

## Performance

Tura Capital Global Small & Mid Cap Fund increased 7.97% (net of fees) in July, underperforming the MSCI World SMID TR Index (Net in AUD) by 0.04%.

### Net active return as at 31 July 2024

	1mth %	3mth %	6mth %	12mth %	Incep.* % p.a.
Tura Capital Global Small & Mid Cap Fund <sup>1</sup>	7.97	6.29	10.75	-	18.26
MSCI World SMID Total Return Index <sup>2</sup>	8.01	6.94	11.73	-	16.78
<b>Excess return</b>	<b>-0.04</b>	<b>-0.66</b>	<b>-0.99</b>	<b>-</b>	<b>1.49</b>

\*Inception Date—5th December 2023.

<sup>1</sup> Source: Tura Capital and Apex Fund Services.

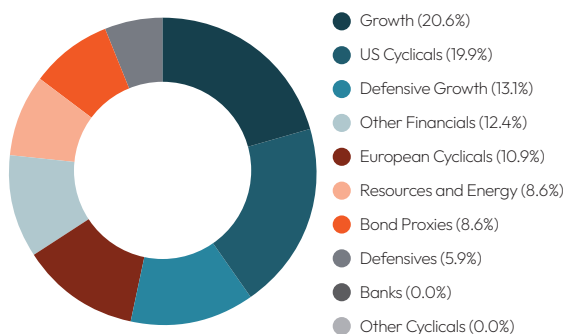
<sup>2</sup> Source: MSCI Performance is calculated in AUD and assumes reinvestment of dividends net of withholding tax.

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)

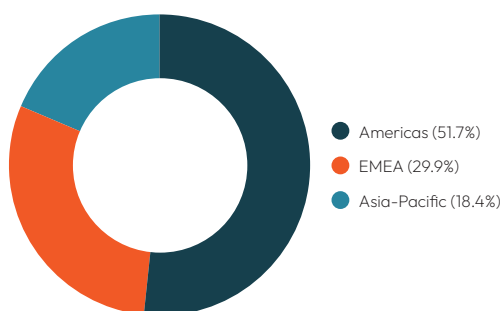
Company name
Advanced Drainage Systems, Inc.
Aéroports de Paris ADP
Alliant Energy Corp
Amplifon SpA
Antofagasta plc
ASM International N.V.
Auto Trader Group PLC
Baker Hughes Company Class A
BJ's Wholesale Club Holdings, Inc.
Brown & Brown, Inc.
Bureau Veritas SA
Carl Zeiss Meditec AG
Carlyle Group Inc
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.
Moncler SpA
MSCI Inc. Class A
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

### Regional revenue exposures



Source: Tura Capital

### Portfolio characteristics

Key metrics	Portfolio	Index
Number of holdings	35	4858
Active share	97.2%	-
ROIC	17.2%	8.0%
Leverage (ND/EBITDA)	0.6x	1.4x
EPS growth	17.6%	15.2%
PE multiple	21.6x	14.6x
Average market capitalisation (US\$m)	18,124	12,934

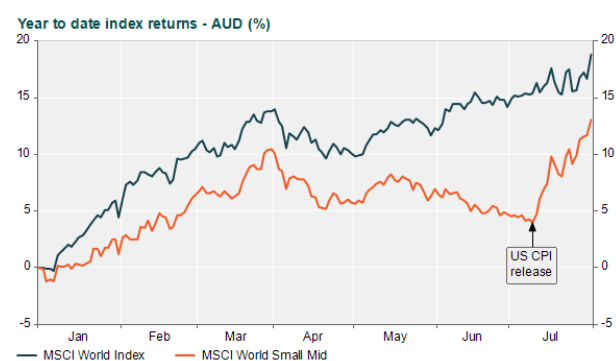
Source: Tura Capital, FactSet and MSCI

## Portfolio and market review

### Market review

Global small and mid-cap (SMID) equities rose sharply in July as expectations for a US Federal Reserve rate cut increased. In AUD terms, the MSCI World SMID Cap Index jumped 8.01%, almost double its large and mega-cap equivalent, the MSCI World Index, which rose 4.08%, the largest monthly outperformance of the SMID Cap Index since February 2000. There was a notable broadening of the market away from leading technology companies that have propelled returns year to date into more cyclical and smaller companies (refer to Figure 1).

Figure 1: the SMID Index outperformed in July



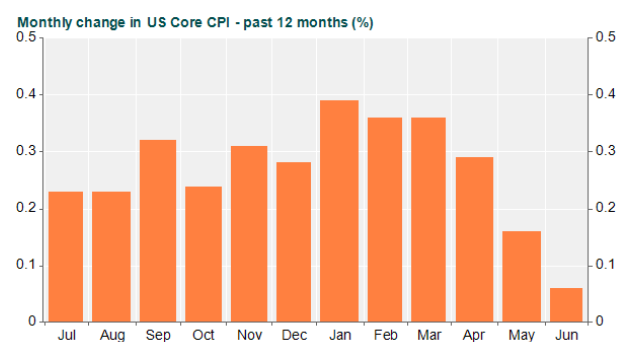
Source: FactSet, Tura Capital

Over a third of the companies in the MSCI World SMID Index provided second quarter 2024 earnings reports, which, on average, came in ahead of expectations, but earnings growth in aggregate was relatively flat. Key themes included soft consumer sentiment and rising price sensitivity (across income cohorts) offset by growing confidence in the likelihood of capital market and real estate recoveries (refer to the Quote of the Month).

The key driver of markets was inflation data released mid-month which showed better-than-anticipated reductions in price pressures across a broad range of categories (refer to Figure 1 and 2). Coupled with softer labour market data and comments from Federal Reserve speakers, anticipation rose that interest rates could be reduced earlier and more meaningfully in coming quarters, reducing the risk of a recession. US Treasury yields fell, and the shares of companies likely to benefit from lower interest rates and continued healthy economic growth, such as homebuilders, banks and REITs, performed well. Technology and semiconductor companies and some consumer discretionary verticals (airlines, restaurants, apparel) were soft.

Carrying over from June, politics remained a theme as investors continued to evaluate potential outcomes for the forthcoming US election. A failed assassination attempt on Former President Donald Trump at a political rally and stumbles by President Joe Biden increased the odds that Trump would be re-elected in November. However, by the end of the month, Vice President Kamala Harris, who replaced Biden as the Democratic Party candidate late in the month, appeared to have solid fundraising and polling momentum, and the race for the White House now looks more balanced. The political landscape in France remains uncertain after the Parliamentary elections in early July gave no party a clear path to form a workable majority, but French assets stabilised after it became clear that neither extremes from the left nor right would be able to implement their agendas in full.

Figure 2: inflation in US consumer prices, excluding food and energy, has moderated



Source: FactSet, Tura Capital

### Portfolio review

The Tura Capital Global Small & Mid Cap Fund returned 7.97% during July, modestly underperforming the MSCI World SMID Cap Index by 0.04%, after fees. The investment process remains focused on quality global SMID companies, trading at reasonable valuations.

Along with the broader market, the Fund experienced a strong reversal during July, with recent strong performers, such as Technology sector exposures, seeing profit taking. On the other hand, the Fund benefitted from its holdings in more cyclical business, particularly those that may benefit from lower global interest rates.

Overall, the Fund performed in-line with expectations, providing a "concentrated but diversified" portfolio of global SMID businesses. It is these types of market rotations that highlight the benefit of our approach to portfolio construction.

A key focus for the Tura Capital team was the commencement of the 2Q24 results season in mid-July, which provided an opportunity to review the operating performance of our portfolio companies.

The portfolio enjoyed a solid start to 2Q24 results season, with positive updates from Hemnet, Baker Hughes and Bureau Veritas.

Swedish property marketplace business, Hemnet, reported a strong 2Q24 result, with revenues 11% ahead of consensus expectations. Strong revenue growth was generated from the growing penetration of premium property listings on the Hemnet site. Ongoing penetration of higher-priced premium listings is key to our investment thesis and provides a long runway for sustained double-digit earnings growth.

Meanwhile, global energy services business, Baker Hughes, beat earnings expectations for 2Q24 and upgraded FY24 guidance. The strong outcome was driven by the Industrial & Energy Technology (IET) segment, which continues to benefit from the growth in the global Liquefied Natural Gas (LNG) industry.

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. Moncler, Scout24, Carl Zeiss Meditec)
- Select high-quality cyclical exposures (e.g. Toll Brothers, Geberit, Advanced Drainage Systems)
- Select defensive exposures (e.g. BJ's Wholesale, Alliant, Amplifon)

### Key contributors

- **CBRE:** global commercial real estate services business, rallied aggressively on comments that transaction activity may finally be improving (see our Quote of the Month).
- **Toll Brothers:** US luxury homebuilder, rallied strongly on expectations of a Federal Reserve rate cut in September, which may drive stronger demand for new homes.
- **Carlyle Group:** global private markets fund manager, rallied strongly on expectations of a Federal Reserve rate cut in September, which may drive stronger deal activity.

### Key detractors

- **Amplifon:** global hearing aid retailer, underperformed following a soft 2Q24 result, with volumes in Europe below expectations.
- **ASM International:** European semiconductor equipment manufacturer, reversed the share price gains made during June, as investors rotated out of the semiconductor sector.
- **Teradyne:** US semiconductor equipment manufacturer reversed the share price gains made during June, as investors rotated out of the semiconductor sector.

### Portfolio changes

We made one new investment in the Fund during July, establishing a holding in quality growth business, MSCI Inc. To fund this purchase, we exited the position in La Francaise des Jeux.

Financial data and index provider, MSCI, is a company that we know well, given Tura Capital is a customer of MSCI's index business. MSCI distributes global equity indices, analytics solutions, ESG and climate risk data and research, and private markets data. Its key client segments are asset managers, asset owners, banks, hedge funds and wealth managers.

MSCI offers an attractive organic growth rate, strong operating leverage, dependable pricing power, and control over its cost base. Its unregulated oligopoly index business accounts for ~70% of earnings. Recent share price weakness provided an opportunity to establish a position below its long-run average valuation and recent trading history.

French lotteries business, La Francaise des Jeux, rallied strongly during July, rebounding from recent political uncertainty. We took advantage of this strength to exit the holding, given ongoing regulatory risk remains.

We also made some changes to position sizing in existing holdings to reflect conviction, valuation, and risk management. These included trimming holdings in ASM International (valuation), Carl Zeiss Meditec (conviction) and CBRE (risk management). We also added to the existing holdings in Advanced Drainage Systems (valuation), Regency Centers Corporation (valuation) and Auto Trader (conviction).

### Company in focus



Rational has been a key holding for Tura Capital since the Fund launched in December 2023. Headquartered in Germany, Rational is the global leader in combi-steam ovens, which combine convection with superheated steam, and are popular in restaurants, hotels, and other large catering businesses.

#### Industry quality

Combi-steamers are winning market share within the broader commercial kitchen appliance market, and this penetration is key to our investment thesis. Combi-steamers have several advantages over traditional appliances, including:

1. More efficient (time/labour) food production (critical for restaurants/large catering);
2. Consistency in meal production;
3. More efficient in terms of space, power and water usage.

#### Company competitive advantage

Rational is a global leader in combi-steamers with >50% market share of multifunctional appliances. Rational has a strong reputation for superior technology and quality. Rational continues to innovate, with new product launches such as the iHexagon (combines convection, steam and microwave). The traditional kitchen appliance market typically grows in line with GDP. However, Rational has seen a revenue Compound Annual Growth Rate (CAGR) of almost 10% over the last decade, illustrating the penetration of combi-steamers. This has helped somewhat cushion demand through economic downturns, making Rational a structural growth story with less cyclicality than many Industrials. Hence, we define Rational as a Defensive Growth company.

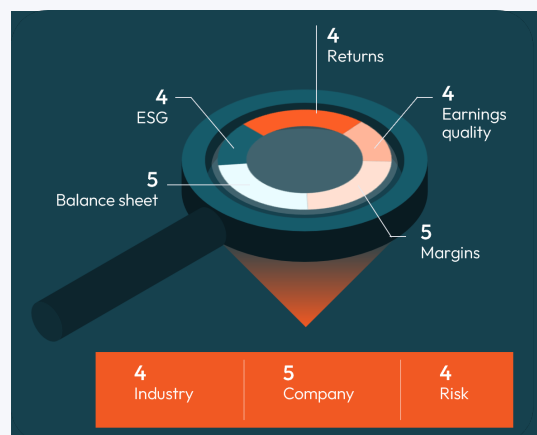
#### Risk

While Rational exhibits defensive growth, it is still impacted by macro conditions. COVID-19 saw Rational's sales decline 23% in 2020, before rebounding strongly. Earnings grew at a 7.5% CAGR between 2019-2023. This illustrates Rational's longer term resilience through macro downturns. While new products have historically been successful (early days for iHexagon but positive feedback thus far), there is a risk that the incremental upside from future innovations fades.

#### Summary

Rational is a high-quality, defensive growth business with a penetration tailwind, trading at a reasonable valuation, and as a result, is a key holding in the Tura Capital Global Small & Mid Cap Fund.

### Tura Capital quality lens - Rational AG



## 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

Emma Giamartino, CFO of commercial real estate broker CBRE, noting some green shoots in US transactions, after several years of weak activity in commercial real estate (due to high interest rates and COVID-19 impact).

“  
...it's very early, so we're not going to call anything, but we're starting to see an uptick in activity in the US sales market.”

Emma Giamartino – Chief Financial Officer, CBRE Group  
25th July 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 60+ 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](http://www.turacapital.com.au)

**T:** 07 3229 5531

**E:** [info@dnrcapital.com.au](mailto: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](mailto:tom.glynn@dnrcapital.com.au)

**Rob Coates** | Regional Manager | **T:** 0422 929 081 | **E:** [rob.coates@dnrcapital.com.au](mailto:rob.coates@dnrcapital.com.au)

**Nick Argryriou** | Regional Manager | **T:** 0412 798 942 | **E:** [nick.argyriou@dnrcapital.com.au](mailto:nick.argyriou@dnrcapital.com.au)

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