

Performance

Tura Capital Global Small & Mid Cap Fund decreased 2.79% (net of fees) in June, underperforming the MSCI World SMID TR Index (Net in AUD) by 0.65%.

Net active return as at 30 June 2024

	1mth %	3mth %	6mth %	12mth %	Incep.* % p.a.
Tura Capital Global Small & Mid Cap Fund ¹	-2.79	-6.83	5.52	-	9.53
MSCI World SMID Total Return Index ²	-2.14	-5.14	4.75	-	8.12
Excess return	-0.65	-1.69	0.77	-	1.42

*Inception Date—5th December 2023.

¹ Source: Tura Capital and Apex Fund Services.

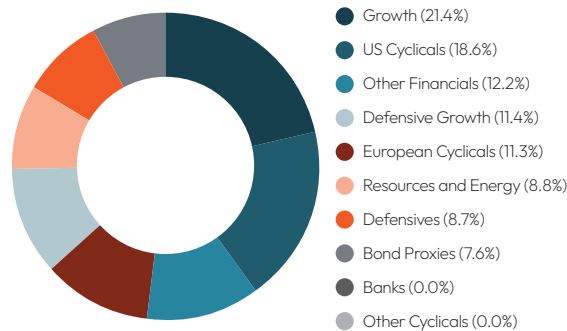
² Source: MSCI Performance is calculated in AUD and assumes reinvestment of dividends net of withholding tax.

Past performance is not an indication of future performance. Total return shown for the Tura Capital Global Small & Mid Cap Fund is in AUD and has been calculated using exit prices after taking into account all of the product's ongoing fees and assuming reinvestment of distributions. No allowance has been made for entry/exit fees or taxation.

Portfolio holdings (alphabetical)

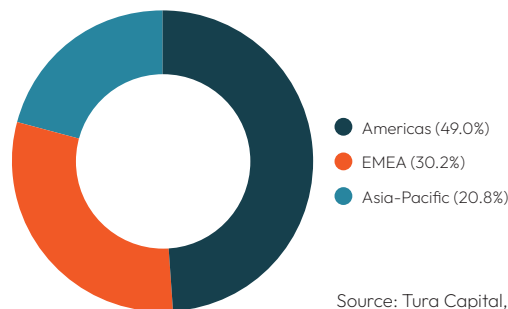
Company name
Advanced Drainage Systems, Inc.
Aeroports de Paris ADP
Alliant Energy Corp
Amplifon SpA
Antofagasta plc
ASM International N.V.
Auto Trader Group PLC
Baker Hughes Company Class A
BJ's Wholesale Club Holdings, Inc.
Brown & Brown, Inc.
Bureau Veritas SA
Carl Zeiss Meditec AG
Carlyle Group Inc
Cboe Global Markets Inc
CBRE Group, Inc. Class A
Epiroc AB Class A
Fair Isaac Corporation
Geberit AG
Hemnet Group AB
Hubbell Incorporated
Jack Henry & Associates, Inc.
Japan Exchange Group, Inc.
La Francaise des Jeux SA
Moncler SpA
Rational AG
Regency Centers Corporation
Scout24 SE
Teradyne, Inc.
Toll Brothers, Inc.
Tourmaline Oil Corp.
Tractor Supply Company
Trex Company, Inc.
Ulta Beauty Inc.
Universal Display Corporation
WD-40 Company

Proprietary risk sector weightings



Source: Tura Capital, FactSet

Regional revenue exposures



Source: Tura Capital, FactSet

Portfolio characteristics

Key metrics	Portfolio	Index
Number of holdings	35	4872
Active share	97.1%	-
ROIC	17.2%	8.0%
Leverage (ND/EBITDA)	0.4x	1.3x
EPS growth	17.5%	15.3%
PE multiple	20x	13.9x
Average market capitalisation (US\$m)	16,758	12,424

Source: Tura Capital, FactSet and MSCI

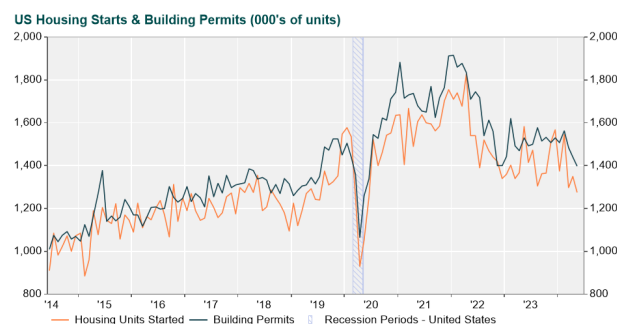
Portfolio and market review

Market review

Global small and mid-cap (SMID) equities fell in June as economic data suggested growth was slowing, and a snap election in France raised political uncertainty. In AUD terms, the MSCI World SMID Cap Index dropped 2.14%, lagging its large and mega-cap equivalent, the MSCI World Index, which rose 1.61%. Equity markets were again led by Artificial Intelligence (AI) enthusiasm after Apple released plans for its 'Apple Intelligence AI Platform' and chip maker NVIDIA became the world's most valuable company. The USD was stronger against a basket of major currencies despite lower Treasury yields, whilst oil rose.

Concerns about weakening consumer resilience gained traction in June after data showed that US retail sales were soft for a second consecutive month. Corporate updates from retailers, including Walmart, Nike, and Walgreens, noted that consumers were stretched and, as a result, more price-sensitive. There were also emerging signs of a slowdown in housing construction activity as higher interest rates impacted housing transactions (refer to Figure 1).

Figure 1: US housing activity has been softening

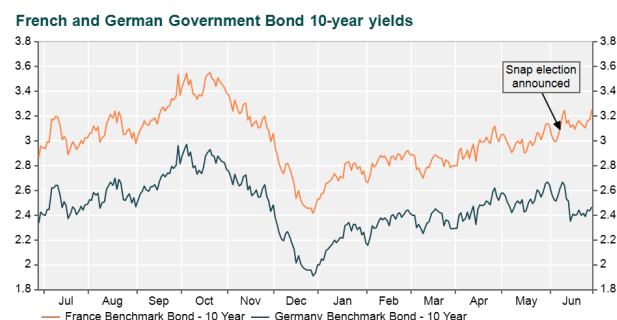


Source: Tura Capital, FactSet

Other economic data released in June was consistent with disinflation and slower economic growth. In the US, inflation data was cooler than expected, with the annual change in the core Consumer Price Index (CPI) the lowest since August 2021. Business and consumer surveys, which give an early read on the state of the economy, were also softer. Such evidence raised hopes of at least two interest rate cuts in the US this year, significantly down from the seven that were forecast in early January. In Europe, business surveys pointed to some slowing of positive momentum, partly blamed on political uncertainty. While the European Central Bank (ECB) cut interest rates mid-month, it suggested that there are no strong plans for further cuts.

French President Emmanuel Macron called a surprise snap lower house election following strong results for far-right parties in the June EU elections. The move appears to have backfired, with polls indicating big losses for his centrist coalition, which could lose power in the second round of voting on July 7 (albeit he would remain President until 2027). The uncertainty hit French and European markets, with French bond yields spiking on fears of budget blowouts and the Euro weaker (refer to figure 2). It adds another election to the "Year of Elections," which will see over half of the world's population head to the polls, including the UK in July and the US in November. US President Joe Biden stumbled in the first presidential debate against former President Donald Trump, which was light on substance (see Quote of the Month). Betting markets slashed Biden's re-election chances, and the shares of some sectors that are most likely to be negatively impacted by a Trump victory underperformed.

Figure 2: French yields rose relative to German yields



Source: Tura Capital, FactSet

Portfolio review

The Tura Capital Global Small & Mid Cap Fund returned -2.79% during June, underperforming the MSCI World SMID Cap Index by 0.65%, after fees. The investment process remains focused on quality global SMID companies, trading at reasonable valuations.

Technology sector strength again drove the SMID market higher, led by the strong performance of large-cap AI player, NVIDIA. Given the growing capital investment into AI-related activity, the Technology sector was viewed as a relative safe-haven in a weaker market. The Fund's four largest contributors to relative performance during the month were all Technology stocks: Universal Display Corporation, Fair Isaac Corporation, ASM International and Teradyne. The portfolio is currently index-weight in Technology, given stretched valuations.

The portfolio's overweight to Europe was a key detractor to relative performance, following the surprise call of a snap election in France. The Fund holds three French-domiciled companies: Aeroports de Paris, La Française des Jeux, and Bureau Veritas. Whilst we do not expect a significant impact to the earnings for these businesses, the uncertainty around the French political environment and higher bond yields resulted in weak share price sentiment. We took the opportunity to modestly add to the Aeroports de Paris position.

Meanwhile, mixed macro data regarding US housing activity and wet weather during the northern-hemisphere Spring, led several Consumer and Industrial companies to downgrade guidance during the month. Leading pool supplies wholesaler, Pool Corporation (not held), was an example, noting weak demand for new pool construction and renovation activity. The Fund's holdings with similar end-market exposures also sold off in sympathy (e.g. Trex, Toll Brothers).

Turning to portfolio positioning, the Tura Capital Global Small & Mid Cap Fund remains "concentrated, but diversified", with high-quality exposures across the market:

- Sustainable quality mid-cap growth companies (e.g. Rational, Trex, Japan Exchange Group)
- Improving quality exposures (e.g. CBRE, Carlyle, Teradyne)
- De-rated quality opportunities (e.g. La Française des Jeux, Scout24, Carl Zeiss Meditec)
- Select high-quality cyclical exposures (e.g. Toll Brothers, Geberit, Advanced Drainage Systems)
- Select defensive exposures (e.g. BJ Wholesale, Alliant, Amplifon)

Key contributors

- **Universal Display Corporation:** supplier of OLED screen technology, rallied on expectations that Apple's new "Apple Intelligence" system will drive a replacement cycle in consumer electronics.
- **Fair Isaac Corporation:** US credit scoring and software business, continued to rally along with the broader technology sector.
- **ASM International:** European semiconductor equipment manufacturer, rallied on bullish sentiment regarding future capital investment for generative AI.

Key detractors

- **Carl Zeiss Meditec:** global ophthalmology product manufacturer, fell following a downgrade to FY24 earnings guidance.
- **Trex:** US focused composite decking manufacturer, weakened following reports from peers of softer renovation activity during May and June.
- **Aéroports de Paris:** owner and operator of French airports, weakened following President Macron's decision to call a snap election.

Portfolio changes

We made two new investments in the Fund during June, establishing holdings in quality growth businesses, Amplifon and Hemnet. To fund these purchases, we exited the positions in Straumann and Graco, where earnings risk is higher.

Both Amplifon and Straumann are quality companies within the Health Care sector. Amplifon is the leading hearing-aid retailer globally, while Straumann manufactures high-quality dental implants.

Recent weakness in big-ticket consumer spending has seen a slowdown in developed market demand for dental implants, given a material proportion of demand is discretionary in nature. While we view Straumann's leading market position and long-term growth outlook positively, we believe near-term earnings risk is elevated.

Amplifon provides the portfolio with a more defensive Health Care exposure. As the leading retailer of hearing aids globally, with ~13% market share, it is a well-positioned defensive retailer exposed to attractive underlying trends (notably aging populations). We expect it to continue consolidating its position through profitable organic growth and mergers and acquisitions.

The introduction of Hemnet into the portfolio adds another quality online marketplace exposure, alongside the existing holdings in Auto Trader and Scout24. Hemnet is the dominant online real estate platform in Sweden and offers significant long-term earnings growth via a product premiumisation strategy. The position was funded by US cyclical business, Graco, which has elevated near-term earnings risk in our view.

We also made some changes to position sizing in existing holdings to reflect conviction, valuation, and risk management. These included trimming holdings in Fair Isaac Corporation (valuation), La Francaise des Jeux (risk management) and Toll Brothers (risk management). We also added to the existing holdings in Cboe Global Markets (valuation) and Aéroports de Paris (valuation).

Company in focus



We recently added Hubbell Inc. (Hubbell) to the portfolio. Hubbell is a leading supplier of electrical products to the US utility industry (c.60% of revenue) and the broader US industrial market (c.40% of revenue).

Industry quality

Focussing on Hubbell's Utility Solutions segment (c.60% of revenue and c.70% of operating income), Hubbell operates in what is essentially a duopoly industry structure, when considering only the large scale "one-stop-utility-shops" that aggregate the thousands of electrical components needed by US utilities for transmission and distribution infrastructure, grid hardening, and integrated substations. Utility demand for electrical components is reasonably predictable over the medium to long-term, given the long runway of steady, dependable growth in utility capital expenditure, driven by the trend of electrification, renewable energy, and aging infrastructure; exacerbated by power hungry AI datacentres. The critical importance of safety, and the incompatibility of international components with US standards, provides strong barriers to entry from offshore competitors.

Company competitive advantage

Given the importance of safety and reliability, the specific domestic US power requirements, and the material convenience of aggregating thousands of stock keeping units (SKUs) under one supplier, Hubbell's strong reputation and relationships with utilities providers gives it a strong competitive advantage, and hence pricing power.

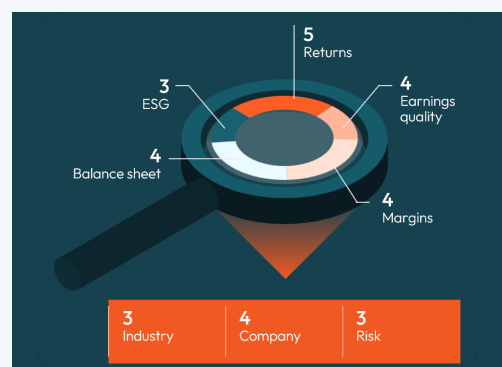
Risk

Hubbell's Electrical Solutions segment (40% of revenue and 30% of operating income) is more cyclical than Utilities Solutions and is therefore prone to more volatility. It is also more competitive, lower margin, and faces more distributor inventory/stocking risk. However, through divestitures of lower quality, lower growth, lower margin businesses (e.g. lighting) within Electrical Solutions, management has successfully reduced the cyclical and increased the quality of the overall business.

Summary

Hubbell provides high-quality exposure to US energy and industrial end markets, benefitting from the secular tailwinds of electrification and AI datacentre demand.

Tura Capital quality lens - Hubbell Inc.



Summary and outlook

The Tura Capital Global Small & Mid Cap Fund continues to provide concentrated but diversified exposure to a transparent portfolio of high quality global SMID businesses, with strong long-term growth prospects.

With global SMID cap valuations currently at an extreme discount to global large caps, we believe the fund is well placed to deliver strong medium-term returns.

Quote of the month

Joe Biden and Donald Trump debated the big issues during the first 2024 Presidential debate.

“
...I got my handicap, when I was Vice President, down to a six by the way.”

US President, Joe Biden
28th June 2024

Fund facts

Target market: This product is intended for use as a minor or satellite allocation for a consumer who is seeking capital growth and has a very high risk and return profile for that portion of their investment portfolio. It is likely to be consistent with the financial situation and needs of a consumer with a five-year minimum investment timeframe and who is unlikely to need to withdraw their money on less than 5 business days' notice.

Inception date: 5 December 2023

Minimum initial investment: \$20,000

Risk level: This Fund is appropriate for investors with very high risk and return profiles

Management fee: 0.98% (inclusive GST and RITC) p.a. of the net asset value of the Fund

Performance fee: 15% of out-performance of the Fund relative to the Fund's Benchmark (after the management fee)

Entry/exit fees: Nil

Buy/sell spread: +/- 0.25% of the value of an application or withdrawal of units

Valuation and unit pricing frequency: Each business day

Distribution frequency: Annually

Responsible Entity: The Trust Company (RE Services) Limited as part of the Perpetual Limited group of companies

About Tura Capital and the Fund

Tura Capital is a boutique investment management capability, focused on delivering quality global small and mid cap equity portfolios to institutions, advisers and individual investors.

Key features of our approach:

Experienced and aligned team: The Tura Capital investment team have more than 45+ years of combined investment experience and are invested alongside our clients.

Quality at a reasonable price: A disciplined approach to quality and valuation, utilising our eight factor 'Quality Lens' assessment.

Concentrated but diversified: Investing in typically 25 - 45 high quality global small and mid capitalisation companies.

Transparent: Monthly disclosure of portfolio holdings.

Further information

www.turacapital.com.au

T: 07 3229 5531

E: info@dnrcapital.com.au

Connect with our distribution team

Tom Glynn | Head of Wholesale Distribution | **T:** 0407 964 952 | **E:** tom.glynn@dnrcapital.com.au

Rob Coates | Regional Manager | **T:** 0422 929 081 | **E:** rob.coates@dnrcapital.com.au

Nick Argyriou | Regional Manager | **T:** 0412 798 942 | **E:** nick.argyriou@dnrcapital.com.au

Disclaimer: This document has been prepared and issued by Tura Capital Pty Ltd ABN 88 669 306 487 is a corporate authorised representative (No. 1309809) of DNR AFSL Pty Ltd (AFSL No. 301658) as the investment manager of the Tura Capital Global Small & Mid Cap Fund. The Trust Company (RE Services Limited ABN 45 003 278 831 AFSL No 235150 (as part of the Perpetual Limited group of companies) is the responsible entity and issuer of units in the Tura Capital Global Small & Mid Cap Fund. It is general information only and is not intended to provide you with financial advice and has been prepared without taking into account your objectives, financial situation or needs. You should consider the product disclosure statement (PDS) for the Tura Capital Global Small & Mid Cap Fund, prior to making any investment decisions. The PDS and target market determination (TMD) can be obtained for free by calling DNR Capital on 07 3229 5531 or by visiting the Fund website www.turacapital.com.au/investor-centre. If you require financial advice that takes into account your personal objectives, financial situation or needs, you should consult your licensed or authorised financial adviser. This information is only as current as the date indicated and may be superseded by subsequent market events or for other reasons. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. All investments contain risk and may lose value. Neither DNR Capital nor any company in the Perpetual Group (Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of any fund or the return of an investor's capital. Neither DNR Capital nor Perpetual give any representation or warranty as to the reliability or accuracy of the information contained in this document. Total returns shown for the Tura Capital Global Small & Mid Cap Fund are calculated using exit prices after considering all of Perpetual's ongoing fees and assuming reinvestment of distributions. No allowance has been made for taxation. **Past performance is not indicative of future performance.** This material may include data, research and other information from third-party sources. Tura Capital makes no guarantee that such information is accurate, complete or timely and does not provide any warranties regarding results obtained from its use. No representation or warranty is made with respect to the accuracy or completeness of any of the information contained in this material. Tura Capital will not be responsible or liable for any losses arising from your use or reliance on any part of the information contained in this material. Further information regarding any benchmark referred to herein can be found at www.turacapital.com.au/terms-conditions. Any third-party trademarks contained herein are used for information purposes only and are the property of their respective owners. Tura Capital claims no ownership in, nor any affiliation with, such trademarks. This material and the information contained within it may not be reproduced, or disclosed, in whole or in part, without the prior written consent of Tura Capital.