Spheria Global Smaller Companies Fund

ARSN 627 330 287 | APIR WHT6704AU

Performance as at 30 September 2026

	1 Month	3 Months	1 Year	3 Years p.a.	5 Years p.a.	7 Years p.a.	Inception p.a.[1]
Fund[2]	-3.4%	0.9%	-3.6%	7.5%	2.9%	9.7%	9.5%
Benchmark[3]	-1.3%	-4.1%	10.0%	15.0%	7.8%	10.1%	10.0%
Difference	-2.1%	5.0%	-13.6%	-7.4%	-4.9%	-0.4%	-0.4%

[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 Smaller Companies 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 name of the Fund changed from Spheria Global Opportunities Fund to the Spheria Global Smaller Companies Fund on 18 August 2026.

Please note the strategy of the Fund changed effective 1 October 2022. The Spheria Global Smaller Companies 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).

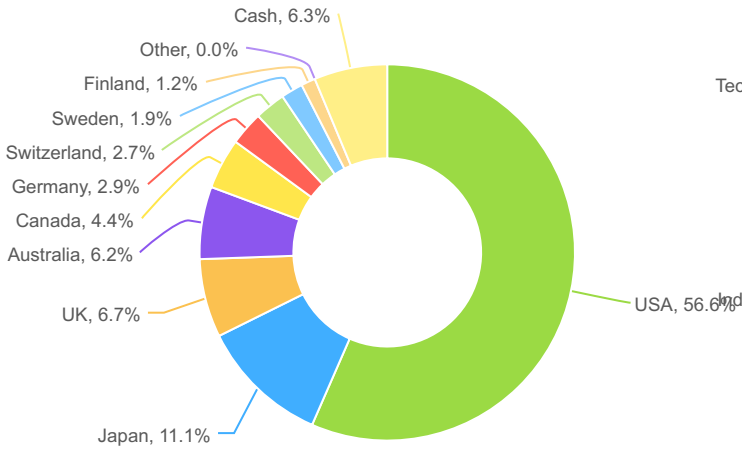
Overall Commentary

In the month ending 30 September 2026, the Fund returned -3.4% (after fees), underperforming the MSCI World Small Cap Index (net in AUD) by 2.1%.

Top 5 Holdings

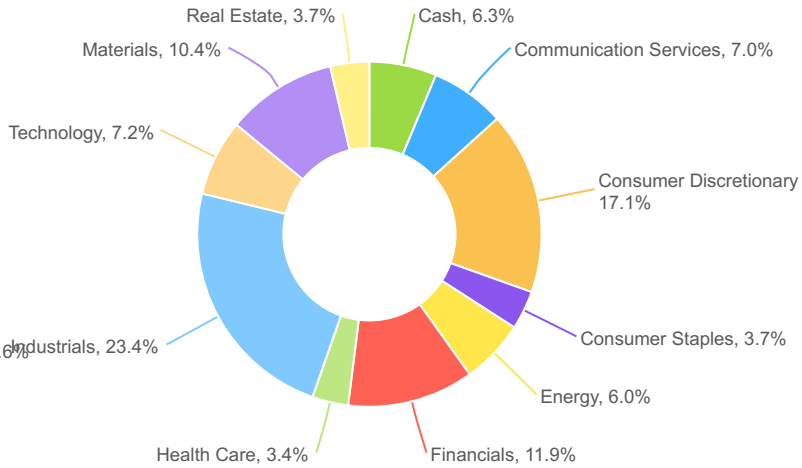
Company Name	% Portfolio
SharkNinja, Inc. Ordinary Shares	5.5
Wise Group plc - Class A Ordinary Shares	4.3
Applied Industrial Technologies, Inc. Common Stock	4.0
Ferguson Enterprises Inc. Common Stock	3.2
SHIMADZU CORP.	3.2
Top 5	**20.3**

Regional Exposure



Source: Spheria Asset Management

Sector Exposure



Source: Spheria Asset Management, Bloomberg

Markets

Rising bond yields dominated September. The Federal Reserve raised rates by a quarter point to 3.75% to 4%, its first hike since 2023, and the 10-year US Treasury yield closed the month at 5.29%, it's highest since 2002. Small caps tend to be more cyclically exposed than larger companies and thus bore the brunt with the MSCI World Small Cap Index down -4.4% in US dollar terms, erasing the small cap benchmarks' lead over the broader market for the year.

Resource and rate-sensitive stocks fell hardest, and late in the month fears of AI-led disruption reemerged following Meta's launch of its Muse AI Agent.

During the month, Information Technology and Health Care were strong sectors, whilst Energy, Materials and Consumer Discretionary were weaker. By Region, Asia Pacific was strongest whilst North America lagged.

Major Contributors to Performance

Over the month, the largest contributors were owning Bapcor (BAP AU, +27%), Applied Industrial Technologies (AIT US, +3%) and Santos (STO AU, +6%).

Applied Industrial Technologies (AIT US) - is a leading North American distributor of industrial motion, fluid power, flow control and automation products, combining parts supply with engineering and technical services for industrial customers.

A large share of AIT's revenue is tied to the maintenance and repair of installed equipment, where uptime matters more than price and local technical expertise is hard to replicate. That recurring base, a fragmented market well suited to tuck-in acquisitions, and disciplined capital allocation have supported returns on invested capital of around 25%, with net debt of only around 0.3x EBITDA.

Shares recovered part of their August decline as investors looked past a more measured fiscal 2027 outlook to the strength of the 4Q result (three months to 30 June 2026), in which organic sales growth of +9.7% was the strongest in more than four years. Growth was led by automation, as customers stepped up the adoption of robotics, machine vision and digital technologies, while fluid power sales grew at a high single-digit rate.

AIT has been a core holding since March 2024, returning approximately 60% in AUD terms, roughly double the benchmark's 31% over the same period. The business has steadily taken share and consistently outperformed peers over the long term. We expect this to continue and, together with the potential for a broader recovery in US manufacturing and industrial production beyond the narrow, AI-led capex currently supporting the economy, we believe this more than justifies its 21x FY27 EV/EBIT multiple.

Major Detractors from Performance

The largest detractors from performance included owning Wise (WSE US, -13%), Hemnet Group (HEM SS, -29%) and Rightmove (RMV LN, -12%).

Wise (WSE US) - is a global cross-border payments and multi-currency account platform. Direct connections into domestic payment systems allow it to price transfers profitably at an average net charge of just 50bps. This gives the business a cost-advantage moat that keeps widening as it scales. In FY26, Wise moved US$244 billion across borders for ~19 million active customers, an increase of +31%, lifting net revenue by +19% to US$2.5 billion.

WSE's share price declined -13% during September on no company-specific news. We suspect the decline reflects the regulatory overhang that has weighed on the stock since June 2026 when the Brussels Public Prosecutor's investigation of the company's European operations flagged potential AML deficiencies, albeit equivalent to less than 0.25% of a single year of WSE's cross-border volume. A related securities class action, covering purchases from the May Nasdaq debut through to 23 July, kept the issue in the headlines, and an active £405 million buyback did not offset that news flow.

Importantly, the operating business is intact, as the Q1 FY27 update showed:

- Cross-border volume grew 26% to US$69.3 billion;
- Active customers rose 21% to 11.9 million;
- Customer holdings grew 31% to US$41.2 billion; and
- Net revenue increased 25% to US$714 million, even as the take rate was cut to a record-low 50bps.

In this context, WSE's aim of high-teens top line growth and a pre-tax margin near the top of a 20–25% range looks eminently achievable. The lower take rate is a deliberate reinvestment of operating leverage into price, which squeezes sub-scale competitors and should support ongoing market share gains. Trading on 20x EV/EBIT, the September weakness looks to us like an excessive compliance discount for a business still taking share in cross-border payments.

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Outlook & Strategy

September showed how unforgiving a rising-rate market can be for anything outside the narrow band of AI beneficiaries. Elevated oil prices, compounded by the AI build-out's seemingly insatiable demand for capital, pushed rates higher around the world. The ECB hiked for the second time this year, and German 10-year Bund yields reached their highest level since 2009. UK 10-year gilt yields hit a 19-year high, and Japan's 10-year JGB yield rose above 3% for the first time since 1996. Selling in our benchmark was indiscriminate, taking good businesses down alongside weaker ones, and that is where disciplined, valuation-driven investors find their best opportunities.

Risks are building, and increasingly within the AI build-out itself. Credit spreads on its most leveraged funders have widened sharply. CoreWeave's 5-year CDS sits above 850bp, and Oracle's has moved above 250bp, a level typically associated with sub-investment-grade credit. Outside the AI economy, the pain is already evident. Focusing on the US, mortgage rates have climbed back above 7%, and affordability constraints have pushed existing home sales below a 4 million annualised pace. US consumer confidence fell to its lowest level since 2014, and non-AI manufacturing and industrial activity remains muted.

To be clear, we are firm believers in AI's potential to transform economies and are early adopters of the technology ourselves. Even so, the stress already showing in its funding chain suggests the eventual winners and losers are far less certain than the market assumes, and a cautious approach to this segment seems sensible.

At Spheria, our focus remains unchanged: businesses that generate genuine free cash flow, earn high returns on capital and carry little or no debt. These qualities matter most in an environment like today's. Higher rates weigh heaviest on companies that borrow to fund growth. Companies that fund themselves from their own cash flows can keep investing, returning capital to shareholders and taking market share through the cycle. Around 60% of our holdings have a net cash balance sheet.

The result is a valuation dislocation in quality businesses with genuine pricing power, clean balance sheets and recurring cash flows. Many of these are now priced for short-term fear rather than long-term earnings power. With small caps trading at a discount to the broader market, we see a compelling opportunity for patient investors.

Platform Availability List

The Spheria Global Smaller Companies 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.

CFS Edge | HUB24 | Netwealth | Praemium | Macquarie Wrap

Spheria Global Smaller Companies 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 Smaller Companies Fund

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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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