Spheria SMID Cap Fund

ARSN 114 032 431 | APIR WHT0025AU

Performance as at 30 September 2026

	1 Month	3 Months	1 Year	3 Years p.a	5 Years p.a.	7 Years p.a.	10 Years p.a.	Inception p.a[1]
Fund[2]	-1.5%	4.6%	3.5%	15.9%	6.9%	9.0%	10.0%	10.0%
Benchmark[3]	-2.9%	1.3%	-3.9%	10.9%	4.7%	7.5%	8.2%	8.5%
Difference	1.4%	3.4%	7.4%	5.0%	2.2%	1.5%	1.8%	1.5%

[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 SMID Cap Fund. Returns of the Fund are net of applicable fees, costs, and taxes.
[3]Benchmark is the S&P/ASX Mid-Small Accumulation Index.

Please note the name of the Fund changed from Spheria Opportunities Fund to the Spheria SMID Cap Fund on 18 August 2026.

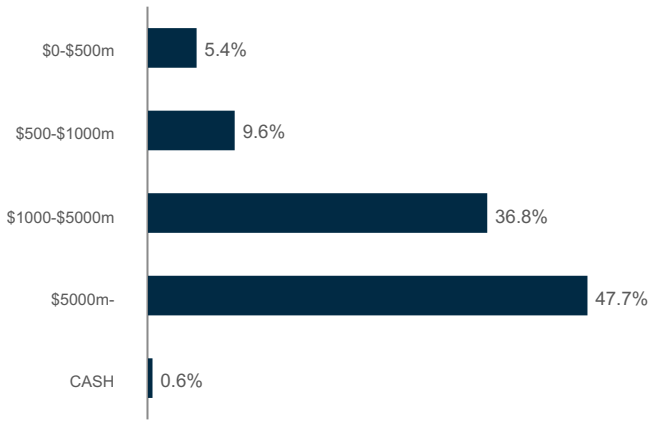
Overall Commentary

In the month ended 30 September 2026, the Fund returned -1.5% (after fees), outperforming the S&P/ASX Mid-Small Accumulation Index by 1.4%.

Top 5 Holdings

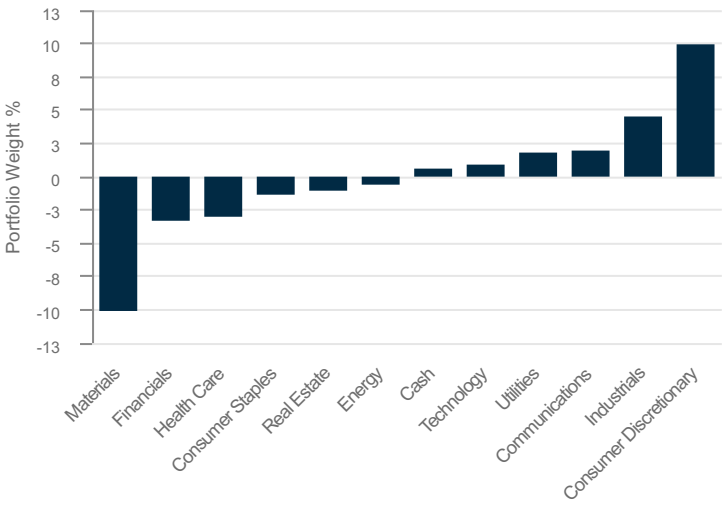
Company Name	% Portfolio
REA Group Ltd	4.8
Supply Network Limited	4.3
Perpetual Limited	4.1
Dyno Nobel Limited	4.0
Reliance Worldwide Corporation Limited	3.6
Top 5	**20.8**

Market Cap Bands



Source: Spheria Asset Management

Active Sector Exposure



Source: Spheria Asset Management, Bloomberg

Markets

Global equity markets traded sideways in September despite US bond yields reaching multi-decade highs. The US 30-year yield rose above 5.61%, its highest level since 2002, while the 10-year yield reached 5.15%, a level last seen in 2007. Renewed inflation fears drove the move, as oil prices rebounded on the re-escalation of conflict in the Middle East with no clear resolution in sight. US equity returns remained concentrated in the mega-caps, with the AI thematic sustaining momentum in a narrow pocket of the market and the equal-weighted S&P 500 underperforming.

Domestically, the Australian market underperformed global peers following a further rate hike during the month. Selling was indiscriminate across the market-cap spectrum, and large caps were not spared. The Reserve Bank of Australia (RBA) raised the cash rate by 25bps to 4.60%, its highest level since 2011 and the fourth hike this year. Alongside rising energy prices from the ongoing war in Iran, the RBA pointed to AI-related demand and excessive government spending as drivers of inflation remaining above target.

Major Contributors to Performance

Over the month the largest contributors were an overweight position in Bapcor (BAP.ASX, +27%), an overweight position in Reliance Worldwide Corp (RWC.ASX, +13%), and an overweight position in Ramsay Health Care (RHC.ASX, +10%).

Bapcor Ltd (BAP.ASX) returned +27% during the month as the market continued to reward its stronger-than-expected FY26 result, delivered in August. We first built a significant position through the February 2026 recapitalisation at 60cps, adding further via on-market purchases following the relisting. We had met management during Bapcor's 2014 IPO but never held a material position, wary of the acquisition-led growth strategy - a caution later vindicated as that strategy unravelled, with the share price falling more than 90% peak-to-trough at the recap price.

We like the automotive parts and servicing space for its defensive characteristics. Vehicle servicing and parts replacement are largely non-discretionary - driven by fleet age, usage and safety requirements rather than consumer sentiment - and the addressable market keeps growing as the vehicle parc ages and expands. EV penetration is only 2% of vehicle parc. Trade distribution is also concentrated in a duopoly structure, which supports rational pricing and scale advantages in inventory, distribution and supplier terms. It's a structurally attractive backdrop for Bapcor's main division Burson which represents ~40% of $2bn in group sales.

What attracted us specifically was, first, that the recapitalisation largely dealt with balance sheet risk, and second, the appointment of CEO Chris Wilesmith in January 2026. Wilesmith is a proven auto parts operator, with 13 years in Supercheap Auto's executive leadership team, including seven years as Managing Director. Feedback from industry contacts and suppliers gave us great confidence in his ability to turn the business around.

Wilesmith has since brought in a slew of new executives to drive the turnaround: inventory is being right-sized, stock turns are improving, fast-moving stock is being moved out to branches to improve DIFOT/sales, and pricing is being adjusted against competitors to lift gross margins. Balance sheet risk has also reduced meaningfully, with net debt falling from $195m after the recap to $136m in just four months of trading under the new CEO, against a difficult macro backdrop of elevated fuel prices. Both Trade (Burson) and Network/Wholesale revenue returned to growth in 2H, and a portfolio review is underway to simplify the group via divestment of smaller, non-core assets, freeing up capital and management focus.

We believe the Trade distribution division, Burson, which represents $800m of revenue is worth in excess of $1bn vs an enterprise value of the group which is ~$660m even after the significant re-rate in share price. Eventually, we expect to make a significant return (potentially multiples) from this investment with financial risk diminishing greatly post a better-than-expected result.

Major Detractors from Performance

The largest detractors from performance included not owning Codan Limited (CDA.ASX, +41%), an overweight position in REA Group (REA.ASX, -11%), and an overweight position in Tuas (TUA.ASX, -17%).

REA Group (REA.ASX) returned -11% during the month with no company-specific news. At month-end, REA announced the acquisition of a 35% interest in Distilled, the leading multi-vertical digital marketplace in Ireland and Northern Ireland and owner of Ireland's number one property portal, Daft.ie. Distilled generated revenue of €72.4m and adjusted LTM EBITDA of €43.3m, with double-digit revenue and EBITDA CAGRs over the last five years. The A$409m (€248m) purchase price represents 16x EV/LTM EBITDA.

REA, along with every other listed classifieds peer, has de-rated significantly over the last twelve months on fears that the rise of AI and frontier models will disrupt online marketplaces, including how consumers search for and transact in property.

What AI ultimately means for online classifieds is a fundamental question we are actively debating as a team. The answer will depend on how AI evolves and how consumers adopt and interact with it over the medium term. Despite the uncertainty, we remain supporters of REA. Our thinking is as follows:

- **Property is a high-stakes transaction.** It is often the biggest transaction of a buyer's and seller's life. Buyers can't afford to miss a listing and sellers can't afford to miss a buyer, and the cost of doing so can dwarf the cost of the listing.
- **Buying a home is a process, not a single query.** Few people want an AI chatbot to hand them a perfect home. The journey involves an extended period of sifting through many properties.

- **The portals are building their own AI features.** If the risk is an app sitting inside ChatGPT or another chatbot, the leading portals are well placed to be that app.

- **Brand strength and consumer habit are deeply embedded.** A record 12.7m people visited realestate.com.au each month in FY26, with 6.3m using it and no other portal. Monthly visits of 146.4m were 104.5m more than the nearest competitor, and REA has cited all-time highs in direct visits. If more buyers start their search in an AI chatbot, we expect REA to be part of that journey, much as it uses Google as a marketing funnel today. If that share grows, the portals can use chatbots as a marketing funnel in the same way they use Google today.

- **Agents benefit from the status quo.** They get free advertising funded by the vendor and so it isn't clear why they would voluntarily give this up.

To be clear, we are not dismissing AI as a risk. We are embracing it internally at Spheria, and it has the potential to disrupt many industries. We wouldn't be surprised to see a period of increased investment by classifieds businesses to defend their position. But taken together, these points lead us to conclude that real estate portals will prove harder to disrupt than the market currently assumes. REA continues to grow topline and earnings at double digits and trades on ~18x FY27 EV/EBIT its lowest multiple in a decade.

Outlook & Strategy

Australian small and mid-caps having outperformed large caps from the market sell off in March 2025 (the US tariffs) but have struggled since the end of January this year as the backdrop of persistent inflation and thus rising rates have dampened the economy. With the RBA now four hikes into the year and bond yields at multi-decade highs, the near-term macro backdrop remains subdued. We believe September's sell-off has created opportunities, with quality businesses sold down alongside weaker ones on interest rate hiking fears.

Our focus remains on looking through the noise and investing for the medium-to-long term. Our team’s focus on mid-cycle earnings, strong cash generating businesses keeps us focused on the long-term game. Corporate activity remains elevated as the recent bids for Reliance Worldwide (RWC.ASX) and Steadfast (SDF.ASX) have demonstrated. Both takeovers were instigated by foreign entities (Brookfield and Amwins/Dragoneer/KKR, respectively). This suggests SMID cap valuations remain low enough to attract takeover interest, despite the global rate rises to date.

Platform Availability List

The Spheria SMID Cap 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 Macquarie Wrap Netwealth Praemium

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Spheria SMID Cap 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

Spheria SMID Cap 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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