

Performance as at 31 December 2024

	1 Month	3 Months	1 Year	3 Years p.a.	5 Years p.a.	Inception p.a ¹
Fund ¹	0.5%	1.9%	10.1%	2.1%	8.4%	9.2%
Benchmark ³	-3.1%	-1.0%	8.4%	-1.6%	4.0%	5.9%
Difference	3.6%	3.0%	1.7%	3.7%	4.4%	3.2%

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 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.

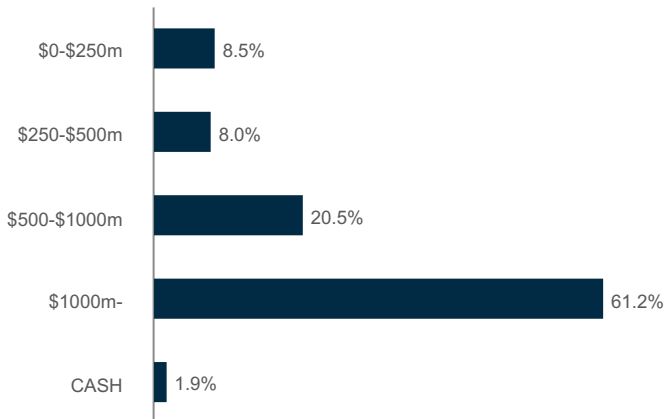
Overall Commentary

The Spheria Australian Smaller Companies Fund returned 0.5% (after fees) for the month of December, strongly outperforming the S&P/ASX Small Ordinaries Accumulation Index by 3.6%.

Top 5 Holdings

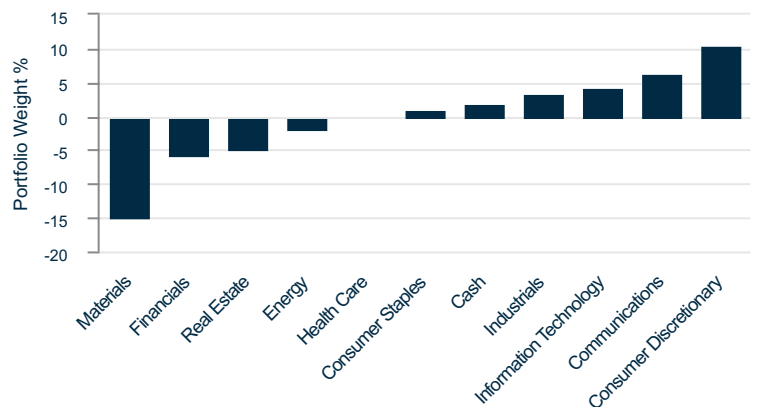
Company Name	% Portfolio
Supply Network Limited	5.7
Insignia Financial Limited	5.4
Healius Limited	4.5
Fletcher Building Limited	4.2
Bega Cheese Limited	3.6
Top 5	23.3

Market Cap Bands



Source: Spheria Asset Management

Active Sector Exposure



Source: Spheria Asset Management

Markets

After a strong year equity markets finished lower in December. Smalls finished the year up 8.4%, whilst large caps outperformed, rising 11.7%. This marks the third year of outperformance of large-caps over small-caps brought on by a period of record inflation and a sharp rise in interest rates. The timing of a reversion feels more imminent with interest rates in most developed economies now on the decline, with Australia expected to follow suit over the coming months. Falling rates, as witnessed in prior cycles, has tended to bode well for smaller companies outperforming large caps. From a fund perspective stock selection across most sectors drove the relative outperformance over the month.

Major Contributors to Performance

Over the month the largest contributors were from owning Bravura Solutions (BVS.ASX, +46%), an overweight position in Insignia Financial (IFL.ASX, +13%), and owning Supply Network (SNL.ASX, +5%).

Bravura Solutions (BVS.ASX) share price rose +46% during the month, after the company increased their FY25 earnings expectations and announced the recommencement of dividends in addition to an already announced capital return. Management now expects revenue to grow in FY25, albeit modestly, this is a notable positive with the business returning to topline growth after a significant period of cost out to realign the cost base and return the business to profitability. New management have successfully delivered on the business turnaround and the recommencement of the dividend reinforces management's confidence in the stability of earnings. BVS has been one of the top performers for the small-cap fund over the last year, having risen over 160%. The company is well positioned to win market share in the superannuation administration market if there is a shift to insourcing and away from outsourcing given the strength of its Sonata platform.

Major Detractors from Performance

The largest detractors from performance included not owning Mesoblast (MSB.ASX, +75%), an overweight position in Fletcher Building (FBU.ASX, -10%), and an overweight position in Domain Holdings Australia (DHG.ASX, -12%).

Fletcher Building (FBU.ASX) returned -10% during the month with the NZ economy remaining in recession and housing construction extremely weak. In November, the company announced that its subsidiary, Iplex Pipeline Australia together with the WA Government had reached an agreement surrounding the plumbing issues caused by Iplex Pro-Fit pipes. Iplex AU (100% owned by FBU) is expected to record a pre-tax provision of A\$155m in its FY25 statements in relation to these issues. If BGC, who was the homebuilder responsible for 65% of the installation, agrees to participate in the Industry Response then Iplex's direct costs will be proportionately lower. The announcement provides clarity around total costs for the business after over a year of deliberation and negotiations with the WA government and associated parties. The group recently de-levered via an equity raise and the sale of Tradelink, the macro appears to be close to bottoming and any cyclical rebound will support growth in the business which is trading on around 5-6x through the cycle EV/EBITA.

Outlook & Strategy

The past year marked another year where momentum largely triumphed over logic. The small cap market was marked by a significant uplift in the stocks with earnings growth with scant regard to valuations. Correspondingly, businesses with earnings cyclical and downgrades plumbed new lows. With apparently fewer investors looking to fundamentals - just ask an ETF or index fund what multiple their underlying investments are trading on – it shouldn't be surprising that things have somewhat disconnected from the economic laws of gravity. Just as a law is a law and not an opinion, however, our view on the weighing ability of the stock market longer term remains intact. Whilst momentum has been the friend of some this year, we have seen the momentum engine slow and reverse previously and have a strong sense of déjà vu. The more things change the more they stay the same.

Despite the bifurcation of the smaller cap market this year the Fund has outperformed both this year and over most timeframes since inception. With our continued focus on cashflow generating businesses and valuations we steadfastly hold that these tenets are likely to continue lead to long-term outperformance.

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	DASH	Macquarie Wrap	OneVue
Asgard	Freedom of Choice	Mason Stevens	PowerWrap
BT Panorama	HUB24	mFund	Praemium
Centric	Insignia Expand	Netwealth	
CFA FirstWrap	Insignia Financial Wrap		

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
Risk	Very high
Holdings	Generally 20-65 stocks
Distributions	Half-Yearly
Fees	1.10% p.a Management fee & 20% performance fee of the Fund's excess return verses 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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