31 MARCH 2024

GLOBAL SMALL CAP FUND

PARADICE
INVESTMENT MANAGEMENT

PERFORMANCE NET (%)	1 MONTH	3 MONTHS	1 YEAR	3 YEARS	5 YEARS	7 YEARS	10 YEARS	SI* P.A.
Global Small Cap Fund	5.09	7.98	15.48	3.40	4.68	5.51	7.10	10.19
Benchmark[1]	2.35	6.47	15.62	5.83	8.04	8.31	9.41	11.70
Excess Return	2.74	1.51	-0.14	-2.43	-3.36	-2.80	-2.31	-1.51

*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.

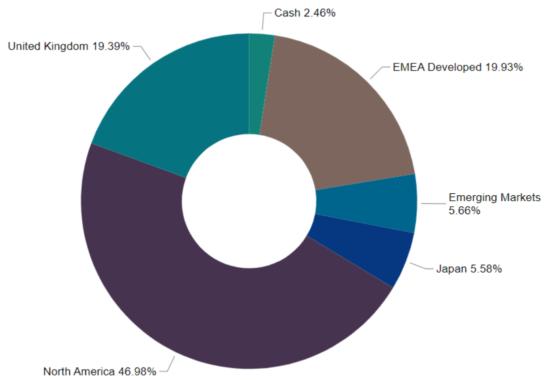
INVESTMENT OBJECTIVE

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).

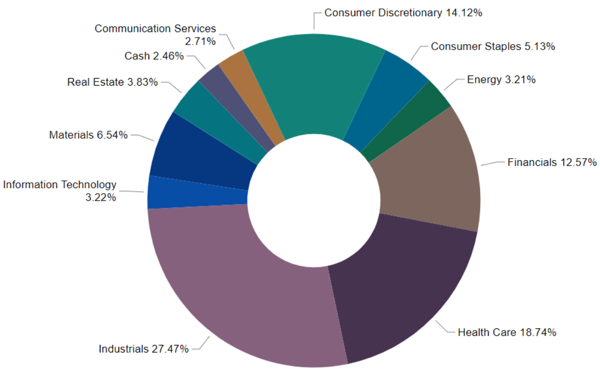
LEAD PORTFOLIO MANAGER

Kevin Beck & Paul Mason

REGION ALLOCATION



SECTOR ALLOCATION



KEY DETAILS	
Number of Holdings	45
Weighted Avg Mkt Cap (AUD M)	$6,859M
Active Share	98.98%
Fund Size (AUD)	$ 121M

TOP 10 POSITIONS	WEIGHT %
Euronext NV	4.33
Onex Corporation	3.83
OPENLANE, Inc.	3.48
Mohawk Industries, Inc.	3.44
Globus Medical Inc Class A	3.26
ChampionX Corporation	3.21
Gates Industrial Corporation plc	3.15
DS Smith Plc	2.94
Sendas Distribuidora SA	2.80
ConvaTec Group Plc	2.76

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.

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Performance in AUD unless otherwise noted.

MARKET REVIEW AND PORTFOLIO PERFORMANCE

Small caps globally had strong returns during the March quarter of 2024. The strongest sectors in the benchmark were Energy, Financials and Industrials, a pleasing sign that returns are beginning to broaden. Continuing the theme from 2023, large cap stocks continue to outperform stocks in smaller cap benchmarks. Broadly speaking, we have been very pleased with the earnings resilience of our portfolio companies and view their valuations to be very attractive relative to larger cap peers.

Top Performers for the Quarter Included

Gates Corp. (US): Gates is a leading producer of rubber belts and hoses for the power transmission and fluid power markets, primarily selling into replacement channels. The company's resilient model was on display in the quarter as Gates reported stable year-over-year revenue while expanding operating margins through manufacturing efficiencies, leading to strong profit growth. The company also hosted a capital markets day where management announced new growth avenues and provided mid-term financial targets above market expectations. Despite shares rallying over 30% in the quarter, Gates remains grossly undervalued relative to industrial peers.

Mohawk Industries (US): Mohawk is the largest manufacturer of flooring globally. The Fund initiated a position in Mohawk early last year as the valuation derated considerably from both historic and peer levels amidst concerns regarding new home construction and home renovation in a higher interest rate world. Mohawk rallied strongly in the quarter as housing sentiment improved and consumers began to digest higher rate levels. We expect long-term growth tailwinds from the global housing shortage, particularly in the US, to benefit Mohawk. Additionally, ~50% of Mohawk's sales are tied to remodeling, which is typically more stable through housing cycles.

DS Smith (UK): DS Smith is a global paper and packaging player. The business primarily sells corrugated boxes to consumer staples companies, including Proctor & Gamble and Nestle. DS Smith has traded at a discount to global packaging companies in recent years as returns and margins have lagged the peer group. However, DS Smith is a strong free cash flow generator and we believe the company has compelling growth opportunities, including increased demand for sustainable packaging and the ramp up of a new corrugated box plant in the United States. These opportunities, in our view, attracted UK packaging player Mondi to express interest in a bid for DS Smith in early February. Subsequently, US-based International Paper countered Mondi's offer with a higher price to acquire DS Smith. The takeover offers propelled DS Smith >30% in the quarter. It would not surprise us to see further bidding tension for the company.

Bottom Performers for the Quarter Included

ams-OSRAM (Switzerland): ams-OSRAM is a Swiss listed technology business that formed following the merger of ams (semiconductor, sensors) and OSRAM (precision lighting lamps, LED). The company has been in the process of building the world's leading micro-LED facility in Malaysia. Micro-LED's are a new technology for displays that create more vivid colors, 'blacker' blacks and higher resolution, all whilst using less energy than alternate display solutions such as OLED. ams had been building the Malaysian facility to serve demand from a mega cap, phone/ device manufacturer based in Silicon Valley with one of the strongest brands in the world (ams OSRAM cannot disclose the company). This company has decided to end its ambitions to use micro-LEDs in near term products and focus its attention on other end markets. Understandably, shares fell sharply on the news and ams shares now trade at a substantial discount to the sum of their parts. We would expect the company to update the market in the coming months with a refreshed strategy. Interestingly, ams OSRAM stepping out of micro-LED improves near term cash flow and earnings stability of the business.

Skillsoft (US): Skillsoft was a poor performer during the quarter. Skillsoft has been a challenged investment for the Fund following a poor acquisition that the company made late in 2021. At its core, Skillsoft runs a learning platform that many of the world's largest companies subscribe to as a means to ensure their employees remain informed and educated on compliance, human resources and, other basic workplace skills. There are other modules on the platform that can help employees upskill by learning new skills such as coding, accounting, or people management. This core business is a software platform with very little churn and, in our view, would be difficult to displace by competitors. As such, we believe this is an attractive asset for a range of software providers or private equity. Should the shares stay at this depressed valuation, we would expect Skillsoft to attract interest from outside buyers.

CompuGroup Medical (Germany): CompuGroup is one of the largest pan-European medical software providers and enjoys market leadership in many of their markets. During the quarter, the company produced soft financial results and surprised the market with a restructuring program aimed at re-focusing research and development spend and other cost-savings measures. While we are pleased to see the company aggressively manage their cost base, management poorly communicated their plan to the market, sending shares down over 20% in the quarter. We have spoken with the company on multiple occasions over the past month and have confidence that management will execute on their strategy. As a result, we increased our position in CompuGroup during the quarter.

PORTFOLIO PERFORMANCE

Despite some stock specific weakness in the Information Technology sector, the Fund returned 7.98% (net) during the quarter, outperforming the benchmark by 1.51% (net)%. Key drivers of outperformance came from the US and the UK thanks to strong stock picking in those regions within several sectors including Consumer Discretionary, Materials and Industrials.

Portfolio Changes

We have been on a path of consolidating stock names for the portfolio and increasing positions sizes amongst our investments for which we have the highest conviction. Pleasingly, during the quarter, our largest contributors were all within our 15 highest weight positions. While there were no new positions initiated during the quarter we added to several positions including a Canadian pet supplies retailer and a Canadian industrial (both of which were new positions last quarter), as well as a few that we feel are trading at deep valuations relative to our calculation of intrinsic value.

The Fund exited its investment in a Japanese listed company that designs and manufactures large monitoring and control systems for large infrastructure, energy, and chemicals industries. These industrial automation solutions have a nice tailwind, and the company has done what we view as an impressive job of capturing its share. We believe the company is a well-run business and exited on the basis of valuation.

We also exited some smaller, tail positions in the portfolio as we continue to consolidate positions based on highest conviction.

OUTLOOK

We continue to believe that the small cap assets class is incredibly attractive relative to larger cap indices. As always, it is difficult to pinpoint a catalyst for smaller cap assets to outperform their larger counterparts, however, over 100 years of data would suggest that we are at the lower bound of relative valuations. Our philosophy and process typically drives us towards business that are free cash flow generating and trading a discount to our calculation of fair value. At this point in time, that leads us to be overweight Industrials and Healthcare, which, pleasingly, have commenced 2024 robustly with what we view as impressive earnings in Q1. As always, we maintain a close watch on the economy by hearing dozens of microeconomic perspectives, through speaking with, researching and, analyzing smaller companies (which we think tend to offer a better read on the health of the economy than economist view), and monitoring various publications or backward-looking data points.