Emerging Companies Fund

Monthly Update: October 2024

Dear Fellow Investors,

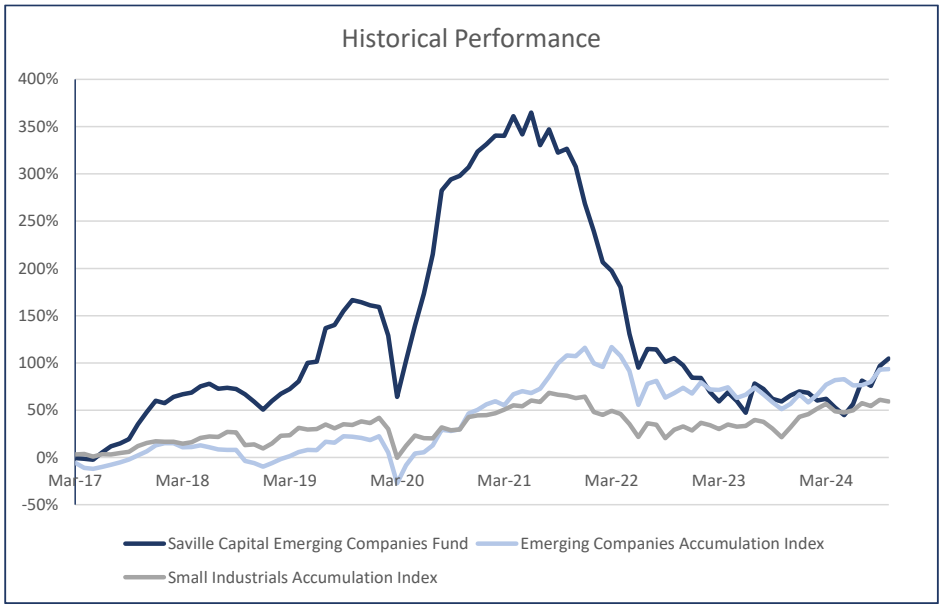
Our Emerging Companies Fund was up +4.0% in October vs +0.2% for the Emerging Companies Accumulation Index (XECAI) and -1.1% for the Small Industrials Accumulation Index (XSIAI). Since inception, the Fund has generated +9.7% p.a. and a total return of +104.6% (or +143.8% if distributions have not been reinvested) vs +93.4% for the XECAI and +59.3% for the XSIAI.

October was another very good month for the Fund, both in absolute and relative terms. While markets struggled to push higher in the face of an unexpected surge in bond yields, the majority of stocks in our portfolio still performed well. This was aided by stock-specific news flow and quarterly result updates, which we think highlighted the operating momentum that is now building in several of our companies. We also think it is a function of a growing institutional audience that now has the confidence to revisit the micro-cap segment of the market, seeking opportunities to rotate out of some small to mid-caps that have performed strongly over the past 18 months, especially relative to their micro-cap peers. Pleasingly, the Fund has already made a solid positive start to November.

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%	-8.0%	+4.3%	-5.5%	+1.0%	-4.5%	-9.6%	-13.0%		
2022	-7.9%	-9.6%	-3.0%	-5.8%	-17.6%	-15.5%	+10.1%	-0.3%	-6.1%	+2.0%	-3.8%	-6.7%	-49.9%		
2023	-0.2%	-8.1%	-6.1%	+6.1%	-5.4%	-7.8%	+21.2%	-3.7%	-5.6%	-1.8%	+3.9%	+2.6%	-8.1%		
2024	-0.9%	-4.8%	+1.1%	-5.6%	-5.4%	+8.1%	+15.9%	-3.1%	+12.0%	+4.0%			+20.4%	+12.8%	+28.4%

Returns are based on the Main Series only, net of all base fees, performance fees and expenses of the Fund



Performance commentary

The key positive contributors during October were Wrkr (WRK, +33%), Imricor (IMR, +12%) and IDT Australia (IDT, +9%). The key negative contributors were FBR Limited (FBR, -14%), Vysarn (VYS, -12%) and Murray Cod Australia (MCA, -3%).

IMR provided an update on its regulatory activities and the integration of its 3D mapping software ("NorthStar") with the key MRI providers. Firstly, the US FDA approval process continues to advance at or ahead of schedule, meanwhile the VT trial commencement date in Europe has been pushed into this quarter (4Q CY24) to allow Ethics Committee at Amsterdam UMC to approve the enhancements to the MR-compatible defibrillator and NorthStar system upgrades. With regards to NorthStar, while it is already expected to be commercially available next year for use with the Siemens MRI platform, following extensive testing it now has a clear path to commercialisation on the Philips MRI platform as well. In addition, IMR continues to make progress with GE Healthcare to deliver NorthStar on the GE MRI platform. These developments are important as we understand hospital sites are more likely to accelerate their take-up of the IMR technology following the software integrations. Furthermore, not only does NorthStar enhance the procedural efficacy for doctors, it also provides ongoing licensing revenue to the business which builds on the consumable device revenue IMR already generates with each procedure.

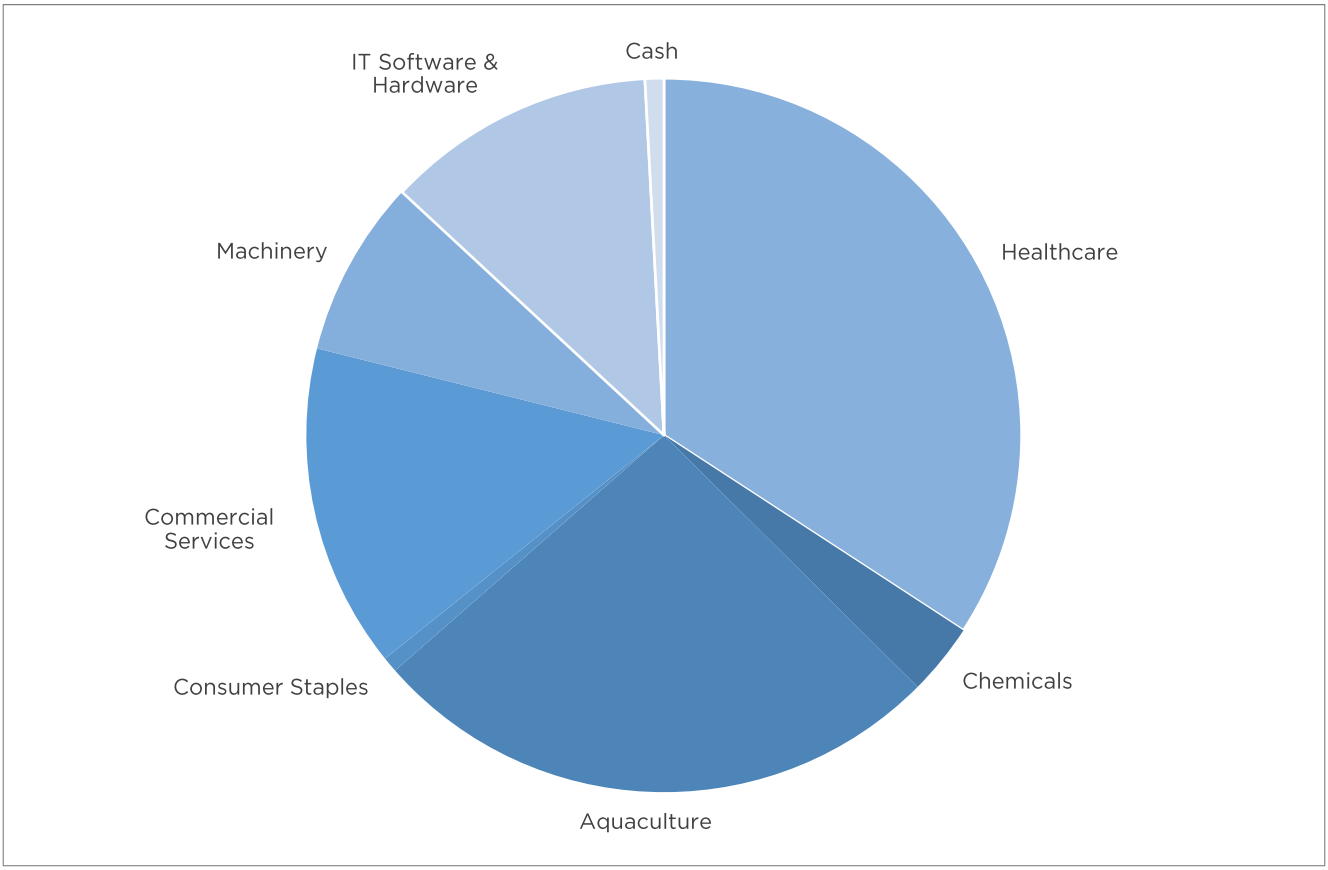
IDT reported unaudited revenue of $5.2m in 1Q FY24, up +70% on pcp and the highest since it embarked on its strategic transformation program. It also secured $6.8m in new contracts for the quarter, pleasingly all from returning customers. Importantly, this repeat business typically yields improved profitability as customers transition from development work to higher-margin manufacturing contracts. The Company also submitted 37 new customer proposals valued at $24.7m, with approximately 60% to existing customers. This growing pipeline, combined with IDT's track record of converting proposals into contracts, supports its expectations for the FY25 results to comfortably surpass the prior year and enable the Company to transition into a position of sustainable profitability.

Airtasker (ART, +2%) delivered another solid quarter, with marketplace revenue growth of +13.6% on pcp, the highlight of which was +104.4% growth in the UK as its targeted media strategy starts to bear fruit. This culminated in modest positive free cash flow generation, continuing ART's deliberate approach to reinvest the majority of the profits from its Australian operations into its two key offshore markets, being the UK and US, while preserving its healthy net cash position of ~$18m. The Australian marketplace seasonality peaks over the next two quarters and this will coincide with increased marketing investment in the Australian, UK and US marketplaces via further utilisation of the advertising services provided by its media partners in each market. As such, ART remains confident in its ability to maintain current momentum in revenue growth and has reaffirmed guidance for positive Group free cash flow in FY25. Our view is that ART is being priced as though it is ex-growth, yet we believe that the implementation of these recent media deals will see its growth rate start to accelerate across all of its markets over the coming quarters, which should attract an increasing level of attention from investors.

MCA reported cash receipts growth of +12% on pcp for 1Q FY24, while cash flow from operations remained firmly negative as the significant increase in fish stocks over the last 18 months is now being reflected in its feed costs. As these fish become of saleable size, MCA anticipates significant increases in sales will occur and operating cash flows should therefore improve. Pleasingly, as a result of improved diet and feeding methods, as well as favourable weather conditions, average weights of grow-out fish are larger than MCA had forecast at the end of September. With biomass growth set to accelerate over summer as water temperatures rise, MCA expects that a lot more saleable sized fish will be available in 2H FY25. In other news, the development of the Stanbridge grow-out site is on track to be completed by March 2025 and the Company remains in discussions about selling/financing this asset to release some capital to help fund the operating business.

Portfolio characteristics

We currently have ~99% of our capital invested in 11 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 December on our performance during November.

Kind regards,

Jonathan Collett
Principal
Saville Capital

+61 3 9769 1789
jcollett@savillecapital.com

Important Information

One Funds Management Limited ("OFML"), ACN 117 797 403, AFSL 300337, is the issuer and trustee of the Saville Capital Emerging Companies Fund. The material contained in this communication is general information only and was not prepared by OFML but has been prepared by Saville Capital Pty Ltd ("Saville Capital"), a Corporate Authorised Representative of One Wholesale Fund Services Ltd ("OWFSL"), ACN 159 624 585, AFSL 426503, CAR number 1250904. Saville Capital has made every effort to ensure the accuracy and currency of the information contained in this document. However, no warranty is made as to the accuracy or reliability of the information. Investors should consider the Information Memorandum ("IM") dated 23 December 2016 issued by OFML before making any decision regarding the Fund. The IM contains important information about investing in the Fund and it is important investors obtain and read a copy of the IM before deciding about whether to acquire, continue to hold or dispose of units in the Fund. You should also consult a licensed financial adviser before making an investment decision in relation to the Fund. Past performance is no guarantee of future performance. This report does not take into account a reader's investment objectives, particular needs or financial situation and is general information only to wholesale investors and should not be considered as investment advice and should not be relied on as an investment recommendation.