Spheria Opportunities Fund

ARSN 114 032 431 | APIR WHT0025AU | mFund SPM03

Performance as at 30 September 2025

	1 Month	3 Months	1 Year	3 Years p.a	5 Years p.a.	Inception p.a[1]
Fund[2]	-2.3%	10.1%	12.5%	15.2%	13.9%	10.7%
Benchmark[3]	1.8%	12.8%	19.4%	15.5%	11.6%	9.9%
Difference	-4.1%	-2.7%	-7.0%	-0.3%	2.3%	0.8%

[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.

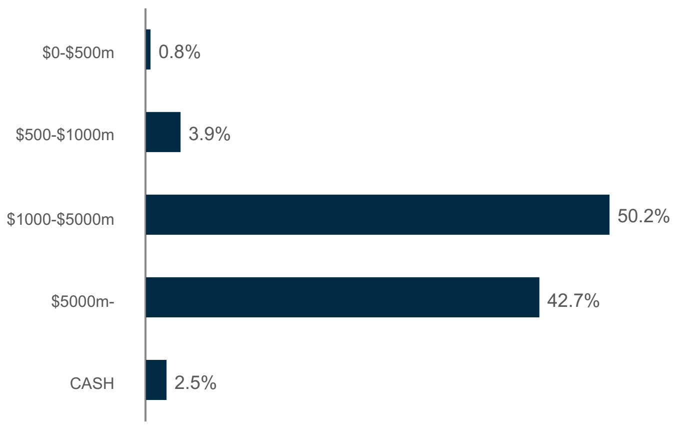
Overall Commentary

The Spheria Opportunities Fund returned -2.3% (after fees) for the month of September, underperforming the S&P/ASX Mid-Small Accumulation Index by 4.1%.

Top 5 Holdings

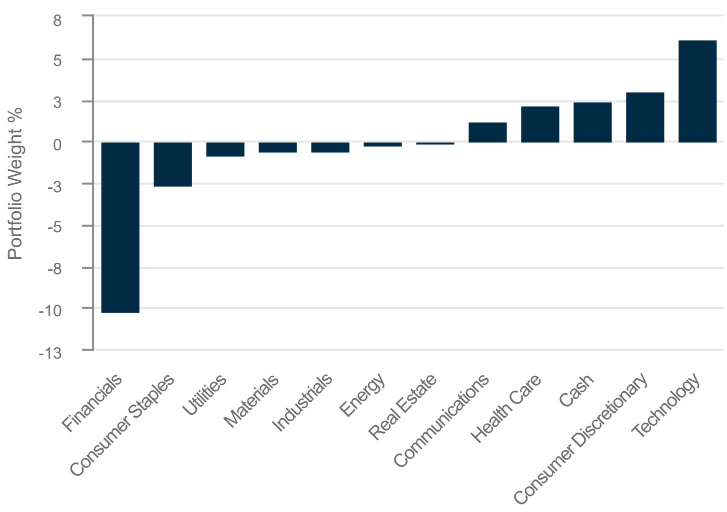
Company Name	% Portfolio
Technology One Limited	5.8
IRESS Limited	5.4
Charter Hall Group	5.1
Ramsay Health Care Limited	5.1
ALS Limited	5.0
Top 5	**26.4**

Market Cap Bands



Source: Spheria Asset Management

Active Sector Exposure



Source: Spheria Asset Management, Bloomberg

Markets

Global equity markets maintained their positive momentum through September, with most major indices reaching new all-time highs. In the United States, equities (S&P 500) gained 3.5%, supported by renewed expectations of Federal Reserve rate cuts. The main exception was the Australian large-cap market (ASX 50), which declined 1.4% over the month and significantly underperformed both small and micro-cap indices. After an extended period of large-cap outperformance, a clear rotation into smaller-cap stocks appears to be underway — with The Small Ordinaries Accumulation Index rising 21.5% over the past year, compared to 8.3% for large caps (ASX 50 Accumulation Index).

The Fund lagged the benchmark during the month, largely due to a significant underweight to the gold sector. The mid-small gold sector surged 23.9% in September, driven by record gold prices, with gold reaching approximately US$3,863/oz—an increase of 45% over the past year and up almost 12% over September. Small-cap gold companies historically had generally underperformed the gold price, due to higher costs, increased capex and older and more complex mines leading to poor free cash flow (FCF). With the significant rise in gold prices over the last year the impacts on gold miners have been two-fold. Firstly, the size of the economic resource around an existing mine potentially grows (depending upon sustainability of gold prices) and secondly revenue growth has materially outpaced cost increases driving strong FCF. Given our focus on mid-cycle cash flow, we have tended to be underweight gold miners. We have instead gained exposure to gold indirectly through mining services companies such as Mader (MAD) and ALS (ALQ). These names are likely to perform more strongly as exploration and production growth grows in the mining sector in response to sustained higher commodity prices. The Fund's mining services exposure was not sufficient to offset the strength of the gold sector over September.

One final point is worth underscoring. The steady debasement of fiat currencies—a centuries-old phenomenon—has moved decisively back into the spotlight. Veteran macro investors including Bridgewater's Ray Dalio and Tudor Investment's Paul Tudor Jones have urged portfolios to hold a meaningful allocation to gold, citing ballooning public-sector debt and negative real yields. Their rhetoric is resonating with institutional and retail investors alike: gold futures have pushed through US$4,000/oz for the first time, with more than A$100 billion flowing into gold ETFs so far this year. The on-the-ground anecdote matches the macro data—ABC Bullion's flagship store in Martin Place now sees lunchtime queues of buyers stretching onto the footpath, a scene echoed in other capitals as the "buy-gold" mantra gathers pace. In our view, this renewed enthusiasm for bullion should not be dismissed as noise; rather, it is a logical portfolio response to an environment of aggressive monetary expansion and heightened geopolitical risk. The sustainability of the gold price, however, is the key question around the longer-term performance of gold equities from here.

Major Contributors to Performance

Over the month the largest contributors were not owning Washington H. Soul Pattinson and Company (SOL.ASX, -12%), an overweight position in ALS (ALQ.ASX, +7%), and an overweight position in Harvey Norman Holdings (HVN.ASX, +7%).

Harvey Norman (HVN.ASX) rose 7% during the month, despite no company-specific announcements, continuing its strong performance since reporting full-year results at the end of August. The business delivered a 5.5% increase in total system sales, with the core Australian franchise network achieving Same Store Sales Growth (SSSG) of 5.9%, with 2H up 6.6%. Strong topline growth drove significant operating leverage, with group PBT rising 10% (excluding property revaluations) and the Australian segment PBT up 26%. While no FY26 outlook was provided, momentum from 2H has continued into July, with Australian SSSG at 6.4%. The share price jumped ~20% in the two days following the result and has performed strongly over the past year. We initiated a position in Harvey Norman in mid-2023 after the share price had pulled back from COVID-era highs and the company had significantly underperformed its peer, JB Hi-Fi. At the time, we believed the market was undervaluing the retailer, particularly given its substantial owned property portfolio, which was valued at $3.9bn and today exceeds $4.5bn. This implied that the retail business - excluding property – was trading at ~3x EV/EBIT when we initiated a position. Although the company has re-rated since then, we continue to see relative value in Harvey Norman. It still trades at a significant discount to its closest peer, has significant property backing and has considerable operating leverage to a stronger consumer spending environment.

Major Detractors from Performance

The largest detractors from performance included an overweight position in Perpetual (PPT.ASX, -11%), an overweight position in Healius (HLS.ASX, -13%), and not owning Lynas Rare Earths (LYC.ASX, +21%).

Perpetual (PPT.ASX) declined 11% during the month with very few active investors on the register leaving the share price at the whim of passive flows. Perpetual's result in late August was sound but littered with one-off transformation costs which are a little concerning as there will be no obvious cost reductions to flow to shareholders. We believe however, that there is very little value (if any) ascribed to PPT's Asset Management division which has A$225bn of FUM across six affiliates and generates ~$200m in Profit Before Tax (PBT). The company is re-engineering the affiliates to create stand-alone P&L's to better align the key staff to profitability and business outcomes which in turn better aligns their motivations with shareholders. As a benchmark, Pinnacle (PNI.ASX) has $180bn in FUM across its affiliates and has a current market capitalisation of over $4bn. If PPT can move its affiliates successfully to a more aligned model that improves their profitability and prospects it could clearly manifest significant value for shareholders.

Outlook & Strategy

The heightened interest in smaller companies appears related to the global reduction in interest rates and some more difficult times which have befallen a few large caps in the Australian market. Whilst we see some parts of the market as fairly speculative vis those areas related to AI, data centres and defence, it is important not to lose sight of other sectors which remain attractive on mid-cycle cash flow backed valuations. With rates decreasing and the Australian Dollar still relatively weak the conditions remain favourable for M&A in the small cap space. Despite the relative outperformance of smaller companies vs. large we believe opportunities still prevail in the small and micro-cap end of the market.

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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

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Fund Ratings

Zenith RECOMMENDED

Recommended Lonsec Research

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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