

Performance as at 30th November 2020

	1m	6m	1yr	3yr p.a.	Inception p.a. [#]
Fund ^	11.0%	24.8%	5.9%	7.6%	9.6%
Benchmark*	10.3%	14.8%	6.0%	6.7%	8.4%
Value added	0.7%	10.1%	-0.1%	0.9%	1.3%

[^] Spheria Australian Smaller Companies Fund. Returns of the Fund are net of applicable fees, costs and taxes.

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

[#] Inception date of the current investment strategy is 11th July 2016. The Fund was established in June 2005. Past performance is not a reliable indicator of future performance.

Commentary

Spheria Australian Smaller Companies Fund returned 11.0% (after fees) in November, outperforming its benchmark by 0.7%.

Markets

Early during the month Pfizer made the pivotal announcement that its Covid 19 vaccine had successfully passed trials and was swiftly followed up by further successful vaccine trials from other pharma companies. This provided markets with a well needed shot in the arm – so to speak. The backdrop of a genuine prospect for the world to emerge out the Covid 19 shadow, extremely loose monetary regimes and abundant liquidity were like gasoline being poured on steadily burning bonfire. Investors sought out and bought up heavily oversold Covid 19 victims from Feb/ March and found them in the media and travel and leisure sectors. The market has been fixated with cash burning microcap “stories” in many cases with little in the way of fundamentals to back them up and growth/ momentum fintech type companies – where valuations have been a distant thought for most investors. We see the current rotation as potentially having legs given the relative extremes in both company outlooks and valuations.

Major contributors for the month:

Fletcher Building (FBU) gained 39% during the month on the back of a strong trading update for the first 4 months of the year followed by a strong profit guidance increase towards the end of the month. FBU is seeing the benefit of a recovering housing market in both Australia and New Zealand plus the benefits of streamlining its operations over the recent housing downturns. Since the sale of their Formica division almost two years ago the balance sheet has also been lowly geared putting the business in a good position for a re-bound.

Corporate Travel (CTD) rose 37% during November as several successful vaccine trials were announced by healthcare companies around the world. This puts the real prospect of air travel for corporates and personal travel back onto the agenda and the market re-rated the shares accordingly.

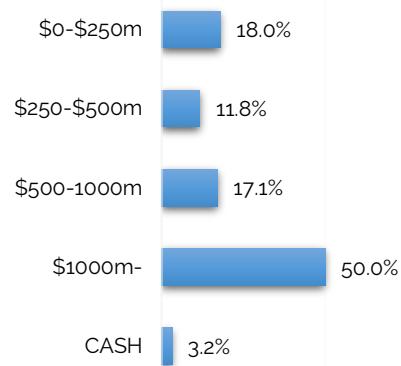
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Top 5 Holdings

Company Name	% Portfolio
Fletcher Building	4.7
Class Limited	4.0
Monadelphous Group	3.5
Adbri Limited	3.5
Breville Group Ltd	3.4
Top 5	19.1

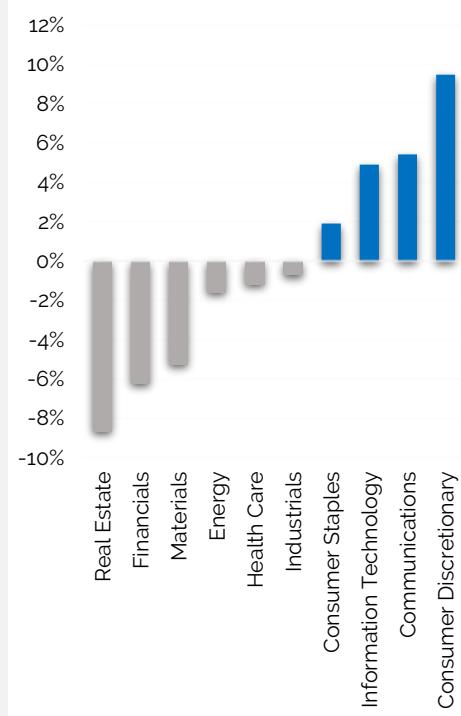
Source: Spheria Asset Management

Market Cap Bands



Source: Spheria Asset Management

Active Sector Exposure



Source: Spheria Asset Management

SWM share price rebounded another 54% in November on the back of a strong October. The recovery has been on the back of improving trends in advertising markets and a reduction in SWM's cost base. SWM is on the cusp of selling several assets (eg. Airtasker minority stake and its terrestrial TV transmission towers) that should alleviate the debt load, and it has structurally reduced its cost base which means gearing metrics (debt to earnings) should improve dramatically in the short to medium term, thus dispelling any threat of insolvency.

Major detractors for the month:

Class Ltd (CL1.ASX) - Class retraced 11% after a strong rally since they reported their full year FY 20 results on limited newsflow. CL1 remains well position to capitalise on an increased market size following on from their product expansion into Class Trust. The high customer retention rates and the first modest price increase in over 10 years positions the company well over the medium term to perform.

Breville Group (BRG.ASX) - BRG declined modestly (7%) over November on the back of market rotation out of growthier names into more cyclical and value-oriented names. Breville remains one of only a handful of Australian smaller companies to successfully grow their franchise internationally. With a healthy balance sheet, expansion into several new markets internationally this year (including Mexico, Portugal and Italy) revenue and profit growth should remain strong. We still seem upside to the share's valuation in the medium term as the management team delivers.

Beacon Lighting (BLX.ASX) - BLX declined modestly over November on limited newsflow. BLX shares had traded strongly out of an oversold position during the worst of the Covid 19 fears and retraced a little over November. BLX remains an appealing investment to us on the grounds of its strong market position in the lighting category and recent decision to expand further into the wholes lighting category where it is under-represented. Management / founders retain a significant stake in the company ensuring their alignment with other shareholders.

Outlook & strategy going forward

The portfolio has continued to perform well over the past few months. We believe the strong response by our Government and the RBA has provided ample liquidity and support to both business and consumer confidence which will in turn flow through to the economy. Whilst some sectors of the share market reflect this, we believe there remains ample opportunity in parts which have been left behind and remain attractive on the basis that the economy both here and internationally fully re-open. The additional backdrop of extraordinarily low interest rates also provides an opportunity for Private Equity and Corporates to take advantage of shares which offer compelling cash flows and valuations.

	Spheria Australian Smaller Companies Fund	Platform availability
Benchmark (universe)	S&P/ASX Small Ordinaries Accumulation Index	ASGARD
Investment objective	The Fund aims to outperform the S&P/ASX Small Ordinaries Accumulation Index over the medium to long term.	BT Panorama BT Wrap First Wrap HUB24
Investing universe	Primarily listed companies outside the top 100 ASX listed companies by market capitalisation and companies listed on the New Zealand Stock Exchange with an equivalent market capitalisation	IOOF Portfolio Service Macquarie Wrap mFund MLC Wrap / Navigator Netwealth One Vue uXchange
Distributions	Half yearly	
Fees	1.10% p.a. management fee & 20% 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	
APIR	WHT0008AU	
Minimum Investment	\$25,000	

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