31 MARCH 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	-1.65	6.56	-1.12	9.43	0.77	5.70	8.85	9.69
Benchmark[1]	-0.57	5.67	2.88	12.41	5.62	8.48	10.90	11.32
Excess Return	-1.08	0.89	-4.00	-2.98	-4.85	-2.78	-2.05	-1.63
								*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.

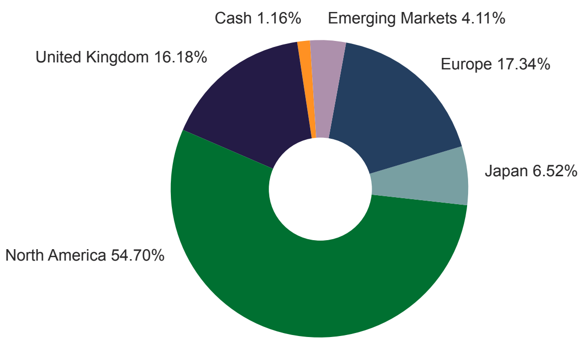
INVESTMENT OBJECTIVE

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).

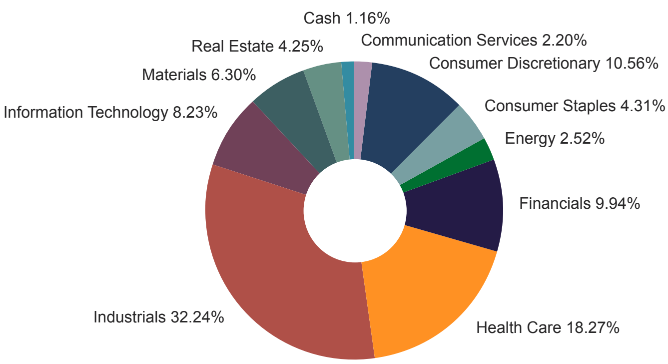
LEAD PORTFOLIO MANAGER

Kevin Beck & Paul Mason

REGION ALLOCATION



SECTOR ALLOCATION



KEY DETAILS	
Number of Holdings	54
Weighted Avg Mkt Cap (AUD M)	$5,321M
Active Share	98.53%
Fund Size (AUD)	$158M

TOP 10 POSITIONS	WEIGHT %
Univar Solutions Inc.	3.76
Euronext NV	3.55
KAR Auction Services, Inc.	3.25
Lear Corporation	3.16
ITT, Inc.	3.12
Avanos Medical, Inc.	3.04
Progress Software Corporation	2.89
ConvaTec Group Plc	2.75
Loomis AB	2.65
Onex Corporation	2.59

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

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

GLOBAL SMALL CAP FUND

PARADICE INVESTMENT MANAGEMENT

Performance in AUD unless otherwise noted.

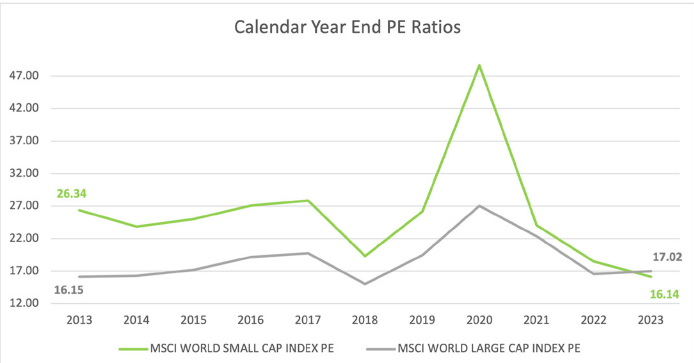
MARKET REVIEW

Despite a volatile month of March, full of doomsday headlines about bank runs and solvency crises, global equity markets put up a strong beginning to calendar 2023. At quarter end, the benchmark was up a little over mid-single digits as markets welcomed moderating inflationary data, a warm winter in Europe helped evade an energy crisis and an earnings season that demonstrated resiliency and strong cost control amongst most businesses. Pleasingly, the portfolio generated alpha during the period, partly due to our underweight to regional banks (explained herein) combined with strong stock picking across a range of sectors in North America.

While it's not surprising that Fed rate hikes are now 'breaking things' after years of ultraloose monetary policy, we don't claim any great foresight in avoiding the banking sector ahead of last month's crackup. Banks are highly leveraged, highly commoditized, and highly regulated. As such, most fail to meet our investment criteria so we have owned very few banks since inception. We instead have generally gravitated toward non-bank Financials with more favorable attributes, such as insurance companies, payment technology companies, or stock exchange infrastructure companies. Silicon Valley Bank (SVB) saw a classic run on the bank as depositors rapidly lost confidence in its solvency. There is no such thing as a "run on the exchange" because exchanges are natural monopolies with nowhere for the customers to run. This helps us sleep better at night and allows us to maintain a stock exchange company as a top 5 holding in the portfolio at quarter's end. Another example of a Financial in the portfolio is an alternative asset management company with long-term locked up third-party capital and a fortress balance sheet with over USD $1 Billion in cash and near-cash with zero debt. This is reflected in its top 10 weighting at quarter's end.

The below data is fascinating to us. It shows the PE ratio of the MSCI World Large Cap Index and the PE of the MSCI World Small Cap Index. We would almost always expect the PE ratio for a smaller cap index to be higher than its large-cap counterpart, primarily for two reasons:

- Smaller companies are typically not achieving their full margin potential as they are reinvesting for growth. This depresses profit margins and inflates earnings multiples.
- Smaller companies should have higher growth rates and longer runways for growth relative to large-cap peers, which would typically be reflected in a higher PE ratio.



Source: Bloomberg, Paradice. Chart is intended to be illustrative and is not indicative of Fund performance.

From the above, it can be seen that the small cap premium (% higher than large cap) has eroded from +63% (2013) to -5% (Year estimate 2023) over the course of the last decade. As contrarians, we find these statistical anomalies to potentially be a very attractive starting point for multi-year outperformance of the asset class.

TOP PERFORMERS FOR THE QUARTER INCLUDED

During 2022, the home service plan provider Frontdoor (U.S.) underwent a leadership transition, bringing in the chairman to stabilize the business and build a new executive team. With the new management team in place, Frontdoor hosted an investor day in February 2023 providing insight into their new strategy and refreshing long-term financial targets. The business will be pivoting away from loss-making technology investments and re-focusing spending on enhancing the core cash generative home service plan business. This strategic pivot has re-instilled investor confidence in the business, and the long-term targets imply strong operating performance in the coming years.

Loomis (Sweden) provides cash management and transit services on behalf of banks and a range of retail facing businesses, which outsource this role for efficiency and security reasons. Loomis's business model was severely impacted by COVID which saw cash usage decline on the back of reduced in-store shopping, a preference for cashless payments, and a sharp reduction in tourism (which is cash heavy). The company's Q4 2022 results reflected sales that were 13% higher than those of the same period in 2019 (pre-COVID) highlighting the resilience of the business. Loomis has expanded impressively into the USA and we see potential continued tailwinds as China continues to normalize.

UK listed advertising agency, M&C Saatchi had a positive quarter on the back of stronger than expected earnings combined with a capital markets day, which laid out a strong strategic vision for the group. Saatchi has had a tumultuous couple of years with multiple takeover approaches, break-up proposals, and board member changes. As major shareholders, we have been actively engaged with the company at the executive and board level in an effort to unlock value for shareholders.

BOTTOM PERFORMERS FOR THE QUARTER INCLUDED

Vintage Wine Estates is a US listed wine producer that came to market via SPAC mid-way 2021. Like many SPAC's, the business was not ready for life in the public markets and has encountered several accounting errors, restatements, and delays in filings. The underlying business has significant brand and land value that could be unlocked for shareholders. New members of management have been brought in from reputable companies in the alcoholic beverage industry. The company also recently announced the sale of assets, which is a step in the right direction.

LivaNova, a medical device manufacturer in the U.K., has been investing in three key clinical trials in the areas of depression, sleep apnea, and heart failure. In the first quarter, LivaNova made the decision to wind down the heart failure program, a move that comes with one-off stoppage costs for 2023 but future cash savings in the years ahead. The programs to treat depression and sleep apnea are continuing and remain the company's most attractive long-term opportunities. LivaNova's core neuromodulation and cardiopulmonary businesses expect to see further growth and margin recovery in 2023 and beyond. Although investor confidence has been shaken, we believe the core business is now undervalued with potential positive trial developments providing further upside.

YDUQS (Brazil) is the country's largest post-secondary school education provider, offering a combination of on campus and distance education options. The shares have had a nasty sell-off over the past 12 months as investors have grown concerned regarding the new government's policy on education subsidies. Furthermore, spiking interest rates in Brazil will materially impact free cash flow for the business during 2023. We have spoken with management and continue to remain constructive on the investment.

GLOBAL SMALL CAP FUND

PARADICE
INVESTMENT MANAGEMENT

PORTFOLIO PERFORMANCE

The Fund had a positive quarter returning 6.56% and outperforming the benchmark by 0.89%. Geographically speaking, stock selection in the United States was a primary source of positive return. Conversely, stock selection in the UK detracted from the portfolio's performance. On a sector basis, returns were driven by an underweight position in financials, positive stock selection in Real Estate, and strong stock performance in our overweight Industrials exposure. Our underweight to Information Technology was a negative contributor.

PORTFOLIO CHANGES

There were no new names purchased in the portfolio. We sold out of a US-listed industrial company on valuation grounds. We added and trimmed individual names on the basis of position size and/or valuation grounds. The bench of new names remains constructive and recent volatility is bringing investments closer to our buy prices across stocks in a range of sectors.

OUTLOOK

2023 is shaping up to be a year where earnings are heavily skewed to the second half. The recent reporting season elucidated that management teams were conservative during the end of 2022 and the events of Q1 2023 will likely keep business confidence muted. In sum, we are not expecting an amazing Q1 or Q2 for many businesses. In saying that, small caps multiples have already contracted sharply (as detailed above). The portfolio continues to be overweight Industrials and Healthcare, two sectors which have pent up demand, in our opinion.