

Up Next





P r e s e n t a t i o n

Spheria Opportunities

Pinnacle Summit Series

July 2022

The Landscape – the ASX 50



The Landscape – the ASX ex 50



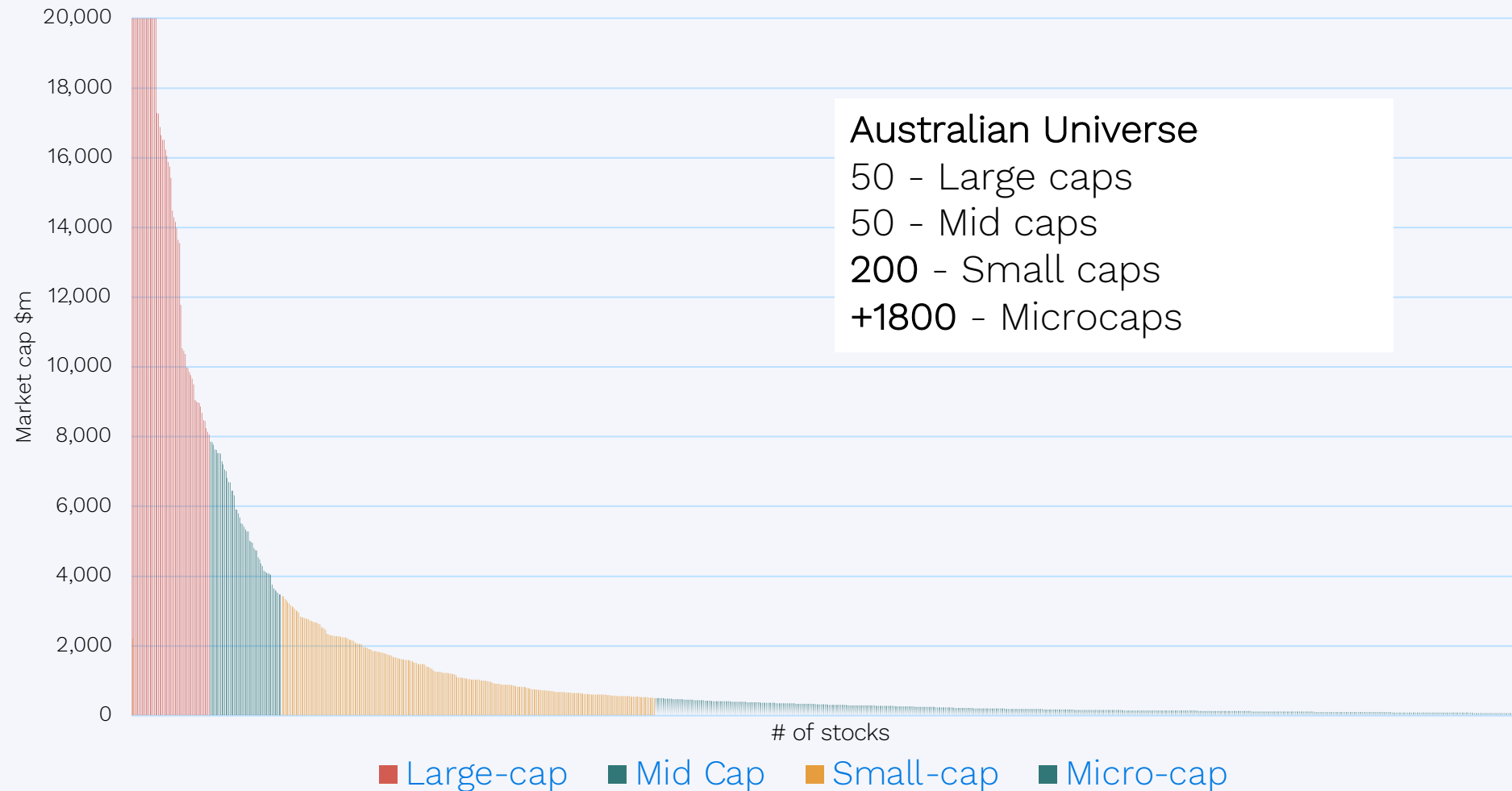
The Landscape – the ASX ex 50 and Spheria Opportunities

- **ASX ex 50**
 - More stock picking ; less index hedging
 - Greater diversity of stocks (1150 stock >\$50m)
 - Greater opportunity set
 - Corporate activity (MA/IPO/ECM)
 - Greater entrepreneurial culture
- **Spheria Opportunities**
 - Offers investors exposure to equities *outside the ASX 50*
 - Taps into micros, smalls and Mid 50
 - Dynamically allocates to best bottom up ideas up and down the market cap spectrum
 - Applies Spheria's proven investment approach to ex ASX 50 universe.

The Landscape

Australian Stock Universe

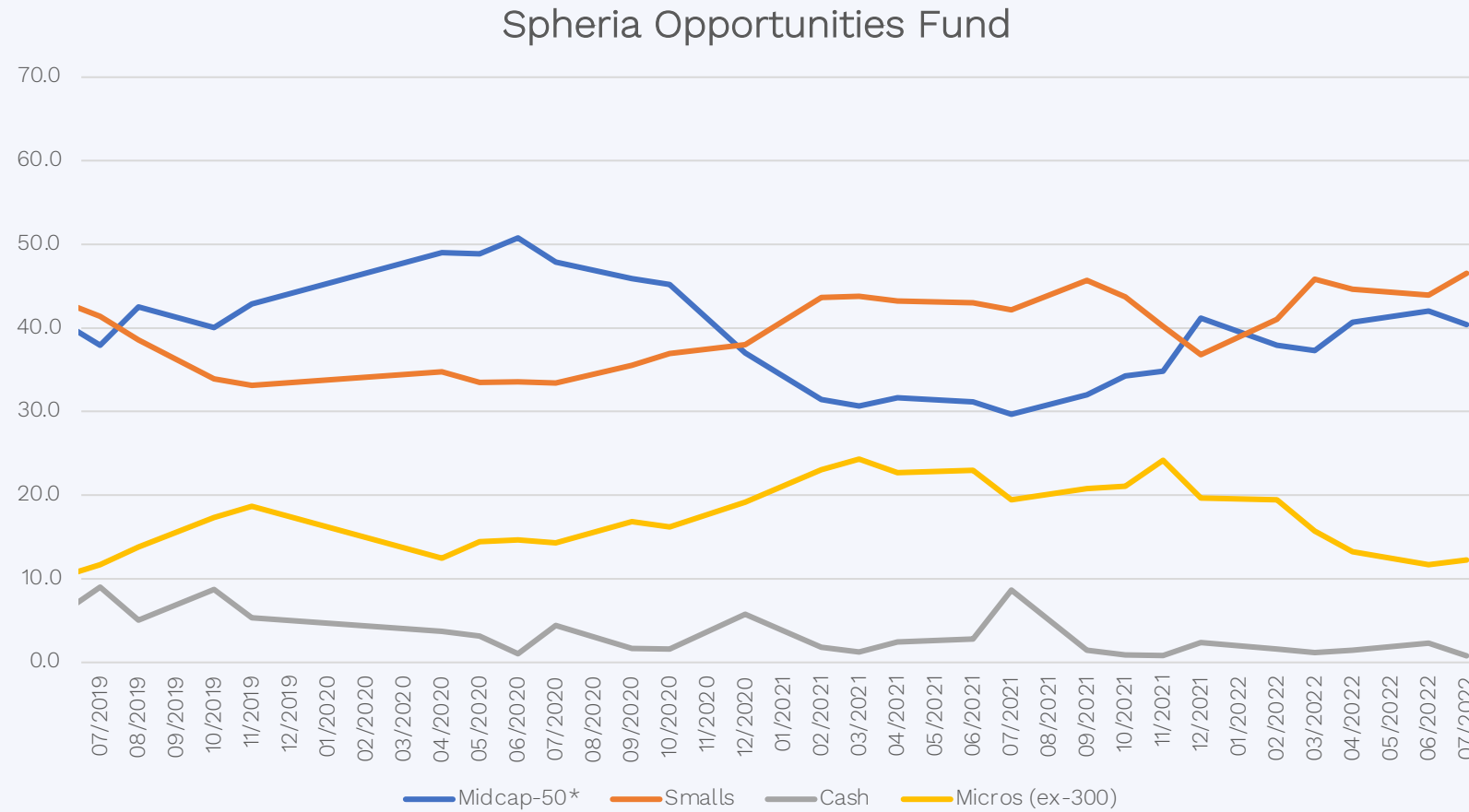
Opportunity Set



Source: Bloomberg July 2023 data.

Portfolio Allocations by Marketcap

How the Portfolio has evolved over time

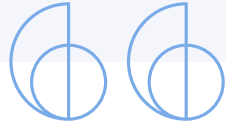


*may contain Top 50 for a period of time

Investment

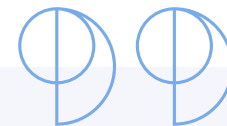
Philosophy and Process

Spheria Philosophy



“Purchase securities where the present value of future free cash flows can be reasonably ascertained, and the security is trading at discount to its intrinsic value. Explicit risk controls include a preference for companies with low or no balance sheet gearing.”

Spheria



Investment Process

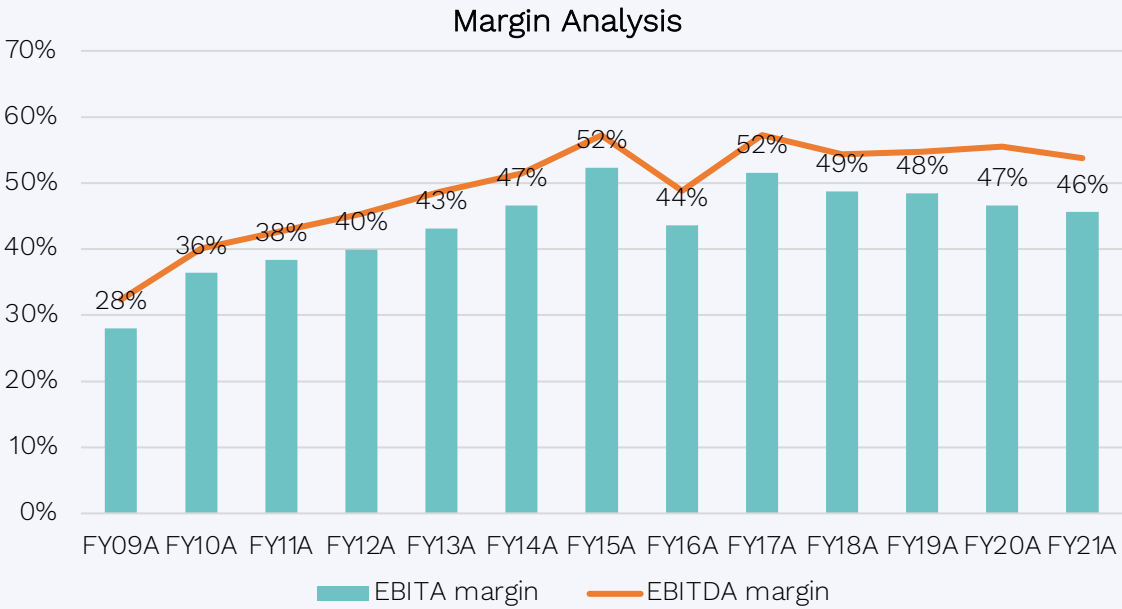
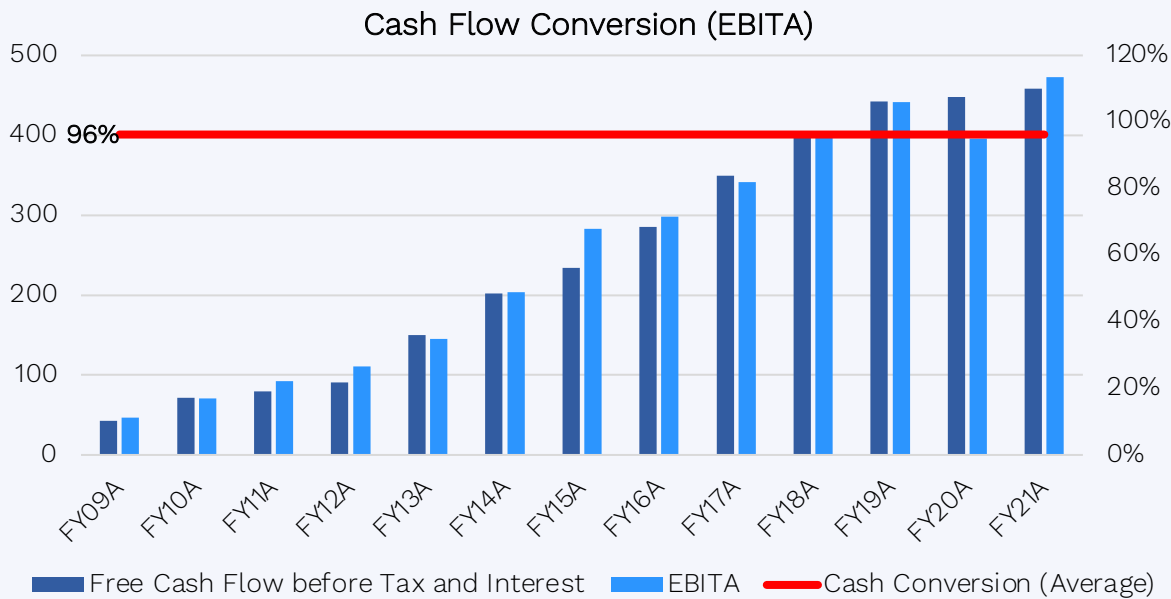
How Our Investment Process is Different

1. Focus on quality businesses with risk control overlay
 - Sustainable free cash flow generation through the cycle
2. Fundamental investment focus
 - Free cash flow valuation model
 - Lowly geared balance sheets (ideally)
 - Discount to valuation
3. Keep an open mind (facts change)
 - Inflection points, changes in management/strategy, shifts in industry structure
4. Market under researched and inefficient outside of larger companies

Investment

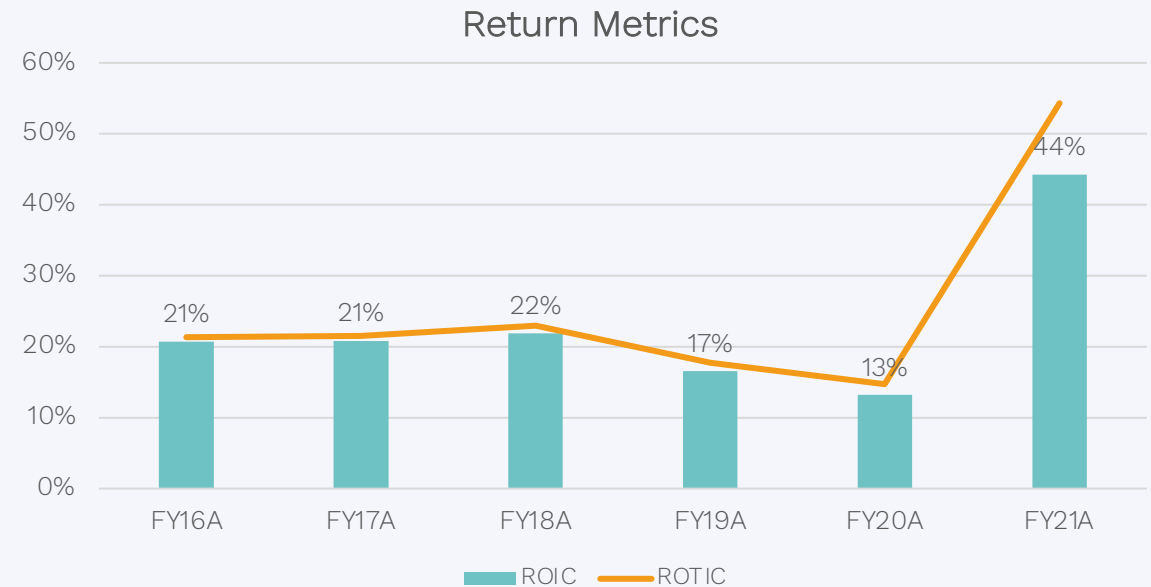
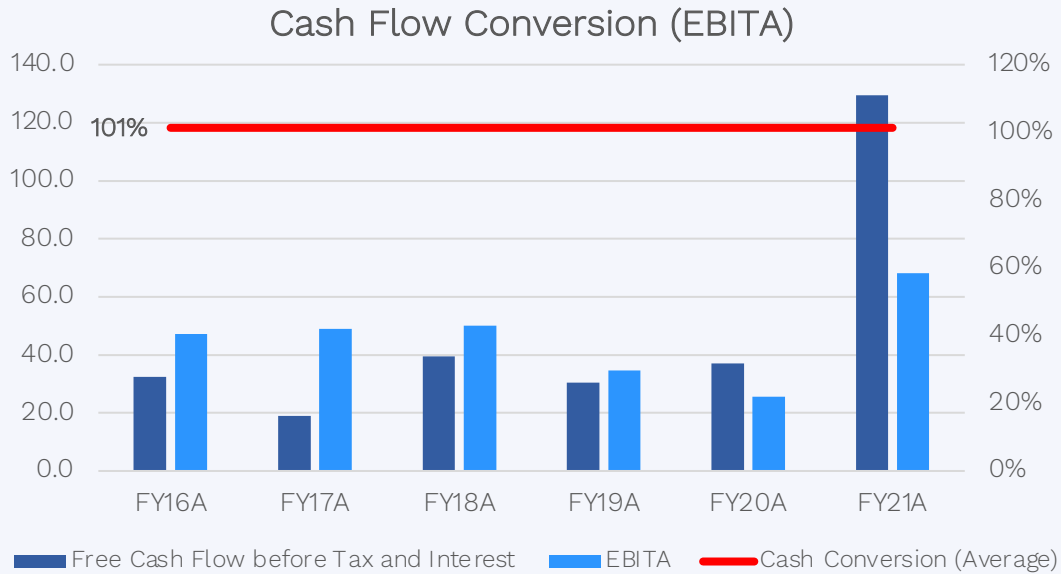
Examples

Prime Real Estate



- REA is the leading property portal in Australia, with more than 3x the visits of its nearest competitor, operating in a near duopoly market
- Share price has fallen, and the business has rerated, enabling us to re-enter the high-quality company
- Headwinds of higher interest rates, offset by being the #1 player and the increased need to effectively market as demand softens
- Growth optionality in its lending segment and other investments in international property portals across India, Malaysia, Singapore, Thailand, Vietnam and Indonesia
- Trading below its long-term average EV/EBIT with an average 5yr ROIC of ~38%

A forgotten gem



- Michael Hill is a leading specialty retailer of fine jewellery in Australia, New Zealand and Canada with a 40+ year track record of performance
- After losing its way somewhat under prior management, current MD Daniel Bracken has completely overhauled the core business over the last two years investing in digital and omni channel capability, building out a comprehensive loyalty program and overhauling the ERP and logistics function
- Whilst COVID-19 heavily impacted the 2H20 result the business bounced back strongly in FY21 to record a record result, despite losing thousands of store trading days across its three territories
- The stock is now well positioned for organic and potential inorganic growth with \$99m in net cash. Despite this it trades at ~4.5x our best estimate of through the cycle EBIT

Performance & Positioning

Performance & Portfolios Composition

Net Performance as at 30th Jun 2022

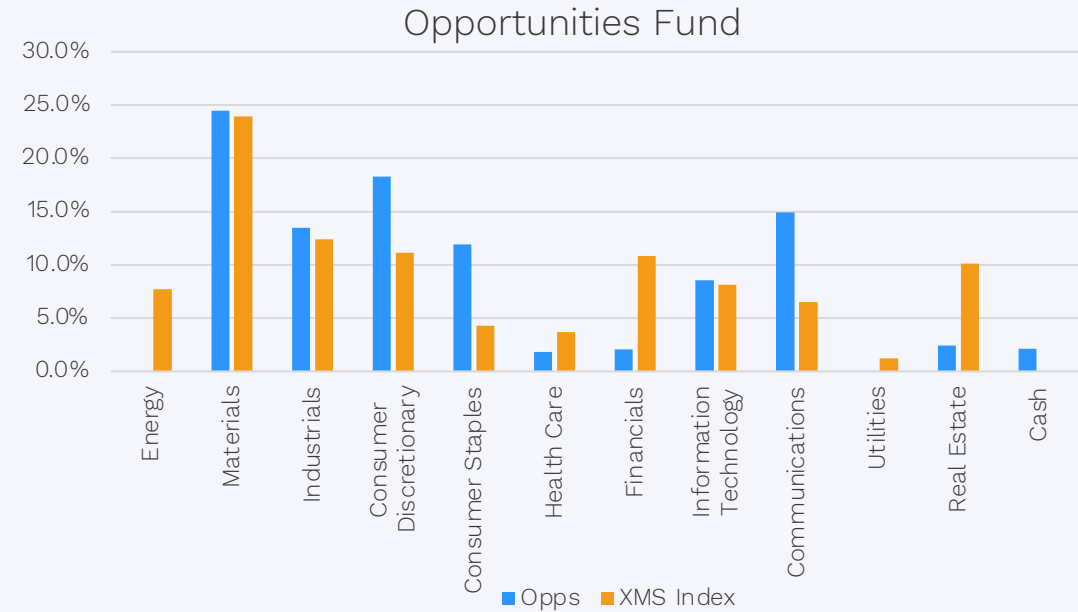
Period	1 month	3 month	6 month	1 year	3 years (pa)	5 years (pa)	Since Inception (pa)	Inception Date
Spheria Opportunities	-7.8%	-14.2%	-14.4%	-5.2%	6.8%	9.3%	9.3%	11/07/2016
S&P/ASX Mid-Small Accumulation Index	-11.7%	-17.5%	-20.3%	-14.1%	4.1%	6.6%	7.2%	
Outperformance	3.9%	3.3%	5.9%	8.9%	2.7%	2.7%	2.1%	

Past performance is not a reliable indicator of future performance. All pa returns are calculated on an annualised basis using exit price to exit price with distributions reinvested. Returns of the Fund are net of applicable fees, costs and taxes.

Portfolio Holdings & Sector Positioning

Opportunities

Spheria Opportunities Fund		
Ticker	Company Name	% Portfolio
REA	REA Group	6.2
A2M	The A2 Milk Company	5.9
AWC	Alumina Limited	5.7
FLT	Flight Centre Travel	5.5
IPL	Incitec Pivot	5.0
ORA	Orora Limited	4.9
ALQ	ALS Ltd	4.1
IRE	IRESS Limited	4.0
BRG	Breville Group Ltd	3.8
MHJ	Michael Hill Int	3.6
Top 10		48.6



Why use the Spheria Opportunities Fund?

- Dynamic exposure to Mids, smalls and micro caps
- Less researched segment of the market with greater opportunity to find alpha
- Disciplined bottom-up approach to find opportunities
- Broad based share price declines provide opportunity for “through the cycle” valuation led investors.

Disclaimer

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