31 DECEMBER 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	5.89	5.35	13.95	4.33	4.79	4.42	6.26	9.66
Benchmark[1]	4.75	5.04	14.75	6.78	8.75	7.48	8.60	11.34
Excess Return	1.14	0.31	-0.80	-2.45	-3.96	-3.06	-2.34	-1.68

*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).

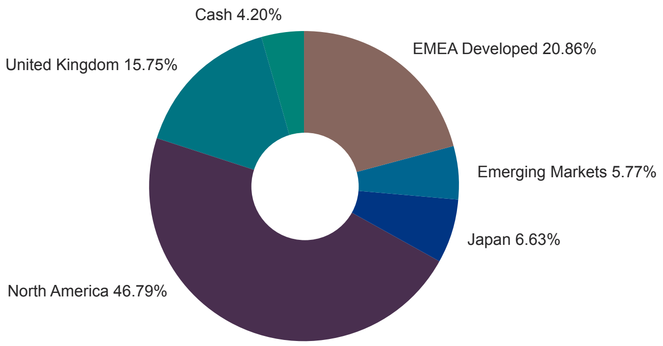
LEAD PORTFOLIO MANAGER

Kevin Beck & Paul Mason

KEY DETAILS

Number of Holdings	48
Weighted Avg Mkt Cap (AUD M)	$5,997M
Active Share	98.87%
Fund Size (AUD)	$120M

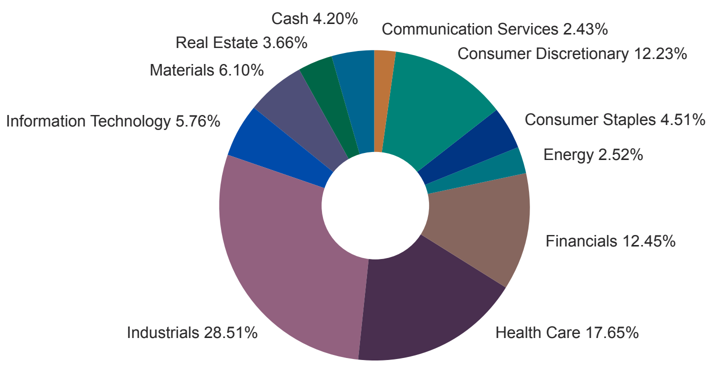
REGION ALLOCATION



TOP 10 POSITIONS

TOP 10 POSITIONS	WEIGHT %
Euronext NV	3.81
Onex Corporation	3.46
Lear Corporation	3.26
ams-OSRAM AG	3.19
Globus Medical Inc. Class A	3.12
ITT, Inc.	2.96
OPENLANE, Inc.	2.87
Renewi Plc	2.87
Mohawk Industries, Inc.	2.62
Signify NV	2.62

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

 [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. [3] Applies to the investment performance achieved by the Fund (after management fees and costs) in excess of the Benchmark. Refer to PDS for more information.

GLOBAL SMALL CAP FUND

PARADICE
INVESTMENT MANAGEMENT

Performance in AUD unless otherwise noted.

MARKET REVIEW AND PORTFOLIO PERFORMANCE

The December quarter saw strong moves in global small and mid cap equities. Softening inflation data and some dovish commentary from the Federal Reserve gave the green light for investors to send equity markets higher. The Russell 2000 (US small cap equities) had one of the best December's on record as capital moved into the asset class with the hope of rate cuts from the Federal Reserve (good news for small cap equities, which have historically outperformed during rate cutting cycles). We continue to view the asset class favorably from a both a relative and absolute basis.

Top Performers for the Quarter Included

Euronext (France): Euronext, the largest position in the portfolio, was the top contributor for the period. Euronext is a pan-European exchange providing trading, post-trade services, data services and a range of other offerings. During the quarter, shares in the company rose on the back of increased optimism of inflows into equity markets following an expected decline in interest rates. Euronext is also beginning to see the realization of synergies from the Borsa Italiana acquisition in 2021, which has been integrated over the past 2 years. The business continues to have strong cash generation, which the company will look to deploy this year by way of acquisition or share repurchases. Euronext remains undervalued relative to global exchange peers.

ITT Inc. (US): Long-term holding ITT Inc shares rose 22% in the quarter following a strong earnings report and a general rally in industrials. At a time when industrial peers were struggling to post positive growth attributable to global de-stocking trends, ITT reported 9% top-line growth in the quarter and over 17% growth in operating profit. In our view, ITT remains well-positioned to capitalize on emerging growth trends through its leading position in brake pads for electric vehicles, innovative flow control equipment, and connect/control technologies for EV charging infrastructure and warehouse automation. We expect ITT to remain a core holding in the portfolio given its, in our opinion, above-market growth, opportunities for margin expansion, and strong return on invested capital profile.

Tandem Diabetes (US): Tandem Diabetes, a manufacturer of automated insulin delivery systems for diabetes patients, shares increased 42% in the quarter. The main driver resulted from a broad-based rally in diabetes-related medical device companies that were previously under pressure from perceived GLP-1 disruption (GLP-1s are drugs historically taken to treat type 2 diabetes but have recently become popular in the weight loss community). Over 90% of Tandem's business comes from type 1 diabetes, the chronic autoimmune disease where rogue cells destroy the pancreas's ability to produce insulin. GLP-1s have been used to treat type 2 diabetes for many years, but no data has shown that GLP-1s (or any other therapy) can reverse type 1 diabetes, the core market for Tandem's products. The reversal of GLP-1 sentiment along with two new product introductions in the quarter resulted in strong share price increase for Tandem, which we believe is still undervalued. Entering 2024, Tandem is equipped with an innovative new product portfolio unlike anything on the market, which we predict will help the company regain market share and drive sales growth.

Bottom Performers for the Quarter Included

ChampionX (US): ChampionX is a global energy services provider specializing in production chemicals, artificial lift technologies, and diamond headed drilling equipment. The company was formed in 2020 following the merger of Apergy and Ecolab's upstream chemicals business. The upstream chemicals acquisition from Ecolab gave ChampionX a new consumable product suite that reduced cyclicality. We have owned ChampionX since 2020 when the stock was trading at a discount to its legacy Apergy valuation despite the business diversification. ChampionX declined in the quarter due to a seasonally lower rig count and weaker oil prices amidst strong US production. The rig count has become less relevant to ChampionX post the merger as most of its revenues are tied to oil production vs drilling. While falling oil prices could present a near-term headwind to oil production, we believe ChampionX is structurally well positioned over the long-term as a crucial component in extracting a necessary resource. We expect ChampionX to experience less earnings volatility relative to peers given the consumable nature of the product. Despite this, the stock still trades at a discount to other oil service names.

Renewi Plc (UK): A UK listed waste management business with key operations in the Benelux region, Renewi was written about it in our last quarterly report, which was a top performer following an approach from Macquarie Group to take Renewi private. The board of Renewi rejected the offer during October, which sent the shares lower, we have had dialogue with management expressing our concern with how the takeover situation was handled. In our view, the approach from Macquarie should have been the first step in a competitive bidding process. Renewi is a key asset in the European waste management industry, which we believe would be attractive to multiple companies. We have increased our exposure to the name with the expectation of future M&A activity.

Envista Holdings (US): Envista, a dental product and equipment supplier, was a poor performer for the period. In late summer, dental stocks began selling off on fears of slowing patient volumes in the US and China and a weakening capital equipment market. During November, Envista reported earnings and forward guidance that fell short of market expectations, sending shares to levels not seen since COVID. Following the result, we held a call with the company to walk through areas of underperformance and the strategy for turning these around, namely the North American dental implant business and imaging equipment. We also hosted a call with a close competitor to Envista to get their view of the market. These calls provided us with confidence in the turnaround potential of Envista's underperforming businesses, the continued strength of their portfolio brands, and the temporary nature of the headwinds facing the dental industry. As a result of our conviction, we added to our position in Envista during the quarter.

PORTFOLIO PERFORMANCE

The Fund outperformed the benchmark for the quarter returning 5.35%, largely due to outperformance in Emerging Markets and Japan. The US was an area of weakness for the portfolio as its stocks failed to keep up with the market.

Portfolio Changes

During the quarter the portfolio initiated two new positions and exited four.

The market-leading pet specialty retailer in Canada was a new addition to the portfolio during the quarter. The company operates a differentiated, cash-generative franchise model with a select number of corporate-owned stores. The company serves the "devoted pet lover" and offers a premium assortment of products inaccessible at traditional pet warehouse stores. The company has strong brand awareness and derives over 75% of sales from repeat-purchasing consumable products like dog food and cat litter. We believe shares have a long runway to growth via store openings and offer compelling value compared to both franchise model and pet industry peers.

We initiated a position in a global supplier of automotive components, aerial work platforms, and specialized agricultural equipment because the valuation of the company has de-rated relative to its historical levels despite diversified end markets, strong capital allocation policies, and a tenured management team. The company has, in our opinion, high-graded its portfolio to be less reliant on Internal Combustion Engine (ICE) vehicles over the years by increasing electric vehicle (EV) exposure and growing its industrial segment. While this has predominantly been completed via acquisitions, management has kept the balance sheet in clean condition and paid out a dividend consistently (aside from 2020). The CEO has been in her role for over 20 years and has demonstrated strong operational management over that time. Despite the strong track record, the company trades at a discount to its historical multiple. In the near-term, we see opportunities from recent acquisitions and normalizing margins in the mobility segment providing support at these levels. Over the longer-term, we think that the company has multiple outlets to grow the business organically and via M&A under the guide of a strong management team.

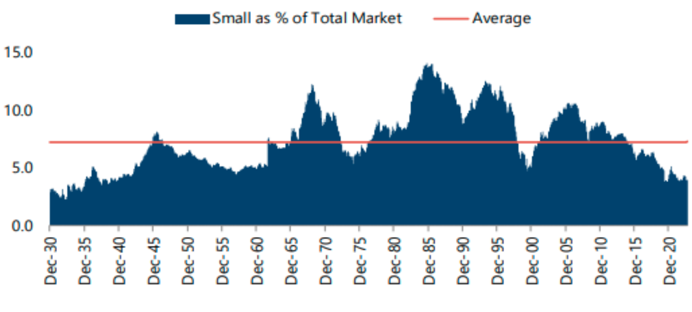
A US listed company was sold during the period due to leadership changes and a series of execution missteps. Three additional positions were sold as part of a broader portfolio review as we increase position sizes in our core names.

OUTLOOK

Last quarter we wrote of perceived investor concerns regarding the impending recession and high interest rates. Sentiment appears to have shifted a lot of ground with many market participants expecting a soft landing in the US and Global economy. Interest rate expectations have fallen substantially, though may have priced in too much too soon. Employment is tight, demand is surprisingly resilient, and the last thing the Fed wants is to cut rates too soon only to see inflation come surging back. We expect financial conditions to remain tight for the first half of the year until economic data presents a clearer picture.

What is very heartening for us as small cap investors is to observe how quickly returns can come in small caps. The Russell 2000 (US small cap equities) had one of the strongest December's on record, driven by strong inflows to the small cap asset class. Currently, small cap equities make up less than 4% of the US equity market which (as illustrated in the below chart) is at a ~100 year low relative to the rest of the market. We believe the pessimism towards the asset class, combined with very attractive valuations creates an attractive set up for small cap returns in the coming years.

US Small Cap Equities as a % of the Total US Equity Market Capitalization



Source: Center for Research in Security Prices (CRSP®), The University of Chicago Booth School of Business; Jefferies

In other parts of the world, we continue to observe positive developments in Japan, which is undergoing some of the most transformational corporate governance changes in history. Led by the Tokyo Stock Exchange (TSE), companies with poor capital efficiency are being scrutinized, whilst more efficiently run businesses are rewarded with a listing on the TSE's Prime segment. As the world's 4th largest economy, Japan has a long list of quality businesses that, in our opinion, have underachieved relative to their global peers due to poor and/or unambitious capital allocation. These regulatory changes continue to encourage Japanese companies to behave in a more shareholder friendly manner, which may offer interesting investment opportunities for the portfolio.