Spheria Global Opportunities Fund

ARSN 627 330 287 | APIR WHT6704AU

Performance as at 31 March 2025

	1 Month	3 Months	1 Year	3 Years p.a.	5 Years p.a.	Inception p.a.[1]
Fund[2]	-2.2%	-1.4%	5.5%	7.1%	13.6%	11.4%
Benchmark[3]	-4.0%	-4.3%	4.6%	8.1%	13.0%	8.5%
Difference	1.8%	3.0%	1.0%	-0.9%	0.5%	2.9%

[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).

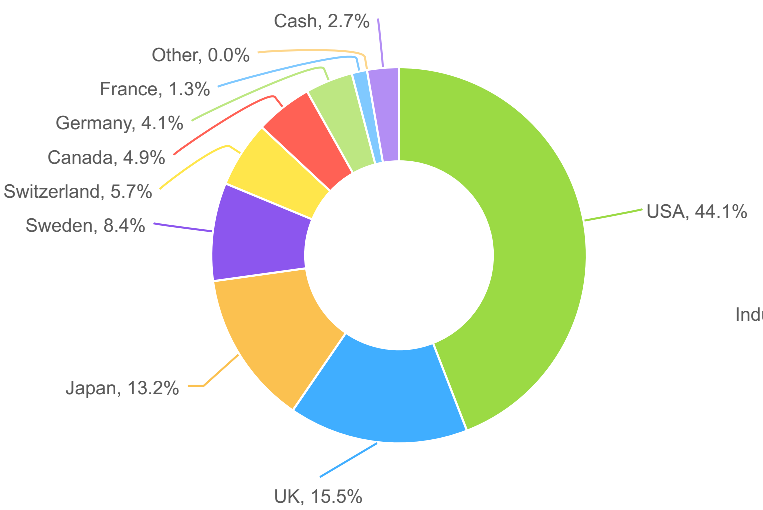
Overall Commentary

In the quarter ended 31 March 2025, the Fund returned -1.4% (after fees), strongly outperforming the MSCI World Small Cap Accumulation Index (Net Return) AUD by 3.0%.

Top 5 Holdings

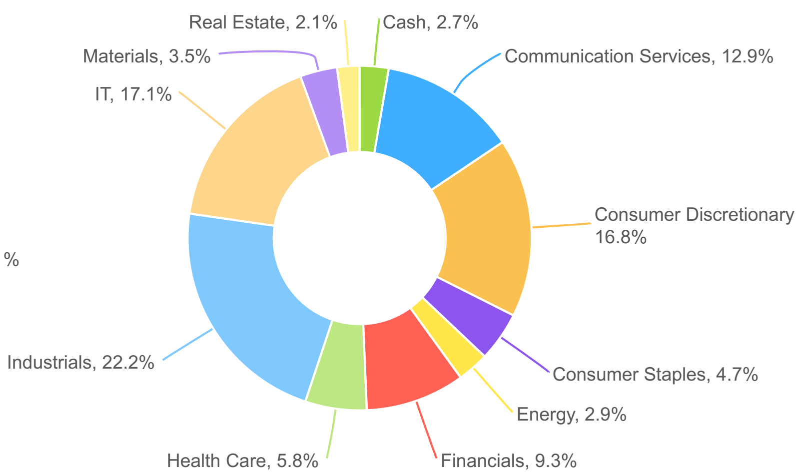
Company Name	% Portfolio
Cargurus Inc	4.8
Zuken Inc	4.2
Intertek Group PLC	3.8
Wise PLC	3.7
Accelleron Industries AG	3.6
Top 5	**20.2**

Regional Exposure



Source: Spheria Asset Management

Sector Exposure

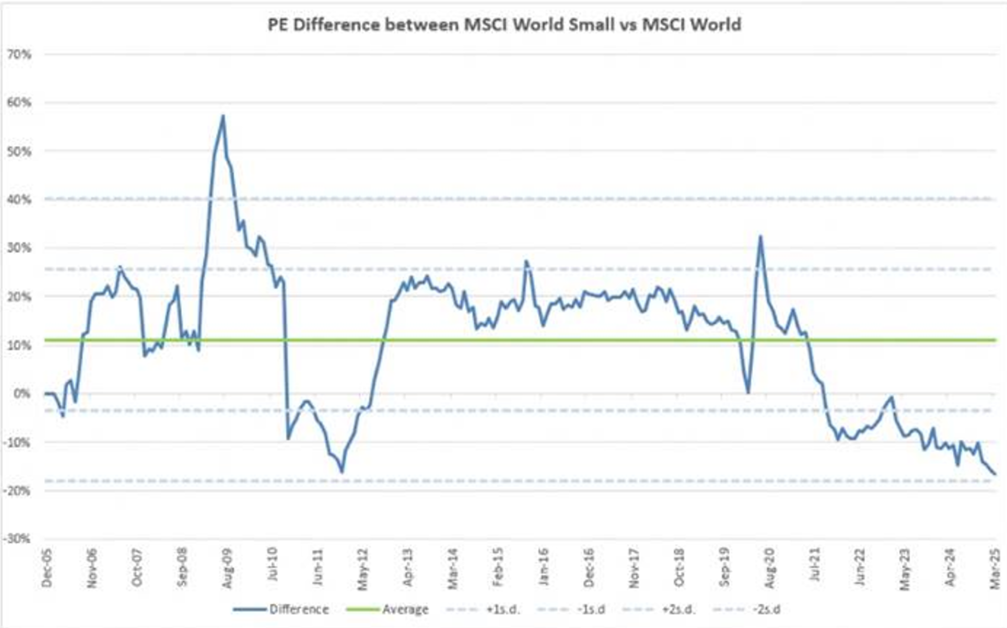


Source: Spheria Asset Management

Markets

The US market was the big underperformer in the quarter, whilst Europe, Japan and the UK 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 given the economic risks associated with its other policy ambitions – namely tariffs and mass deportations. This played out in the Fund's favour in the March quarter, with the US giving back more than all the gains it accrued in the latter part of 2024.

Technology stocks underperformed as lofty multiples came back to earth, whilst consumer discretionary was also weak on deteriorating consumer confidence and continued cost of living pressures. Materials, real estate and consumer staples outperformed.



Source: Bloomberg

Major Contributors to Performance

Over the quarter the largest contributors were an overweight position in Zuken (6947 JP, +20%), owning Check Point Software (CHKP US, +21%), and owning LKQ Corp (LKQ US, +16%).

Zuken (6947 JP) – Zuken is a leading global software player in electronic design automation for printed circuit board and circuit design solutions. Its main end markets are automotive and consumer electronics, along with industrial machinery, medical devices, rail and aeronautical.

The industry is exposed to powerful GDP+ growth drivers, including the proliferation of consumer electronics, the rise of EV's and ADAS (advanced driver-assistance systems) and industrial automation. Zuken is the dominant player in Japan with 80% market share and has material scope to grow internationally where it has ~20% market share. Industry structure is favourable with just a handful of players dominating globally. Zuken's strong market position is a function of its 45 years of development code, component libraries and associated tools, all of which are very hard to replicate.

Despite all of this, the stock trades on a mere Forecast FY 26 multiple of 10.5x EBIT, even after outperforming strongly in the quarter. In stark contrast, competitor Altium was acquired in in 2024 by Japanese manufacturing firm Renesas on an EBIT multiple north of 80x.
In the year to 31 March 2025, Zuken grew revenue by 10%, held margins as they continue to invest heavily in R&D (13% of sales), and generated more than all of its profit in free cash-flow. Over Y5b was returned to shareholders in dividends and buybacks, and the balance sheet remains pristine with Y34b (US$250m) of cash equating to nearly 30% of market cap.

Zuken remains a core holding in the portfolio and we continue to see plenty of upside to the current share price.

Check Point Software (CHKP US) – Check Point is one of the leading players in the global cyber security software market. It has been protecting its >100k clients for 30+ years and possesses deep local market expertise with offices in 88 countries. It's founder and chairman, Gil Shwed, holds 23% of the shares in the company.

In February, Check Point delivered a solid FY24 result, with 6% revenue growth and strong cash conversion. The company bought back $1b of stock and maintained a net cash balance sheet.

The Fund initiated its position in Check Point in late-calendar year 2023 when it was trading below US$150/shr equating to 14x EBIT. The stock has been a stellar performer, now trading just shy of US$220/shr or 19x EBIT. The investment thesis was predicated on the company's technological strength, long-standing reputation, and comprehensive security approach. We were also able to capitalise on the market's excessive focus on the CEO transition and associated risk that the new CEO would materially rebase margins in a bid to drive greater top line growth.

Despite the re-rating, Check Point remains an attractive investment and continues to deliver strong operating performance, with revenue growth in the mid-to-high single digit range and is buying back north of US$1b of stock every year. Customer needs in the cyber security space continue to grow both in scope and complexity, with Check Point's simple and unified solution in strong demand.

Major Detractors from Performance

The largest detractors from performance included owning CarGurus (CARG US, -21%), owning Accelleron (ACLN SW, -11%), and an overweight position in Wise (WISE LN, -9%).

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 (~lifetime of a car) and the velocity at the tip of the turbine blade is close to the speed of sound!

During the quarter, Accelleron reported a strong full year result, with revenue breaking through the US$1b mark, underpinned by strong demand for its products and services. Revenue and EBIT growth were +13% and +17% respectively. Turbocharger demand, both in terms of new and the servicing of existing turbochargers, was strong in bulk vessels, power, and emergency power for datacenters.
Accelleron was widely expected to be a low growth business at the time of its demerger from ABB in 2021. This has proved to be incorrect as the company has beaten expectations on the back of a combination of market share gains, stronger underlying market growth, and sensible M&A. The company continues to innovate, with its TPX high speed liquid turbocharger for backup power in applications including datacentres, and its automated engine optimisation software (Tekomar XPERT) two such examples.

Accelleron's underperformance in the quarter followed an extended period of outperformance over the previous two years. After being caught up in tariff-related selling post quarter end, the stock now trades on a very attractive 15.5x FY25 EBIT. 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.

Wise (WISE LN) - Wise is a disruptive global technology company that is building out the infrastructure to facilitate money transfers and provide multi-currency accounts to individuals and businesses. Wise is transforming the markets in which it operates, displacing slow, expensive and opaque offerings from large banks.

Over two thirds of cross-border transfers are still done through the banks, providing ample scope for continued market share gains. Wise's competitive advantage lies in its infrastructure, with its 850+ software engineers and associated staff who together are responsible for establishing the in-country connections and licensing that helps to drive its cost and speed advantage. In addition, Wise management is intelligently executing somewhat of a 'land-grab' strategy by passing the benefits of its scale back to its customers in the form of reduced prices. This underpins the group's rapid growth, which in turn lowers its unit costs and further drives growth. By way of example, 50% of Wise's current transaction volume is facilitated by moving money between Wise customers, whereby the money doesn't actually leave the country, thus reducing execution costs. The bigger Wise gets, the more this percentage will increase, the greater its competitive moat. This is precisely the kind of long-term thinking that gets us excited here at Spheria.

Like Accelleron, Wise's underperformance in the quarter followed an extended period of outperformance. Operationally the company is performing strongly, generating revenue growth in excess of 20% pa and even stronger profit growth. The company has a net cash balance sheet and trades on ~20x EBIT, making it an extremely attractively priced growth stock.

Outlook & Strategy

In the final week of March, our investment team embarked on an intensive five-day journey across London and Stockholm, meeting with 25 companies—9 existing holdings and 16 potential new opportunities. The investment team is planning at least 5 global trips to see holdings this year. This trip reinforced our commitment to uncovering resilient businesses capable of delivering superior performance amidst macroeconomic uncertainty.

Existing portfolio companies—Hemnet, Biogaia, Intertek, and Wise—continue to impress. Hemnet remains relatively early on its journey of monetising its unparalleled dominance of the Swedish online real estate portal market. And Wise laid out a compelling longer-term vision of becoming THE network for international payment transfers, essentially turning its competitors (eg. banks) into customers, having already signed up Morgan Stanley. Indeed, each of the businesses mentioned possess robust business models that are largely insulated from the precarious economic backdrop, enabling them to deliver strong operating performance regardless of external pressures.

Whilst it's tempting to be overly concerned in volatile times like these, we would encourage investors to "keep your head when all about you are losing theirs and blaming it on you" to borrow Kipling's refrain. Our bottom-up investment style is designed to reduce risk with our focus on companies with high cash flow generation and strong balance sheets. This is not something we 'pivot' to but something that is intrinsic to our entire investment philosophy.

The trip was a powerful reminder of the unparalleled depth of opportunity in global markets. High-quality global companies continue to trade at more attractive valuations compared to their Australian counterparts, presenting compelling opportunities for disciplined investors over investment cycles. Given the relatively attractive valuations of smaller companies vs. large caps leading into the current market gyrations we would expect smaller companies to outperform when current market ructions abate. In the current environment we will continue to seek to high grade the portfolio's opportunities and holdings.

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

Spheria Global Opportunities Fund

ARSN 627 330 287 | APIR WHT6704AU

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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