

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	1.9%	-4.6%	12.8%	12.1%	12.5%	11.6%
Benchmark ²	0.0%	-7.7%	5.0%	7.7%	9.4%	8.2%
Difference	1.9%	3.1%	7.8%	4.4%	3.1%	3.5%

¹ Sphera 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.



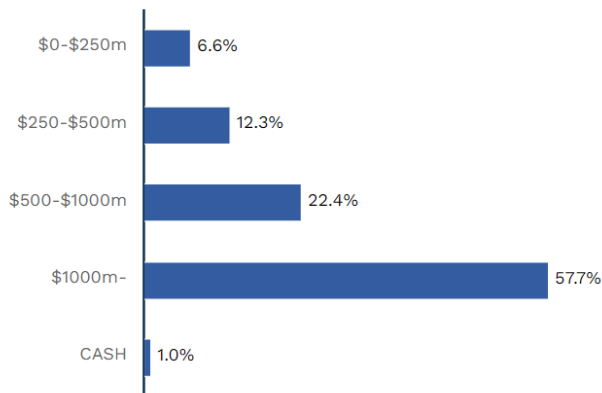
Overall Commentary

The Sphera Australian Smaller Companies Fund returned 1.9% (after fees) during the month of February, outperforming the ASX Small Ordinaries Accumulation Index by 1.9%.

Top 5 Holdings

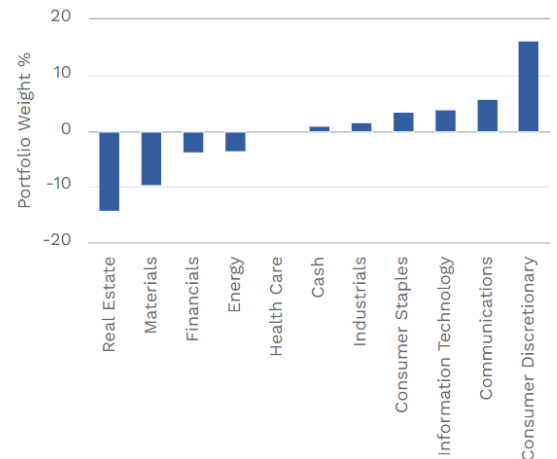
Company Name	% Portfolio
InvoCare Limited	5.3
Blackmores Limited	4.6
Flight Centre Travel Group Limited	4.6
Michael Hill International Limited	4.5
Monadelphous Group Limited	4.0
Top 5	22.9

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

Monadelphous (MND.ASX) rallied 26% over February. MND reported its 1H22 results in February which beat expectations, with the Company's Maintenance and Industrial Services division achieving a record half of sales. Overall profitability rebounded strongly after being heavily affected by government restrictions that constrained the supply of labour in the WA market. With restrictions now being eased, we believe the worst of it is behind them. In addition, the business has strong industry tailwinds, with elevated levels of demand for its core services due to buoyant commodity prices. We continue to like the business as MND has one of the best sector performance histories – executional excellence, consistent cash flow and a conservative management team. The business currently has a net cash balance sheet (\$175m net cash) and is trading on an EV/EBIT of around 10 x FY23.

Invocare (IVC.ASX) rose 16% over the month, strongly outperforming the market. The company reported its full year 2021 result in February, which rebounded strongly after being affected in CY20 by government restrictions. IVC operates funeral and memorial services across Australia, New Zealand, and Singapore. The company is most of its way through a significant refurbishment program that will enable it to sustain or even increase market share. Counterintuitively, excess deaths in Australia have trended negatively for the last two years despite a pandemic. Unfortunately, we believe a return to normal levels will benefit industry participants including IVC. Trends in excess death rates overseas lend support to this thesis.

Adbri (ABC.ASX) outperformed over the month, after reporting its CY21 result, that beat expectations. The business grew revenue 8% driven by improved demand across residential, infrastructure and commercial sectors. The group's lime volumes were better than expected, buoyed by demand from alumina, gold and nickel producers. The company also announced in January that it has extended its supply of quicklime to Alcoa until 2023, we view this as a significant structural positive. In addition, the company continues to be a large land holder, which they will continue to monetise over time.

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.

City Chic Collective (CCX.ASX) detracted from performance as the share price declined 20%, after the company announced its 1H22 result. After being a significant COVID beneficiary, like several other retailers over 2021, the market reacted poorly to its first half 2022 results, as the company announced increased costs and a significant increase in inventory which in the near term will impact cash flow conversion and their cash position. The higher costs and increased inventory are part cyclical but also reflect the growing geographic breadth of the business and channels to market. The long-term story remains intact; however, we expect margins and therefore profitability to be lower than expected to fund the robust growth profile.

Sims Limited (SGM.ASX – Not Owned) surged 28% over February, as the company delivered earnings well above expectations, driven by strong macro-economic conditions, in particular plentiful scrap supply and steel demand and rising commodity prices in particular copper. We exited our position in SGM last year after a significant rally in the share price, it has now rebounded back to and above those levels. We continue to believe it is solid business, however, the cyclical nature of the industry warrants some caution if extrapolating current margins and profitability.

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 Smaller Companies Fund

ARSN 117 083 762 | APIR WHT0008AU | mFund SPM02

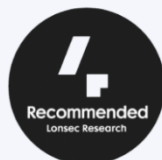
Platform Availability List

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

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

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