

Performance as at 31 March 2024

	1 Month	3 Months	1 Year	3 Years p.a.	5 Years p.a.	Inception p.a ¹
Fund ²	5.4%	10.4%	15.7%	7.1%	9.1%	10.0%
Benchmark ³	4.1%	7.1%	14.4%	6.1%	8.4%	8.8%
Difference	1.3%	3.4%	1.3%	1.0%	0.7%	1.1%

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

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

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



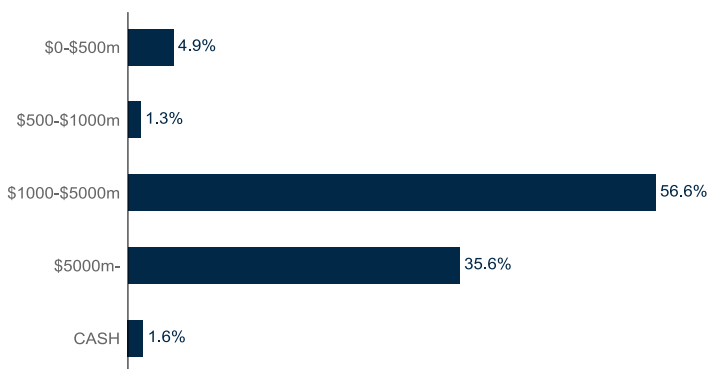
Overall Commentary

The Fund returned 5.4% (after fees) for the month of March, outperforming the S&P-ASX Mid-Small Accumulation Index by 1.3%.

Top 5 Holdings

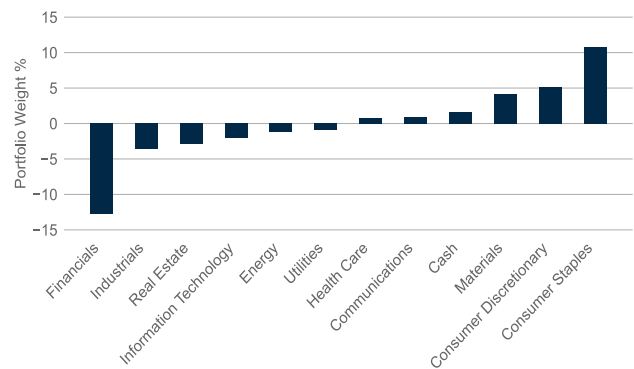
Company Name	% Portfolio
The A2 Milk Company Limited	5.8
Charter Hall Group	5.7
Whitehaven Coal Limited	5.3
ALS Limited	4.6
Metcash Limited	4.6
Top 5	26.0

Market Cap Bands



Source: Spheria Asset Management

Active Sector Exposure



Source: Spheria Asset Management

Markets

The “everything” rally continued in March with the micro and small cap indices outperforming the mid and larger cap indices for the first time in a long time. Generally, these markets do not suit us as valuation discipline is far outweighed by fever-pitched speculation. However, this time was different, and the fund managed to significantly outpace its benchmark. This is a great result considering the two best performers for the benchmark in the month were Mesoblast (MSB) and Life360 (360) which rallied 88% and 60%, respectively – two companies which we are unlikely to ever own given the former is a serial cash burner and the latter has a significant market capitalisation (nearly \$3bn) despite it never being profitable. Also, the gold sector was strong as gold prices continued to surge to new highs. We have no direct gold exposure, so this was another headwind for performance. AWC – one of the larger holdings – rallied 35% over the month which helped fuel the outperformance. The rise precipitated by improving Aluminum and Alumina pricing from a cyclical low.

Major Contributors to Performance

Over the month the largest contributors to performance were from overweight positions in Alumina (AWC.ASX, +35%), Vista Group International (VGL.ASX, +20%), and Charter Hall Group (CHC.ASX, +10%).

Vista Group International (VGL.ASX) share price rose 20% in March post the company announcing their full year result at the end of February. Recurring revenue and SaaS revenue grew 10% and 20%, respectively, whilst EBITDA grew 25% although the company continues to capitalise an elevated level of R&D in respect of its cloud transformation. The cloud rollout continues to gather momentum with its first multi-territory client live and several new signings representing ~350 sites out of the group's approximate 7,800 sites. The business also reaffirmed medium term aspirations of Annualised Recurring Revenue (ARR) of \$175m and an EBITDA margin of 15%+ by the end of CY25, and to be free cash flow positive in Q424. We have been a long-term shareholder of Vista attracted to its strong market share (>50% ex-China) and transition from on-premise to cloud revenue which will increase their share of wallet and therefore drive significant growth in revenue and earnings.

Major Detractors from Performance

The largest detractors from performance included not owning both Virgin Money UK (VUK.ASX, +35%) and Evolution Mining (EVN.ASX, +21%) and an overweight position in Adbri (ABC.ASX, +0%)

Adbri (ABC.ASX) share price was flat over the month but underperformed the market which rallied strongly. The business received a takeover offer in December and the share price has been range bound since. CRH and the Barro Group agreed to acquire ABC for \$3.20 which represented a 41% premium to the last closing price. ABC has been a long-term holding in the fund, but its share price has come under pressure in the last few years due to several factors including an irrational industry pricing environment, a material loss of lime volumes in respect of long-term supply agreement and balance sheet pressure from higher-than-expected capital expenditure on their Kwinana project upgrade. With these issues now largely resolved the group was looking forward to significantly improved returns for shareholders which has likely prompted the CRH/Barro consortium to pounce on the balance of the company at this point in time.

Outlook & Strategy Going Forward

Investor confidence is high, and equity is cheap whilst debt is relatively expensive but available and the outlook for interest rate settings is down. We think this sets the market up for further M&A as organic growth is increasingly difficult to come by. Historically, we have been a disproportionate beneficiary of such activity as our companies are highly cash generative, have strong market positions and are generally cheaper given our valuation discipline, thus making them targets for bigger listed players, foreign companies and private equity.

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 (IDPS only)
Macquarie Wrap

mFund
Netwealth (IDPS only)

mFund

Praemium

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
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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