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*“Predicting rain doesn’t count. Building arks does”*  
- Warren Buffett

# Global Markets in 2022

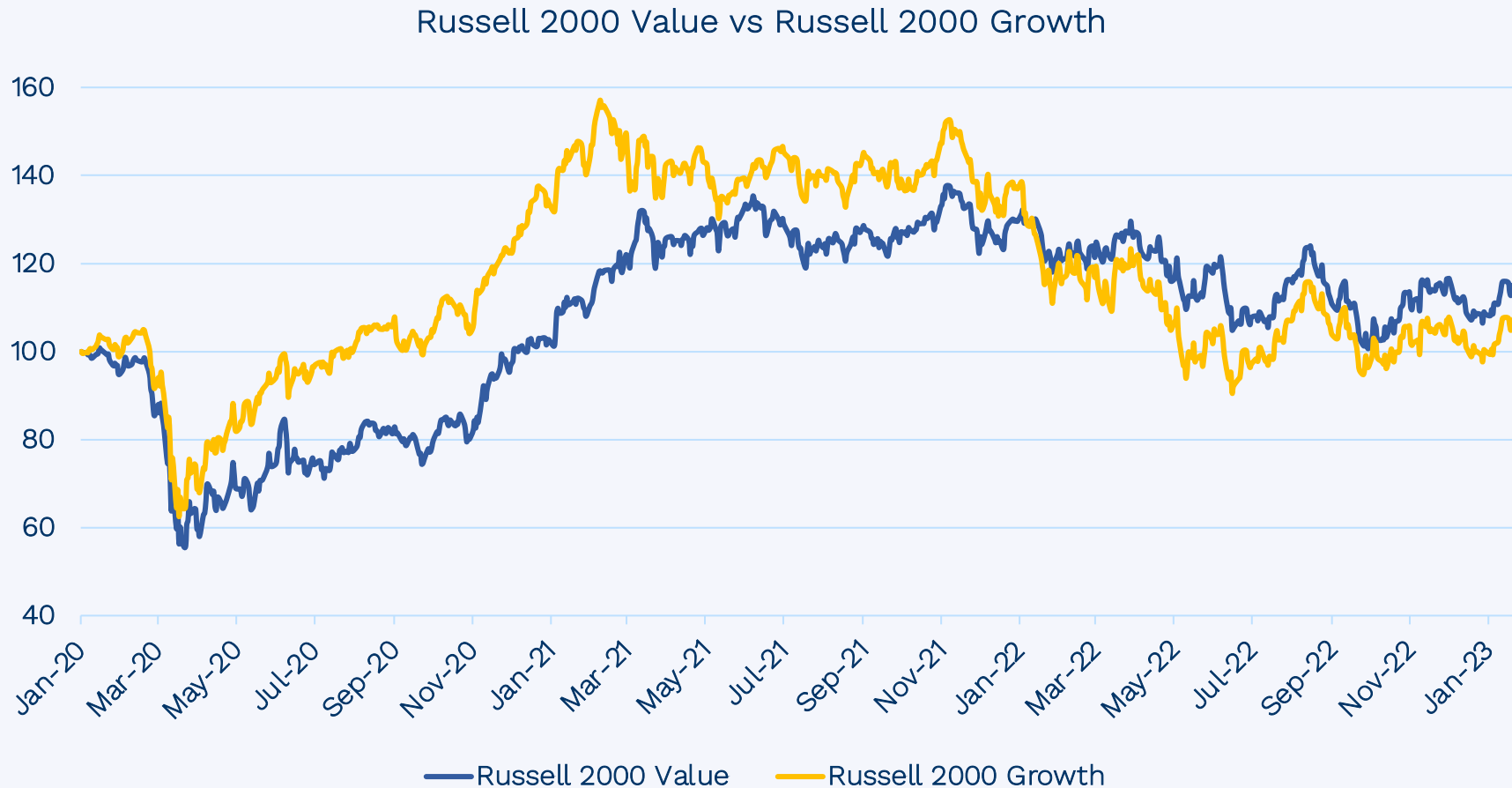
## A changing of the guard

1. Balance sheets came back in vogue
2. Cash (flow) became king
3. Valuation mattered

# Valuation matters

## The great rotation

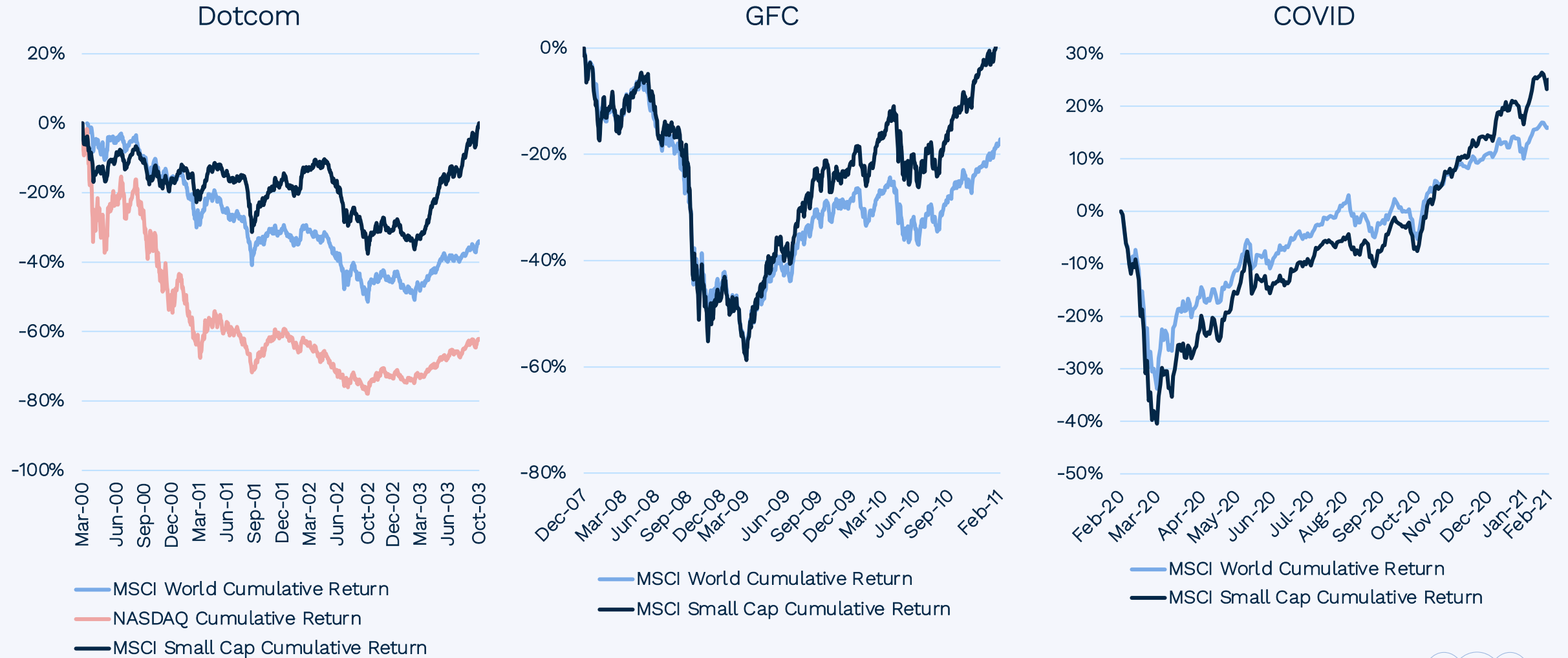
High multiple growth stocks underperformed value in 2022 as interest rates climbed



Source: Bloomberg

# The best place to ride out a correction

Global Smalls is the place to be



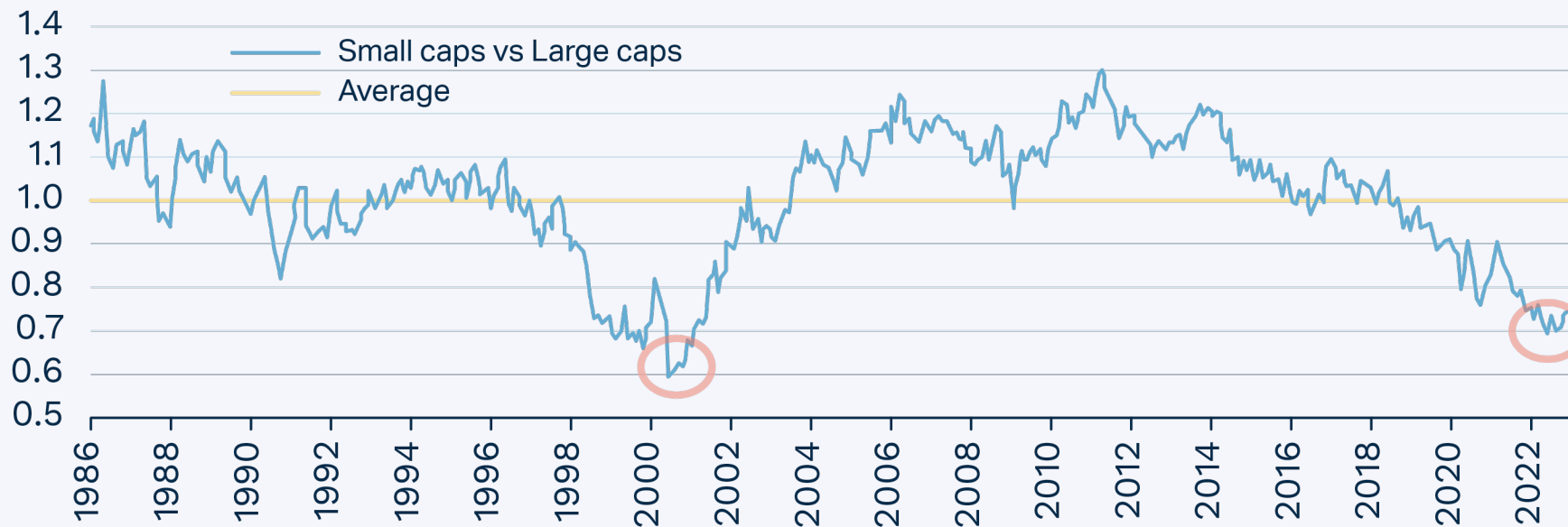
Source: Bloomberg, cumulative performance, note past performance is not a reliable indicator of future performance

# Opportunities at the smaller end of town

## The case for Small Caps

Small Caps have not been this cheap vs Large Caps since 2000, presenting a rare buying opportunity.

**Relative Forward Price-to-Earnings: Russell 2000 vs Russell 1000, 1985-2022**



Source: BofA Global Research. Data as of December 30, 2022.

# Greater Opportunities for Wealth Creation

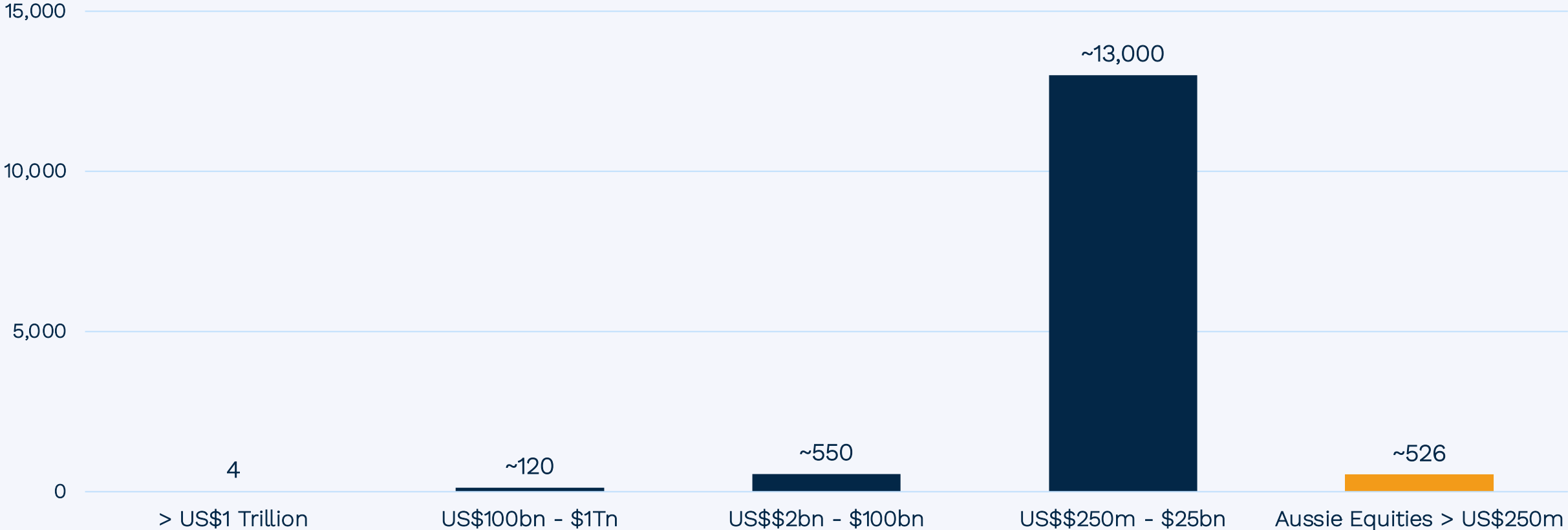
## Long-run Small Cap return premium

- Broad Universe.
- Lack of Sell-Side Coverage.
- Growth From a Low Base.

# Unparalleled Investment Opportunity

Less attention, more opportunities

Equity Listings in Market Cap Range (Developed Markets Only)

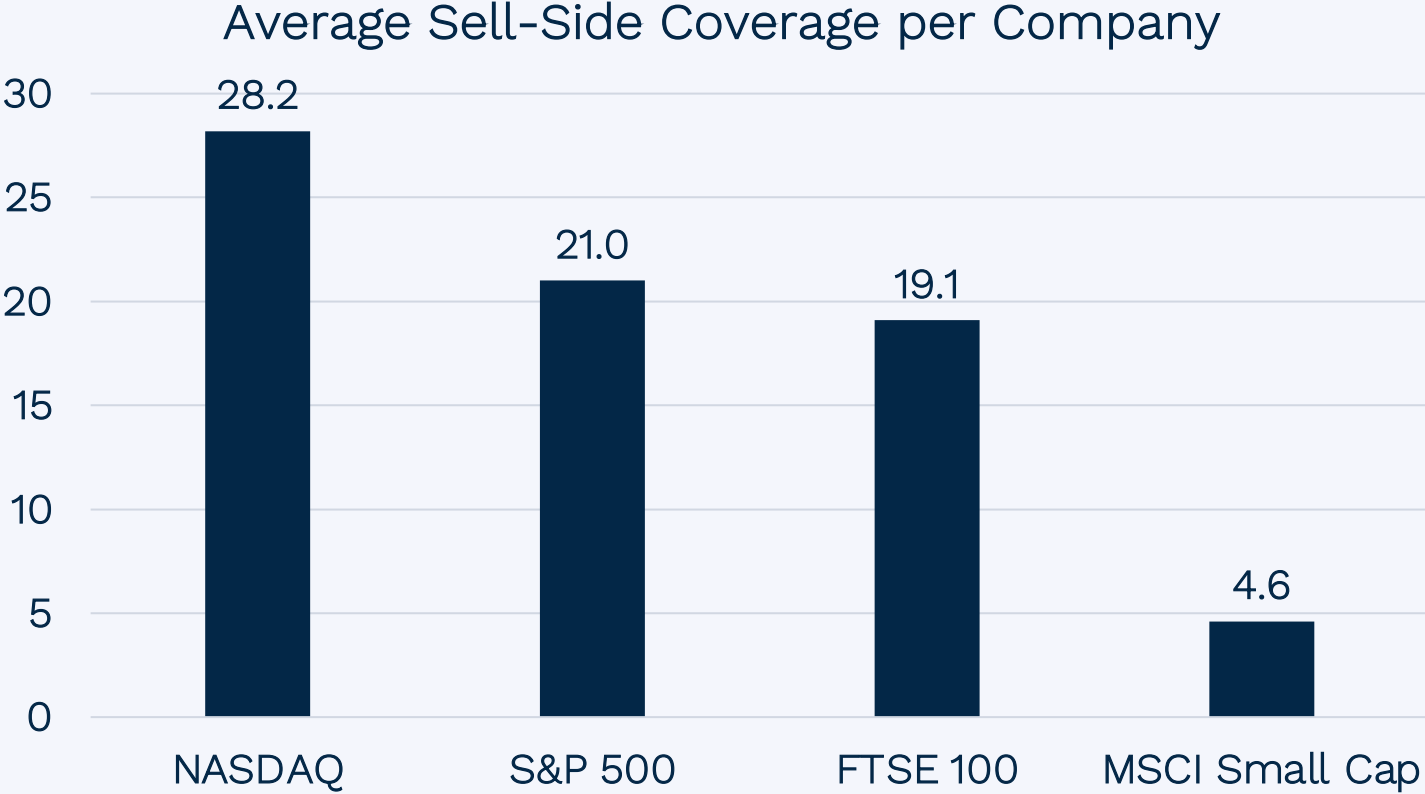


Source: Spheria, Bloomberg



# Undiscovered Universe

Sell-side coverage of smaller companies doesn't pay



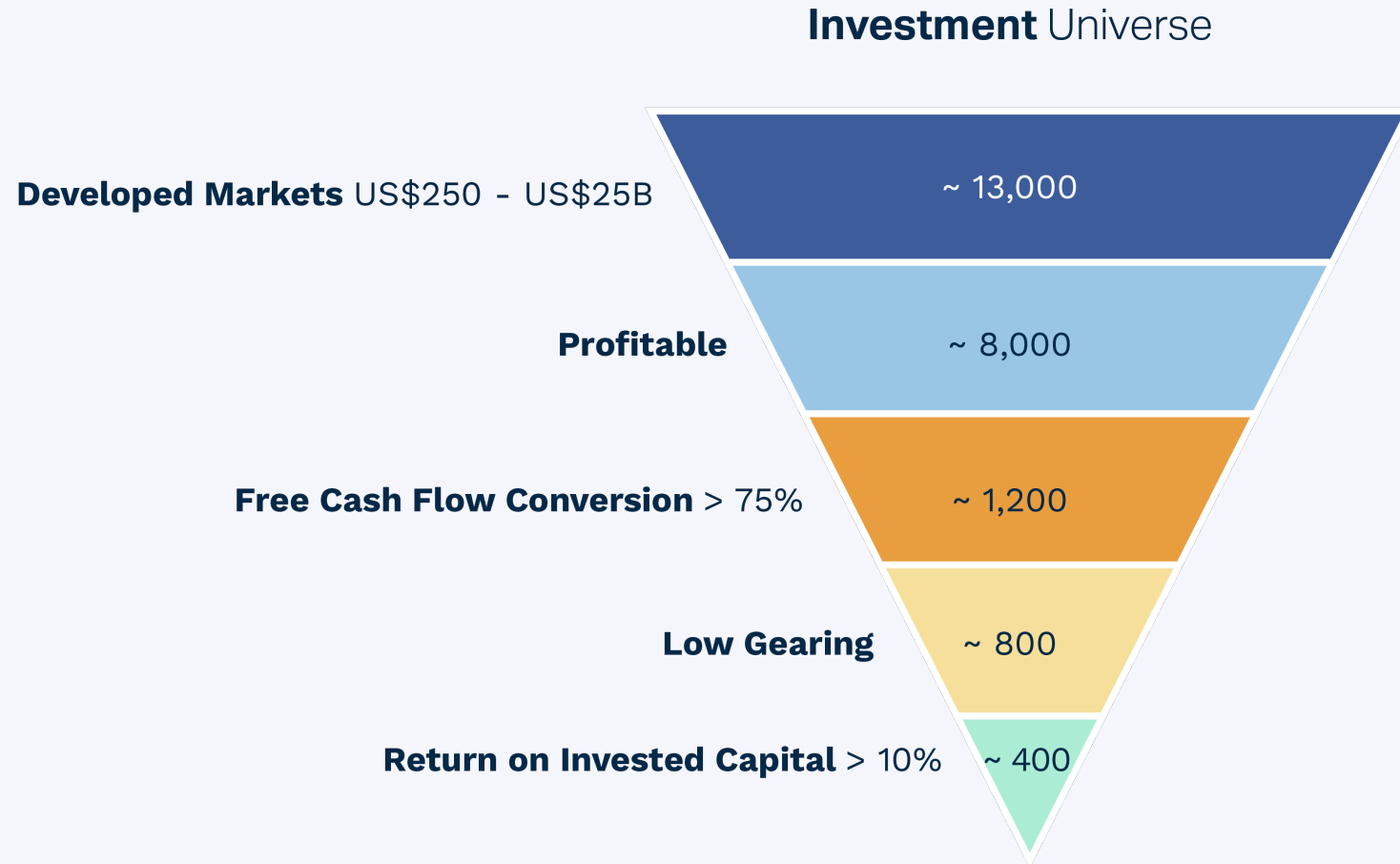
Source: Bloomberg, MSCI. World Small & Microcap is the average analyst coverage of the MSCI World Microcap Index and MSCI World Small Cap Index. As at 31 July 2022.



# Idea generation – Example screen

## Focus on Spheria traits

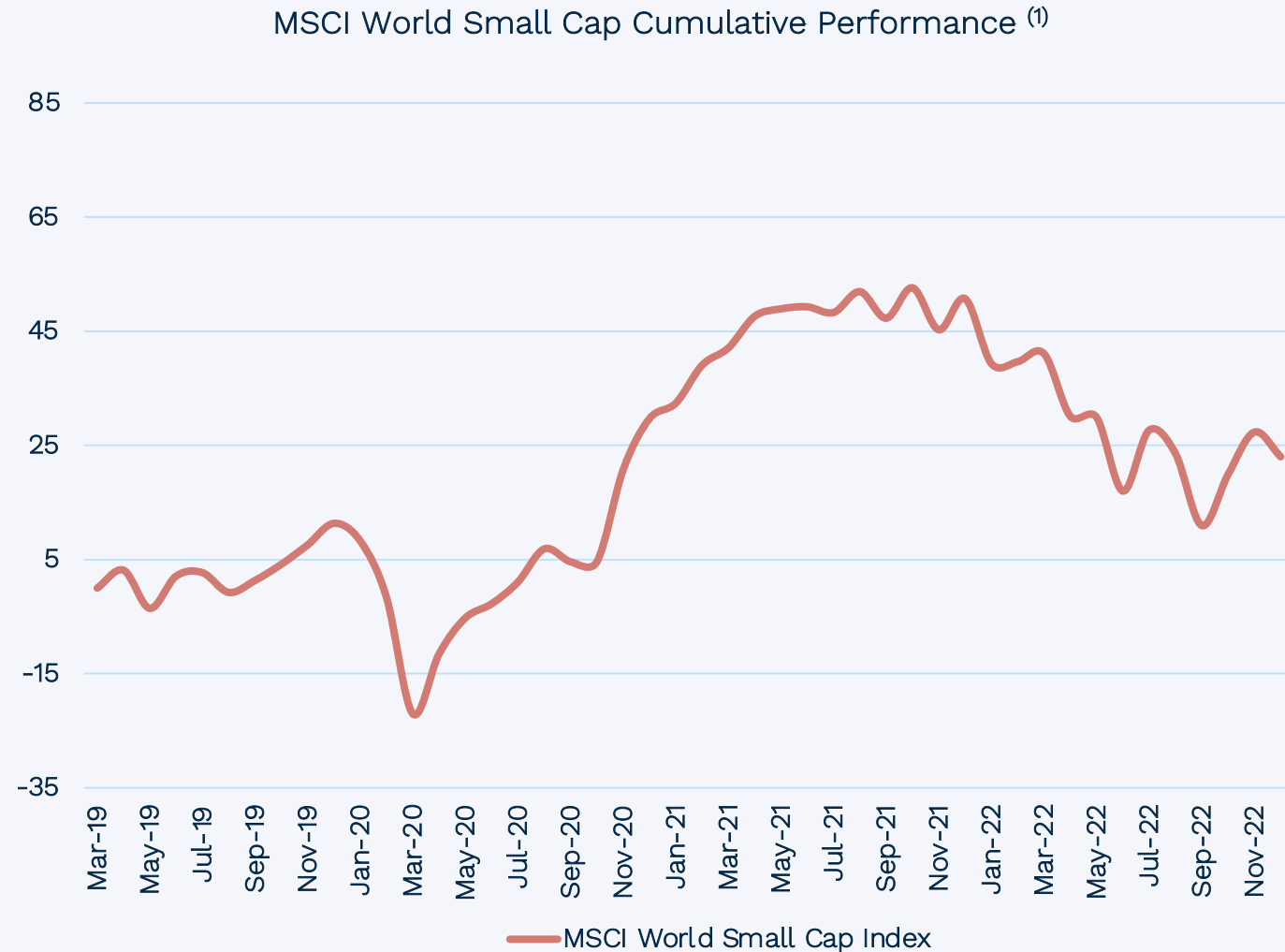
Screening for companies with low gearing, positive free cash flow, and high returns narrows our focus



Source: Bloomberg. Low gearing defined as <2x net debt/trailing 12 months EBITDA. Profitable defined as positive trailing 12 months net profit. Cash conversion calculated as trailing 12 months free cash flow / trailing 12 months EBITA.

# Strong fundamentals drives return

## Cash flow and low gearing driving outperformance

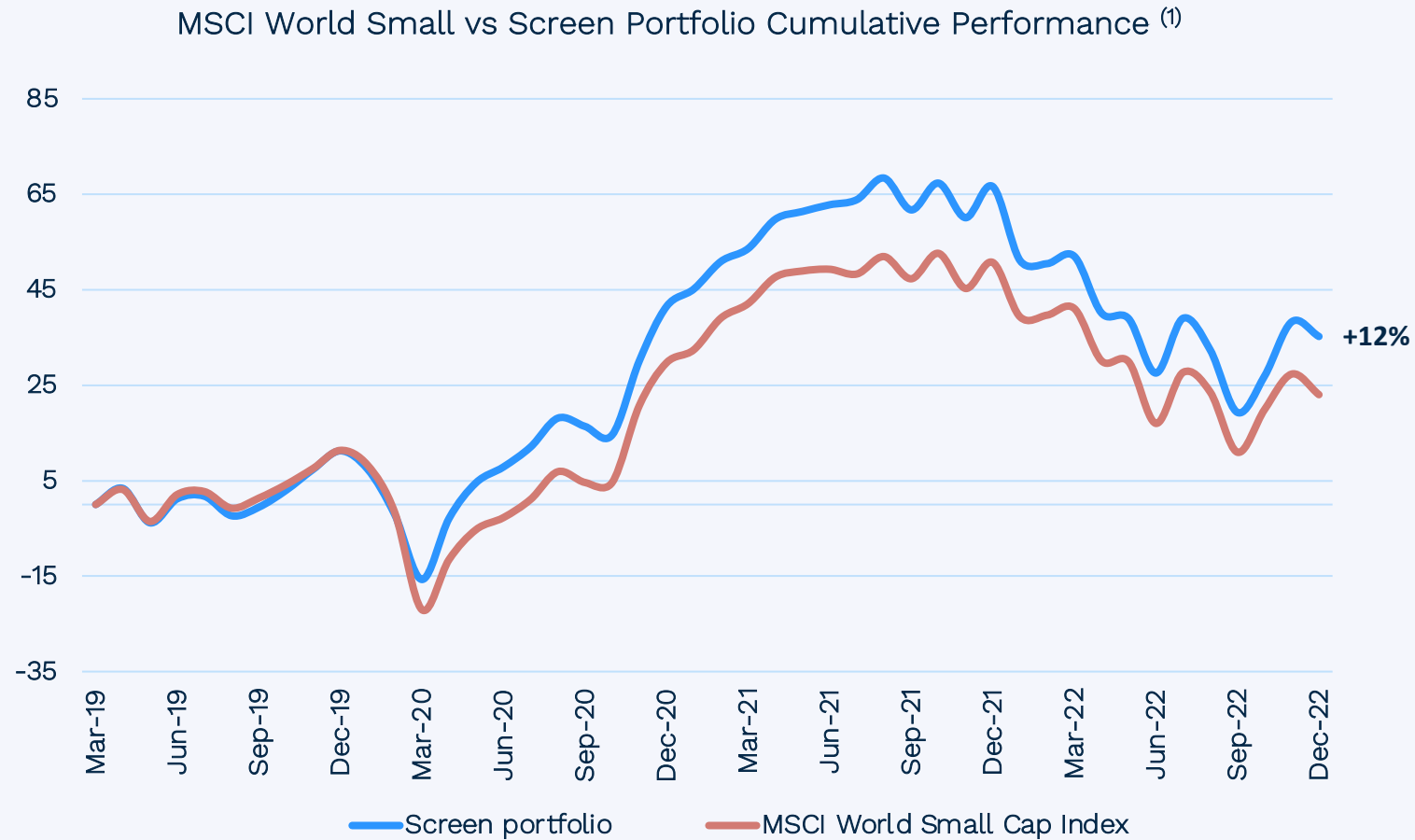


1) Since inception 01 March 2019, ex-fees, cumulative performance, note past performance is not a reliable indicator of future performance  
Source: Bloomberg, Screen Portfolio consists of stocks in MSCI World Small Cap Index with > 0 FCF and < 0 Debt

# Strong fundamentals drives return

## Cash flow and low gearing driving outperformance

MSCI World Small vs Small cap companies with no debt and positive FCF

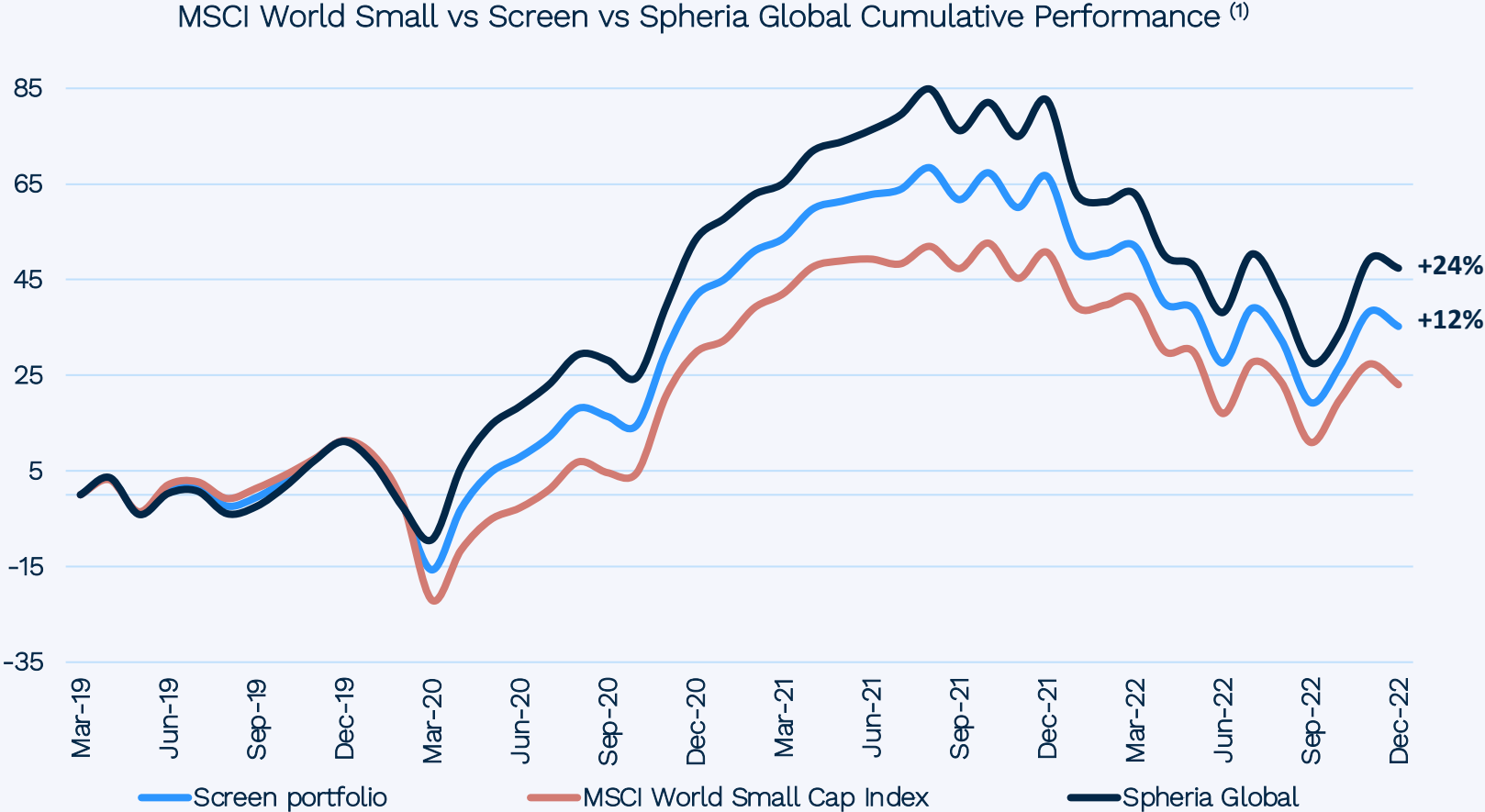


1) Since inception 01 March 2019, ex-fees, cumulative performance, note past performance is not a reliable indicator of future performance  
 Source: Bloomberg, Screen Portfolio consists of stocks in MSCI World Small Cap Index with > 0 FCF and < 0 Debt

# Strong fundamentals drives return

## Cash flow and low gearing driving outperformance

MSCI World Small vs Spheria Global Opportunities Fund



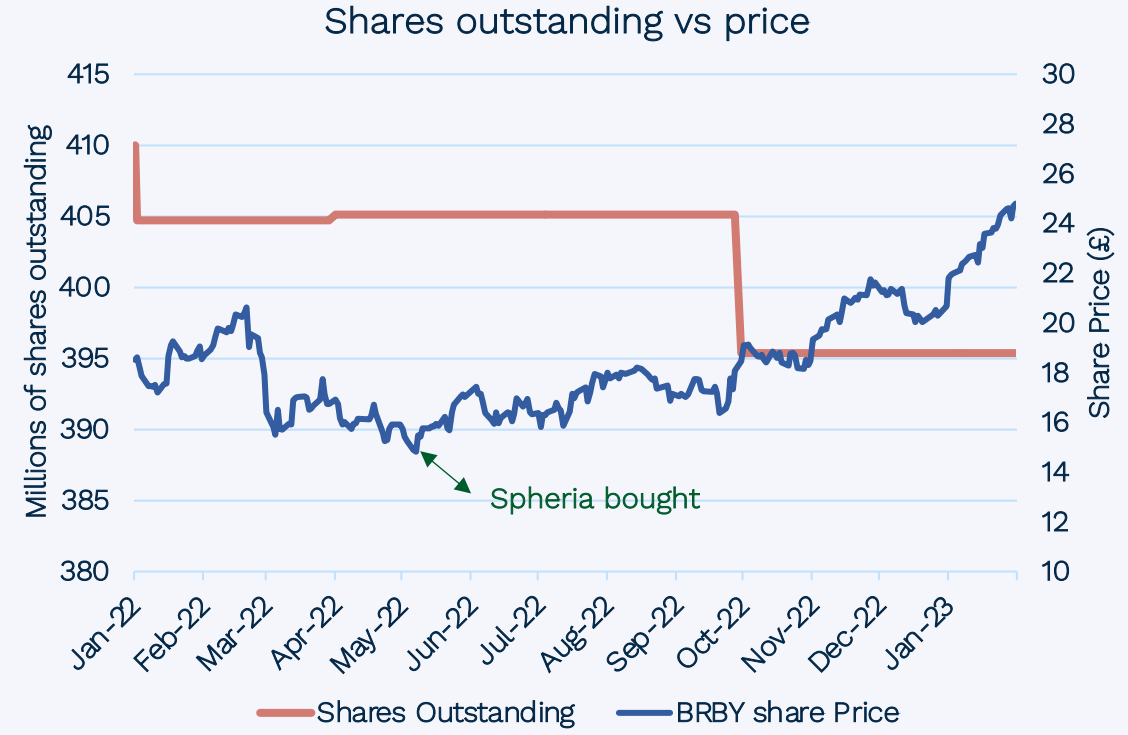
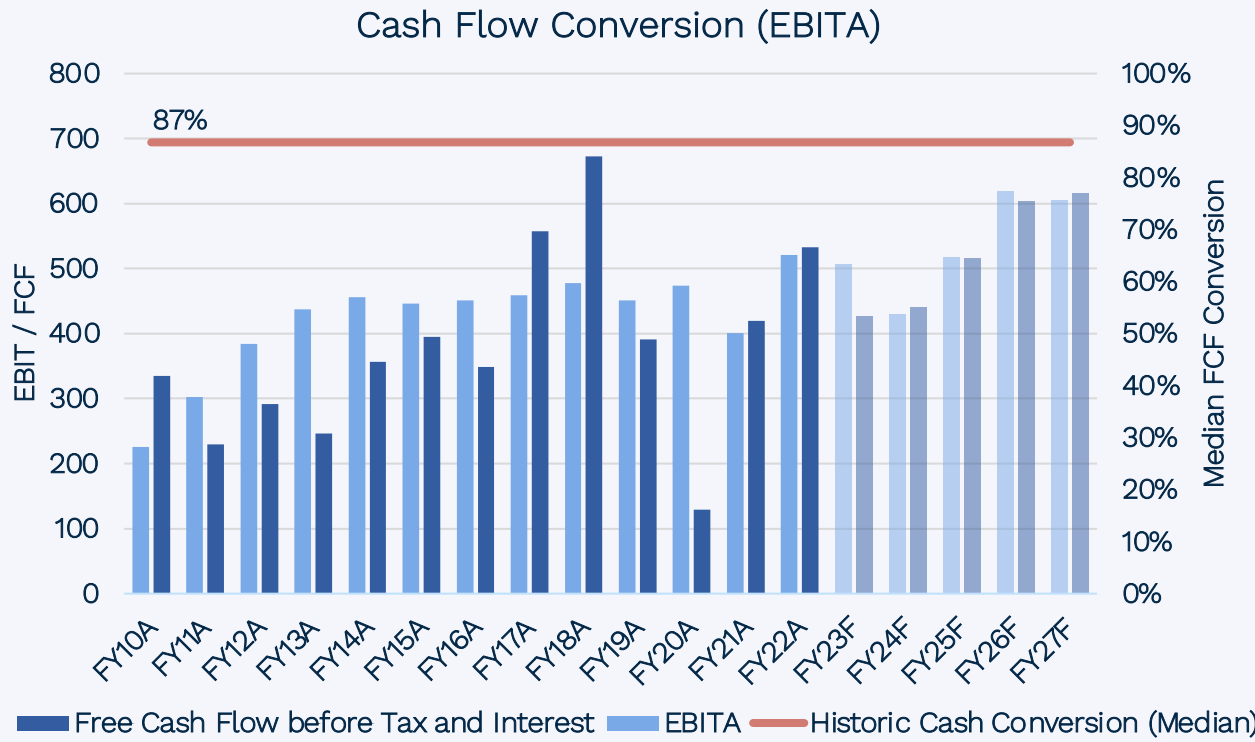
1) Since inception 01 March 2019, ex-fees, cumulative performance, note past performance is not a reliable indicator of future performance  
 Source: Bloomberg, Screen Portfolio consists of stocks in MSCI World Small Cap Index with > 0 FCF and < 0 Debt



# Burberry (LN:BRBY)



“Spheria stock” with strong brand history



- Strong cash generation - £900m net cash with excess cash deployed to buy-backs
- Superior returns - 60% ROIC
- Purchased at a 10x EV/EBIT – a large discount vs luxury peers
- Strong management team

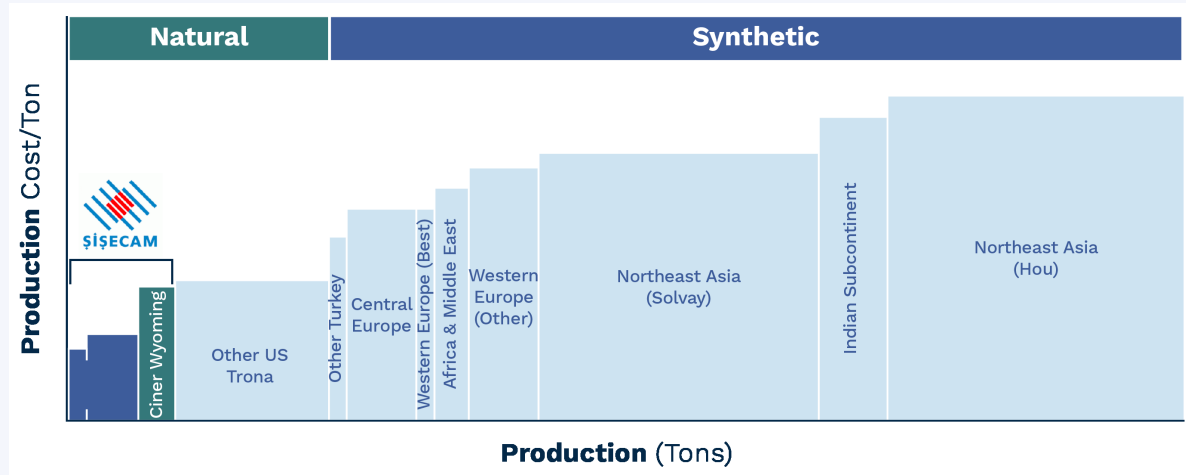
Source: Company Reports, Spheria



# Sisecam (US:SIRE)



4x EV/EBIT for the leading natural soda ash producer



SIRE US Equity Price Chart

Takeover event

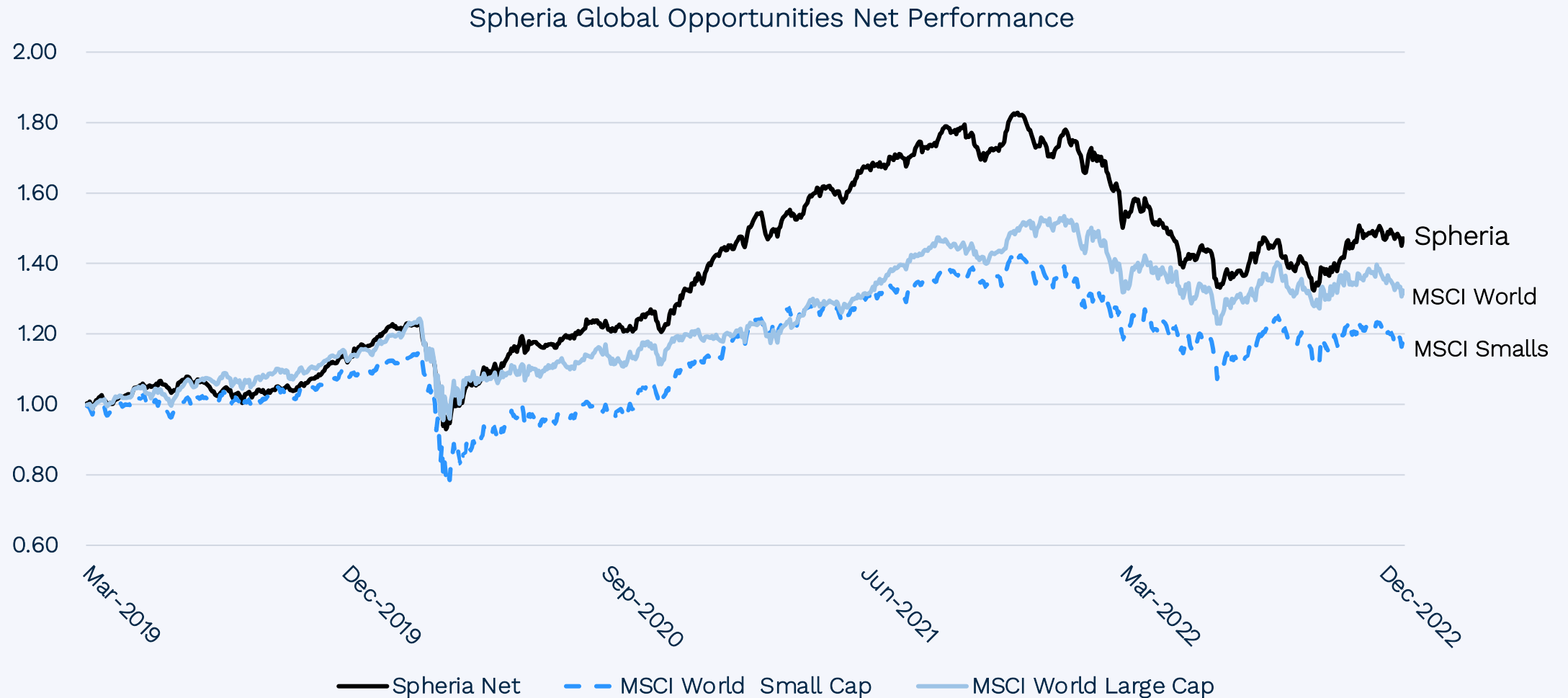


- Oligopoly
- Lowest cost producer with biggest reserve in the world
- Tier-1 asset: 60-year mine life
- 4x FY22 EV/EBIT
- Takeover bid \$25 - January 2023

Source: Company Reports, Spheria

# Performance

11.7% p.a. since inception, +6.1% vs MSCI Small



1. Past performance is not a reliable indicator of future performance



Thank you

