

# Performance report | 31 October 2024

## Canopy Global Small & Mid Cap Fund

### Overview

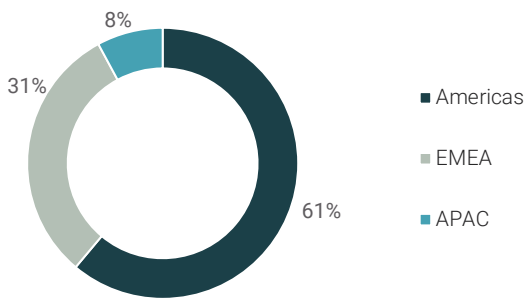
The Canopy Global Small & Mid Cap Fund invests in a concentrated portfolio of high quality and attractively priced small and mid-cap listed companies, with balanced exposures across a range of sectors and regions. The fund will primarily invest in companies with demonstrable competitive advantages, aligned management, strong financial results, and favourable ESG characteristics, and aims to achieve a return, after fees, exceeding the Benchmark<sup>1</sup> over a market cycle of five to seven years.

### Net returns

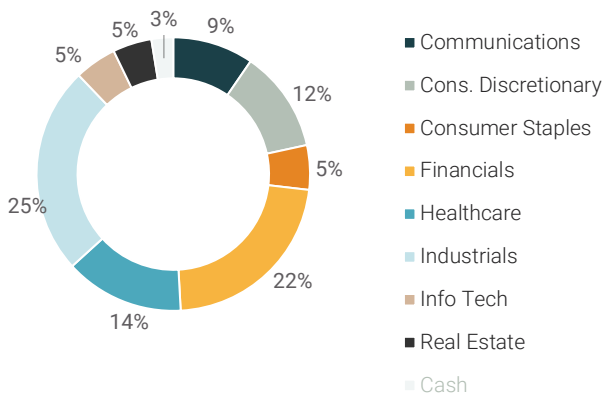
	Fund	Benchmark <sup>1</sup>	Value added
1 mth	-0.4%	3.5%	-3.9%
3 mths	-2.4%	1.5%	-3.9%
1 year	-	-	-
Since inception a.r. <sup>2</sup>	2.5%	8.4%	-5.9%

Performance figures are net of fees and expenses. 'Value added' calculation does not use rounded performance figures. Past performance is not indicative of future performance.

### Regional revenue breakdown



### Sector breakdown



### Top 10 holdings

At month end, in alphabetical order

Company	Sector	Region
Auto Trader	Communications	Western Europe
Bureau Veritas	Industrials	Western Europe
Corpay	Financials	North America
Dollarama	Consumer Staples	North America
Moncler	Consumer Discretionary	Western Europe
Rollins	Industrials	North America
SBA Communications	Real Estate	North America
Spirax	Industrials	Western Europe
STERIS	Healthcare	North America
Tradeweb Markets	Financials	North America

The top 10 positions equate to 46% of the portfolio.

### Top contributors and detractors

To monthly performance, in order of contribution

Top contributors	Contribution to return
MarketAxess	0.6%
Tradeweb Markets	0.5%
Trex	0.4%

Top detractors	Contribution to return
ICON	-0.8%
Spirax	-0.5%
Moncler	-0.4%

## Portfolio characteristics<sup>3</sup>

	Fund	Benchmark <sup>1</sup>	Comment
Growth - revenue	10%	6%	Higher quality
Profitability – EBIT margin	27%	9%	
Cash conversion – OCF/OIBDA	98%	88%	
Return on capital	39%	9%	
Leverage – net debt/EBIT	1.2x	2.0x	
Beta	0.9	1.0	Fully invested
Active share	98%	N/A	Genuinely active
No. of stocks	30	7,479	

## Commentary

The Canopy Global Small & Mid Cap Fund declined -0.4% in October, underperforming the benchmark by -3.9%. As a concentrated portfolio of 30 stocks selected from a universe of over 7,000 companies, we expect the Fund's performance to differ, sometimes materially, from the benchmark, typically due to stock-specific factors. In October, relative performance was also impacted by the Fund's geographic and sector positioning, including its lower exposure to the strongly performing U.S. market, in particular banks and energy sectors.

MarketAxess, increased 13% in October, rallying strongly on improving market conditions. The company's credit trading volumes increased by 27% in Q3, the fastest level since 2020. This included 36% growth in U.S. high-grade credit and 19% in emerging markets credit. MarketAxess has not yet recovered market share losses in U.S. high yield and U.S. high-grade credit, but there are signs that its strategies are gaining traction. It has achieved 20% market share of portfolio trading, a new protocol it only recently added and that was partly responsible for Tradeweb's strong share gains in credit trading in recent years.

ICON declined -23% in October following weaker than expected quarterly results and reduced guidance. The company's two largest pharmaceutical customers unexpectedly reduced their R&D spending, impacting sales and backlog growth. It has also been impacted by delayed starts to vaccine trials and the ongoing weakness in the biotech market. Management emphasized that they do not expect further near-term spending reductions from its other large pharma customers, that the company's revenue from other large pharma customers is growing at +6% p.a., and that it is gaining market share. While a further slowing in the near term is a risk, we believe ICON's longer-term competitive position and growth potential remain intact.

Global developed market SMID-cap equities, denominated in USD, declined -2.2% in October with low correlation among constituents. Strong US economic data, including robust payroll figures and above-trend GDP growth of 2.8%, saw the US market materially outperform, falling just -0.5% compared to ex-US markets falling -7.0% in USD. In

addition, US 10-year Treasury yields increased 0.4% to 4.3%, reflecting both economic resilience and uncertainty surrounding the upcoming US presidential election. US Financials and Energy sectors delivered positive returns, while traditionally defensive Healthcare and Consumer Staples fell by over 5%.

## Fund details

Feature	Information
APIR code	BFL3029AU
Investment manager	Canopy Investors
Portfolio managers	Kris Webster, Michael Poulsen, and Jack McManus
Reporting currency	AUD
Recommended investment period	Long term (minimum five years)
Cash limit	10%
No. of securities	30
Application/redemption price (AUD)	1.0273/1.0231
Distribution frequency	Annually
Management fees and costs <sup>4</sup>	1.15% p.a. (including GST)
Performance fee <sup>5</sup>	15.375% p.a. (including GST)
Buy/sell spread	+/- 0.20%
Minimum investment (AUD)	20,000

## How to invest

The Fund is open to investors directly via the PDS (available on our [website](#)). Visit [How to invest](#) to find out more.

## Get in touch



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- 1 S&P Developed markets MidSmallCap (AUD) Net Total Return.
- 2 Inception date is 21 June 2024. Since inception absolute return (a.r) represents total investment returns calculated from the fund's inception date.
- 3 Quality metrics (Growth – revenue; Profitability - EBIT margin; Cash conversion - OCF/OIBDA; Return on capital and Leverage - Net debt/EBIT) for the portfolio are based on the most recent fiscal year and are weighted by portfolio weight. Metrics for the benchmark represent the median of the estimated index. All data is sourced from FactSet and adjusted for outliers.  
 Growth – revenue is calculated as the annual change in reported revenue.  
 Profitability - EBIT margin is calculated as annual reported earnings before interest and tax, divided by revenue.  
 Cash conversion - OCF/OIBDA is calculated as annual operating cash flow less stock-based compensation divided by reported net profit plus interest, depreciation and amortization.  
 Return on capital is calculated as annual reported earnings before interest and tax, divided by net debt plus equity.  
 Leverage – net debt/EBIT is calculated as net debt divided by annual reported earnings before interest and tax.  
 Beta is calculated on a weekly basis using data from the previous 5 years, as reported by FactSet.  
 Active share is estimated as the sum of each security's portfolio weight minus its index weight and includes cash.
- 4 Management fees and costs consist of annual management fee rate and capped recoverable expenses. For a detailed split of the fees and costs, please refer to the fund(s) PDS.
- 5 Performance fee is 15.375% (including GST net of reduced input tax credits) of any amount by which the investment return is greater than the return of the benchmark. All values are in Australian dollars.

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