

Performance as at 28th February 2022

	1 Month	3 Months	1 Year	3 Years p.a.	5 Years p.a.	Inception p.a ³
Fund ¹	0.5%	-2.9%	30.2%	21.8%	14.7%	16.2%
Benchmark ²	0.0%	-7.7%	5.0%	7.7%	9.4%	8.9%
Difference	0.5%	4.8%	25.2%	14.1%	5.3%	7.3%
Microcap Index ^a	-1.9%	-5.5%	22.9%	25.6%	15.2%	14.9%

¹ Sphera Australian Microcap Fund. Returns of the Fund are net of applicable fees, costs and taxes.

² Benchmark is the S&P/ASX Small Ordinaries Accumulation Index.

³ Inception date is 16 May 2016. Past performance is not a reliable indicator of future performance. All p.a. returns are annualised.

^a Microcap Index refers to S&P/ASX Emerging Companies Accumulation Index.



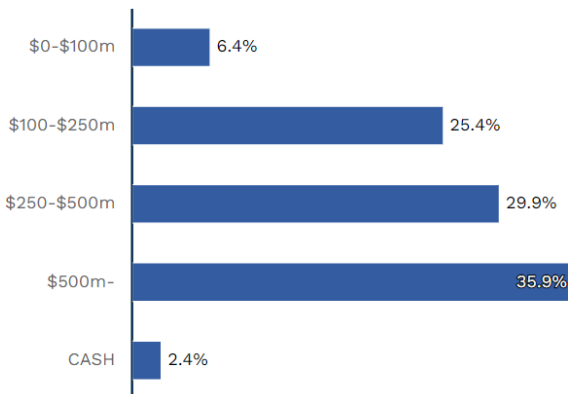
Overall Commentary

The Sphera Australian Microcap Fund returned 0.5% (after fees) during the month of February, outperforming the ASX Small Ordinaries Accumulation Index by 0.5%.

Top 5 Holdings

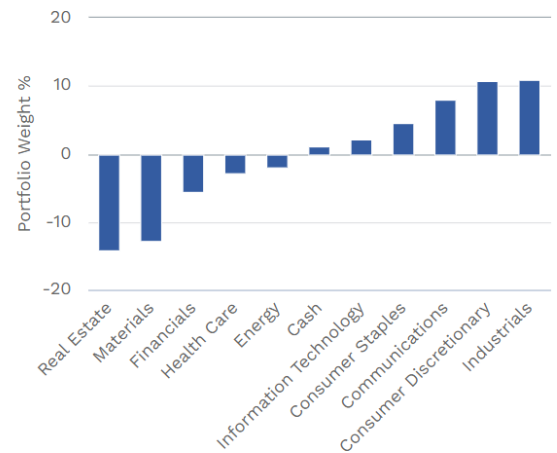
Company Name	% Portfolio
Nzme Limited	5.7
Michael Hill International Limited	5.6
Helloworld Travel Limited	5.1
Supply Network Limited	4.7
Vista Group International Limited	4.6
Top 5	25.7

Market Cap Bands



Source: Sphera Asset Management

Active Sector Exposure



Source: Sphera Asset Management

Markets

The local small and midcap indices were broadly flat over February, despite the index increasing early in the month before falling mid-month due to conflict in the Ukraine. Countries reacted by imposing sanctions on many of Russia's key exports, with the intention of causing significant financial distress to the country. As a result, commodity prices, particularly oil rallied strongly over the back half of the month and continued into March, as markets feared the sanctions imposed would impact global supply of crude oil, for which Russia is second largest producer in the world. In March, oil surpassed US\$120 per barrel, topping a 14-year record, last seen in 2008 prior to the GFC. This coupled with the already strong inflationary numbers, is providing further fuel to the inflationary outlook. Despite the potential near term hesitation from Central banks to raise interest rates, as they evaluate the short-term implications of the Ukraine situation, we expect rates will rise and rise considerably to curb inflationary pressures. This was reaffirmed in the February reporting season; with many companies reiterating the rising cost pressures many businesses are experiencing due to strong demand and supply side constraints.

Major Contributors for the Month

New Zealand Media and Entertainment (NZM.ASX) share price gained 11% over the month. NZM reported a strong CY21 result with strong cash flow generation and the sale of GrabOne seeing the company end the year with a pristine balance sheet containing no debt and over NZ\$13m of cash. Management continues to find the right balance between investment in digital revenue streams and profitability. Trading at less than <7x pre-tax free cash flow with the business demonstrably transitioning to a structural growth story, we feel a re-rate to higher levels is on the cards.

Horizon Oil (HZN.ASX) increased 20% in February as crude oil prices rallied due to the Ukraine situation, Russia being the second largest oil producer in the world. HZN is a pure play relatively low-cost oil producer and therefore stands to directly benefit from higher oil prices. Whilst the jump in short term oil prices may not be sustained, we believe the medium-term outlook for oil is robust given a lack of exploration and investment as a result of the global focus on more environmentally friendly energy sources. We are comfortable that management will return capital to shareholders from a robust free cash flow generation profile.

Regis Healthcare (REG.ASX) gained 19% in the month of February after a reporting a solid 1H22 result which showed an improvement in occupancy rates for its aged care centres and high cash flow generation which significantly reduced debt levels. The aged care industry has faced challenging conditions for over two years due to direct/indirect government and health department restrictions. We feel these challenges are now largely in the past with the overriding need for improved care outcomes for an ageing population. The move to a new pricing regime where there is transparency around the government funding mechanism to reflect cost inflation is a significant step in the right direction for the industry. We believe REG is the best quality operator in the listed market with highest quality property portfolio in respect of socio-economic demographics.

Major Detractors for the Month

Nitro (NTO.ASX) declined 21% in February like many other technology related names. What has attracted us to NTO are the market share gains they are making against industry leader Adobe who continues to cede share to Nitro Pro. Nitro has expanded its product suite from document productivity software (like Adobe Acrobat) into e-signing, which we see as a potentially large industry. NTO has recently strengthened their position in e-signing with the acquisition of European based Connective. With a high client retention rate (over 95%) and a business model which has transitioned from on-premise to a SAAS model, we believe the business will prove to be a successful investment despite the pull back in the share price. NTO's balance sheet is well funded with over \$60m of net cash.

SNL (SNL.ASX) share price declined 10% after strong gains in preceding months. The 1H22 result was strong as expected as the company continues to deliver market share gains that are driving above market growth and strong earnings and cash flow generation. The company despite a strong share price performance over the long term appears inexpensive (low double digit EBIT multiple) particularly given its historic and prospective growth profile and high returns on invested capital.

Vita Group (VTG.ASX) share price fell 15% after producing an underwhelming result that was heavily impacted by government lockdowns that closed its Artisan network by approximately 20% relative to the previous period. Sales were slightly worse than this due to staff churn that reduced utilisation of the clinics. As we understand, the clinics are only 30% utilised with further infilling of therapists/clinicians likely to increase revenue by between 100-200%. Annualised revenue is currently tracking at around \$30m in a normal year, which is not enough to amortise central overheads hence the business is losing money. We believe there is a path to profitability as the clinics ramp, however, cost reductions are necessary to reduce intervening losses that will eat in to the group's cash surplus which is currently \$43m. The group will pay a dividend of between \$5-10m in 2H22, however, we believe there is capacity for this to be a larger figure given the group has \$45m of franking credits and \$25m of retained profits as at 31st December 2021.

Outlook & Strategy

The market has entered a period of uncertainty with the prospect of rising interest rates and a conflict in Ukraine which is exacerbating many of the concerns around inflation and commodity price pressures. Despite the volatility we believe our focus on valuations and sound balance sheets is likely to continue to see the portfolio perform well over the medium term. With the pullback in markets over recent times, valuations are becoming more appealing in many names that were previously fully valued.



Spheria Australian Microcap Fund

ARSN 611 819 651 | APIR WHT0066AU | mFund SPM01

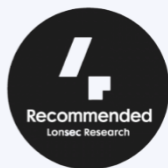
Platform Availability List

If a fund is not available on your preferred platform, please contact us. Please check with your platform for minimum investment requirements and fees.

Aegis	FNZ Group	MLC Navigator	Praemium
Asgard	HUB24	MLC Wrap	Premium Choice
BT Panorama	IOOF Portfolio Service	Netwealth	Wealth02 uXchange
BT Wrap	IOOF Pursuit	OneVue	
DPM	Macquarie Wrap	PowerWrap	

Spheria Australian Microcap Fund	
Benchmark	S&P/ASX Small Ordinaries Accumulation Index
Investment Objective	The Fund aims to outperform the S&P/ASX Small Ordinaries Accumulation Index over the medium to long term
Investing Universe	Primarily listed companies outside the top ASX 250 listed companies by market capitalisation and companies listed on the New Zealand Stock Exchange with an equivalent market capitalisation
Holdings	Generally 20-65 stocks
Distributions	Annually
Fees	1.35% p.a. management fee & 20% performance fee of the Fund's excess return versus its benchmark, net of the management fee
Cash	Up to 20% cash, typically 5% - 10%
Expected Turnover	20% - 40%
Style	Long only
APIR	WHT0066AU
Minimum Initial Investment	\$25,000

Fund Ratings



Further Information

For more information, please contact Pinnacle Investment Management Limited on 1300 010 311 or email distribution@pinnacleinvestment.com

Disclaimer

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