

Performance as at 30th April 2022

	1 Month	3 Months	1 Year	3 Years p.a.	5 Years p.a.	Inception p.a. ³
Fund ¹	-2.2%	2.3%	7.1%	10.0%	12.6%	11.4%
Benchmark ²	-1.5%	3.7%	2.9%	7.6%	9.6%	8.6%
Difference	-0.7%	-1.4%	4.2%	2.4%	3.0%	2.8%

¹ Spheria Australian Smaller Companies 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 of the current investment strategy is 11th July 2016. The Fund was established in June 2005. Past performance is not a reliable indicator of future performance. All p.a. returns are annualised.



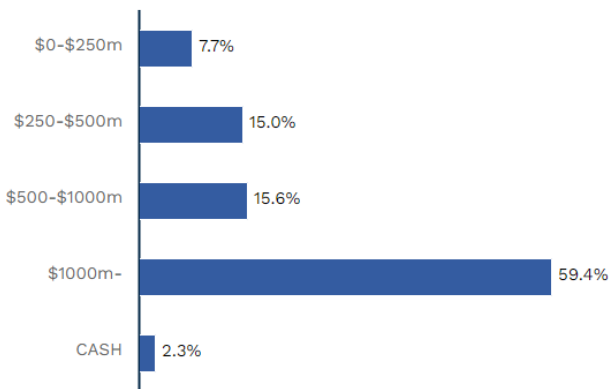
Overall Commentary

The Spheria Australian Smaller Companies Fund returned -2.2% (after fees) during the month of April, underperforming the ASX Small Ordinaries Accumulation Index by 0.7%.

Top 5 Holdings

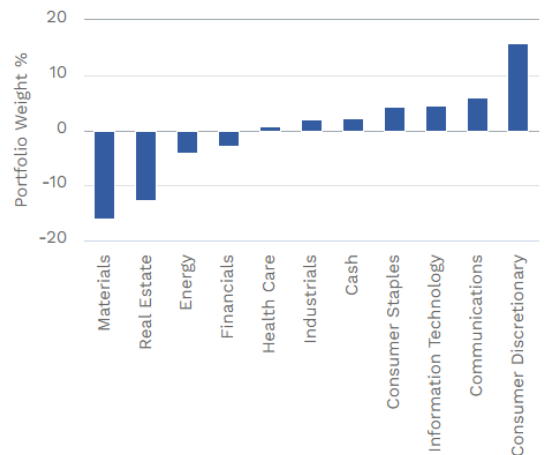
Company Name	% Portfolio
Flight Centre Travel Group Limited	5.3
Blackmores Limited	5.0
InvoCare Limited	4.9
Monadelphous Group Limited	4.0
Seven West Media Limited	3.9
Top 5	23.1

Market Cap Bands



Source: Spheria Asset Management

Active Sector Exposure



Source: Spheria Asset Management

Markets

Last month, the energy sector continued to outperform, thermal coal prices escalated with Newcastle prices averaging just over US\$300/t for April after bottoming out in 2020 at below US\$50/t. This kind of acute rally not witnessed since the GFC when prices spiked to about US\$200/t. The rally in commodity prices, both soft and hard, being driven by strong demand due to world economic growth, supply imbalances and some element of speculative behaviour. The rally in thermal coal miners has impacted relative performance as we have no direct exposure in the Fund. Economic sanctions against Russia do not appear to be curtailing the conflict but are causing volatility in commodity prices which is flowing into sharemarkets and contributing to intense inflationary pressures. Central banks lifting interest rates and the bond market rally continue to weigh on long duration assets (i.e. high valuations with low or no earnings) and are affecting sentiment towards consumer discretionary sectors, including retailers and housing exposed businesses.

Major Contributors for the Month

Flight Centre (FLT.ASX) – following the trend in March, FLT rose 15% over the month of April. FLT and other travel companies continue to reveal improving demand for travel, with the corporate travel division now at 76% of pre-COVID levels for the month of March and Leisure around 45% (based on total transactional values). Positively, FLT returned to positive free cash for the month of March, so balance sheet pressure has now abated. Travel in the Northern Hemisphere is rebounding strongly, and we believe there are signs travel may over-recover after two years of restrictions, however, we feel all restrictions must be removed globally for this to come to fruition. Many countries in Europe including the UK have abolished all such COVID restrictions, however, the USA, Asia and Pacific regions continue to lag. We believe FLT is trading on < 10x recovered EV/EBIT at current levels with its cost base reset for structurally higher earnings and returns.

Vita Group (VTG.ASX) – gained 43% in April after announcing a significant increase in its forecast final special dividend relating to the sale of its Telstra store network. The increase due to pressure primarily from Spheria and other major shareholders. Post the special dividend, the business will still have approximately \$20m of cash on balance sheet, which is enough capital to fund the Artisan business back to profitability and provide ample liquidity to fund greenfield opportunities. In a normal year, Artisan generates about \$30m in annual revenue, the current implied market valuation is less than \$30m, which feels light in context of the revenue and potential earnings.

Megaport (MP1.ASX, not owned) fell almost 38% in April, driven by a weak Q3 report and the ongoing sell-off in technology names. The business reported soft revenue growth, behind analysts' expectations, seeing the stock fall over 21% on the day. This is a business we have avoided owning, as it is loss-making and has negative operating cash flows, both of which are key pillars to our investment process.

Major Detractors for the Month

Here, There & Everywhere (HT1.ASX) – fell 11% over the month, on no obvious news flow. The company delivered a strong CY21 result with the radio advertising market recovering and audience share remaining strong. The business has the No.1 rated metro radio network in Australia and recently acquired the largest regional player, to expand and complete its national presence and grow its digital offering, IHeartRadio. HT1 is inexpensive trading at less than 7x EV/EBITA.

Whitehaven Coal (WHC.ASX, not owned) – rose almost 19% over the month, benefiting from incredibly strong thermal coal prices. The company announced excellent Q3 results over the month, with record production and cashflow, and a balance sheet that has returned to net cash. Whilst the business is extremely cheap, trading on ~2x free cash flow, it is a highly cyclical industry which means extrapolating current thermal prices is dangerous, particularly given some level of speculation is now manifesting in all commodity prices. Notwithstanding this dynamic, we did miss an opportunity to buy a position at lower levels due to balance sheet concerns at the time which proved misplaced due to the strong rebound in thermal coal prices that delivered a windfall of free cash flow allowing the company to quickly pay down outstanding debt.

Nitro Software (NTO.ASX) – fell over 10% in April, impacted by the broad sell off in growth and technology names. NTO is a business we like due to its recurring revenue base and strong potential growth opportunities in PDF productivity and high trust signing. However, it is marginally loss making, with these types of businesses being punished recently due to a market that is reassessing risk. In April, NTO announced that strong growth in revenue had continued and that it expected to move towards cashflow breakeven by 2023. Trading on <2x FY23 EV/Sales, we believe the business is currently trading inexpensively for a business with strong growth prospects and a line of sight to profitability.

Outlook & Strategy

The negative sentiment and general weakening of sharemarkets is creating significant opportunity for cash flow and valuation focused investors like ourselves. We are comfortable with our investments as balance sheets are strong and thus in the event of a weaker economy, they are in position to ride out the downturn and capitalise on opportunities that may present.



Spheria Australian Smaller Companies Fund

ARSN 117 083 762 | APIR WHT0008AU | mFund SPM02

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.

AMP North	HUB24	MLC Navigator	PowerWrap
Asgard	IOOF eXpand	MLC Wrap	Praemium
BT Panorama	IOOF Wrap	MLC Wealth Administration	Premium Choice
CFS FirstWrap	Macquarie Wrap	Netwealth	SimpleWrap
DPM	Mason Stevens	OneVue	Wealth02 uXchange
FNZ Group			

Spheria Australian Smaller Companies Fund	
Benchmark	S&P/ASX Small Ordinaries Accumulation Index
Investment Objective	Outperform the S&P/ASX Small Ordinaries Accumulation Index over the medium to long term
Investing Universe	Primarily listed companies outside the top ASX 100 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	Half-Yearly
Fees	1.10% p.a. Management fee & 20% performance fee of the Fund's excess return versus its benchmark, net of management fee.
Cash	Up to 20% cash, typically 5% - 10%
Expected Turnover	30% - 40%
Style	Long only
APIR	WHT0008AU
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

This communication is prepared by Spheria Asset Management Pty Limited ("Spheria") (ABN 42 611 081 326, Corporate Authorised Representative No. 1240979) as the investment manager of the Spheria Australian Smaller Companies Fund (ARSN 117 083 762) (the "Fund"). Pinnacle Fund Services Limited ("PFSL") (ABN 29 082 494 362, AFSL 238371) is the product issuer of the Funds. PFSL is not licensed to provide financial product advice. PFSL is a wholly-owned subsidiary of the Pinnacle Investment Management Group Limited ("Pinnacle") (ABN 22 100 325 184). The Product Disclosure Statement ("PDS") and Target Market Determination ("TMD") of the Fund are available via the links below. Any potential investor should consider the PDS and TMD before deciding whether to acquire, or continue to hold units in, the Fund.

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

This communication is for general information only. It is not intended as a securities recommendation or statement of opinion intended to influence a person or persons in making a decision in relation to investment. It has been prepared without taking account of any person's objectives, financial situation or needs. Any persons relying on this information should obtain professional advice before doing so. Past performance is for illustrative purposes only and is not indicative of future performance. Unless otherwise specified, all amounts are in Australian Dollars (AUD).

Whilst Spheria, PFSL and Pinnacle believe the information contained in this communication is reliable, no warranty is given as to its accuracy, reliability or completeness and persons relying on this information do so at their own risk. Subject to any liability which cannot be excluded under the relevant laws, Spheria, PFSL and Pinnacle disclaim all liability to any person relying on the information contained in this communication in respect of any loss or damage (including consequential loss or damage), however caused, which may be suffered or arise directly or indirectly in respect of such information. This disclaimer extends to any entity that may distribute this communication.

Any opinions and forecasts reflect the judgment and assumptions of Spheria and its representatives on the basis of information available as at the date of publication and may later change without notice. Any projections contained in this presentation are estimates only and may not be realised in the future. Unauthorised use, copying, distribution, replication, posting, transmitting, publication, display, or reproduction in whole or in part of the information contained in this communication is prohibited without obtaining prior written permission from Spheria. Pinnacle and its associates may have interests in financial products and may receive fees from companies referred to during this communication.

This may contain the trade names or trademarks of various third parties, and if so, any such use is solely for illustrative purposes only. All product and company names are trademarks™ or registered® trademarks of their respective holders. Use of them does not imply any affiliation with, endorsement by, or association of any kind between them and Spheria.

Zenith Disclaimer: The Zenith Investment Partners ("Zenith") (ABN 27 103 132 672, AFSL 226872) rating (assigned Spheria Australian Smaller Companies Fund – February 2022) referred to in this piece is limited to "General Advice" (s766B Corporations Act 2001) for Wholesale clients only. This advice has been prepared without taking into account the objectives, financial situation or needs of any individual, including target markets of financial products, where applicable, and is subject to change at any time without prior notice. It is not a specific recommendation to purchase, sell or hold the relevant product(s). Investors should seek independent financial advice before making an investment decision and should consider the appropriateness of this advice in light of their own objectives, financial situation and needs. Investors should obtain a copy of, and consider the PDS or offer document before making any decision and refer to the full Zenith Product Assessment available on the Zenith website. Past performance is not an indication of future performance. Zenith usually charges the product issuer, fund manager or related party to conduct Product Assessments. Full details regarding Zenith's methodology, ratings definitions and regulatory compliance are available on our Product Assessments and at <https://www.zenithpartners.com.au/our-solutions/investment-research/fund-research-regulatory-guidelines/>.

Lonsec Disclaimer: The Lonsec rating (assigned as follows: Spheria Australian Smaller Companies Fund October 2021) presented in this document is published by Lonsec Research Pty Ltd ("Lonsec") (ABN 11 151 658 561, AFSL 421445). The Rating is limited to "General Advice" (as defined in the Corporations Act 2001 (Cth)) and based solely on consideration of the investment merits of the financial products. Past performance information is for illustrative purposes only and is not indicative of future performance. They are not a recommendation to purchase, sell or hold Affiliate Name products, and you should seek independent financial advice before investing in these products. The Ratings are subject to change without notice and Lonsec assumes no obligation to update the relevant documents following publication. Lonsec receives a fee from the Fund Manager for researching the products using comprehensive and objective criteria. For further information regarding Lonsec's Ratings methodology, please refer to our website at: <https://www.lonsec.com.au/investment-product-ratings/>.