

## Performance as at 30 September 2024

|                             | 1 Month | 3 Months | 1 Year | 3 Years p.a. | 5 Years p.a. | Inception p.a. <sup>1</sup> |
|-----------------------------|---------|----------|--------|--------------|--------------|-----------------------------|
| Fund <sup>2</sup>           | 2.2%    | 10.1%    | 21.4%  | 9.2%         | 15.8%        | 13.8%                       |
| Benchmark <sup>3</sup>      | 5.1%    | 6.5%     | 18.8%  | -0.6%        | 4.4%         | 6.8%                        |
| Difference                  | -2.9%   | 3.5%     | 2.6%   | 9.8%         | 11.5%        | 7.1%                        |
| Microcap Index <sup>a</sup> | 7.2%    | 9.6%     | 21.8%  | -1.1%        | 9.5%         | 9.9%                        |

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

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

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

<sup>a</sup> Microcap Index refers to S&P/ASX Emerging Companies Accumulation Index.

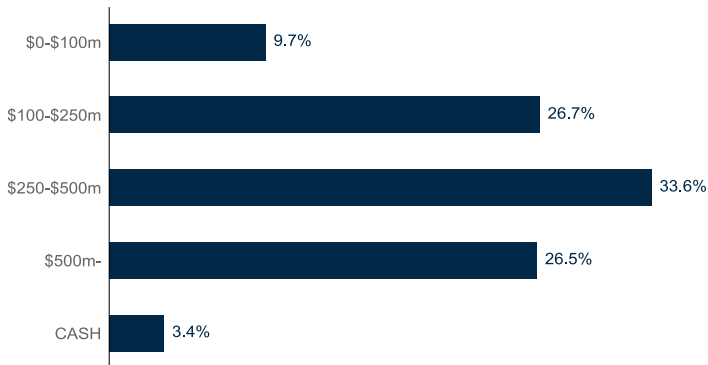
### Overall Commentary

The Spheria Australian Microcap Fund returned 2.2% (after fees) for the month of September, underperforming the S&P-ASX Small Ordinaries Accumulation Index by 2.9%.

### Top 5 Holdings

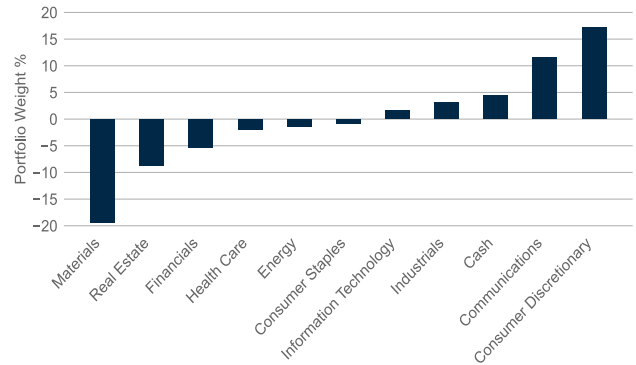
| Company Name                 | % Portfolio |
|------------------------------|-------------|
| Supply Network Limited       | 6.3         |
| Nzme Limited                 | 4.4         |
| Hipages Group Holdings Ltd   | 4.4         |
| Adore Beauty Group Ltd       | 4.0         |
| Pacific Smiles Group Limited | 3.8         |
| <b>Top 5</b>                 | <b>22.9</b> |

### Market Cap Bands



Source: Spheria Asset Management

### Active Sector Exposure



Source: Spheria Asset Management

## Markets

The sharemarket's momentum continued through September with the weight of money pushing "growth" type stocks to valuations that appear sublimely ridiculous. Resource stocks also rallied strongly after a very challenging quarter. These two macro factors weighed on performance as we are underweight high multiple stocks and have an underweight position to small cap resources due to a lack of substance (i.e. low costs of production and long duration) outside of the top 100.

### Major Contributors to Performance

Over the month the largest contributors to performance were from overweight positions in Nuix (NXL.ASX, +38%), NZME (NZM.ASX, +13%), and Motorcycle Holdings (MTO.ASX, +29%).

**NZME (NZM.ASX)** share price rose 13% during the month as the market became more enthused with the outlook for NZ companies post the RBNZ's surprise interest rate cut. NZM continues to deliver on its digital transformation strategy with digital audio revenue and digital subscription (news) revenue growing 33% and 13%, respectively in 1H CY24. The standout was the 63% growth in OneRoof's digital listing revenue and a +70% increase in OneRoof listing upgrades, driving positive earnings for the property portal in what is generally a weaker half for listings. The audience gap between OneRoof and the #1 property platform has reduced to just 10%, with OneRoof continuing to gain share. We believe the market continues to undervalue NZME as an out of favour traditional media company, despite its clear transformation from print to digital (now ~30% of revenue) and the value in owning the outright #2 property portal in NZ which as a market has been slow to transition to digital. NZME trades on only ~4x FY25 EV/EBITA with the outlook for earnings likely to improve from here as the economy recovers and as OneRoof structurally grows.

### Major Detractors from Performance

The largest detractors from performance included overweight positions in Coast Entertainment Holdings (CEH.ASX, -15%), HiPages (HPG.ASX, -12%) and Adore Beauty (ABY.ASX, -11%).

**Coast Entertainment Holdings (CEH.ASX)** share price fell 15% during the month on no company specific news, albeit there is an expectation that weak consumer sentiment may impact visitation and ticket sales. The company delivered their FY24 result at the end of August with total theme park visitation up 14% (ticket sales +3.1%), the highest level since FY16 despite being significantly impacted by storms during the peak summer holiday period. Despite this profitability is trending in the right direction due to higher revenues and lower corporate costs, which were down 22% in FY24. The outlook remains positive with revenue +10% July 2024 vs the prior period. The business has tremendous value in its asset base comprising \$88m of net cash, \$57m of tax losses, \$25m excess value for Skypoint (difference between book value and current market value), 20 hectares of excess land which could be worth north of \$10m (potentially up to \$100m). Offsetting the assets is ~\$24m of growth capex. Relative to a market-cap now of less than \$200m there appears to be tangible assets of \$156m (assuming only \$10m of excess land value) which means there is little value being ascribed to the Theme Parks, which are moving inexorably toward profitability (EBITA) and positive free cash flow generation.

### Outlook & Strategy Going Forward

The market divergence between "have" and "have not" company valuations has continued to stretch. If something does give in the high multiple space, there could be a very healthy rotation to companies that are more attractive from a valuation perspective. The rate cutting cycle which has begun in earnest offshore could be a catalyst for a shift in fortunes for the domestic market which has been driven by the outperformance/valuations of major banks, large caps and perceived high growth stocks.

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

|                |                 |           |                |
|----------------|-----------------|-----------|----------------|
| Acclaim Wealth | DASH            | mFund     | Praemium       |
| AMP North      | HUB24           | Netwealth | Premium Choice |
| Asgard         | Insignia Expand | Onevue    |                |
| BT Panorama    | Macquarie Wrap  |           |                |

| 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 |
| Risk                             | Very high  |
| 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](mailto: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](mailto:service@pinnacleinvestment.com)

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