

# Performance report | 31 July 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	7.4%	7.4%	0.1%
3 mths	-	-	-
1 year	-	-	-
Since inception <sup>2</sup> p.a.	5.0%	6.7%	-1.7%

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.

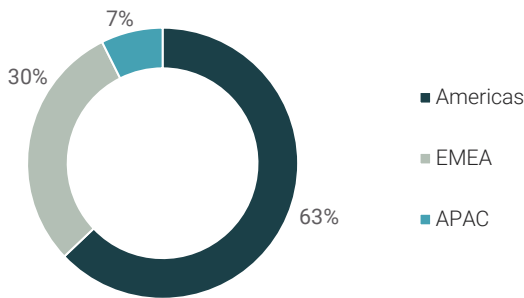
### Top 10 holdings

At month end, in alphabetical order

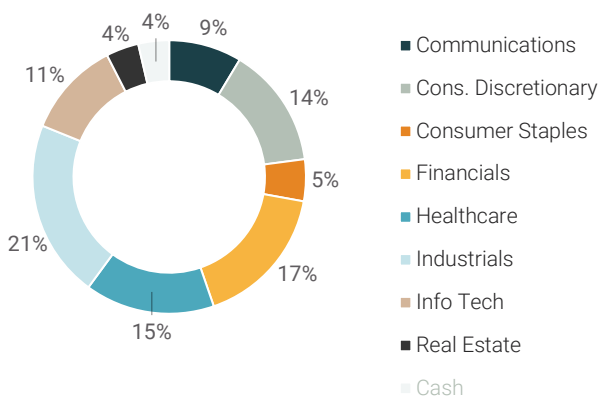
Company	Sector	Region
Auto Trader	Communications	Western Europe
Dollarama	Consumer Discretionary	North America
Edenred	Financials	Western Europe
ICON	Healthcare	North America
Moncler	Consumer Discretionary	Western Europe
Rollins	Industrials	North America
SBA Communications	Real Estate	North America
Steris	Healthcare	North America
Tradeweb Markets	Financials	North America
Ulta Beauty	Consumer Discretionary	North America

The top 10 positions equate to 45% of the portfolio.

### Regional revenue breakdown



### Sector breakdown



### Top contributors and detractors

To monthly performance, in order of contribution

Top contributors	Contribution to return
Bureau Veritas	0.7%
Pool Corporation	0.7%
SGS	0.6%

Top detractors	Contribution to return
Medpace Holdings	-0.2%
Ulta Beauty	-0.1%
Moncler	0.0%

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

	Fund	Benchmark <sup>1</sup>	Comment
Growth - revenue	9%	7%	Higher quality
Profitability – EBIT margin	27%	9%	
Cash conversion – OCF/OIBDA	98%	87%	
Return on capital	40%	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	28	7,482	

## Commentary

The Canopy Global Small & Mid Cap Fund returned 7.4% (AUD) in July, outperforming the benchmark return by 0.1%.

The strongest performer was French testing and certification company Bureau Veritas, up 15% for the month. The company reported robust H1 results that were ahead of expectations, with accelerating organic revenue growth and margin expansion. Its performance was broad-based across sectors and regions, and it increased its guidance for organic revenue growth for the full-year, underscoring its confidence in improving industry trends.

Medpace was the fund's largest detractor, down 7%. Despite reporting Q2 revenue growth of 15% year-over-year, the company faced a large and unexpected increase in cancellations in June, which impacted backlog growth - an important driver of future revenue growth. This fueled market fears of a delayed recovery in biopharma customer demand. However, growth in RFPs and gross business wins (before cancellations) remained strong, providing supporting evidence of underlying demand and the ongoing strength of Medpace's competitive position.

July proved volatile for markets. A softer US CPI reading and weaker labor market data heightened market fears of a US recession (a hard landing) and raised market expectations of near-term interest rate cuts by the US Federal Reserve. There was a subsequent dramatic shift in market sentiment. Large-cap and growth stocks, particularly those related to semiconductors and artificial intelligence – areas that have driven much of the market's returns in 2024 - experienced relative weakness. Meanwhile, sentiment improved toward smaller companies and interest rate-sensitive assets like REITs and utilities. As highlighted [here](#), the S&P Small Cap 600 saw its largest one-month outperformance versus the S&P 500 in over 20 years. However, this has done little to reduce the historic valuation discount of small and mid-cap companies relative to large-caps.

## 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)	1.0521/1.0479
Distribution frequency	Quarterly
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.

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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