Spheria Global Opportunities Fund

ARSN 627 330 287 | APIR WHT6704AU

Performance as at 30 June 2025

	1 Month	3 Months	1 Year	3 Years p.a.	5 Years p.a.	Inception p.a.[1]
Fund[2]	0.6%	4.5%	13.1%	13.9%	11.7%	11.7%
Benchmark[3]	2.8%	6.1%	16.7%	14.0%	12.1%	9.1%
Difference	-2.3%	-1.6%	-3.5%	-0.1%	-0.4%	2.5%

[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).

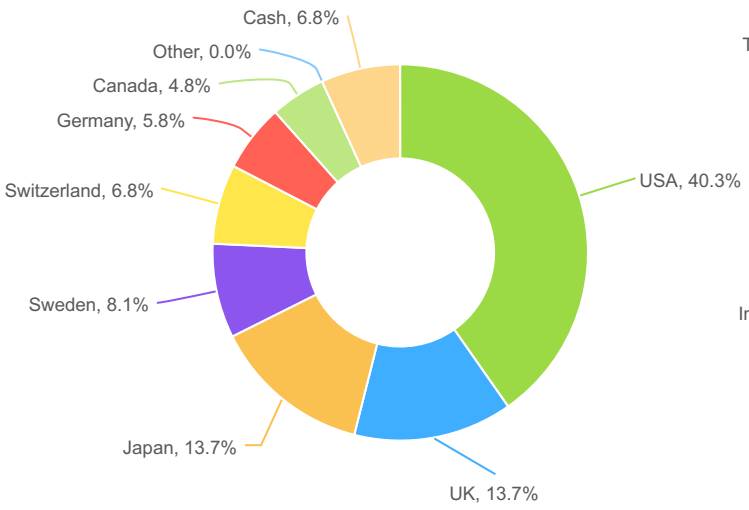
Overall Commentary

In the quarter ended 30 June 2025, the Fund returned +4.5%, underperforming the MSCI World Small Cap Accumulation Index (Net Return) AUD by 1.6%.

Top 5 Holdings

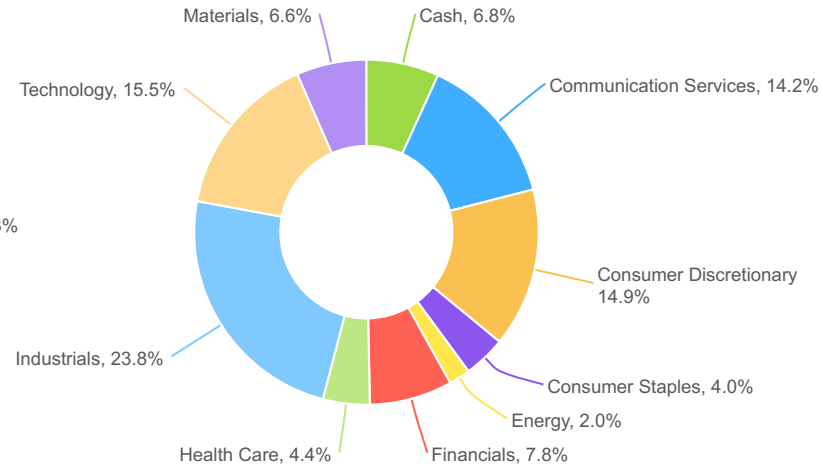
Company Name	% Portfolio
Accelleron Industries AG	5.0
Cargurus Inc	5.0
Zuken Inc	4.6
Intertek Group PLC	4.4
Hemnet Group AB	4.1
Top 5	**23.1**

Regional Exposure



Source: Spheria Asset Management

Sector Exposure



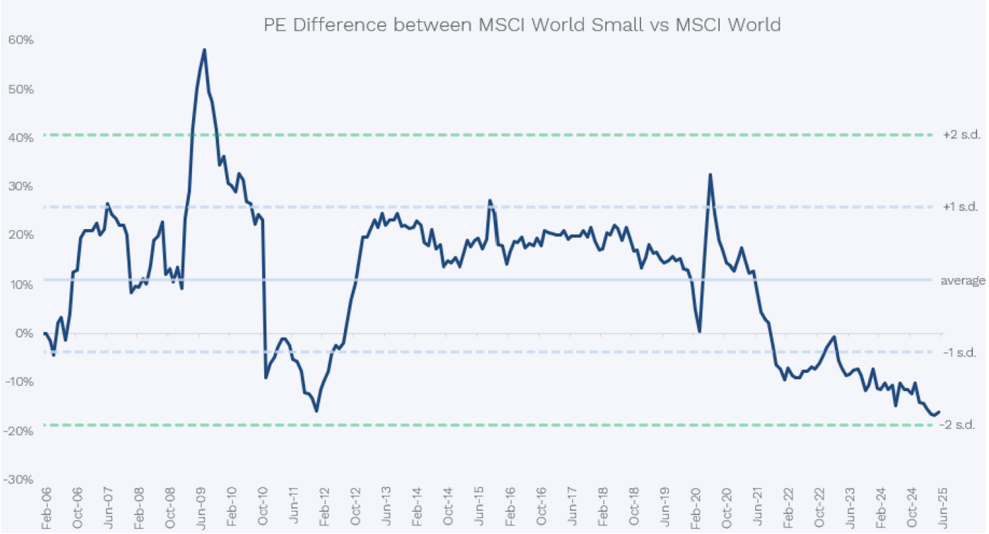
Source: Spheria Asset Management, Bloomberg

Markets

The US market continued to underperform in the quarter, whilst the UK and Europe both outperformed. As we've highlighted previously, the market's willingness to embrace the bull case associated with the second Trump presidency (lower taxes and regulations) struck us as one-sided at the time given the economic risks associated with its other policy ambitions – Namely tariffs and mass deportations. We continue to see the US market as relatively expensive, particularly once the true cost of stock-based compensation is accounted for (it's typically ignored when quoting valuation multiples).

Technology stocks surged in the quarter, recovering much of the ground that was ceded in the previous quarter, whilst healthcare names remained friendless as the shadow of US government policy risk continues to loom large.

Small cap stocks modestly outperformed large caps in the quarter. But as can be seen in the chart below, the valuation differential (in favour of small caps) remains at historic levels.



Source: Spheria, Bloomberg (June 2025)

Major Contributors to Performance

Over the quarter the largest contributors were an overweight position in Accelleron (ACLN SW, +48%), owning Ferguson Enterprises (FERG US, +30%), and owning Fielmann Group (FIE GR, +40%).

Accelleron (ACLN SW) – Accelleron is the Swiss-based global leader in the manufacture of "off-highway" turbochargers for sale to engine OEM's in the merchant marine and energy markets. For these customers, turbochargers are mission critical, helping to reduce fuel consumption, operating costs and emissions, for a given level of power. Accelleron has achieved market leadership by optimizing the balance between performance and durability - Marine vessels run for 5k hours pa (roughly the lifetime of a car) and the velocity at the tip of the turbine blade is close to the speed of sound!

Last quarter the stock was a detractor from the Fund's performance, having been caught up in tariff-related selling pressures. With the benefit of hindsight this would have been a great buying opportunity, with the stock rebounding over 50% since that time to make new highs. The reasons for this appear to be twofold.

Firstly since 'Liberation Day' (2nd April), markets have breathed a long and collective sigh of relief as the US approach to tariff negotiations has inclined towards compromise. Over 50% of Accelleron's revenue comes from selling turbochargers and associated services to the merchant marine industry, so a reduction in global trade would clearly be unhelpful for the business. Having said that, the shorter-term impact would be modest given 75% of group revenue comes from servicing the existing fleet of turbochargers and the shipyards are book through at least 2027-28, meaning that turbocharger deliveries for newbuilds will continue regardless of short-term trade trends.

The other factor driving Accelleron's recent bounce is the strength of the Swiss franc. Around 50% of its revenue negotiated, priced and settled in Swiss francs, which has rallied ~15% off the lows from earlier this year. As the company reports in USD, this will benefit the company from both a transactional and translational standpoint.

Further, in April the IMO (International Maritime Organisation) announced a tightening of its climate regulations from October 2025 where fleet owners with aggregate emissions in excess of a predefined limit must pay into the IMO's Net Zero Fund (and vice versa for low emitters). This, along with datacentre demand for both backup and baseload power, provide further tailwinds for Accelleron's business.

Following the recent rally the stock is looking more fairly priced at 19x FY26 EBITA. Having said that the company is executing well, outperforming ours and the market's expectations as it gains share in turbochargers and broadens its product suite into new and growing TAMs. The balance sheet is strong and its cash flow and returns are phenomenal, and as such it remains a core holding in the Fund.

Ferguson Enterprises (FERG US) - Ferguson is the market leader in the U.S. wholesale distribution of plumbing, HVAC, and waterworks products. The company plays a critical role in connecting a large and fragmented supplier base with an even broader and more fragmented customer base. Notably, Ferguson is the only major distributor that's expanding and enhancing its distribution center capabilities—a key differentiator that strengthens its competitive moat versus its fragmented and franchise-heavy competitors.

While deflationary pressures have weighed on earnings since early 2024, 3Q FY24 marked a turning point, with price inflation picking up for the first time since late 2023 and exceeding expectations. This supported a re-rating in Ferguson's share price, driven in part by stronger-than-expected commodity prices and improving trends in finished goods.

We are particularly positive on Ferguson's exposure to HVAC and waterworks, which have helped to deliver five consecutive quarters of positive volume growth. In addition, U.S. onshoring remains a strong tailwind. Even after its recent rally, the stock trades on just 17x FY26 EBIT, which is more than fair for a market leader that continues to gain market share and generate returns north of 30%.

Major Detractors from Performance

The largest detractors from performance included owning LKQ Corporation (LKQ US, -17%), owning Hemnet Group (HEM SS, -16%), and an overweight position in Core Laboratories (CLB US, -21%).

Hemnet Group (HEM SS) – Hemnet operates the dominant online real estate portal in Sweden, connecting property buyers, sellers and real estate agents on the one platform. The company was founded in 1998 and by the 2000's had become Sweden's default property marketplace with listings from nearly all real estate agencies flowing to the site, making it a high traffic, high trust platform. Today Hemnet garners >40m visits to its website per month and 16x more clicks on listings than its nearest competitor.

Hemnet's share price declined by 25% during the quarter and is down more than 30% from its mid-February peak. This is partly due to a weak listings environment, with June -9% yoy. The sell off also comes on the back of concerns expressed by the Swedish Competition Authority over Hemnet's market dominance and the Real Estate Agency Inspectorate over Hemnet's agent remuneration structure. No formal investigation has been confirmed by either group.

Longer term, we do not expect these issues to have a material impact on Hemnet's valuation. Thus we have used the share price weakness as an opportunity to add to the Fund's position in the stock.

We may write in greater detail about these issues in the coming weeks or months to further elucidate our thinking. But in summary:

- Hemnet is not a monopoly – Indeed, the number 2 real estate platform in Sweden (Booli) has been aggressively acquiring eyeballs and publicly expressing confidence that these are translating into real revenue market share gains. So the market seems to be simultaneously concerned that Hemnet may be exercising monopoly powers AND facing the threat of competition.
- Despite the noise being made by Booli, there is no evidence of any share loss. 9 out 10 homes sold in Sweden in 2024 were advertised on Hemnet, unchanged from the prior 5 years.
- Any time a company exercises its pricing power the way that Hemnet has (+35%pa over 5yrs), it risks stakeholder blowback as well as some sort of competitive response. Whilst the rate of price increases has been rapid, the level (both in absolute terms and as a proportion of property value) remains more than fair in a global context.
- We are strongly of the view that the amount of value captured by real estate portals versus real estate agents is grossly disproportionate in favour of the agents and that Hemnet is very early on the journey of rebalancing this equation.
- The Real Estate Agency Inspectorate concerns over Hemnet's agent remuneration structure may perversely be a positive for the company. It is our view that the strength of Hemnet's network effects is such that there's little need to pay agent commissions, so having them forcibly reduced or removed would boost earnings without impacting market share.
- Listings can be volatile period-to-period. But ultimately, they tend to oscillate around and ultimately revert to the mean.

Whilst this assortment of obstacles must undoubtedly be navigated thoughtfully by Hemnet's board and management, we are confident that they can do so. Following the recent sell-off, the stock trades on an FY26 EBITA multiple of 26x, which is very attractive for a market leading real estate portal with strong network effects, generating strong cash flow and returning capital to shareholders via dividends and share buybacks.

LKQ Corporation (LKQ US) - LKQ is a large supplier of auto parts to collision repairers in the US and mechanics in Europe. LKQ is the scale player in most of its markets – It is 10x the size of the #2 player in the key North American market and the #1 in 12 of its 20 European markets. Critically scale matters a lot in auto parts distribution as it translates into superior service (fill rates and cycle times) and buying power.

The risk/reward equation for LKQ is highly favourable as it is trading on a low EBIT multiple of 11x with cyclically depressed earnings. As the rate of vehicle insurance premium inflation subsides and used car prices firm, vehicles owners will become more inclined to repair their vehicles. This will drive a return to consistent mid-single-digit revenue growth, higher earnings growth and ultimately strong returns for the Fund.

Outlook & Strategy

The fundamental and macroeconomic backdrop continues to bode well for global small caps. The rate of inflation is abating, Central Banks are generally lowering interest rates, and as highlighted above the valuation disconnect versus large caps is at a multi-decade extreme.

The Spheria team continues to work tirelessly to ensure the Fund is populated with the highest quality businesses at attractive valuations. In the past 12 months, we have conducted 5 global trips across Europe, the US and Japan, with 5 more planned for the

next 12 months. We have modelled 80 stocks and added 16 new companies to the Fund. And we have conducted more than 300 calls and meetings with company management.

The net result of this is a portfolio with a lower valuation than the benchmark, superior free cash flow generation and a vastly superior return on capital. Further, more than half of portfolio holdings have net cash balance sheets. We fully expect this this combination of factors to deliver outperformance over the benchmark in the long-term, with lower risk.

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 Netwealth Praemium BT Panorama Macquarie 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
Risk	High
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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