30 SEPTEMBER 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	-2.31	3.64	8.33	-0.32	3.29	3.30	6.05	9.28
Benchmark[1]	0.95	5.52	14.41	3.48	7.42	7.60	9.11	11.39
Excess Return	-3.26	-1.88	-6.08	-3.80	-4.13	-4.30	-3.06	-2.11

*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

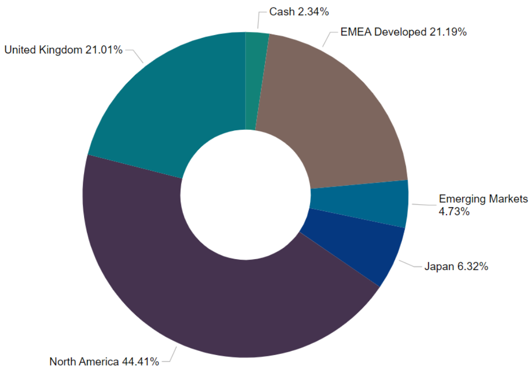
The Fund aims to outperform the S&P Global ex Australia and New Zealand Between USD1 Billion and USD5 Billion Net Total Return Index in AUD over a three to five year period (after management costs and before tax).

LEAD PORTFOLIO MANAGER

Kevin Beck & Paul Mason

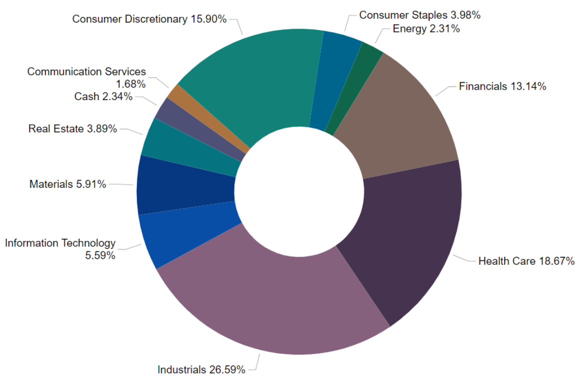
KEY DETAILS	
Number of Holdings	47
Weighted Avg Mkt Cap (AUD M)	$6,049M
Active Share	99.32%
Fund Size (AUD)	$ 99M

REGION ALLOCATION



TOP 10 POSITIONS	WEIGHT %
Euronext NV	3.66
Tandem Diabetes Care, Inc.	3.50
Globus Medical Inc Class A	3.44
Allfunds Group plc	3.39
OPENLANE, Inc.	3.10
Onex Corporation	3.07
Renewi Plc	3.04
Mohawk Industries, Inc.	2.88
Gates Industrial Corporation plc	2.81
ITT, Inc.	2.74

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.

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Performance in AUD unless otherwise noted.

MARKET REVIEW AND PORTFOLIO PERFORMANCE

Macro forces drove headlines and returns during the quarter; the US unexpectedly cut rates by 50bps (vs the expected 25bps) whilst China pushed through both fiscal and monetary changes, hoping to breathe life into their sagging economy. Markets welcomed the two-pronged stimulus pushing stocks higher across all regions. There is something for both bull and bear viewpoints in the current economic data; The bulls can point to robust job growth and near full employment in the US along with moderating inflation globally as signs of a successful soft landing. Alternatively, bears can highlight the North American Manufacturing PMI being below 50 (indicating a contraction), slower automotive sales, poor restaurant foot traffic and reducing home sales as signs of a strained consumer.

Top Performers for the Quarter Included

Mohawk Industries (US): Mohawk is a leading global flooring business with operations across 19 countries and most flooring product types. Mohwak is a relatively new position the Fund, with the initial purchases commencing mid-way through 2023 as, in our view, investors were concerned that high mortgage rates would hinder demand for Mohawk's products. Whilst Mohawk has seen some post COVID slow down (along with many building product companies) demand has remained resilient, and we believe management have proven they have incredible cost control and inventory management. This was highlighted in Mohawk's most recent earnings announcement that sent shares much higher on the day of the announcement. One of the key reasons we have confidence in the investment thesis of Mohawk is the strength of the management, particularly the CEO who has been in the flooring industry for over three decades and personally has significant skin in the game by way of ownership of Mohawk shares.

Frontdoor (US): Frontdoor is the leading home warranty provider in the United States. During a challenging 2022 environment due to surges in wage and appliance inflation, the company embarked on an aggressive turnaround strategy by way of a new leadership team. Their plan was to refocus the business on their core offering while eliminating excess spend on non-core programs. They also launched a large buyback at the time, which signaled to us that they were confident in their ability to turn around the business. Fast forward two years later, Frontdoor posted record margins during the most recent quarter with sustained top-line momentum. The company also announced a deal to acquire a struggling competitor to enhance their market leadership position while supporting future growth opportunities.

Corbion (Netherlands): Corbion is a sustainable ingredients and additives provider to the food, personal care, medical and other industries. Its products help with the preservation of flavors, colors, textures of food, personal care products and pharmaceuticals, as well as long tail of other applications. Shares had a good quarter following results which showed margin expansion and solid demand. The share price also reflected Corbion's strong growth in AI (not Artificial Intelligence, Algae Ingredients). We believe this is an exciting growth area where Corbion are using algae to convert sugar to fats with high Omega 3 oil content. This is a sustainable way of producing omega 3 oils without killing fish.

Bottom Performers for the Quarter Included

Sendas Distribuidora (Brazil): Sendas Distribuidora one of the largest cash and carry operators in Brazil, a market that has expanded rapidly in recent years due to consumers seeking low-priced food assortment relative to supermarkets and hypermarkets. Sendas has been a leader in this expansion, accelerating their store rollout opportunity through a series of asset purchases and store conversion projects by way of increasing balance sheet leverage. In our view, Sendas is an attractive business because of their highly cash-generative model due to their low-cost warehouse store format. However, as interest rates are now expected to rise in Brazil versus previous expectations of falling rates, the company's cash flow is under pressure due to a leveraged balance sheet. While Sendas maintains a strong credit profile with a low risk for a capital increase, investors have shifted out of leveraged businesses like Sendas and into more stable, less risky assets. This dynamic negatively impacted the company's shares during the quarter. We remain confident in the company's now-accelerated plan to de-leverage the business and return to its normal cash-generative model in the coming years, which the market seems to be severely underestimating.

Compugroup (Germany): CompuGroup Medical is a German software provider to the medical industry. The core business is highly recurring by way of subscriptions and has high switching costs for its customers; two characteristics we found to be quite attractive. CompuGroup also has project-based revenue, which can be delayed by customers and is inherently less predictable. In our view, CompuGroup has done a poor job of communicating this volatility with investors, leading to a sharp selloff during the quarter as project-based revenue was deferred by a major French customer. The share price weakness this year has led to the founding family and controlling shareholding replacing the former CEO with a new leader. We are confident the equity value of the core business is worth significantly more than the current market price and will be engaging with the new leadership and founding family to understand their plan to unlock the true value of this scarce software asset.

ChampionX (US): ChampionX is an oil services business that greatly assists in the extraction of oil by way of highly engineered chemicals which increases the efficiency of oil production. ChampionX has previously been a positive for the Fund and is currently under an all-scrip takeover from industry juggernaut Schlumberger. There was nothing specific to ChampionX which weighed on the shares during the quarter. Oil prices were a little softer in the period, which dragged most energy service companies down. This also impacted Schlumberger's share price, which in turn, effected ChampionX's. Recent escalation of tensions in the middle east has seen oil prices spike and energy service names rally.

PORTFOLIO PERFORMANCE

Though the Fund returned 3.64% (net) for the quarter, it underperformed the benchmark. North America was a bright spot for performance; however, this was more than offset by both poor stock selection and an underweight to Emerging Markets (EM), especially China, which rallied strongly on the back of stimulus. To further highlight the EM issues, the quarter ending benchmark weight of EM was roughly 28%, whereas the portfolio weight was closer to 4.5%. The EM sleeve of the benchmark returned over 5%, whilst the Fund's EM exposure was down ~17%, largely due to fears of interest rate increases in Brazil due to stubborn inflation. The combination of being underweight EM and poor Brazilian performance made up over half of the Fund's underperformance in the period.

PORTFOLIO CHANGES

The Fund initiated a new position in Italian domiciled payment processor. The company is the dominant payment processing company in Italy and continues to grow attractively in surrounding countries. Card penetration in Europe, particularly southern Europe, remains lower than other developed nations. We expect the company to capture this ongoing trend of payments migrating from cash to card. The shares have come under pressure as there are fears that competitors that offer a more wholistic approach (Software based payments) may take share from the company. We believe the current market share the company holds, combined with a very long tail of small to medium sized businesses in Italy which have yet to adopt a payment processor, will allow the company to maintain growth in the coming years.

The Fund exited a US listed healthcare facilities operator. The company had been a strong performer for the Fund and shares had reached our approximation of fair value.

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OUTLOOK

With large cap benchmarks firmly ahead of their small cap counterparts for the 7th year in a row, we urge investors not to give up on the asset class just yet. History tells us that small caps tend to outperform after the Fed has commenced rate cuts and recent economic data suggests the economy continues to be quite resilient in the face of uncertainty. Current positioning is tilted towards Industrials, where we're seeing what we believe to be deep discounts to fair value, and Healthcare, for a range of stock specific reasons with upcoming catalysts.