30 JUNE 2025

AUSTRALIAN SMALL CAP OPPORTUNITIES FUND – CLASS A

PARADICE
INVESTMENT MANAGEMENT

PERFORMANCE NET (%)	1 MONTH	3 MONTHS	1 YEAR	SI* P.A.
Australian Small Cap Opportunities Fund - Class A	1.53	12.85	23.54	25.97
S&P/ASX Small Ordinaries Total Return Index	0.85	8.62	12.26	8.99
Excess Return	0.68	4.23	11.28	16.98

*Since Inception date (SI) – 20 July 2023

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, noting that performance fees were waived prior to July 2024, and assumes the reinvestment of distributions. Returns greater than 1 year are annualised.

INVESTMENT OBJECTIVE

The Fund aims to outperform the S&P/ASX Small Ordinaries Total Return Index over the longer term, (after fees and before taxes).

LEAD PORTFOLIO MANAGER

Sam Theodore

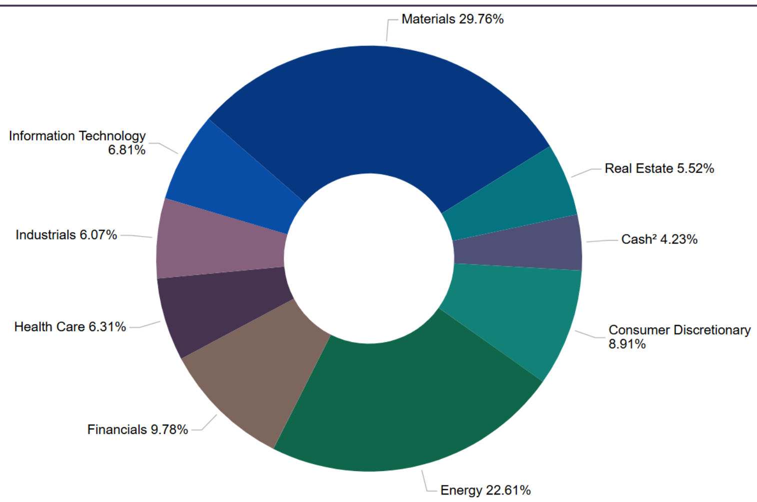
FUND OVERVIEW

The highly experienced team employs a detailed fundamental research process to identify undervalued stocks on a risk-adjusted basis. The Fund is style agnostic, favouring well-managed, good value companies that have significant growth opportunities through their comparative advantage.

KEY DETAILS	
Number of Holdings	59
Portfolio Dividend Yield	1.23%
Fund Size (AUD)	$ 18M

TOP 5 POSITIONS
Bannerman Energy Ltd.
Genesis Minerals Ltd.
Life360, Inc.
Light & Wonder, Inc.
NexGen Energy Ltd.

SECTOR ALLOCATION



FUND DETAILS	
APIR Code	ETL4624AU
Distribution Frequency	Semi-Annually
Management Fee	1.00% p.a.
Performance Fee[1]	20% p.a.
Buy Sell Spread	+/-0.30%
Minimum Investment	$20,000
Stock Range	Typically 30–70
Cash Range	Typically 0–10%

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Performance in AUD unless otherwise noted.

MARKET REVIEW

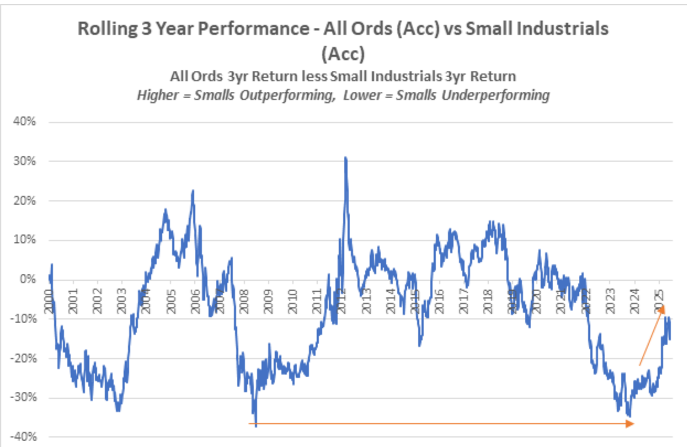
US Equities Indices rallied in the June quarter (S&P 500 Total Return Index +10.9%, NASDAQ Total Return Index +18%, Russell 2000 Total Return Index +8.5%, all in USD) driven by the Trump Administration's 90-day postponement of the proposed import tariffs into the US. Global Equities also rallied with the MSCI World Total Return Index up +11.5% (in USD). Stocks in China were laggards, with the Shanghai CSI 300 Index rising 3.7% (in USD).

Our benchmark, the S&P/ASX Small Ordinaries Total Return Index, rallied +8.6% and small caps modestly underperformed large caps (S&P/ASX 100 Total Return Index +9.6%). The RBA cut the official cash rate by a further 25 basis points to 3.85% effective May 21, 2025.

US Bond Yields were volatile during the quarter. The US 10-yr Bond Yield initially falling 37 bps to 3.99% after the tariff announcement in early April, and spiked to 4.5% in a week prompting a delay in the implementation and a series of subsequent bilateral trade negotiations. At the end of June, the yield remains well above its recent lows at 4.2% as markets ponder the economic implications of the proposed tariffs, any direct or indirect impact on inflation and what the Fed will do.

As we approach our 2-year anniversary of the Fund its worth highlighting how the make-up of our benchmark has changed. Gold mining stocks now make up 14% of the benchmark which is significantly higher than when we started the fund (we have had an overweight exposure to the sub-sector reflected in a handful of core holdings over that time). Other sector weights are largely unchanged, and we continue to argue that the Small Ordinaries provides a much broader industry exposure than the ASX100 which is dominated by the four major banks and large iron ore miners.

The S&P/ASX Small Industrials Total Return Index continued to show positive signs vs the S&P/ASX All Ordinaries Total Return Index. Whilst having conviction around the extent any significant re-rate is difficult, in our view the performance dispersion from 2012 still represents an attractive entry point currently for small cap focussed investments, much like the post-GFC period where we saw a c.40% re-rating of small cap stocks vs large caps from 2010 to 2018. We note the rally in small cap indices has, to date, been driven by a small basket of stocks, which are typically larger and more liquid. The valuation divergence across the Small Industrials Index remains wide. In our view this presents many opportunities for patient investors.



Source: S&P/ASX All Ordinaries Index (Acc) and S&P/ASX Small Industrials Index, 20 June 2025

Nuclear Fuel Market update

During the quarter we attended the World Nuclear Fuel Market Conference in Sydney. The conference presented the latest data and gave us the chance to hear updated views from all the major global participants, across the nuclear fuel supply/demand spectrum including producers, converters, enrichers and utilities. And whilst it was generally positive for the thesis, there seemingly remains a stalemate for now with utilities preoccupied with other issues or for whatever reason unwilling to contract for their replacement needs (for now – this is an issue which we don't believe goes away).

Through May and June there were two major industry announcements that deserve a specific mention (and were partly responsible for the rally we saw in many of the uranium exposed names in the portfolio):

1) **Trump Executive Orders aimed at boosting the nuclear industry** – The orders were aimed at accelerating the deployment of nuclear energy in the US, with objective of increasing US nuclear energy output from 100GW to 400GW by 2050. On our estimates, 1GW of nuclear power generally requires around 0.5Mlb of uranium as fuel, so the US plans would add 150Mlb/year of uranium demand if fully built out. When you also consider what China, India, and every other developed nation (ex-Australia) are planning for nuclear power – it is pretty obvious that the current global supply of uranium of ~150Mlb/yr needs to be dramatically expanded. That will not happen with uranium prices anywhere near where they are today in our view as a much higher incentive price for new supply is required.

2) **The Sprott Physical Uranium Trust (SPUT) capital raise** – SPUT announcement that they successfully raised US$200m (upsized from initially $100m) to purchase physical uranium in the spot market. News of this move saw the spot uranium price rise, and uranium equities rally in anticipation. It is interesting to see the return of financial buying, and the ability for them to raise money in a different way to normal (i.e. issuing equity only when trading above NAV).

PERFORMANCE

The Fund outperformed by 4.23% over the quarter.

<u>Contributors/ Detractors</u>

<u>Positives</u>[1]

Life 360 (360) – Overweight:
During the quarter the 360 share price rose strongly. The key driver was the 1Q25 result announcement on May 13. It was another strong quarter operationally for the company, with numbers exceeding consensus expectations. Subscription revenue grew +33% Year on Year (YoY) with international Monthly Active Users (MAU) growth accelerating to +39% YoY, and US MAU growth remaining robust at +17% YoY. EBITDA of US$15.9m was above consensus (US$9.1m) and the previous corresponding period (US$4.3m). Net cash increased US$10m to US$170m boosted by US$12m of operating cash flow. FY25 Revenue and EBITDA guidance was unchanged. The stock remains one of our core holdings, albeit we have sold down partially into share price strength over our holding period. We expect the company to continue to deliver strong subscription growth, rising advertising revenue and benefit from new product roll out.

1. *Based on a sample of the Fund's contributors and detractors and are not exclusively the top contributors and detractors.*

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Deep Yellow (DYL) – Overweight:
Similarly to NXG, the DYL share price was driven by the positive Uranium and Nuclear Energy industry announcements. In early April the company announced the deferral of the final investment decision (FID) for the Tumas project, ironically due to insufficient uranium price incentivisation to justify greenfield development. It's unlikely that the subsequent positive industry announcements and spot price moves changes anything in the short-term, but we believe the uranium market fundamentals will be very supportive of DYL progressing with the Tumas project in time. I DYL had cash of A$227m on its balance sheet at March 31 and we believe will be well supported by potential debt funders and potentially additional equity if the project moves through FID.

NexGen Energy (NXG) – Overweight: The NXG share price was driven largely by macro factors, including the spot Uranium price, (UxC Spot Bloomberg), which rose by over 20% during the quarter, finishing at circa US$78/pound. We touched on 2 of the significant announcements around uranium above which we believe were the primary drivers of the spot price rally.

Brickworks (BKW) – Overweight:
BKW announced a proposed merger with SOL on June 2nd. The cross-shareholding between these two companies has been in place since 1969 and was originally designed as a mechanism to prevent a hostile takeover. We had been overweight BKW based on the investment thesis that its property assets, both in the GMG JVs and on balance sheet, were undervalued by the market. We saw the potential for the valuation gap to close over the medium term as BKW sold surplus land into the JVs and developed it, plus captured more value from the developed assets as rents rose. The merger of SOL/BKW was not something we expected in the near-term, but it resulted in some of that valuation gap closing overnight. We subsequently reduced our overweight but maintain a position in the stock ahead of the proposed merger.

Genesis Minerals Limited (GMD) – Overweight: The record gold price coupled with solid operating results drove outperformance of GMD in the June quarter. March 25 Quarter gold production came in 8% above consensus at 60koz. The company reiterated FY production guidance of 190-210koz but we believe there is scope for significantly higher production in the years ahead. The company also announced the cash-funded acquisition of the Laverton Gold Project for $250m on June 10 at an attractive multiple of A$63/oz, vs GMD's Resource multiple of A$284 and recent comparable transactions of A$165 (source: GMD and company data).

Negative[1]

Ora Banda Mining (OBM) - Overweight:
During the quarter OBM revised its production and cost guidance twice. The company released its March Quarterly Activities Report on April 30, when it revised production guidance for FY25 downwards slightly to 100-105koz (vs the previous 100-110koz) and All in Sustaining Costs (AISC) guidance increased to A$2,350 – A$2,500/oz (vs the previous A $1,975 - A$2,125/oz). On June 6 the company revised guidance again, cutting production guidance -5% to 95koz and costs +4% above the top end of previous guidance to A$2,600/oz. In our view these guidance changes are somewhat short term related and do not detract from the medium term investment opportunity. OBM has excellent exploration potential, near sector-leading production growth in one of the most desirable mining jurisdictions and is led by a very capable management team. We have used the share price weakness to add to our position.

Zip Co Ltd (ZIP) – Underweight:
The ZIP share price performed strongly in the quarter. Following continued strong performance, particularly in the US business, Zip upgraded its guidance for FY25 and now expects to deliver cash EBITDA of at least $160m (vs at least $153m previously). Momentum in Total Transaction Value (TTV) growth has continued across Australia and the US. Whilst we would not disagree the business and stock price has momentum currently, this is not typically the type of business we would look to own given risks around defaults can have a material financial impact.

Ryman Healthcare (RYM NZ) – Overweight:
We initiated a position in the stock in February by participating in the NZ$1bn capital raising, which repaired the group's balance sheet. We believed there was an opportunity to build a position in the stock at a deep discount to its book value potentially at the bottom of the cycle. We were attracted to RYM's portfolio of high-quality retirement villages in NZ and Melbourne. However, following the FY25 result announcement in May, it became clearer that it was going to take longer than we expected for the NZ and Melbourne retirement living and property markets to turn around. It was therefore going to take longer for the group to clear excess inventory, reach free cash flow positive and for the strategic/operational changes to have a positive effect on the group. While we like to invest on a 2–3-year view, we decided to exit the position in favour of higher conviction ideas in the sector.

Notable Updates

Light & Wonder (LNW) – Overweight:
The company held an Investor Day on May 21st with the key highlight being the introduction of FY28 Adjusted EBITDA guidance of US$2bn – i.e. ~43% growth on their guidance for FY25 of US$1.4b. In our view the market is not rewarding the company for delivery of current guidance, let alone future earnings growth. Instead, it's applying a large discount to its direct peer, Artisocrat Leisure (ALL), mainly because of perceived litigation risk. In our view this is overdone, and we see significant value at the current price on a medium-term view. Operationally, the company is continuing to perform strongly, scaling into Gaming Ops (including the recently acquired Grover) and iGaming, while SciPlay may be a beneficiary of the recent US court decision prohibiting Apple from banning access to direct-to-consumer platforms. We believe LNW has a strong R&D pipeline that should drive further market share gains over the medium term.

ENGAGEMENT

In the quarter we met with a company executive and wrote a letter to the Board of Directors in relation to the 2025 AGM. Focusing on NexGen's remuneration and corporate governance practices, we raised several concerns and gave feedback on how we believe the company could improve. For example, including pre-determined performance objectives within executive pay, and better managing perceptions of board independence and objectivity. In our view, the company has very strong social and environmental credentials which we do not want to see undermined by lagging governance practices.

MARKET OUTLOOK

As we enter the September quarter, all eyes are on the Middle East and what will be the next moves as the Israel-Iran conflict escalates. As we write this, the US has deployed naval assets and air-defence systems to support Israel and has begun evacuating embassy staff and private citizens from the region (source WSJ.com). Australia and New Zealand are also evacuating nationals (source: thetimes.co.uk). A decision by the US is due in early July whether they will join Israel's strikes against Iran.

So far, the conflict has not impacted global investment markets significantly. There has been some divergence between equity and bond markets (more related to the US and global economic, inflation and trade outlook) which we are keeping a close eye on. Any escalation in the middle east conflict is likely to be negative for equity markets in the short term. However, we continue to look through any short-term noise and take advantage of mispricing. We are confident that our investment process will guide us towards quality companies at what we believe are, discounts to their fundamental value. That discount may widen in the short term, but we have conviction that the valuation gap will help us deliver alpha over the medium term.

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The recent benchmark rally has only increased the divergence amongst the stocks in our universe. At one end of the spectrum, we have a relatively small group of high multiple – typically larger - market darlings and at the other end a group of unloved - low multiple - stocks that are typically smaller in market cap, less liquid and in many cases, challenged. We continue to focus on owning companies with relatively simple business models, strong management teams displaying good governance, that have strong balance sheets, and that are mispriced in our view.

We remain well positioned for the positive supply/demand outlook in uranium. We also see attractive dynamics in gold and are positioned with exposure to well-managed emerging producers. Other themes we have exposure to include, the mining capex underspend over the last decade, the aging population and housing shortage. We continue to have limited exposure to the Consumer Discretionary, Real Estate and the Financials sectors. That said we are selectively adding names in these sectors which fit our investment philosophy and process.