

Performance as at 31st March 2020

	1m	6m	1yr	3yr p.a.	Inception p.a.#
Fund ^	-22.6%	-29.0%	-23.9%	-1.4%	0.7%
<i>Benchmark*</i>	-22.6%	-25.7%	-19.9%	-1.4%	0.8%
Value added	-0.1%	-3.3%	-3.9%	0.1%	-0.1%

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

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

Inception date of the current investment strategy is 11th July 2016. The Fund was established in June 2010. Past performance is not a reliable indicator of future performance.

Top 5 Holdings

Company Name	% Portfolio
TABCORP Holdings Ltd	4.8
Incitec Pivot	4.8
Orora Limited	4.8
Crown Resorts Ltd	4.4
Coca-Cola Amatil	4.0
Top 5	22.8

Source: Spheria Asset Management

Commentary

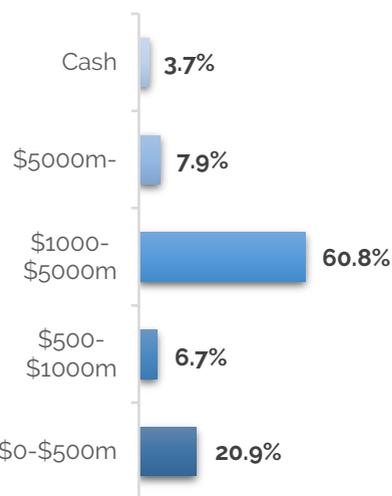
The Spheria Opportunities Fund returned -22.6% for the month of March, performing in line with the Mid-Small Accumulation index.

The markets globally continued the sharp correction which began in the middle of February. The market moves were more pronounced locally and the further down the market cap spectrum you went. Faced with an unknown threat in both magnitude and duration, money fled "risk assets" for safety. Despite our investment process – which was forged out of our experiences during the GFC – we fared no better than the market overall which was, candidly, disappointing. Our focus on cash-generating businesses and balance sheets no doubt helped broadly across the portfolio, but we had a few positions in Tourism and Leisure and retail that were sold off particularly aggressively. Every market crisis is somewhat different in its cause. The impact by sector of COVID-19 is not uniform and the restrictions put in place by governments to reduce the spread of the outbreak have disproportionately impacted near-term revenues in these two spaces.

The Mid-Small Accumulation index fell 33% until the 23rd of March and then rallied hard into the end of the month, rising 15% to finish down just over 22% overall for the month. Whether we are seeing a bear market rally or the signs of some bottoming in the market remains to be seen. We have always found it more profitable to try to find strong businesses that can survive any reasonable downturn and buy them at attractive valuations than to try to time the market, which we see as a fraught activity. The stock market is a collective of investors participating with a variety of rapidly changing viewpoints and liquidity needs, so we try to keep our clients' money invested in the best possible frontier of investment opportunities as we see them. The positive news is that for some time we have struggled with the valuations of many of the high-growth companies in the market whose valuations have been stretched sky-high by a continued influx into passive investing. The sell-off hasn't spared these names and we have taken the opportunity to selectively rotate into a number of growthier type names. We have added to our holdings in ALS Ltd (ALQ.ASX), Realestate.com.au (REA.ASX) and bought into NIB Holdings (NHF.ASX) whilst reducing some positions that held up well in the sell-off including TPG Telecom (TPG.ASX) and Bega (BGA.ASX).

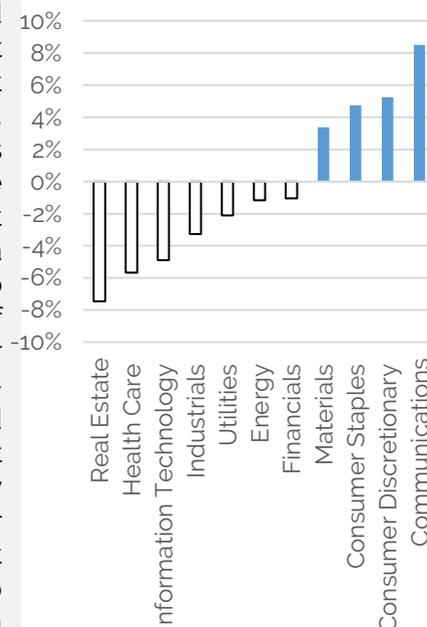
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Market Cap Bands



Source: Spheria Asset Management

Active Sector Exposure



Source: Spheria Asset Management

The other new area opening up to us has been capital raisings. An extensive period of prospective "hibernation" for the economy – more extreme in some parts than others – has brought companies back to the market to raise capital. Given the unknown duration of the shutdowns, boards have cautiously raised sizeable amounts of capital – in some cases possibly over-raising – in order to shore up balance sheets. Many of these businesses are experiencing what seem to be sharp but hopefully temporary reductions in their businesses. ASIC has also helpfully raised the placement limits from 15% to 25% of a company's shares outstanding, allowing existing and new shareholders onto the register. We have looked at almost all of the placements – rejecting some on the grounds that even after a raising, the balance sheets still have no net cash, leaving companies to rely upon the latitude of their bankers to fund the operating cash losses. Others, however, appear to have raised sufficient capital at attractive levels. We have participated in the Fight Centre (FLT.ASX) capital raising and believe there will be several more in the pipeline over the next few months.

Key contributors to performance over the quarter were:

TPG Telecom (TPG.ASX), which performed well in a tough environment, rising 3% over the quarter. The recent Federal Court case ruled in favour of their merger with Vodafone. This is a highly synergistic combination allowing both for cost savings between the groups and a significant avoidance of capital spend on both networks. Bega Cheese (BGA.ASX), which rose 7% over the quarter as the business outlook has dramatically improved with Australia-wide rains, a new cost-saving program and improvements in working capital. Lastly, Blackmores, (BKL.ASX) which declined 14% over the quarter as their business is seen to be relatively defensive in this environment and they have seen some consumers buying their immunity vitamin ranges.

Major detractors were predominately in the retail and tourism and leisure spaces, as well as media. FLT declined almost 77% as the travel bans both internationally and domestically were rolled out. FLT has dramatically restructured their business reducing head count by over 25% (6000 out of 20,000 employees) and will further shrink its physical footprint in response to the significant revenue downturn. FLT now has a strong mix of corporate travel and is skewed to Australia in terms of revenue. Both these traits will see some revenue quickly rebound once travel restrictions are lifted. These are likely to be lifted domestically first, followed by Trans-Tasman, and then ultimately global travel will be lifted (most likely on a case-by-case basis depending on how well other countries are dealing with the COVID-19 outbreak). A2 Milk (A2M.ASX – not owned) rose 16% over the quarter as earnings were seen as defensive. Seven West Media (SWM.ASX) declined 76% as investors worry about a deteriorating top line with a decent amount of gearing. SWM, whilst undoubtedly cyclical in nature, has significant surplus assets, which it is looking to monetise to reduce the debt level; these include their production studios, property holdings and their infrastructure-like holdings in TV towers.

Outlook & strategy going forwards

The market sell-off is providing us with some excellent longer-term investment opportunities. Whilst we are mindful of the unknown impacts of COVID-19 on the economy we are of the view that the crisis is being handled well in Australia and that a 12-month shutdown of the economy will come to be regarded by many as disproportionate to the risks faced by the broader population. We are, for the first time in a while, frankly excited by some of the investment opportunities opening up to us and will continue to rotate the portfolio into new ideas as they present and take advantage of attractive capital raisings.

Spheria Opportunities Fund

ARSN 144 032 431 APIR WHT0025AU



	Spheria Opportunities Fund
Benchmark (universe)	S&P/ASX Mid-Small Accumulation Index
Investment objective	The Fund aims to outperform the S&P/ASX Mid-Small Accumulation Index over the medium to long term
Investing universe	Primarily listed companies outside the top 50 ASX listed companies by market capitalisation and companies listed on the New Zealand Stock Exchange with an equivalent market capitalisation
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	<ul style="list-style-type: none">• Up to 20% cash• Typically 5% - 10%
Expected turnover	30-40%
Style	Long only, risk aware
APIR	WHT0025AU
Minimum Investment	\$25,000

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