

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	4.7%	5.6%	16.8%	6.1%	8.8%	9.5%
Benchmark ³	4.8%	7.5%	13.8%	2.7%	5.4%	6.4%
Difference	0.0%	-2.0%	3.0%	3.4%	3.3%	3.1%

¹ Inception date is 11 July 2016. Past performance is not a reliable indicator of future performance. All p.a. returns are annualised.

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

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



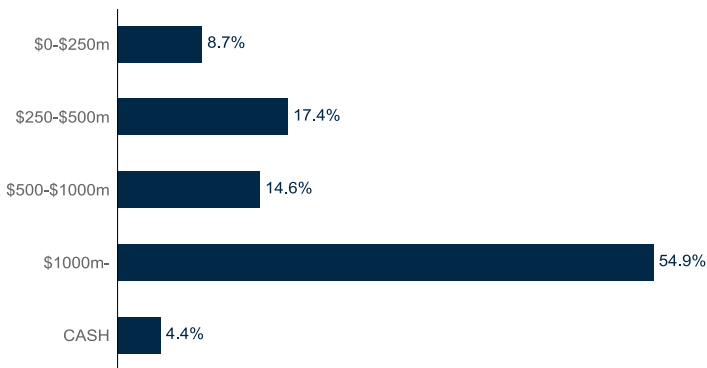
Overall Commentary

The Fund returned 4.7% (after fees) for the month of March, performing in line with the S&P-ASX Small Ordinaries Accumulation Index.

Top 5 Holdings

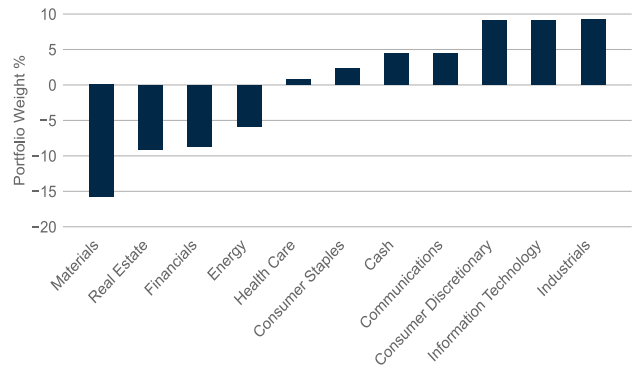
Company Name	% Portfolio
Bega Cheese Limited	4.4
Vista Group International Limited	4.0
IRESS Limited	3.8
Supply Network Limited	3.6
Healius Limited	3.6
Top 5	19.4

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, these markets do not suit us as valuation discipline is far outweighed by fever-pitched speculation. However, this time was different, and the fund managed to keep pace with the benchmark in March. 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%), Universal Store Holdings (UNI.ASX, +16%) and Healius (HLS.ASX, +19%).

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 not owning Life360 (360.ASX, +60%) and overweight positions in Bega Cheese (BGA.ASX, -1%) and Smartgroup Corporation (SIQ.ASX, -12%).

Bega Cheese (BGA.ASX) share price was broadly flat over the month which underperformed a market that rose strongly. The company delivered their 1H24 results in February with branded revenue growth offset by some weakness in bulk due to relatively weak commodity prices. However, there was some improvement in the milk supply late in the period which enabled the company to deliver results ahead of market expectations. The decline in Australian milk supply over recent years has forced processors to chase market share at the expense of returns in the industry. Management believes there are signs the decline in milk supply is potentially bottoming out and competition abating. This could be a major inflection point for the industry particularly if recent improvements in export prices are sustained. Whilst the company has re-rated in the last six months, earnings have also improved, and we continue to believe the business offers value underpinned by a strong branded portfolio.

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 Smaller Companies Fund is available on the below Platforms. Platforms provide 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.

AMP North	Freedom of Choice	Mason Stevens	PowerWrap (IDPS only)
Asgard	HUB24	mFund	Praemium
BT Panorama	Insignia Expand	MLC Navigator	Premium Choice
CFS FirstWrap	Insignia Financial Wrap	MLC Wrap	
DASH	IOOF Portfolio Service	Netwealth	
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 the 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



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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