

Performance as at 30 June 2023

	1 Month	3 Months	1 Year	3 Years p.a.	4 Years p.a.	Inception p.a. ¹
Fund ²	2.4%	3.7%	22.5%	12.9%	12.0%	12.5%
Benchmark ³	3.3%	3.9%	16.7%	11.7%	7.7%	7.6%
Difference	-1.0%	-0.1%	5.8%	1.2%	4.3%	5.0%

¹ Inception date is 01 March 2019. Past performance is not a reliable indicator of future performance. All p.a. returns are annualised.

² Spheria Global Opportunities Fund. Returns of the Fund are net of applicable fees, costs, and taxes.

³ Benchmark is the MSCI World Small Cap Index (net in AUD) for all periods. Please note that the Benchmark from inception to 30 June 2021 was the MSCI Kokusai Microcap Index (net in AUD) and from 1 July 2021 to 30 September 2022 was the MSCI World Microcap Index (net in AUD).

Please note the strategy of the Fund changed effective 1 October 2022. The Spheria Global Opportunities Fund was previously known as the Spheria Global Microcap Fund which targeted global listed microcap companies (companies with a market capitalisation of US\$1 billion and below at time of purchase).



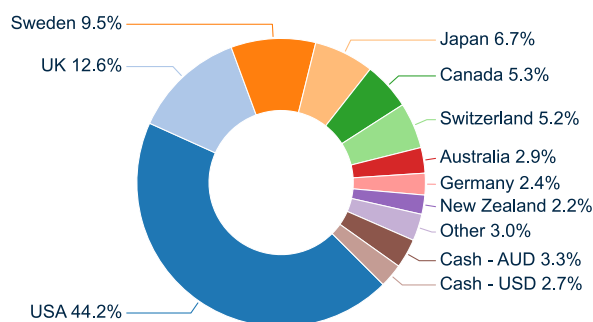
Overall Commentary

The Spheria Global Opportunities Fund performance for the month of June was +2.4% (net of fees), underperforming the MSCI World Small Cap Index by -1.0%.

Top 5 Holdings

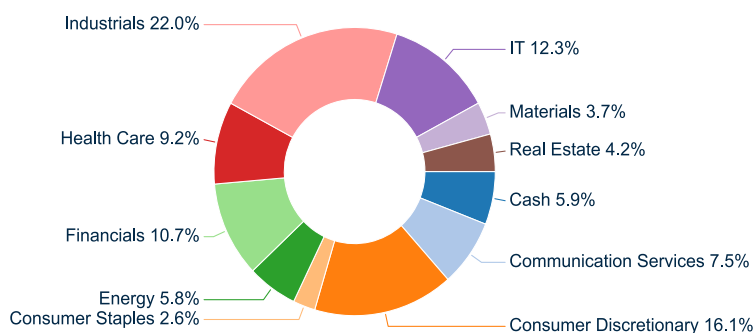
Company Name	% Portfolio
Zillow Group, Inc. - Class C Capital Stock	4.2
Accelaron Industries AG	3.3
Ferguson plc Ordinary Shares	3.2
Sapiens International Corporation N.V. - Common Shares	3.2
Hargreaves Lansdowne plc	3.0
Top 5	16.9

Regional Exposure



Source: Spheria Asset Management

Sector Exposure



Source: Spheria Asset Management

Markets

Market strength was driven by the energy, industrials and consumer discretionary sectors, with weakness in utilities, staples, health care and real estate.

By region, the US performed strongly whilst Japan underperformed, exacerbated by the continued slide in the Yen vs the USD, consistent with a multi-decade high in the interest rate differential between the two countries.

In the past three months we've made a number of changes to the portfolio. We've trimmed winners, including AB Dynamics (ABDP.LN), Computer Modelling Group (CMG.CN), and Mader (MAD.ASX). We've added to underperformers, including Sapiens (SPNS.US) and Coltene (CLTN.SW). And we've initiated a number of new positions in businesses where we see valuation support and portfolio diversification benefits, including CarGurus (CARG.US), Zuken (6947.JP), and Intertek (ITRK.LN).

The portfolio continues to exhibit positive characteristics versus the benchmark, including a superior ROE, a higher free cash flow yield and materially lower financial leverage. This combination of traits bears the hallmarks of our philosophy, where we aim to provide investors with exposure to high quality, cash generative businesses whilst minimising exposure to undue risk.

Major Contributors to Performance

The top 3 contributors to the fund's relative performance were Vista Group (+30%), CarGurus (+17%) and BioGaia (+8.5%).

Vista Group (VGL NZ) – The share price has bounced hard off its May lows as investors warm to the prospects of this dominant software and analytics solutions provider to the global film industry. Vista delivered its full year results in March, with revenue growing 38% and free cash flow moving into positive territory after several challenging years due to COVID restrictions on cinemas. In addition, the company continued to deliver on its strategy of transitioning clients from on premise to the cloud (i.e. SAAS) which has required significant upfront investment by the company. Once complete, this transition will increase recurring revenue by 3-5x versus current maintenance license revenue and result in significant positive operating leverage for the business and commensurate free cash flow generation. We don't believe that the market is ascribing sufficient value to the potential SaaS like nature of the revenue in combination with VGL's dominance of the cinema industry. Vista has >50% market share by screens globally (excluding China). The business has a net cash balance sheet and marginal cash burn this year before moving structurally into positive territory from late CY24.

Major Detractors from Performance

The bottom 3 contributors were Napco (-9%), Somero (-14%), and BML (-10%).

Somero (SOM LN) – Issued a trading update during the month in which it said that it expects revenue in the first half to be 15-20% below the prior year comparative due to factors affecting the US market, with full year revenue expected to be around 10% lower than the prior year. Factors cited were elevated interest rates, tightened bank lending standards and, to a lesser degree, construction permitting delays.

In response, the company is reducing its operational workforce by 10% and will manage down inventory levels. Full year earnings are expected to be US\$36m or 16% below market consensus. The market's response was swift and unforgiving, with an immediate 12% share price decline, followed by a further 8% in the following weeks. At the time of writing, Somero is trading near its 3-year low and has more than halved from its Jan-22 peak.

Somero pioneered the laser screed machine in 1986. It's patented, laser-guided technology automates the process of laying concrete slabs for commercial flooring and provides a high level of precision at a significantly higher rate of efficiency. Somero's products are productivity and quality enhancers for its concrete contractor customers. It is the clear industry innovator, offering more than 20 products protected by over 100 patents.

Most of Somero's revenue is generated in north America and its key demand driver is non-residential construction, which sits at historically high levels as highlighted by numerous market indices. The likelihood that spending would come off its peak in response to higher interest rates and weaker demand is not a surprise to us and is built into our forecasts. But we regret not being more alert to how the market would react to an inherently cyclical (albeit high quality and well run) business moving past the high point of its current earnings cycle.

Outlook & Strategy

Across the fund 68% of our holdings have net cash balance sheets as well as offering superior return profile and cash flow characteristics. We believe these characteristics are likely to provide investors with the best through the cycle returns with materially lower risk.

An exceedingly optimistic mood has returned to markets after a brief hiatus in the latter part of 2022 and early 2023. This has surprised many, as it's run contrary to the popular heuristic, "don't fight the Fed". Fighting the Fed has rarely been so profitable, serving as a timely reminder that there are no golden rules when it comes to investing. AI-fueled enthusiasm and an ingrained belief that a flurry of interest rate cuts lies just over yonder has more than countered the actions of central bankers the world over.

This latest move has re-established the historically wide performance gap between large and small stocks. Where that spread goes in the near term is truly unknowable. But if history is any guide and we are indeed nearing a peak in the rate cycle, then the odds favour a period of small company outperformance in the not-too-distant future.

Platform Availability List

The Spheria Global Opportunities 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.

Asgard

HUB24

Macquarie Wrap

Praemium

BT Panorama

Xplore Wrap

Spheria Global Opportunities Fund	
Benchmark	MSCI World Small Cap Index
Investment Objective	Outperform the MSCI World Small Cap Index in AUD (Net) over the long term
Investing Universe	Global listed small cap and microcap companies with a market capitalisation equal to or lower than the market capitalisation of the largest issuer in the MSCI Global Small Cap Index at the time of purchase
Holdings	Generally 30-80 stocks
Distributions	Annually
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
Expected Turnover	20% - 40%
Style	Long only
APIR	WHT6704AU
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

Disclaimer

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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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