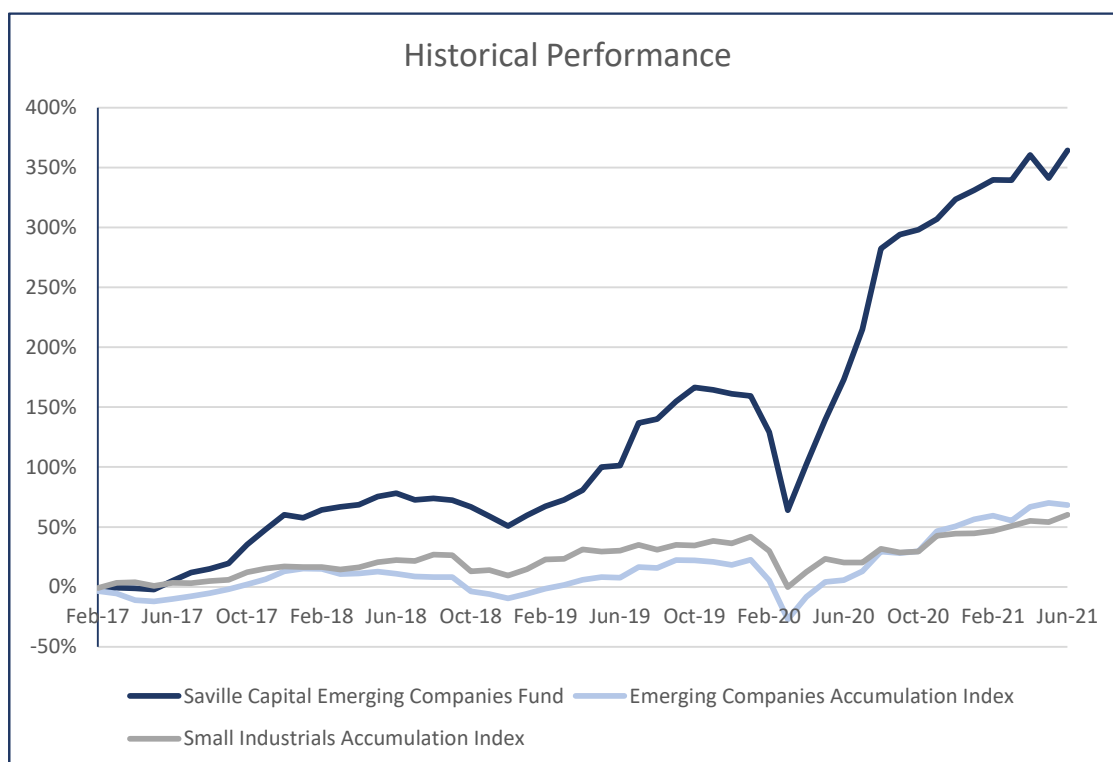
Our Emerging Companies Fund was up +5.5% in June vs -1.2% for the Emerging Companies Accumulation Index (XECAI) and +3.9% for the Small Industrials Accumulation Index (XSIAI). Since inception, the Fund has generated +41.6% p.a. and a total return of +364.2% vs +68.2% for the XECAI and +60.2% for the XSIAI.

June was a very pleasing end to a more “normal” six-month period for the Fund, with some of our high conviction positions rebounding from sustained periods of what we regarded as unjustified share price weakness. Markets continue to grapple with the likely pace and strength of the economic rebound out of COVID-19 as vaccinations rates increase, and whether this might precipitate a rapid unwind of fiscal and monetary stimulus. Simplistically, our view is that given the starting point is still incredibly low, it is hard to fathom a situation in the foreseeable future where the absolute level of interest rates is no longer supportive of equity markets. Regardless, our sole focus remains on managing the existing portfolio according to our own valuation framework and seeking to identify companies to add to the Fund that we expect to improve its risk/return profile.

Performance summary

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	3M	12M
2017		-3.2%	+2.6%	-0.6%	-1.0%	+7.6%	+6.4%	+2.7%	+4.0%	+13.2%	+9.5%	+8.1%	+60.1%		
2018	-1.6%	+4.2%	+1.6%	+1.1%	+4.1%	+1.6%	-3.1%	+0.7%	-0.8%	-3.2%	-4.8%	-5.2%	-5.9%		
2019	+6.0%	+4.8%	+3.1%	+4.7%	+10.8%	+0.6%	+17.6%	+1.4%	+6.1%	+4.6%	-0.8%	-1.3%	+73.2%		
2020	-0.6%	-11.7%	-28.4%	+23.3%	+18.4%	+14.1%	+16.0%	+20.7%	+3.1%	+1.0%	+2.3%	+4.0%	+62.3%		
2021	+1.9%	+2.1%	-0.1%	+5.0%	-4.4%	+5.5%							+10.0%	+5.9%	+70.7%

Returns are net of all base fees, performance fees and expenses of the Fund



Performance commentary

The three largest positive contributors comprised Marley Spoon (MMM, +29%), Universal Biosensors (UBI, +29%) and Imricor (IMR, +20%). The three largest negative contributors were Laybuy (LBY, -26%), Terragen (TGH, -11%) and Catapult (CAT, -9%).

CAT announced the acquisition of leading sports software video solutions provider, SBG Sports Software Limited (SBG), for \$40m - \$45m as well as plans for increased investment in technology, data science, and scale capacity to accelerate the Company's expansion of its Annualised Contract Revenue (ACV) by 10x. The Company undertook a \$40m capital raising at \$1.90, in which we participated, to help fund these investments. The acquisition of SBG instantly places CAT in an industry leading position for motorsports, as well as adding 20 new marquee clients from the top 100 teams in soccer and rugby globally. SBG's high profile customers in this segment include Manchester City, Manchester United, Tottenham Hotspur, Everton and Paris St Germain. While the price paid appeared fair to full, the revenue synergies from this deal should become evident in the longer term as CAT seeks to exploit its numerous cross-selling opportunities.

Bluechiip (BCT, +46%) announced that it has finally reached a settlement with Labcon, such that BCT will receive US\$1.6 million, comprising a US\$850,000 cash payment and the return of US\$750,000 worth of Bluechiip delta tags and products previously sold to and paid for by Labcon. Conversely, Labcon and BCT have entered a new Supply Agreement for the new Bluechiip Enabled consumables, readers, and software. BCT will provide a credit of up to US\$1.35m on sales under this new supply arrangement. While the net financial outcome for BCT is very modest, it is positive that BCT retains a pathway to market (via an ongoing relationship with Labcon) and validates our view that the issues with Labcon were solely related to COVID-19, not its technology platform. Clearly for BCT's share price to re-rate much further, we will need to see some new OEM agreements.

Company in focus: Universal Biosensors Incorporated (UBI)

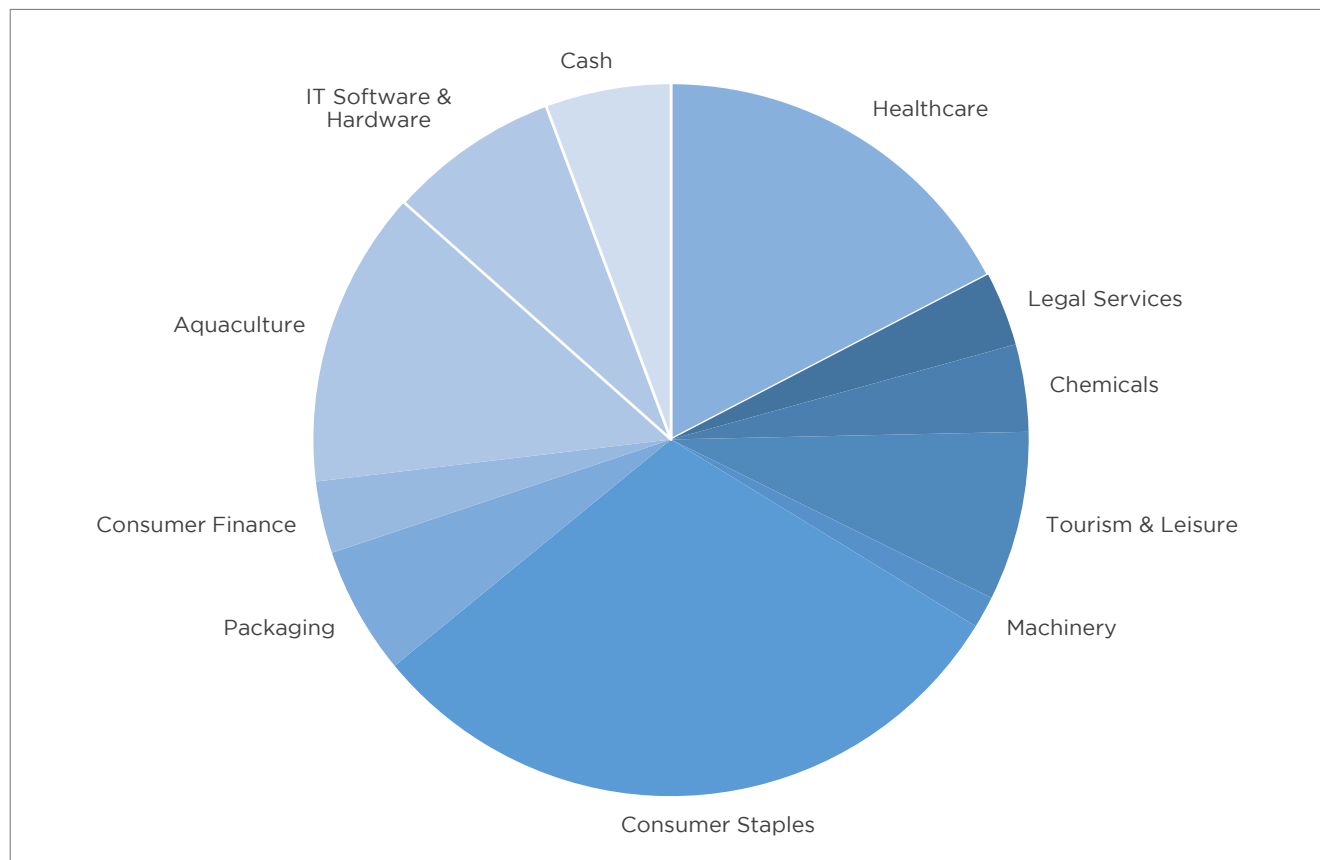
UBI is a medical-grade hand-held diagnostics company that uses a proprietary technology platform to measure analytes across various industries. UBI's value proposition is the time and cost efficiencies its customers derive from using its portable biosensors to enable Point of Care diagnostics and screening, as opposed to outsourcing to more complicated incumbent processes. UBI achieves this by combining its proprietary electrochemical cell technology and signal processing systems, with a hand-held touch-screen user interface to deliver cost effective, accurate and real-time adjuncts to lab-based diagnostics tests.

Under the leadership of its CEO, John Sharman (former CEO of Medical Developments), UBI is now focused on a product development led growth strategy that seeks to maximise the value of its existing IP through strategic partnerships. These include a recent deal with US-based business Lubris for exclusive rights to its antifouling coating Lubricin, which increases UBI's biosensor specificity to 200 picomolar (10^{-12}). This has the potential to open up significant new markets for UBI, with the initial focus being on diagnostic testing/monitoring of key biomarkers for cancer patients in remission (Tn Antigen), a \$17B market; fertility/ovulation (luteinizing hormone and estrogen); and heavy metals.

These potential new market applications for UBI's biosensor are in addition to the Company's current product development pipeline, which comprises (i) Sentia™, a proprietary biosensor for wine makers that will offer six tests, the first of which (measuring free SO₂ levels) is now being rolled out across key markets and is forecast to hit \$1m of sales before the end of September; (ii) an animal glucose biosensor for veterinary practices (diabetes); and (iii) the next generation of its coagulation biosensor (Xprecia Stride™) which has been sold in 36 countries. With almost \$25m of net cash and a rapidly improving operating cash flow profile, UBI is well funded to execute on its strategy. Our average entry price for UBI was \$0.50 (vs current share price of ~\$0.85), so while it has been an excellent performer for the Fund already, with commercialisation of its pipeline we still see significant upside for the stock over the next few years.

Portfolio characteristics

We currently have ~94% of our capital invested in 16 stocks.



Please get in touch should you have any queries regarding the above. Thanks again for your interest and support and I look forward to providing another update in early August on our performance during July.

Kind regards,

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