

Performance report | 31 August 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 Benchmark¹ over a market cycle of five to seven years.

Net returns

	Fund	Benchmark ¹	Value added
1 mth	-2.0%	-2.1%	0.0%
3 mths	-	-	-
1 year	-	-	-
Since inception a.r. ²	2.9%	4.5%	-1.7%

Performance figures are net of fees and expenses.
¹Value added' calculation does not use rounded performance figures. Past performance is not indicative of future performance.

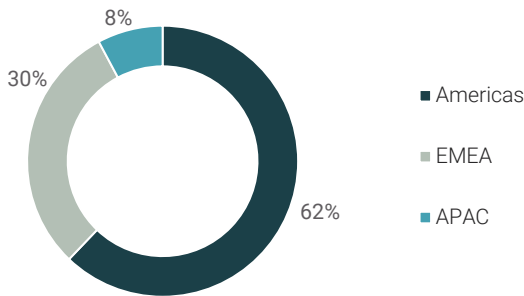
Top 10 holdings

At month end, in alphabetical order

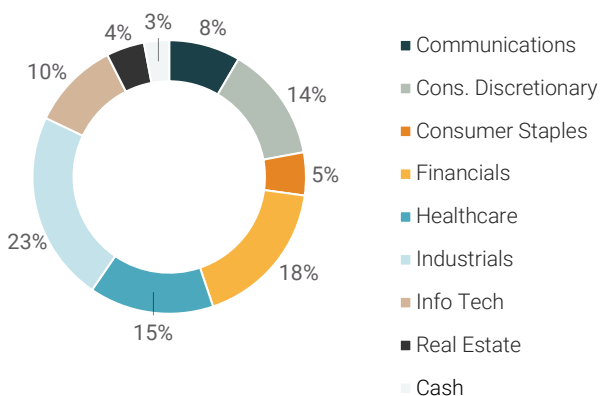
Company	Sector	Region
Auto Trader	Communications	Western Europe
Bureau Veritas	Industrials	Western Europe
Dollarama	Consumer Staples	North America
Edenred	Financials	Western Europe
ICON	Healthcare	North America
Moncler	Consumer Discretionary	Western Europe
Rollins	Industrials	North America
SBA Communications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

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

Regional revenue breakdown



Sector breakdown



Top contributors and detractors

To monthly performance, in order of contribution

Top contributors	Contribution to return
Floor & Decor	0.3%
Sonova	0.2%
Dollarama	0.2%

Top detractors	Contribution to return
Trex	-0.8%
Spirax Group	-0.6%
Medpace	-0.4%

Portfolio characteristics³

	Fund	Benchmark ¹	Comment
Growth - revenue	9%	7%	Higher quality
Profitability – EBIT margin	27%	9%	
Cash conversion – OCF/OIBDA	98%	87%	
Return on capital	39%	10%	
Leverage – net debt/EBIT	1.2x	1.9x	
Beta	0.9	1.0	Fully invested
Active share	98%	N/A	Genuinely active
No. of stocks	28	7,459	

Commentary

The Canopy Global Small & Mid Cap Fund declined -2.0% (AUD) in August, performing in line with the benchmark.

The strongest performer was Floor & Decor, up 15% for the month. While the company reported Q2 results in early August that were modestly below expectations and reduced its full-year guidance due to continued macroeconomic headwinds, this had already been more than factored into the share price. While its near-term results will likely continue to fluctuate with US housing conditions, we remain confident in the quality of the business and its longer-term outlook.

Trex was the fund's largest detractor, down 24% for the month. It also reduced its full-year guidance in early August in response to macro-induced weakness in demand trends, which resulted in excess channel inventories that it expects to impact its results for the remainder of the year. Despite this, the company retains its strong brand recognition and leadership in the composite decking industry, and achieved shelf-space gains in its important home improvement channel. It also reported as a positive reception to new products, which should be supportive of its results. We remain positive on the quality of the company and took advantage of the weakness in its share price.

Markets whipsawed between pessimism and optimism throughout August. Early in the month, concerns about a potential US recession, triggered by weak jobs data, led to a sharp sell-off across global equity markets. This was exacerbated by the unwinding of large currency carry trades following a hawkish Bank of Japan meeting. However, the market mood quickly shifted with the release of contradictory economic data and softer inflation figures. By month-end, many stock markets had rebounded strongly, approaching all-time highs. This recovery was largely driven by renewed expectations of a 'soft landing' scenario and anticipation of potential interest rate cuts by the Federal Reserve. Despite the positive market sentiment, uncertainties remain, particularly regarding the trajectory of US interest rates and potential geopolitical risks in the coming months.

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	28
Application/redemption price (AUD)	1.0307/1.0265
Distribution frequency	Quarterly
Management fees and costs ⁴	1.15% p.a. (including GST)
Performance fee ⁵	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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