31 DECEMBER 2022

GLOBAL SMALL CAP FUND

PARADICE INVESTMENT MANAGEMENT

PERFORMANCE NET (%)	1 MONTH	3 MONTH	1 YEAR	3 YEAR P.A.	5 YEAR P.A.	SINCE INCEPTION* P.A.
Global Small Cap Fund	-4.29	9.25	-15.55	-1.79	0.21	9.24
Benchmark[1]	-3.32	5.74	-11.02	2.74	4.71	11.00
Excess Return	-0.97	3.51	-4.53	-4.53	-4.50	-1.76
						*Inception date – 18 January 2013

Past performance of the Fund is not a reliable indicator of future performance. The value of an investment in the Fund may rise or fall. Returns are not guaranteed by any person. Fund returns are calculated before tax, after ongoing management costs and any accrued performance fees, and assumes the reinvestment of distributions. Returns greater than 1 year are annualised.

INVESTMENT OBJECTIVE

The Fund aims to outperform the S&P Global ex Australia and New Zealand Between USD1 Billion and USD5 Billion Net Total Return Index in AUD over a three to five year period (after management costs and before tax).

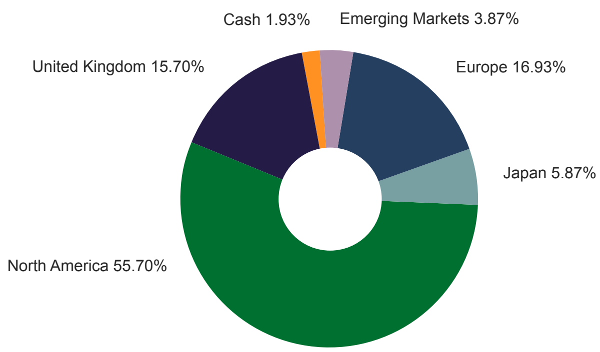
LEAD PORTFOLIO MANAGER

Kevin Beck & Paul Mason (Associate PM)

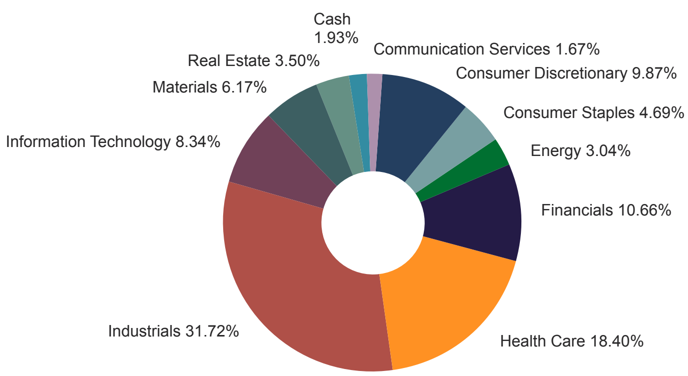
KEY DETAILS	
Number of Holdings	55
Weighted Avg Mkt Cap (AUD M)	$4,840M
Active Share	98.56%
Fund Size (AUD)	$156M

TOP 10 POSITIONS	WEIGHT %
ITT, Inc.	3.59
Univar Solutions Inc.	3.40
Euronext NV	3.40
Avanos Medical, Inc.	3.13
KAR Auction Services, Inc.	3.09
ChampionX Corporation	3.04
Lear Corporation	2.80
ConvaTec Group Plc	2.71
Onex Corporation	2.66
CNO Financial Group, Inc.	2.61

REGION ALLOCATION



SECTOR ALLOCATION



FUND DETAILS	
APIR Code	ETL0365AU
Fund Currency	AUD
Distribution Frequency	Semi-Annually
Management Fee[2]	1.25% p.a.
Performance Fee	15% p.a.
Buy Sell Spread	+/- 0.30%
Minimum Investment	$20,000

 [1] S&P Global ex Australia and New Zealand Between USD1 Billion and USD5 Billion (AUD) NTR Index effective from 5 November 2018. Prior to this date the benchmark was S&P Global Between USD1 Billion and 5 Billion (AUD) NTR Index effective from 1 October 2015 to 4 November 2018 inclusive and S&P Global Between USD1 Billion and 5 Billion (AUD) TR Index prior to 1 October 2015. [2] The management fee is effective 5 November 2018. Prior to this date the management fee was 1.40% p.a.

02 8227 7400 distribution@paradice.com www.paradice.com

GLOBAL SMALL CAP FUND

PARADICE
INVESTMENT MANAGEMENT

Performance in AUD unless otherwise noted.

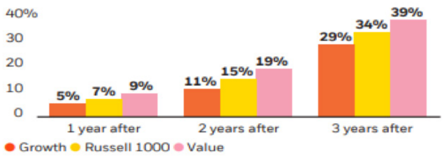
MARKET REVIEW

Global small cap stocks managed to stage gains for the quarter, up 5.74%[1], to end what was a nasty calendar year for equities

In this current environment where seemingly every investment manager, strategist and forecaster is weighing in on the likelihood of a recession, we will spare the reader our best guess and instead point to a handful of observations capturing our attention. The sharp contrast in the labor market for technology workers versus that for more traditional labor is persisting. Technology businesses have been laying off workers in droves. Meanwhile, conversations with our Industrials and other 'real world' business holdings indicate the labor shortage continues to be a major operational issue as they head into 2023. A recent report from ADP (US based payroll processor) noted that whilst larger enterprises are cutting staff, small businesses in the US are aggressively adding people, led by leisure/hospitality, construction and education/healthcare. We find it heartening that smaller businesses have the confidence to hire people in the face of high inflation and interest rates.

Staying on the recession topic, we would also point out that, for a variety of reasons (tariffs, trade wars, NAFTA reformation, semiconductor shortage, COVID etc.), the 'real' economy has been in a recessionary like environment in most end markets for multiple years. Our conclusions from discussions with portfolio company CEOs are that these businesses are operating incredibly efficiently and end market sentiment points to significant pent up demand. This gives us confidence in the financial stability of these businesses and their potential to protect capital should some form of recession occur. Further, we believe our holdings' valuations today, due to our buy discipline emphasis on undervalued opportunities, will both support capital preservation and recovery potential. Lastly, with talk of a recession looming, it seems timely to remind investors that, based on historical data, the Value investment style tends to outperform during post-recession periods. The chart below compares post-recession recovery across Growth, Value and Core investment styles.

Returns around recessions
Average U.S. stock returns following recessions since 1978



Source: BlackRock Fundamental Equities, with data from Bloomberg and Russell indexes, November 2022. Data covers five NBER-defined recessions since 1978 (excluding the two-month 2020 recession). Growth and Value are based on their respective Russell 1000 indexes. **Past performance is not indicative of current or future results. Indexes are unmanaged. It is not possible to invest directly in an index.**

PORTFOLIO PERFORMANCE

The Fund had a robust absolute and relative quarter, delivering a 9.25% return, and outperforming the benchmark by 3.51%. On a sector basis, returns were spearheaded by key overweights to Health Care and Industrials given our strong stock selection. Geographically speaking, stock selection in North America was a primary source of positive return, while our overweight to and stock selection in the UK also added notably. Conversely, stock selection in Japan proved a detractor to the quarter's performance.

Top Performers for the Quarter Included:

ChampionX (US) formulates specialty chemicals for the energy industry which allow for more efficient extraction of Oil and Gas. The company's products reduce Oil and Gas operators' water wastage and energy usage. ChampionX reported earnings during the quarter which demonstrated impressive pricing power and disciplined cost management, shares subsequently rallied. We believe ChampionX is well placed heading into 2023 as a vital supplier into the Oil and Gas market.

Industrial products distributor Univar (US) has done an admirable job of integrating the significant acquisition of Nexeo Plastics. Univar rallied strongly during the quarter on the back of two positive news items. Firstly, Univar reported earnings which reconfirmed guidance, upgraded gross margin assumptions, and increased the share buyback. Secondly, listed German competitor Brenntag announced it is exploring a takeout of Univar, sending shares higher. If a takeout were to eventuate, we would expect a Univar valuation north of $40 per share (12/30 last trade $31.80) and would be happy holders.

Long term portfolio stalwart ITT (US) was another strong performer in the quarter. ITT's impressive portfolio of mission critical, high ROIC and highly 'designed in' products make it a gold standard Industrial business in the niche areas of motion control and fluid handling. The company reported earnings slightly ahead of expectations and reconfirmed guidance for 2023 organic revenue growth to be north of 10%.

Bottom Performers for the Quarter Included:

YDUQS (Brazil) is the country's largest post-secondary school education provider, offering a combination of on campus and distance education options. A few factors impacted the stock during the quarter. The company's shares have come under pressure as investors are increasingly uncertain of the ramifications of the impending change of political parties in Brazil. Also, YDUQS's floating rate debt will reduce earnings in 2023. In our view, it is likely that left facing President Lula will be favorable for the education industry. During his first term as president (2003 – 2010), through an emphasis on education, Lula focused on reducing poverty and improving literacy levels. Education continued to be a focus during his re-election campaign as it was integral to his plan to rebuild the economy in the face of crisis and to reduce poverty. We are currently reviewing our investment thesis on the company.

Coatings business Kansai Paint (Japan) benefits from strong market positions in automotive, architectural and industrial coatings. Kansai Paint owns 75% of India listed subsidiary, Kansai Nerolac. The Indian market is large, growing and a key value driver for Kansai Paint. Expectations are that recent competitive pressure in the Indian market will prompt Kansai Nerolac to increase marketing spend to defend market share and this has weighed on its shares, in turn weighing on those of Kansai Paint. We are supportive of Kansai Paint's strategy and feel strongly that the company has a very capable management team as evidenced by several astute capital allocation decisions in recent years.

Enterprise learning and education business Skillsoft (US) has been a disappointing investment. The enterprise learning segment is an attractive end market which typically benefits from strong customer retention via sticky recurring revenue relationships. Skillsoft has a leading position in Compliance and Human Resource training and boasts a solid customer list from among some of the largest global businesses. Late in 2021, Skillsoft management made the strategic decision to enter the highly desirable Technology and Development education segment via the acquisition of Codecademy. Technology and Development is a fast-growing subsegment of the enterprise learning market aimed at reducing the skills shortage in IT, coding and other technology development applications. Whist we agree that Skillsoft needed an offering in this sub segment, in our view the price paid for Codecademy was too high and stretched the company's balance sheet. Additionally, during 2022, management exited a slow growth yet highly profitable business. The combination of these two capital allocation decisions has eroded free cash flow in the business significantly and impaired shareholder value. On a positive note, we are pleased Skillsoft is demonstrating some success in cross selling the Codecademy offering to its existing customers. Skillsoft is a major shareholder in Prosus, a multibillion-dollar fund of technology and education investments. We have engaged with Prosus regarding the best way forward for Skillsoft, and we also have had ongoing conversations with Skillsoft's board, CEO and CFO regarding value creation in this underperformer as we move forward.

[1] Referencing the 'S&P Global ex AU & NZ Between USD1 Billion and USD5 Billion (AUD) NTR Index'.

GLOBAL SMALL CAP FUND

PARADICE
INVESTMENT MANAGEMENT

PORTFOLIO CHANGES

During the quarter, the Fund initiated a position in a global engineering and consulting business. We believe the business will achieve robust growth due to strong ESG and regulatory tailwinds. The Fund sold out of a specialized industrial manufacturer of lasers and motion control components which had been a solid holding and strong contributor to the portfolio over many years. The fund exited two Japanese positions - a dentistry supply business that reached our estimation of fair value and an ingredients and flavourings business that we believed had made some poor capital allocation decisions, calling into the question the quality of the company leadership. Lastly, the Fund exited its position in a Scandinavian specialty aluminum supplier on valuation grounds.

OUTLOOK

As we have discussed in prior commentaries, market leadership and concentration of returns were remarkably pronounced from early COVID through to the end of 2021, and market returns were heavily skewed to US Large Cap Technology businesses. In 2022, this leadership and concentration pivoted to Energy, with the S&P 500 Energy Index rallying 59% (in USD). In Q4, we observed Industrials catching a bid whilst former Large Cap Technology darlings suffered steep losses, such as Tesla (-54%), Amazon (-26%) and Meta (-11%) (stock returns in USD). We will continue to monitor the broadening out of market returns to other sectors as we believe a continuation of this trend would likely benefit portfolio key overweights to Industrials and Health Care.