

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 ²	-2.4%	-1.4%	18.5%	4.0%	8.7%	10.0%
Benchmark ³	-3.4%	-0.9%	10.5%	1.5%	7.1%	8.4%
Difference	1.1%	-0.5%	8.0%	2.5%	1.5%	1.5%

¹Inception date is 11 July 2016. Past performance is not a reliable indicator of future performance. All p.a. returns are annualised.

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

³Benchmark is the S&P/ASX Mid-Small Accumulation Index.

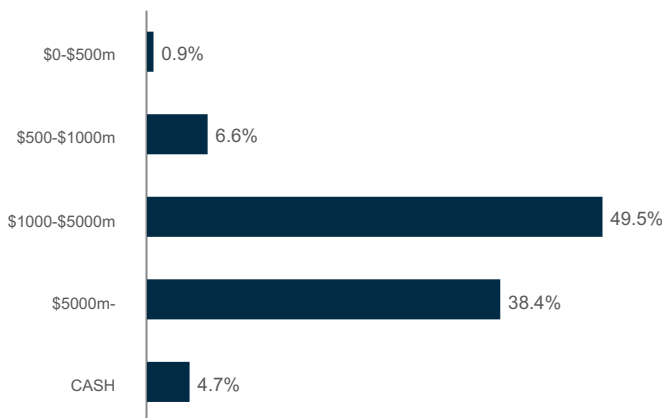
Overall Commentary

The Spheria Opportunities Fund returned -2.4% (after fees) for the month of December, outperforming the S&P/ASX Mid-Small Accumulation Index by 1.1%.

Top 5 Holdings

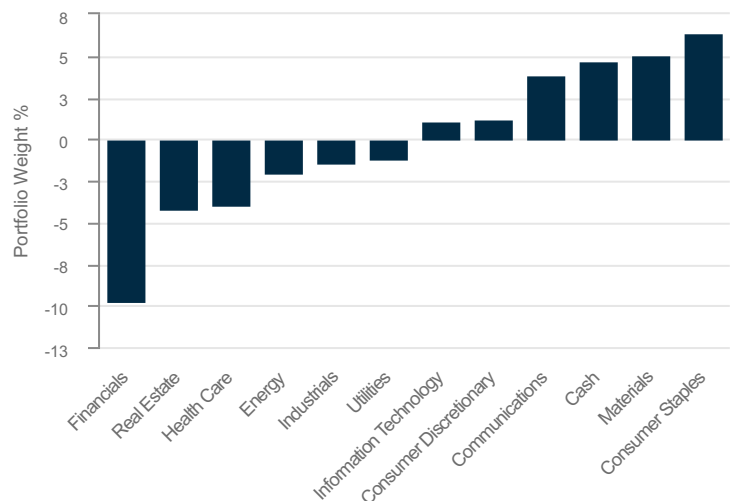
Company Name	% Portfolio
Technology One Limited	6.0
Orora Limited	5.7
Insignia Financial Limited	5.2
Incitec Pivot Limited	4.8
ALS Limited	4.6
Top 5	26.2

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. The mid-small index finished the year up 10.5%, whilst large caps outperformed, rising 11.7%. With the mid-small index weighed down by smaller companies which have underperformed large caps for the last three years brought on by a period of record inflation and a sharp rise in interest rates. The timing of a reversion in small-caps 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 financials, information technology and consumer staples drove the relative outperformance over the month.

Major Contributors to Performance

Over the month the largest contributors were an overweight position in Insignia Financial (IFL.ASX, +13%), an overweight position in Bega Cheese (BGA.ASX, +9%), and an overweight position in Technology One (TNE.ASX, +4%).

Insignia Financial (IFL.ASX) returned +13% during the month after the company received a non-binding takeover from Bain Capital. The offer price of \$4 represented a ~30% premium to the undisturbed price of \$3.06 but given the non-binding nature of the bid the share price during the month traded below this price. IFL has been digesting the acquisitions of the ANZ wealth platform and MLC over the past 3 years. Following a prolonged period of integration costs and cash outflows related to product and advice remediation, IFL is approaching a time when it should start producing significant free cashflows. This has not been lost on private equity who are keen to acquire one of the leading wealth platforms in the country on sub 10x EBIT. Post month end the business received another bid from CC Capital Partners at a price of \$4.30 suggesting there may be more suitors to come.

Major Detractors from Performance

The largest detractors from performance included an overweight position in CAR Group (CAR.ASX, -13%), an overweight position in Fletcher Building (FBU.ASX, -10%), and not owning Mesoblast (MSB.ASX, +75%).

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 small and mid-cap market this year the Opportunities 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 Opportunities 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.

[HUB24](#)

[mFund](#)

[Netwealth](#)

[Praemium](#)

[Macquarie Wrap](#)

Spheria Opportunities Fund	
Benchmark	S&P/ASX Mid-Small Accumulation Index
Investment Objective	Outperform the S&P/ASX Mid-Small Accumulation Index over the medium to long term
Investing Universe	Primarily listed companies outside the top ASX 50 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	0.99% p.a Management fee & 15% performance fee of the Fund's excess return versus its benchmark, net of the management fee
Cash	Up to 20% cash, typically 5% - 10%
Expected Turnover	30% - 40%
Style	Long only, risk aware
APIR	WHT0025AU
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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