



**savana**  
Active ETFs

# Beyond Human Limits

Pre-Launch Analysis of Savana's Flagship US Small Caps Strategy

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Savana Active ETFs · Internal Research

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## Abstract

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Savana is on a mission to disrupt traditional funds management by leveraging technology to uncover hidden value in overlooked segments of the market.

This White Paper provides a detailed analysis of the performance of Savana's flagship US Small Caps Strategy during its real-time paper-trading period from 1 July 2022 to 7 November 2024.

The results of this analysis validated our core investment hypothesis - that our unique Collective Intelligence philosophy, combined with sophisticated technological implementation, delivers a powerful and differentiated solution to alpha.

This conviction ultimately led us to list the strategy as a publicly traded ETF on the ASX in November 2024.

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## Introduction

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The US Small Caps Strategy (the “**Strategy**”) was run as a contemporaneous paper-trade fund between 1 July 2022 to 7 November 2024, managed and executed in real-time. The Strategy employed Savana’s proprietary Collective Intelligence algorithms to invest in the 30 most undervalued companies listed on the NASDAQ and NYSE, rebalancing this portfolio on a bi-monthly basis. The Strategy is benchmarked against the S&P 600 Total Return Index (AUD).

## Investment Philosophy

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At the core of Savana’s approach is a belief that no single investor - no matter how skilled - can consistently out-think the market. But when diverse, independent perspectives are aggregated systematically, they can yield a powerful edge. This is the essence of Collective Intelligence - the idea that crowds, when properly filtered and synthesized, make better decisions than individuals. Savana codifies this empirical philosophy into technology. Every day, our proprietary technology platform evaluates over 60,000 securities, distilling complex, bottom-up data into high-conviction positions.

**Figure 1: The Fundamental Law of Active Management (Grinold and Kahn)**



**Skill:** Collective Intelligence minimizes predictive errors inherent in isolated viewpoints. The absence of emotion, behavioural bias, or style drift ensures signal integrity and repeatability over time.

**Breadth:** Savana’s fully-automated valuation engine responds dynamically to shifting market signals, enabling faster, smarter portfolio rebalancing. This allows more frequent investment decisions - amplifying our ability to capture opportunities as they emerge.

**Efficiency:** Savana’s system translates insights into portfolio actions without friction, delay, or subjective interpretation. Execution is automated, rules-based, and optimized to preserve alpha during implementation.

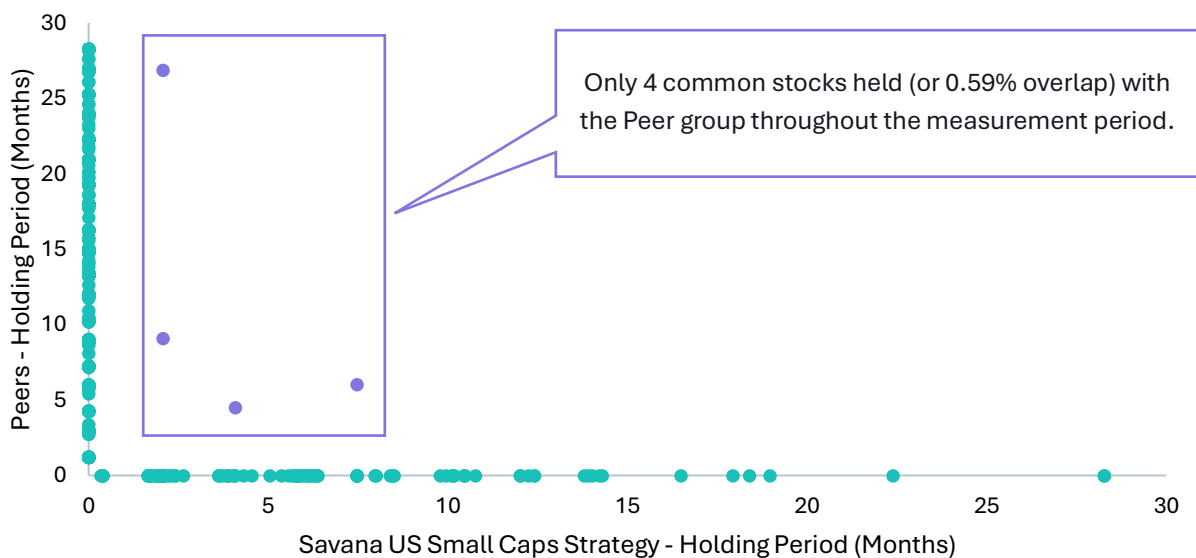
## Investment Style

We strategically focus on the under-explored small to mid-cap market segment, where our technological edge allows us to unearth deep insights into undervalued companies often invisible to larger players. This common oversight creates a persistent "**High-Alpha Niche**", where our regular algorithmic sweep consistently discovers undervalued companies with strong fundamentals and compelling upside.

Crucially, we are unconstrained by conventional thinking. Unlike peers who tend to hug benchmarks or diversify away conviction, we concentrate our efforts into high-concentration, high-potential positions and move dynamically as the signal shifts. This differentiated approach allows us to uncover mispriced companies early, act decisively, and beat the crowd - positioning the Strategy to generate uncorrelated, superior returns over time.

### Figure 2: Choosing Stocks that Others Don't

Savana versus Peers (JPMorgan Small Cap Equity Fund (VSEI.X), Morgan Stanley Calvert Small-Cap Fund (CCVA.X), T.Rowe Price Small-Cap Stock Fund (OTCF.X))



Stock-holding periods for Savana and three peer funds across the 28-month measurement period; coloured dots mark stocks held in common.

Our unique, contrarian strategy is validated by minimal portfolio overlap with Peers. Among the 682 stocks held by the relevant peers over the measurement period, only 4 stocks overlapped with those held in the Strategy – equal to 0.59%. This compares to an overlap rate of ~30% between JPMorgan and Morgan Stanley Calvert.

**Figure 3: Higher-Conviction, Higher-Precision**



Number of holdings and average holding length for Savana versus peer funds across measurement period.

Our portfolio was also more concentrated and more actively managed. While we maintained a focussed exposure of no more than 30 positions at any time, Peer funds held 99, 67, and 246 stocks respectively as of 7-Nov-24. Our average holding turnover was higher too, with an average holding length of 6 months, compared to 18 months for the peer group. This elevated rebalancing frequency reflects Savana’s ability to respond more dynamically to evolving market signals - enabling sharper, more precise decision-making and more frequent profit-taking.

By selecting stocks that others don’t - and combining this with high-concentration, high-turnover portfolio construction - we build portfolios that are truly distinct from both Peers and benchmarks. While many Peers cluster closely around the benchmark, our deliberate differentiation lowers return correlation and creates the opportunity to deliver outsized performance.

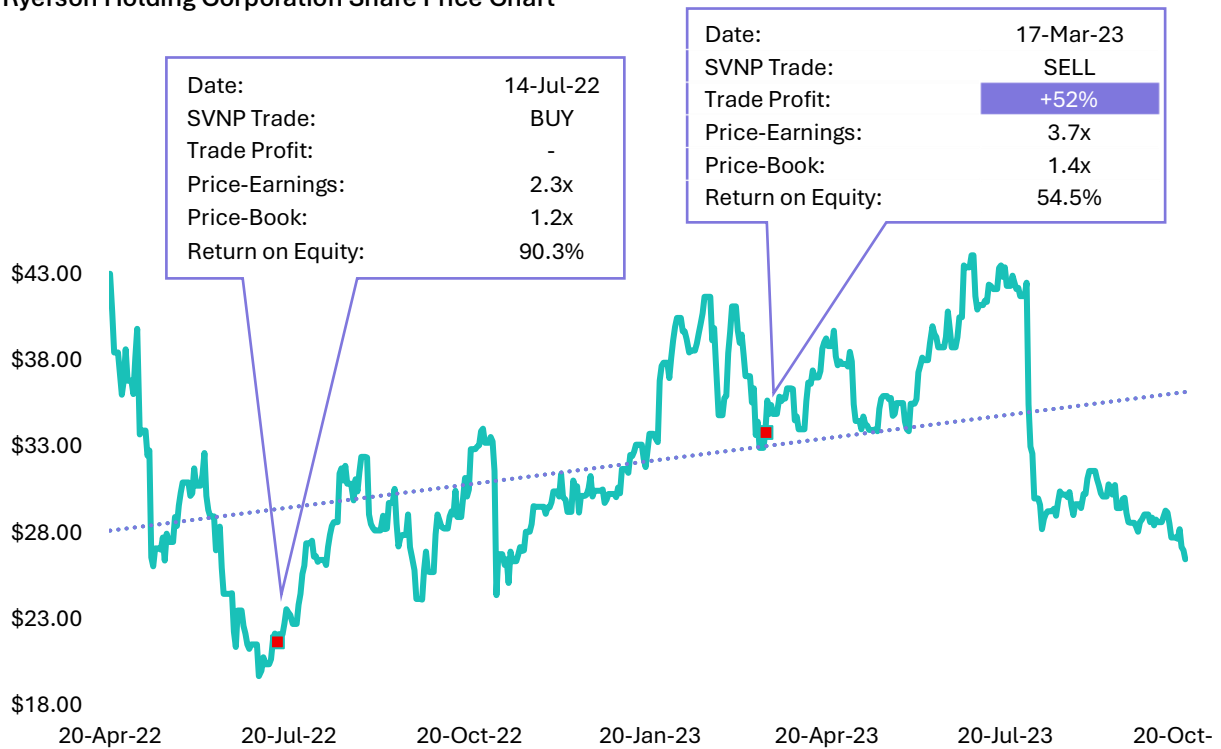
**Figure 4: Performance relative to Peers**

	Savana US Small Caps Strategy	JPMorgan Small Cap Equity Fund	T.Rowe Price Small-Cap Stock Fund	Morgan Stanley Calvert Small-Cap Fund	S&P 600 TR (AUD)
Total Return (%) (AUD)	130.17%	42.55%	41.91%	38.88%	41.31%

Total return (AUD) over the measurement period for Savana, three peer funds and the S&P 600 TR (AUD) benchmark.

**Figure 5: Buy when Others are Selling... and Sell when Others are Buying**

**Ryerson Holding Corporation Share Price Chart**



Ryerson Holding Corporation share price over time, with the Strategy's entry and exit points marked.

We're contrarian not just in what we buy, but when we buy it. Our algorithms tend to step in as companies bottom-out - taking advantage of beaten-down prices and locking in real upside - then exiting prior to peak, once the value signals fade. Through disciplined exit, we lock in gains before sentiment turns euphoric and fundamentals get stretched. This disciplined timing captures more gain while avoiding hype-driven momentum.

**Figure 6: Buying into Pessimism to Achieve Superior Risk-Adjusted Returns**

**Attractive Fundamentals:**

	Savana US Small Caps Strategy	Benchmark*
Market Cap	US\$5.01bn	US\$4.01bn
Trailing P/E	4.20x	13.51x
Price-to-Book	0.96x	3.21x
Price-to-Cash Flow	6.94x	15.09x
Dividend Yield (%)	3.64%	1.82%
Debt-to-Capital	43.16%	41.73%

**Superior Risk-Adjusted Returns**

	Savana US Small Caps Strategy	S&P 600 TR (AUD)
Total Return (%)	130.17	41.31
Annualized Return (%)	42.59	15.85
Information Ratio	2.26	-
Beta	1.09	1.00
Volatility (%)	20.05	14.83

Downside Volatility (%)	13.88	9.63
Sharpe Ratio	1.93	0.81
Sortino Ratio	2.79	1.25

Time-weighted average of portfolio-level fundamentals across the measurement period. Risk-return metrics are all-time as of November 2024. \*Fundamentals from the iShares Core S&P Small-Cap ETF (NYSE:IJR) is used as a proxy for the S&P 600 TR Index. The Sharpe and Sortino ratios use a risk-free rate derived from the average 3-Month Australian Bank Accepted Bill Rate.

By targeting fundamentally sound businesses precisely when they are overlooked and oversold, our contrarian approach systematically exploits market inefficiencies. For every dollar invested, our portfolios secure more earnings and cash flow from companies that are typically more profitable, less leveraged, and more financially resilient.

### Figure 7: Skill Not Luck

#### Brinson Sector Attribution Analysis

Totals	Return		Attribution			
	Strategy	Benchmark*	Allocation (1)	Currency (2)	Selection (3)	Total (1+3)
	130.17%	40.06%	0.75%	1.16%	89.36%	90.11%

1. Outperformance due to Strategy being over or under-weight a specific sector relative to IJR
2. Outperformance due to currency depreciation of AUD/USD incorporated into selection and allocation
3. Outperformance due stock selection within sector being over or under-weight a specific stock relative to IJR

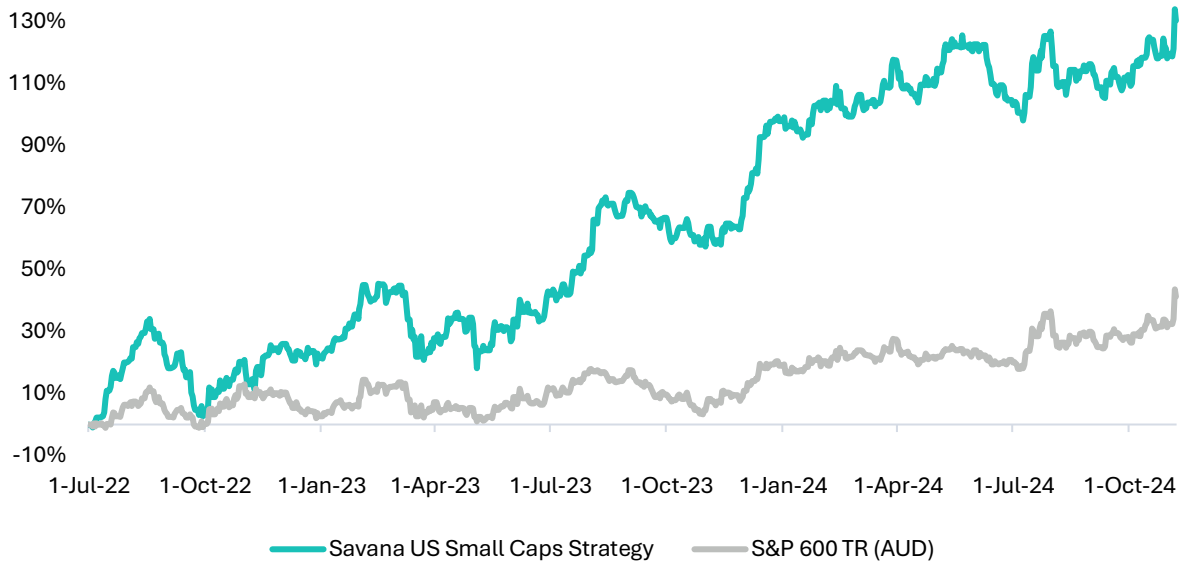
Performed using Capital IQ Pro. \* The iShares Core S&P Small-Cap ETF (NYSE:IJR) is used as a proxy for the S&P 600 TR Index (introducing some minor FX and tracking differences relative to the actual Benchmark).

Sector attribution confirms that over 99% (89.36 / 90.11) of Savana’s outperformance is driven by active stock selection - underscoring the strategy’s high conviction and elevated active share. This result was validated by a separate, independent analysis performed by Foresight Analytics as of February 2024, which concluded “*the evidence suggests that Savana is not just a factor or smart-beta manager but also a skilled stock picker, which is evident from their consistent outperformance of factor benchmarks. Its strong stock selection was persistent and pronounced even after adjusting for the market, sector and style.*” While traditional fund managers are challenged by consistency and “form”, Savana’s coded, algorithmic process enables its stock-picking skill to be delivered with consistency, repeatability, and scale.

## Performance

The Strategy delivered a 130.17% total return (42.59% p.a.) across the measurement period, representing an 88.86% (26.74% p.a.) outperformance of the benchmark.

**Figure 8: Total Cumulative Return Over Time**



Cumulative total return of the Strategy and the S&P 600 TR (AUD) benchmark over the measurement period.

**Figure 9: Calendar Year Return**

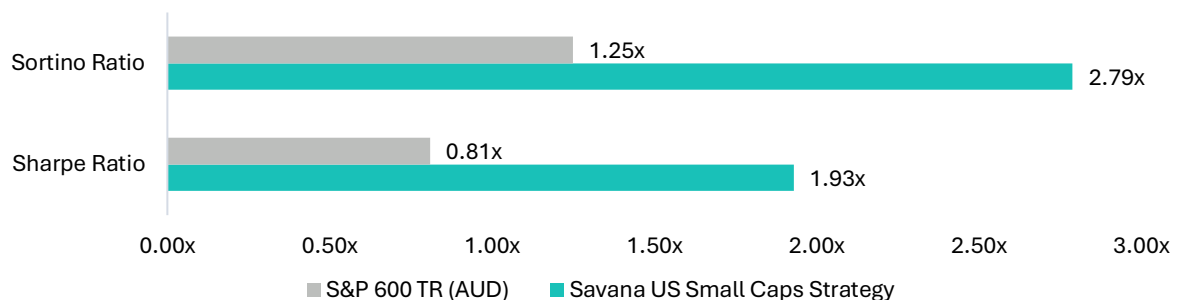
	2022 (from 1-Jul)	2023	2024 (to 7-Nov)	Inception
Savana US Small Caps Strategy	21.34%	62.98%	16.39%	130.17%
S&P 600 TR (AUD)	2.70%	15.92%	18.69%	41.31%
Relative	18.63%	47.07%	-2.31%	88.86%

Calendar-year returns for the Strategy and the benchmark, with relative performance, since inception.

## Risk-Adjusted Returns

The Strategy delivered higher Sharpe (2.79) and Sortino (1.93) ratios relative to the benchmark (1.25 and 0.81), representing significantly higher returns per unit of volatility.

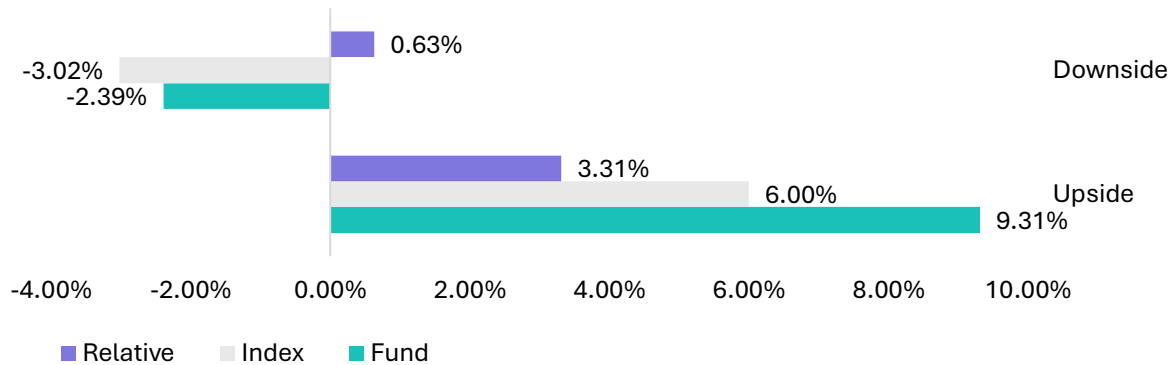
**Figure 10: All-Time Sharpe & Sortino Ratios**



All-time Sharpe and Sortino ratios for the Strategy and the benchmark. Ratios computed based on the annualised return and volatility over the measurement period. The risk-free rate used is the average 3-Month Australian Bank Accepted Bill Rate.

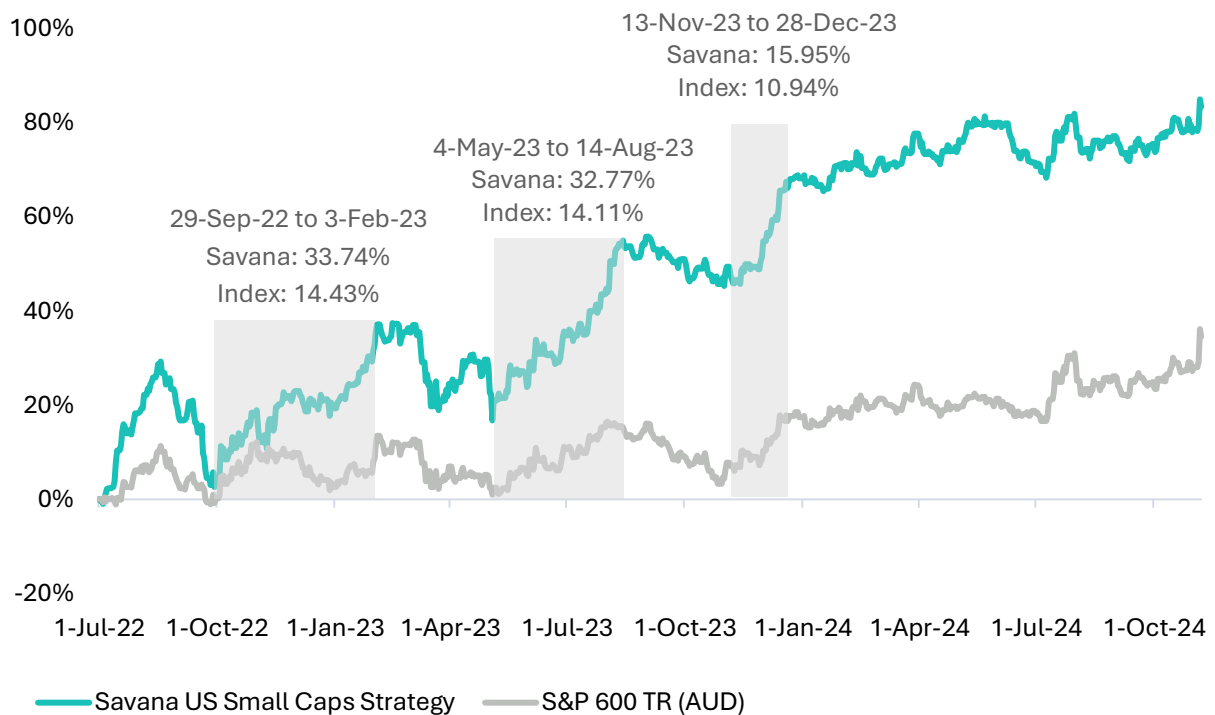
## Upside / Downside Capture

Figure 11: Avg. Monthly Upside/Downside Returns



Average monthly returns of the Strategy and the benchmark in positive and negative months across measurement period.

Figure 12: Outsized Upside Performance in Market Rallies (Log Returns)



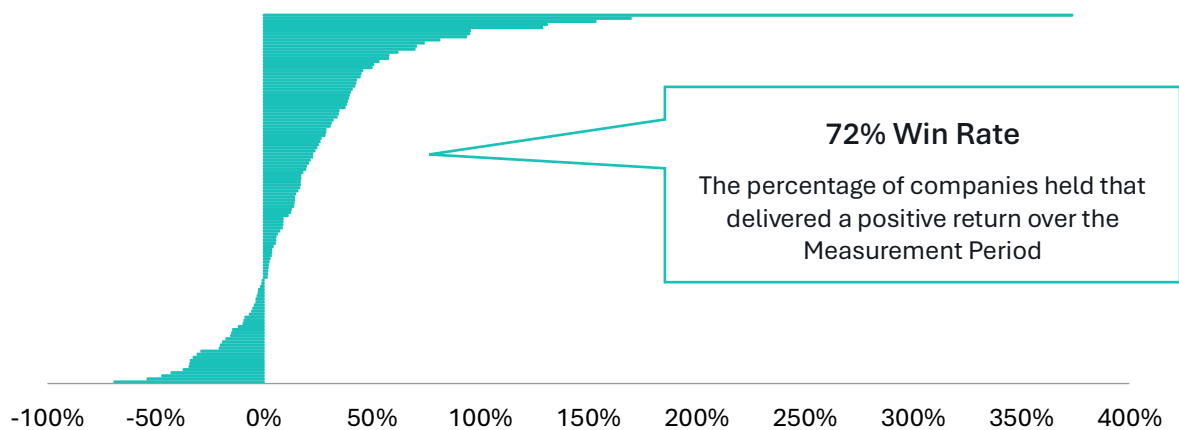
Cumulative daily log returns of the Strategy versus the benchmark over the measurement period.

Our US Small Caps Strategy is engineered to navigate market cycles with precision - defending capital during downturns while capturing more upside during rallies. Based on monthly capture ratios, the Strategy delivered substantial alpha in rising markets (+3.31% average outperformance during positive months), while also modestly outperforming the benchmark in negative months (+0.63%).

This positive asymmetry is a direct result of our bottom-up, fundamentals-driven approach. By selecting undervalued companies with built-in margins of safety, we target oversold stocks that have limited downside risk and meaningful potential for upside, driven by either a valuation re-rating and / or the compounding power of the companies' strong fundamentals. This unemotional exploitation of market inefficiencies is the foundation of our ability to consistently generate alpha.

## Winners and Losers

Figure 13: Historical Profit and Loss by Stock



Return by individual holding over the measurement period.

Figure 14: Top / Bottom Securities by Return & Contribution

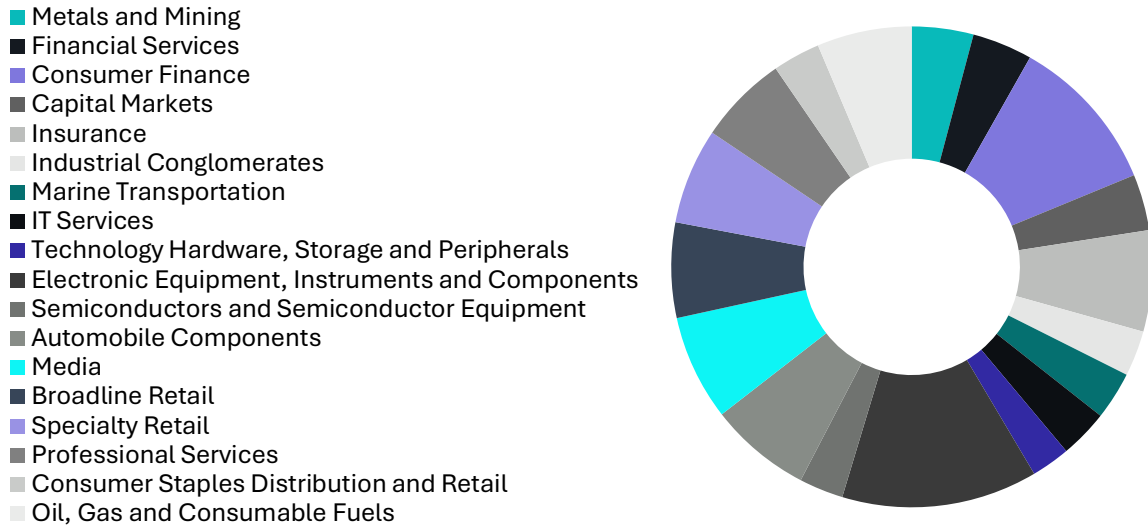
Top	Return	Contribution	Bottom	Return	Contribution
Jackson Financial Inc.	373.62%	8.19%	QVC Group Inc.	(69.03%)	(7.28%)
United States Cellular Corp	169.61%	7.10%	Emergent BioSolutions Inc.	(37.05%)	(3.13%)
Telephone & Data Systems	128.78%	5.92%	Canadian Solar Inc.	(53.75%)	(2.64%)
Stellantis N.V.	153.35%	5.78%	ZIM Integrated Shipping Services	(46.97%)	(2.14%)
Vir Biotechnology, Inc.	57.58%	5.73%	Anywhere Real Estate Inc.	(32.44%)	(2.00%)
Ryerson Holding Corporation	81.19%	5.13%	Algoma Steel Group Inc.	(18.88%)	(1.93%)
Genworth Financial, Inc.	95.32%	5.12%	Nu Skin Enterprises, Inc.	(42.67%)	(1.81%)
Customers Bancorp, Inc.	93.57%	5.01%	Lumen Technologies, Inc.	(30.58%)	(1.75%)
TPG Inc.	53.08%	4.52%	Petco Health & Wellness Company	(34.34%)	(1.74%)
M/I Homes, Inc.	69.72%	4.43%	Adient plc	(33.72%)	(1.38%)
<b>Average / Total</b>	<b>127.58%</b>	<b>56.94%</b>	<b>Average / Total</b>	<b>(39.94%)</b>	<b>(25.80%)</b>

Top ten and bottom ten holdings by return and contribution to portfolio return over measurement period.

The Strategy’s total returns profit ledger demonstrated a strong positive skew toward performing stocks. The percentage of profitable positions in the Fund was 72%. The average return of any one stock across the portfolio was 22%. Furthermore, gains from the top 10 stocks outweighed losses from bottom 10 stocks by 3.4x.

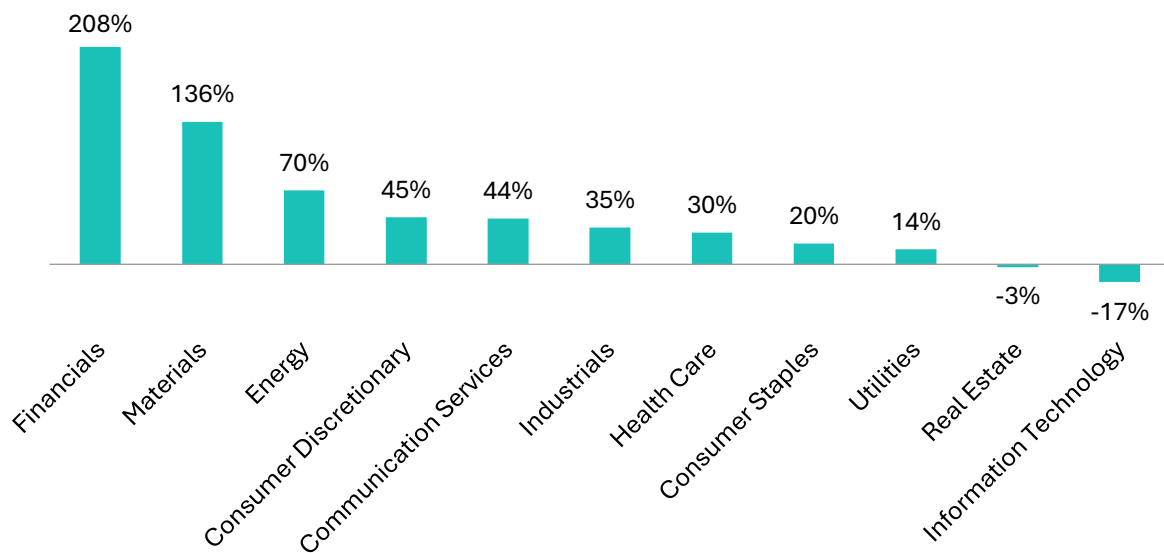
## Portfolio Breakdown

Figure 15: Portfolio Weight by GICS Industry



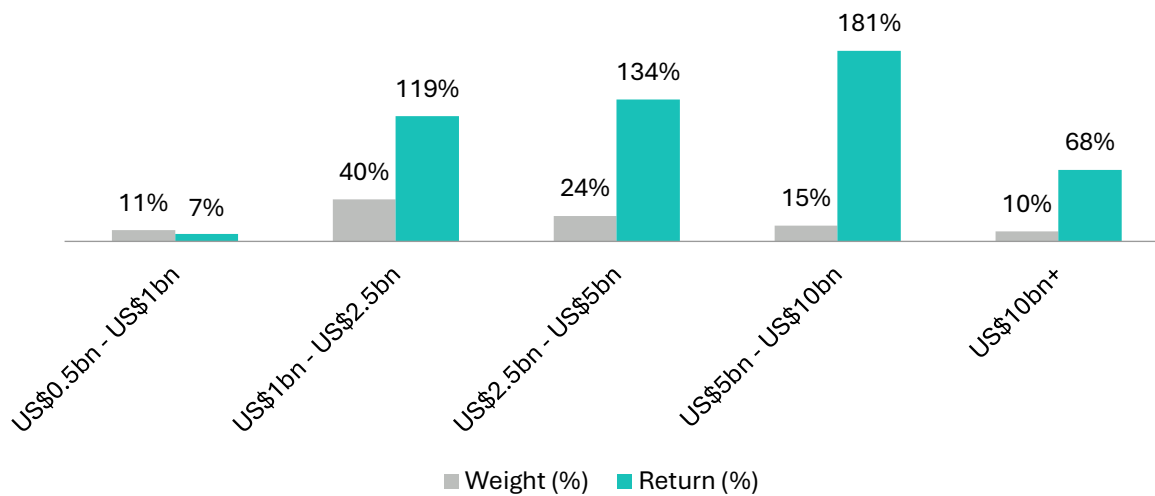
Average portfolio weight by GICS industry over measurement period.

Figure 16: Portfolio Returns by GICS Sector



Portfolio returns by GICS sector over measurement period.

**Figure 17: Portfolio Weight & Returns by Market Cap Band**



Portfolio weight and returns by market-capitalisation band over measurement period.

Savana's algorithmic stock selection methodology integrates robust sector-level valuation frameworks, resulting in naturally diversified portfolios - even without explicit diversification parameters. This organic spread across sectors acts as an additional safety net, helping to cushion against industry-specific cycles and enhance risk-adjusted returns. Notably, over 90% of portfolio holdings consistently fall within the US\$500 million to US\$10 billion market cap range, positioning the strategy firmly within the US small- to mid-cap (SMID) segment.

## Beyond Human Limits

The Savana US Small Caps Strategy seeks to explore what's possible when the boundless potential of technology is harnessed to re-engineer Funds Management. Our fully digitalised investment approach isn't designed to mimic human decision-making - but redefine it entirely.

This is Beyond Human Limits - an investment philosophy grounded in science, executed through technology, and unleashed without human intervention, emotion, or fear. The strategy's compelling paper-trade performance - marked by strong outperformance and superior risk-adjusted returns - affirms our conviction that our cutting-edge approach offers a powerful, differentiated solution to alpha.

Now listed as a publicly traded ETF on the ASX, the strategy marks a new era in active investing - one where data, discipline, and design converge to unlock the markets in ways never before possible.



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