30 JUNE 2023

GLOBAL SMALL CAP FUND

PARADICE
INVESTMENT MANAGEMENT

PERFORMANCE NET (%)	1 MONTH	3 MONTH	1 YEAR	3 YEAR	5 YEAR	7 YEAR	10 YEAR	SI* P.A.
Global Small Cap Fund	4.00	1.76	11.36	8.29	1.32	5.20	7.78	9.63
Benchmark[1]	2.12	3.25	14.94	10.74	5.44	8.29	9.94	11.38
Excess Return	1.88	-1.49	-3.58	-2.45	-4.12	-3.09	-2.16	-1.75

*Since Inception date (SI) – 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).

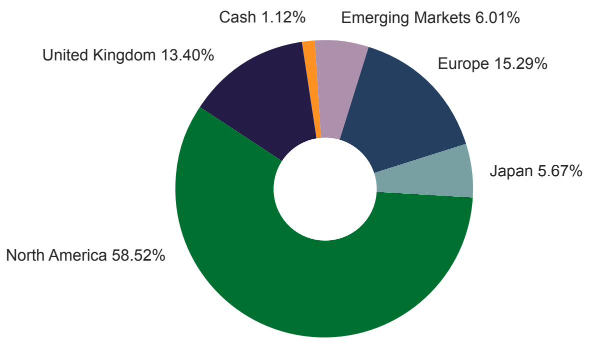
LEAD PORTFOLIO MANAGER

Kevin Beck & Paul Mason

KEY DETAILS

Number of Holdings	53
Weighted Avg Mkt Cap (AUD M)	$5,476M
Active Share	98.01%
Fund Size (AUD)	$143M

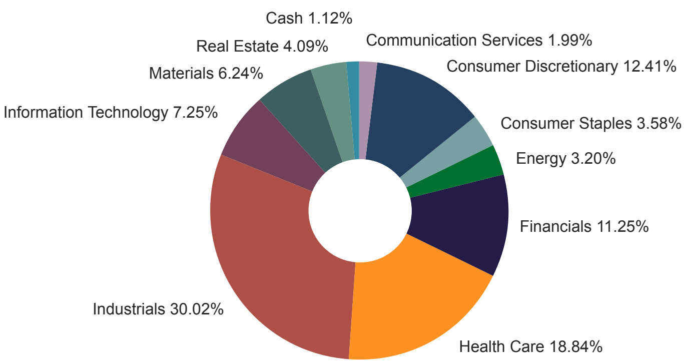
REGION ALLOCATION



TOP 10 POSITIONS

TOP 10 POSITIONS	WEIGHT %
ITT, Inc.	3.75
Lear Corporation	3.61
Euronext NV	3.49
Onex Corporation	3.41
OPENLANE, Inc.	3.30
ChampionX Corporation	3.20
Kansai Paint Co., Ltd.	2.99
ConvaTec Group Plc.	2.82
NuVasive, Inc.	2.80
Gates Industrial Corporation Plc.	2.68

SECTOR ALLOCATION



FUND DETAILS

APIR Code	ETL0365AU
Fund Currency	AUD
Distribution Frequency	Semi-Annually
Management Fee[2]	1.25% p.a.
Performance Fee[3]	15% p.a.
Buy Sell Spread	+/- 0.30%
Minimum Investment	$20,000

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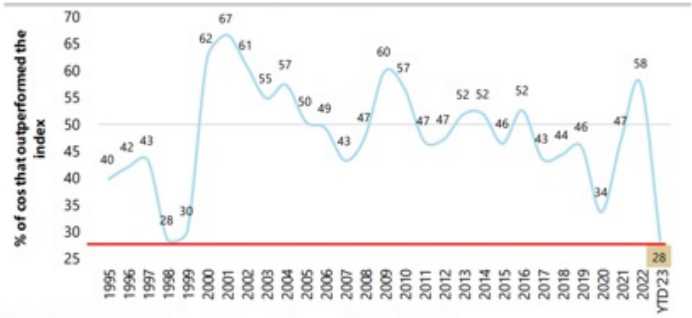
Performance in AUD unless otherwise noted.

MARKET REVIEW AND PORTFOLIO PERFORMANCE

Global small cap stocks posted modest gains for Q2, led by the Information Technology, Industrials, and Healthcare sectors. The portfolio underperformed the benchmark during the period, largely due to stock selection in the three sectors named above. From a geographic perspective, Emerging markets were a bright spot in the portfolio, generating significant returns. Japan was also positive, whilst the UK and Europe were areas of weak performance from an absolute perspective.

Large cap tech has been a one-way trade in the first half of 2023, with a specific emphasis on artificial intelligence, which has seen some phenomenal moves in names such as NVIDIA, Microsoft and a range of semiconductor businesses. The NASDAQ (a convenient proxy for large cap technology companies) has outperformed US small cap equities (Russell 2000) by a staggering 24% for the first half of 2023. Concentration of returns is something we keep a close eye on and, year to date, just 28% of the constituents of the S&P 500 are outperforming the S&P 500 Index (see below chart). We would expect small caps to benefit when the time comes for returns to broaden away from a handful of names.

S&P 500 - % of stocks outperforming the index

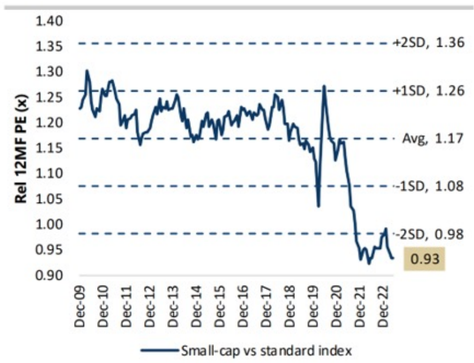


Note: Yearly rebalanced Dec end universe. Source: Jefferies, FactSet

*YTD'23 in the above chart is 30 June 2023.

Another knock-on effect of concentration of returns in large caps is that small caps continue to appear incredibly undervalued on a relative basis. As shown in the below chart, the relative price to earnings ratio between MSCI ACWI Small Cap vs Large Cap index is 2 standard deviations from the mean.

MSCI ACWI small-cap relative PE vs. std index



Note: Bottom-up aggregate PE based on MSCI weight. Source: Jefferies, FactSet

Top Performers for the Quarter Included

Onex Corp is an alternative asset manager with over US$51 billion invested across its Private Equity (PE) and Credit investment platforms. The firm manages both its own capital (US$7.8B) and fee-bearing third party capital, with zero debt on its balance sheet. We have been owners since 2020, when, in our view, the shares traded at a deep discount to net asset value (NAV). We saw this discount unwind through 2021, only to blow out again in 2022-2023 as interest rates rose and capital markets activity cooled. These conditions are unfavorable for PE, and neutral to positive for Credit. Investors focused more on Onex's large cap PE exposure, selling the shares down to a level implying a >70% haircut on the firm's private investments, or in other words, less than 30 cents on the dollar. Onex noted this "head-scratcher" on its Q1 call in May and told everyone listening that it would sell investments to help fund aggressive share repurchases. This is exactly what it did, and the shares responded positively, rising 19% in June. We believe the discount to NAV, a conservative proxy for fair value, remains wide.

YDUQS, a Brazilian education company, was the strongest performer in Q2, rising more than 100% from its multi-year lows at the end of last quarter. We strategically added to the position during the first quarter following an update call with management which gave clarity around the political environment for education in Brazil and the stretched balance sheet position for YDUQS. Since April, inflation has moderated in Brazil, leading investors to begin to price in future interest rate cuts, which would benefit YDUQS. The company has a strong and growing student base in Brazil, which should continue to benefit from the left-facing Prime Minister Lula.

US-listed outpatient rehab facility operator, Encompass Health was a top performer in the quarter as it regained losses from Q1. Encompass relies heavily on reimbursement from the US government for the treatment of a range of specific conditions in its facilities. Late in Q1, the shares sold off on fears of a cut in reimbursements. Early in Q2, announced reimbursement rates were better than the market had feared, which sent Encompass shares higher, more than capturing the selloff from Q1.

Bottom Performers for the Quarter Included

During the second quarter, we initiated a new position in Tandem Diabetes following a post-earnings decline that brought the stock within our target buy range. Tandem manufactures complex automated insulin pumps for individuals suffering from diabetes, predominantly type 1. Tandem's stock has been stressed recently as competitive pressures from Insulet and Medtronic have weighed on the company's growth. Tandem is on track to introduce four new products in the second half of 2023, including a new pump model to better position the company to compete against peers. Tandem has a strong net cash position, with cash and equivalents equal to ~32% of its market cap. Tandem is trading at just 1.6x sales, a compelling multiple well below peers for a growing medical device company. We believe the market is underappreciating Tandem's robust pipeline and future growth potential and expect an inflection in the multiple as they execute on product launches.

Shares in Dutch listed ingredients business Corbion sold off during the month following the cancellation of a plant build out in France. Corbion develops products and ingredients from renewable resources and has had a strong ESG tailwind over the past several years. One of Corbion's products is polylactic acid (PLA) bioplastics which is part of a joint venture with French energy giant, Total. Canceling the development has led to investors raising concerns that PLA bioplastics are not a long term viable product. Our view is that it is currently prudent to not pursue large scale capital projects in a time of high interest rates and inflationary build costs. PLA bioplastics are more expensive than traditional polystyrene, so it is possible that customers pivot to cheaper alternatives at the expense of the environment in the short term. Whilst PLA is nice optionality for Corbion, they have many other products and ingredients with strong market positions.

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US listed enterprise learning platform Skillsoft, a SPAC that we have written about previously, underperformed during the quarter. The core business at Skillsoft appears to have stabilized and we continue to have dialogue with the management regarding value creation. Shares sold off as the company's guidance for the year was slightly below expectations.

Portfolio Performance

The portfolio generated positive returns during the period of 1.76%, however underperformed the benchmark by 1.49%. The source of underperformance was primarily stock selection across Information Technology, Healthcare and Industrials. Geographically, Emerging Markets were source of absolute and relative outperformance, whilst Japan also contributed positively. The UK and Europe were areas of geographic weakness.

Portfolio Changes

The portfolio was quite active during the quarter, initiating positions in two new stocks, whilst selling five.

A diabetes care company (mentioned above) was added to the portfolio during the period. We believe investors are placing too many concerns on the short term and not appreciating the company's product pipeline. The diabetes industry is large and growing and the company offers the premium 'non-patch' pump in the market, in our opinion.

A US flooring manufacturer was also added in Q2. The company sells almost all types of flooring (except wood) in both the US and Europe. We believe the concerns around a housing slowdown due to higher interest are overdone. Roughly half of the company's revenues come from renovations, not new construction.

A US snacking business holding was sold after a nasty earnings miss and a lack of confidence in the new management team. The company previously performed well for the portfolio, and some profits were taken at higher levels. However, two poor capital allocation decisions have left the balance sheet in a precarious position at a time when inflation and demand are both very challenging to predict. The thesis had changed appreciably from when we first invested in the company, therefore it was time to divest.

A medical device manufacturer holding was sold during the month on valuation grounds.

A UK distribution business, which provides sourcing solutions across a diverse range of industries was sold off during the quarter. The company's strong point is in automation and robotics, which has highly specialized distribution needs and regular maintenance revenues. The recent CEO change and concerns about an economic slowdown caused us to sell the shares off to an attractive entry level in our view.

A US industrial distributor holding was sold off during the quarter as a funding source for new purchases. The company is currently under takeout, trading at a very narrow discount to the agreed upon takeout price.

An Irish listed property developer holding was divested as the shares approached fair value.

OUTLOOK

At the time of writing, we are on the cusp of Q2 reporting season, the economy appears to be avoiding the deep recession which many investors were predicting. Earnings are skewed to the second half of 2023, which may need to be downgraded modestly. We believe, however, that many stocks (particularly small caps) are already priced for this. The portfolio is overweight economically sensitive sectors such as Industrials, which we expect to perform well should the economy continue to avoid a deep recession.