

Performance as at 31 March 2024

	1 Month	3 Months	1 Year	3 Years p.a.	5 Years p.a.	Inception p.a. ¹
Fund ²	4.3%	2.7%	25.0%	16.5%	17.1%	14.5%
Benchmark ³	4.8%	7.5%	13.8%	2.7%	5.4%	7.0%
Difference	-0.5%	-4.8%	11.2%	13.7%	11.7%	7.5%
Microcap Index ^a	6.3%	6.0%	3.2%	4.5%	11.8%	9.3%

¹ Inception date is 16 May 2016. Past performance is not a reliable indicator of future performance. All p.a. returns are annualised.

² Spheria Australian Microcap Fund. Returns of the Fund are net of applicable fees, costs, and taxes.

³ Benchmark is the S&P/ASX Small Ordinaries Accumulation Index.

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



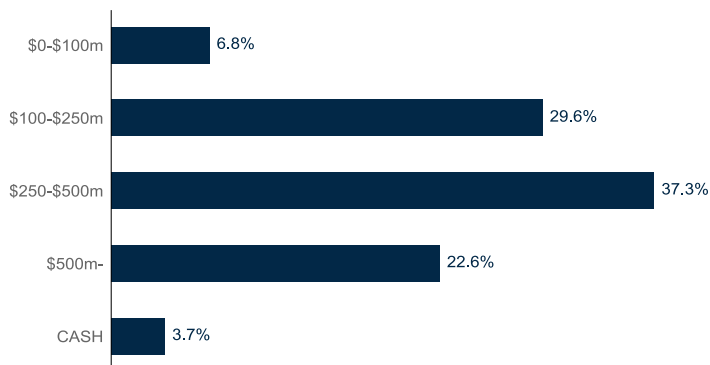
Overall Commentary

The Fund returned 4.3% (after fees) for the month of March, underperforming the S&P-ASX Small Ordinaries Accumulation Index by 0.5%.

Top 5 Holdings

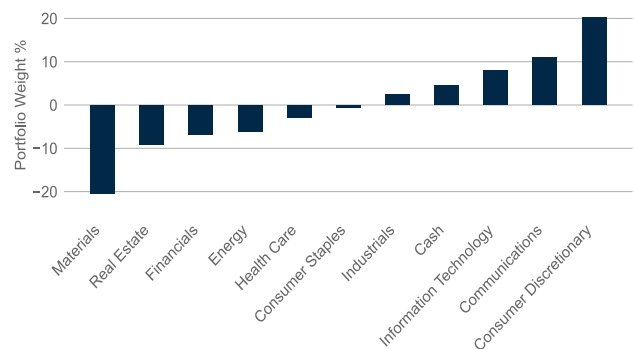
Company Name	% Portfolio
Nzme Limited	4.7
Supply Network Limited	4.6
Vista Group International Limited	4.5
Adore Beauty Group Limited	4.4
Articore Group Limited	4.0
Top 5	22.2

Market Cap Bands



Source: Spheria Asset Management

Active Sector Exposure



Source: Spheria Asset Management

Markets

The “everything” rally continued in March with the small and microcap indices outperforming the larger cap indices for the first time in a long time. Generally, we find these markets very difficult as valuation discipline is far outweighed by fever-pitched speculation. However, this time we managed to largely keep up with the index. This is a great result considering the two best performers for the benchmark in the month were Mesoblast (MSB) and Life360 (360) which rallied 88% and 60%, respectively – two companies which we are unlikely to ever own given the former is a serial cash burner and the latter has a significant market capitalisation (nearly \$3bn) despite it never being profitable. Also, the gold sector was strong as gold prices continued to surge to new highs. We have no direct gold exposure, so this was another headwind for performance. Interestingly, there were no real stand-out moves in our portfolio with the portfolio gain due to a broad-based rally across our holdings and not having anything blow-up.

Major Contributors to Performance

Over the month the largest contributors to performance were from overweight positions in Vista Group International (VGL.ASX, +20%), Jupiter Mines (JMS.ASX, +25%), and Universal Store Holdings (UNI.ASX, +16%)

Vista Group International (VGL.ASX) share price rose 20% in March post the company announcing their full year result at the end of February. Recurring revenue and SaaS revenue grew 10% and 20%, respectively, whilst EBITDA grew 25% although the company continues to capitalise an elevated level of R&D in respect of its cloud transformation. The cloud rollout continues to gather momentum with its first multi-territory client live and several new signings representing ~350 sites out of the group's approximate 7,800 sites. The business also reaffirmed medium term aspirations of Annualised Recurring Revenue (ARR) of \$175m and an EBITDA margin of 15%+ by the end of CY25, and to be free cash flow positive in Q424. We have been a long-term shareholder of Vista attracted to its strong market share (>50% ex-China) and transition from on-premise to cloud revenue which will increase their share of wallet and therefore drive significant growth in revenue and earnings.

Major Detractors from Performance

The largest detractors from performance included overweight positions in Adore Beauty (ABY.ASX, -7%), Mader Group (MAD.ASX, -9%) and Seven West Media (SWM.ASX, -10%)

Adore Beauty (ABY.ASX) share price fell 7% in March on no company specific news. The company delivered their 1H24 results in February with revenue returning to growth, supported by record average order values and an increase in returning customers. Returning customers represented 81% of sales in the first half and highlighted the loyalty of ABY's customer base. The company generated positive earnings and free cash flow in 1H24 (although seasonally a stronger period) supported by the revenue growth, cost optimisation and re-investment in margin expansion initiatives (marketing revenue on site, further adoption of their app which is higher margin). The 2H24 has also started strongly with revenue growing 8% in the first 8 weeks, despite a challenging retail environment. The business has a net cash balance sheet representing ~30% of its market cap and trades on <0.5x EV/Sales, which is incredibly cheap on an absolute basis and relative to global peers.

Outlook & Strategy Going Forward

Investor confidence is high, and equity is cheap whilst debt is relatively expensive but available and the outlook for interest rate settings is down. We think this sets the market up for further M&A as organic growth is increasingly difficult to come by. Historically, we have been a disproportionate beneficiary of such activity as our companies are highly cash generative, have strong market positions and are generally cheaper given our valuation discipline, thus making them targets for bigger listed players, foreign companies and private equity.

Platform Availability List

The Spheria Australian Microcap Fund is available on the below platforms. Platforms provide investors with consolidated and centralised reporting (including administration, tax, and distribution) by bundling together a range of managed funds as one single product

Acclaim Wealth	HUB24	MLC Navigator	Praemium
Asgard	Insignia Expand	MLC Wrap	Premium Choice
BT Panorama	IOOF Portfolio Service	Netwealth	
DASH	Macquarie Wrap	OneVue	
DPM	mFund	PowerWrap (IDPS only)	

Spheria Australian Microcap Fund

Benchmark	S&P/ASX Small Ordinaries Accumulation Index
Investment Objective	The Funds 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



Contact Us

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

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Link to the [Product Disclosure Statement](#)

Link to the [Target Market Determination](#)

For historic TMD's please contact Pinnacle client service Phone 1300 010 311 or Email service@pinnacleinvestment.com

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