

## Product Assessment

### Spire Copper Rock Capital Global Smaller Companies Fund

Report data as at 31 Oct 2017  
Rating issued on 30 Nov 2017

#### VIEWPOINT & RATING

The Fund offers investors a fundamental and relatively benchmark unaware exposure to the international equities small cap sector. The Fund is managed by Copper Rock Capital Partners, LLC (Copper Rock) and distributed by Spire Capital (Spire). Zenith believes Copper Rock's research, stock selection and portfolio construction efforts draw strongly from the team's experience, which we regard positively.

Based in Boston, Copper Rock was founded in 2005 and specialises in global smaller companies. As of 30 September 2017, Copper Rock had approximately \$US 6 billion in funds under management (FUM) Copper Rock is an affiliate of OMAM, Inc., a global multi-boutique asset management company.

Spire is an independent, boutique funds management company based in Australia. Spire is focused on providing retail investors with access to global investment opportunities, which have previously only been available to institutional investors.

The investment team of nine is led by Stephen Dexter and is supported by David Shea, Denise Selden, Timothy Codrington and David Dineen who comprise the portfolio management team. Zenith believes the portfolio management team is highly experienced and possess the required expertise to successfully manage the strategy. Zenith notes that the key members of the team (Dexter, Selden, Shea) worked together prior to forming Copper Rock which we believe has contributed to a heightened level of stability and a stronger sense of culture. Codrington also had a prior working relationship with the team. Zenith believes that the multiple portfolio management responsibilities across several mandates within Copper Rock does however have the potential to diminish their focus on this strategy.

Copper Rock's investment philosophy is based on the belief that inefficiencies in international equity markets can be exploited through investing in companies with superior growth rates relative to their peers. Both quantitative and fundamental analysis is employed to identify companies with resilient and defensive business models that are characterised by underlying unit growth, longer-term market share gains, high profitability, and significant internal cash generation.

Zenith believes Copper Rock's stock selection process effectively leverages the experience and expertise within the team, which allows them to effectively identify attractive smaller growth companies across international equity markets.

The Fund is constructed under a benchmark unaware and fundamentally driven approach, which strongly leverages the stock selection process. Although Dexter is ultimately responsible for the Fund, portfolio construction is collegiate in nature. An optimiser, which seeks to maximise risk-adjusted returns, is used as a guide for portfolio construction. In general, the optimiser will allocate higher weightings to securities which are deemed to be attractive investments.

Zenith believes the Fund possesses a well-defined set of guidelines for its sell discipline and is encouraged by the utilisation of a daily portfolio monitoring process which enforces decisive action.

#### FUND FACTS

- Experienced investment team
- Typically holds 80 to 100 stocks
- Expected portfolio turnover of 75% p.a. to 80% p.a.

#### APIR Code

ETL0410AU

#### mFund Code

SPC01

#### Bid / Ask Price: 28-Nov-17

\$1.0665 / \$1.0708

#### Min Investment Amount

\$10,000

#### Asset / Sub-Asset Class

International Shares  
Small Companies

#### Investment Style

Growth

#### Investment Objective

To outperform the MSCI World Small Cap Index on an annual basis and to outperform the same index by 2% to 3% p.a. (before fees) over a full market cycle. Tracking error is expected to be 3% p.a. to 6% p.a.

#### Zenith Assigned Benchmark

MSCI World ex Aust Small Cap \$A

#### Net Returns (% p.a.)

	3 yrs	2 yrs	1 yr
Fund	13.26	7.19	29.49
Benchmark	15.57	10.49	25.42
Median	14.21	10.07	25.44

#### Income (% p.a.)

	Income	Total
FY to 30 Jun 2017	8.71	16.42
FY to 30 Jun 2016	11.78	-6.61
FY to 30 Jun 2015	10.85	26.47

#### Fees (% p.a., Incl. GST)

Management Cost: 1.38%  
Performance Fee: 15% outperformance over MSCI World Small Companies Index \$A net of the Fund's management fee with a high water mark

#### ABSOLUTE RISK (SECTOR)



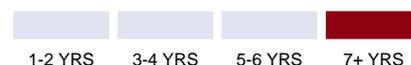
#### RELATIVE RISK (FUND WITHIN SECTOR)



#### INCOME DISTRIBUTIONS PER



#### INVESTMENT TIMEFRAME



## APPLICATIONS OF INVESTMENT

### SECTOR CHARACTERISTICS

International equities offer Australian investors the ability to access a broader opportunity set, with the potential to invest in sectors not represented or not well represented in the Australian market. Given international markets are not perfectly correlated with the Australian market, International equities also affords portfolio diversification benefits.

The Zenith “International Shares – Small Companies” sector consists of long-only funds that invest in global equity markets. The sector incorporates both benchmark aware and benchmark unaware strategies that focus predominantly on international small capitalisation stocks. Although global equities have disappointed over the past decade in terms of absolute performance, Zenith believes active managers have the ability to add significant alpha above a passive index over the longer-term.

Zenith benchmarks all funds in this sector against the MSCI World ex-Australia Small Cap Index. The index is market-capitalisation weighted, resulting in those companies with the largest market capitalisations receiving the heaviest weightings. The index consists of approximately 4,150 securities listed in 22 developed markets (Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States) with the United States currently representing approximately 60% of the index and Japan being the next largest constituent, with approximately 12%. The index excludes emerging and frontier markets but many managers retain the mandate flexibility to invest in emerging markets.

The global small cap market, as represented by the MSCI World ex-Australia Small Cap Index, is far more diverse, in terms of sector exposures, than the Australian market. Although the Financials sector represents the largest sector index weight, many sectors not well represented in the Australian market, such as Industrials and Information Technology, are well represented in the global small cap index, with weightings of approximately 18% and 14%, respectively. Despite the market capitalisation weighting methodology, the top 10 index stocks represent approximately 1% of the weighting of the index, reflecting the larger universe and less top heavy nature of the universe.

The Unhedged classification indicates that funds in this universe are currency unhedged, resulting in their returns being broadly affected by fluctuations in the Australian Dollar (AUD) versus other global currencies. Returns of unhedged funds are positively impacted by a depreciating AUD, whilst an appreciating AUD will negatively impact returns.

### PORTFOLIO APPLICATIONS

In general, compared to most other asset classes, equities offer investors the opportunity for higher capital growth over the longer-term with some income. However, this higher growth is also often associated with higher volatility. International equities provide investors with a broad exposure to industries and countries. With such a broad universe, it is expected that managers can deliver superior returns to Australian equities

and more conservative asset classes. However, the expectation of greater returns comes with increased volatility, especially when currency is factored in. Therefore, it is recommended that investors adopt a longer time frame when investing in international equities. It is also recommended that investments in international equities be blended with domestic equities and other non-correlated asset classes such as fixed income to diversify the impact of a downturn in the global economy.

Zenith believes international small capitalisation funds are best used in combination with large capitalisation international equities funds in order to achieve a well-blended exposure to international equities. Zenith believes international small capitalisation funds are most appropriate for investors with an investment time horizon of seven or more years.

The Fund's portfolio turnover is expected to be in the range of 70% p.a. to 80% p.a., which Zenith considers to be a moderate to high level in absolute and relative terms. Given the Fund's expected level of portfolio turnover, a larger proportion of the Fund's performance is expected to be delivered via the realisation of capital gains in income distributions, rather than capital appreciation in the unit price. In addition, capital gains paid via distributions are unlikely to be eligible for capital gains discount treatment, which can have a further negative impact on the after tax outcomes for high tax paying investors. As such, the Fund may be more appealing to investors who are nil/low tax payers or high tax payers who invest through tax-effective vehicles such as a superannuation fund.

## RISKS OF THE INVESTMENT

### SECTOR RISKS

The broad risks of investing in global equities include:

**MARKET DOWNTURN:** The biggest risk for all global equities based products is a significant downturn across global equities markets, which could lead to periods of negative performance. This risk can be significantly reduced by investors adopting a medium to long-term investment time frame.

**REGULATORY / SOVEREIGN RISK:** Given the diversity of the global equity investment universe from both a country and sector/industry point of view, the Fund is exposed to regulatory, political and sovereign risk.

**AUSTRALIAN DOLLAR (AUD) CURRENCY RISK:** The AUD has historically experienced declines during weaker market environments, and appreciation in market upturns. For funds that maintain an unhedged currency exposure, an appreciating AUD is likely to have a negative impact on a fund's total return. Conversely, an unhedged fund is likely to benefit relative to hedged global equities funds in periods where the AUD depreciates. Zenith believes that over the long-term, the currency impact on performance will be minimal and therefore does not advocate retail investors making active currency decisions based on near-term currency predictions. For investors who are concerned about the short-term risks associated with taking fully unhedged or hedged currency positions, Zenith suggests blending hedged and unhedged global equity exposures to reduce short-term volatility.

### FUND RISKS

Zenith has identified the following key risks associated with the

Fund; this is not intended to highlight all possible risks:

**KEY PERSON RISK:** As with most fund managers, Copper Rock is subject to a level of key person risk. Whilst Zenith acknowledges that there are currently a number of highly experienced investment professionals within the investment team, a departure amongst its senior ranks would be regarded as a material loss. However, Zenith notes that all senior members of the investment team have equity ownership in the business which can be a strong incentive for them to remain with the firm at least in the medium-term.

**CAPACITY/LIQUIDITY RISK:** Excessive levels of Funds under Management (FUM) can inhibit a manager's ability to trade portfolio positions effectively, thereby limiting outperformance potential. As at 30 September 2017, Copper Rock managed approximately \$US 6 billion in FUM. Approximately \$US 2.8 billion of this amount is invested in the Fund's strategy. The stated capacity of the strategy is \$US 2.5 billion. At this level of FUM, the strategy is currently closed to new investors, which Zenith believes to be prudent.

Zenith notes that a true assessment of capacity should also include FUM across Copper Rock's other small capitalisation strategies. As at 30 September 2017, the amount invested in small capitalisation strategies stands at approximately \$US 5.9 billion. Copper Rock has indicated an aggregate capacity level of \$US 6 billion for its small capitalisation strategies.

Zenith will continue to monitor Copper Rock's level of FUM closely to ensure increasing levels of FUM does not impede on performance.

**INVESTMENT STYLE RISK:** Copper Rock employs a growth orientated investment style which tends to underperform value orientated peers in periods where investors are risk adverse or during prolonged bear market conditions. As such, investors should adopt a medium to long-term investment timeframe to smooth out short-term volatility that can result from this style bias.

**EMERGING MARKET RISK:** Exposure to emerging markets is allowed up to a maximum of 15%. While exposure to emerging markets adds diversification to the Fund, it can also be a source of added volatility and may be detrimental to the preservation of capital.

**FUM CONCENTRATION RISK:** The Fund's investments are part of a commingled pool of assets where there are also a number of institutional investors. As at 30 September 2017, a large portion of the pool's assets are sourced from institutional mandates. Zenith would prefer to see less FUM concentration as redemptions from these mandates may potentially result in adverse tax implications for remaining unitholders. Zenith has however been advised that the Responsible Entity of the Fund has the ability to quarantine any such tax implications to the redeeming investor where the redemption exceeds 5% of the net asset value of the Fund, which mitigates our concerns on this risk.

**PORTFOLIO MANAGER FOCUS:** In addition to this Fund, Dexter and the other portfolio managers are responsible for a number of other strategies within Copper Rock. Although utilising similar processes, each of the other strategies are standalone strategies with different objectives. Specifically, the portfolio managers are also responsible for the following

strategies:

- Emerging Markets Small Cap
- International (ex-US) Small Cap
- Global All Cap

Whilst Zenith acknowledges that the portfolio managers are highly incentivised to ensure the success of this Fund, we believe their other commitments have the potential to draw focus away from this Fund.

## QUALITATIVE DUE DILIGENCE

### ORGANISATION

Based in Boston, Copper Rock Capital Partners, LLC (Copper Rock), was founded in 2005 and is a specialist global smaller companies fund manager. As of 30 September 2017, Copper Rock has approximately \$US 6 billion in funds under management (FUM). Copper Rock is an affiliate of OMAM, Inc. (formerly Old Mutual (US) Holdings, Inc.), a global multi-boutique asset management company which has approximately \$US 259 billion in FUM as at 30 September 2017.

OMAM provides Copper Rock with support in the form of legal & compliance, information technology, human resources, risk management and back office support. OMAM owns 65% of Copper Rock whilst the remaining 35% is owned by Copper Rock staff.

### Spire Capital

Spire Capital (Spire) is an independent, boutique funds management company based in Australia. Spire is focused on providing retail investors with access to global investment opportunities, which have previously only been available to institutional investors.

As at 30 September 2017, FUM in the strategy was \$US 2.8 billion of which \$A 83 million is in the Fund.

### INVESTMENT PERSONNEL

Name	Title	Tenure
Stephen Dexter	Chief Investment Officer	9 Yr(s)
Denise Selden	Senior Portfolio Manager	9 Yr(s)
David Shea	Senior Portfolio Manager	9 Yr(s)
Timothy Codrington	Portfolio Manager	2 Yr(s)

The investment team of seven is led by Chief Investment Officer (and lead portfolio manager), Stephen Dexter who joined Copper Rock in November 2008. Dexter has over 30 years of investment experience and prior to Copper Rock, he was the Managing Director and Chief Investment Officer of the Global and International Growth Equity team at Putnam Investments. As the lead portfolio manager for the strategy, Dexter has final decision making authority and is ultimately responsible for its performance. Dexter is also the lead portfolio manager for Copper Rock's International Small Cap strategy.

Dexter is supported by senior portfolio managers Denise Selden and David Shea (who both joined Copper Rock along with Dexter in November 2008), portfolio managers Timothy Codrington and David Dineen, three senior research analysts

and a senior quantitative analyst.

Selden has over 30 years of investment experience. Prior to Copper Rock, Selden worked with Dexter as a portfolio manager on the Global and International Growth Equity team at Putnam Investments. Previously, she was a Managing Director with Lehman Brothers where she managed the Global Healthcare Securities Team. Selden is also the lead co-portfolio manager for Copper Rock's Global All Cap strategy.

Shea has over 25 years of investment experience. Prior to Copper Rock, Shea worked with both Dexter and Selden as a Portfolio Manager on the Global Growth Equity team at Putnam Investments. Previously, Shea was a Director in the Quantitative Research Group at Citigroup Asset Management. Given his prior background in quantitative research, Shea has been largely responsible for Copper Rock's quantitative models and coordinates their research effort with the support of a third-party provider, QSG Research. Shea is also the lead portfolio manager for Copper Rock's Emerging Markets Small Cap strategy.

Zenith believes the portfolio management team is highly experienced and possess the required expertise to successfully manage the strategy. Zenith notes that the key members of the team (Dexter, Selden, Shea) worked together at Putnam Investments prior to forming Copper Rock which we believe has contributed to a heightened level of stability and a stronger sense of culture. Zenith believes the level of portfolio management responsibility across multiple strategies, albeit somewhat related, does however have the potential to diminish focus on this strategy.

Given the relatively small investment team, a flat structure is adopted, with all members assuming an analyst role. All team members are expected to be generalists, that is, they are given the freedom and flexibility to cover any stocks in any sector, rather than dividing research responsibilities amongst traditional sector lines.

Whilst the team is small in comparison to peers, Zenith believes the experience within the team compensates for the lack of analyst head count. Zenith notes that Copper Rock continues to add to the team, for example the addition of Codrington as portfolio manager in February 2015, and Brandon Farr, senior quantitative analyst in March 2015. In 2017, Copper Rock added two further members to the team Thomas Grant (senior research analyst) and David Dineen (portfolio manager).

Remuneration includes a competitive base salary and a bonus. Team members are primarily assessed based on the performance of their stock recommendations that are implemented in portfolios over a one to three year time period. Qualitative factors such as contributions to team discussions and peer feedback are also considered, although to a lesser extent. Zenith also notes that all portfolio managers hold equity in the firm.

Overall, Zenith has a high regard for the investment professionals at Copper Rock and notes that the majority of the senior members of the team have a long history of working together. Zenith is supportive of Copper Rock's progressive expansion of the investment team in recent years as it goes towards minimising the potential risks inherent in relatively small investment teams.

## INVESTMENT OBJECTIVE AND PHILOSOPHY

The objective of the Fund is to outperform the MSCI World Small Cap Index by 2% p.a. to 3% p.a. (before fees) over a full market cycle. The Fund's Tracking error is expected to be within the range of 3% p.a. to 6% p.a.

Copper Rock's investment philosophy is based on the belief that inefficiencies in the market can be exploited through investing in companies with superior growth rates relative to their peers.

Both quantitative and fundamental analysis is employed to identify companies with resilient and defensible business models that are characterised by underlying unit growth, longer-term market share gains (an evidence of competitive strength), high profitability, and significant internal cash generation.

## SECURITY SELECTION

The Fund's investment universe comprises of approximately 7,000 global companies with market capitalisations between \$US 100 million and \$US 5 billion.

A multi-factor quantitative model is used to produce expected returns for each stock in the investment universe. Each stock will then be ranked in quintiles by its expected returns. The multi-factor model assesses companies on the following broad categories:

- Valuation
- Earnings momentum
- Growth sustainability and quality

The output from the model is updated and monitored daily by the investment team. Generally, Copper Rock will focus its fundamental research efforts on companies that rank well based on the output from the quantitative model.

However, unlike many other strategies which utilise negative screens to reduce the investable universe to a more manageable size, Copper Rock undertakes a different approach. Instead, Copper Rock utilises the ranking output from the quantitative model to guide and assist with idea generation. For example, stocks ranked poorly by the quantitative model may still feature in the portfolio should they be deemed worthy based on the team's fundamental analysis.

Whilst Zenith believes that this provides Copper Rock with the potential to source increased excess return opportunities, we note that this is predicated on the research capacity of the relatively small investment team. Notwithstanding the above, Zenith's concerns are somewhat mitigated by the highly experienced nature of the team and Copper Rock's steady increase in resourcing the team in recent years.

In addition to the output from the quantitative model, the investment team also considers information obtained from multiple meetings with company management, competitors, sell-side research and various industry contacts to assist in idea generation. The investment team will typically conduct approximately 1,600 company visits each year in their own offices and another 120 to 160 meetings per year as the team travels and visits companies onsite.

Copper Rock's fundamental research process is focused on the following areas:

- Attractive industry fundamentals - whether the company is gaining market share and is in an industry with high barriers to entry
- Improving operating margins and accelerating cashflows
- Attractive valuations
- Stability of cashflows
- Quality management team

In the first quarter of 2017, Copper Rock formalised the consideration of environmental, social and governance (ESG) factors and uses ESG ratings provided by a third party provider. This information is incorporated into the fundamental research process and is used to supplement the investment team's existing consideration of ESG factors.

In assessing company valuations, Copper Rock utilises multiple metrics such as:

- Price-to-Earnings
- Price-to-Cash Flow
- EV/EBITDA

Each of the above metrics are assessed relative to the security's history, relative to its country or regional peers, and within its global sector universe. In addition, the investment team measures a company's incremental return on invested capital (ROIC), focusing on the absolute rate of directional improvement. Copper Rock believes that incremental ROIC is a powerful predictor of future stock price performance in the global small cap universe.

Zenith believes Copper Rock's stock selection process effectively leverages the experience and expertise within the team, which allows them to effectively identify attractive attractive smaller growth companies across international equity markets.

## PORTFOLIO CONSTRUCTION

The Fund is constructed under a benchmark unaware and fundamentally driven approach, which is strongly driven by the stock selection process. Although Dexter is ultimately responsible for the Fund, portfolio construction is collegiate in nature, with Copper Rock's other portfolio managers providing input.

An optimiser which seeks to maximise risk-adjusted returns is used as a guide for portfolio construction. In general, the optimiser will allocate higher weightings to securities which are deemed to be attractive investments by the investment team. The portfolio optimiser is subject to several constraints which are intended to diversify the Fund's excess return sources and risk exposures. The portfolio optimisation process is conducted on a weekly basis, with the output being regularly reviewed by the portfolio managers.

The Fund will generally hold between 80 and 100 stocks. Individual stock positions will generally be held in the range of 0.5% to 3%, with smaller positions expected to increase as conviction builds over time. Individual positions may not exceed 5% of the Fund at cost. Whilst sector and geographic exposures are a residual of the investment process; they are still subject to broad constraints to prevent excessive concentration.

The Fund's cash holdings are not permitted to exceed 10% and are typically held at less than 3%.

Copper Rock will seek to completely exit its position in a security under the following scenarios:

- A company's fundamental valuation inputs deteriorate due to changes in its prospects or the fulfilment of its target price
- Quantitative inputs deteriorate due to changes in earnings expectations, valuation, or growth sustainability
- Revenue growth falls short of expectations
- A potential breach in the Fund's risk constraints
- Where a stock appreciates to a market capitalisation greater than \$US 10 billion

As an additional check to the sell discipline, on a daily basis Copper Rock monitors the portfolio for stocks that have underperformed by 10% relative to their sector and region over a rolling 30 day period. Where this is the case, the investment team conducts a review to understand the reasons behind the underperformance. At the end of the review the team is required to either sell the entire position or add to the existing position. Zenith believes the Fund's buy/sell discipline process is well-defined and allows the team to express conviction through their holdings.

Whilst not targeted, portfolio turnover is expected to range between 75% p.a. and 80% p.a.

In Zenith's view, Copper Rock's portfolio construction process provides the team with a consistent framework, embedding a strong discipline in its buy and sell decisions.

## RISK MANAGEMENT

Portfolio Constraints	Description
Security Numbers	80 to 100
Maximum Security Weight - at cost (%)	max: 5%
Weight - Security Rel. Index (%)	-3.5% to 3.5%
Weight - Sector Rel. Index (%)	-6% to 6%
Weight - Region Rel. Index (%)	-6% to 6%
Minimum Security Market Cap - at cost (%)	\$US 100 million
Maximum Security Market Cap - at cost (%)	\$US 5 billion
Maximum Security Market Cap (%)	\$US 10 billion
Cash (%)	0% to 10%
Expected Portfolio Turnover (% p.a.)	75% p.a. to 80% p.a.
Expected Tracking Error (% p.a.)	3% p.a. to 6% p.a.

Formal portfolio constraints are broad, however, Zenith believes this is consistent with the Fund's fundamental investment approach and should assist in ensuring appropriate levels of diversification and discipline. These constraints are displayed in the table above.

Risk management is an integral part of the Fund's investment process and is addressed in a number of ways. Risk is considered as part of both the fundamental and quantitative aspects of the research process in addition to the portfolio construction process.

Zenith believes Copper Rock's buy/sell discipline, as detailed in the portfolio construction process, adds an additional layer of rigour to the risk management process.

Overall, Zenith is comfortable with Copper Rock's approach to risk management, which we believe is embedded into multiple stages of the investment process.

## INVESTMENT FEES

The sector average management cost (in the table below) is based on the average management cost of all flagship International Equities - Small Companies funds surveyed by Zenith.

The Fund charges a management cost of 1.38% plus a 15% performance fee applied to excess performance above the MSCI World Small Cap Index \$A (after fees), subject to a high watermark. The performance fee is accrued daily and paid annually.

Overall, Zenith believes the Fund's fee structure to be uncompetitive, relative to peers, given its stated objectives. In addition, we believe that investors have not been sufficiently compensated by way of performance given the fees paid over the past three years (ending 30 June 2017).

For any fund that charges a performance fee, Zenith would prefer to see in place an additional excess return hurdle (i.e. a target return above the index other than covering the base management fee) and considers this best practice.

The Fund also applies a buy/sell spread of 0.2% to all applications and redemptions.

*(The fees mentioned above are reflective of the flagship version only and may differ when the product is accessed through an alternate investment vehicle such as a platform.)*

Fees Type	Fund	Sector Average (Wholesale Funds)
Management Cost	1.38% p.a.	1.00% p.a.
	Description	
Performance Fee	15% outperformance over MSCI World Small Companies Index \$A net of the Fund's management fee with a high water mark	
	Buy Spread	Sell Spread
Buy / Sell Spread	0.20%	0.20%

**PERFORMANCE ANALYSIS**

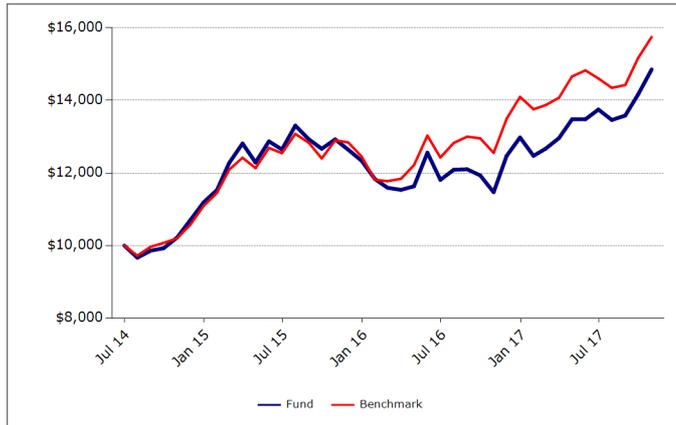
Report data: 31 Oct 2017, product inception: Jul 2014

**Monthly Performance History (% , net of fees)**

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	FUND YTD	BENCHMARK YTD
2017	-3.90	1.57	2.33	3.98	0.00	2.00	-2.10	0.91	4.32	4.83			14.44	11.69
2016	-4.11	-2.01	-0.49	0.86	7.96	-5.97	2.37	0.10	-1.39	-3.87	8.71	4.08	5.20	13.19
2015	3.07	6.43	4.38	-4.07	4.74	-1.75	5.21	-2.82	-2.03	2.05	-2.21	-2.41	10.26	12.29
2014							-3.34	2.01	0.69	2.97	4.61	4.62	11.89	10.91

Benchmark: MSCI World ex Aust Small Cap \$A

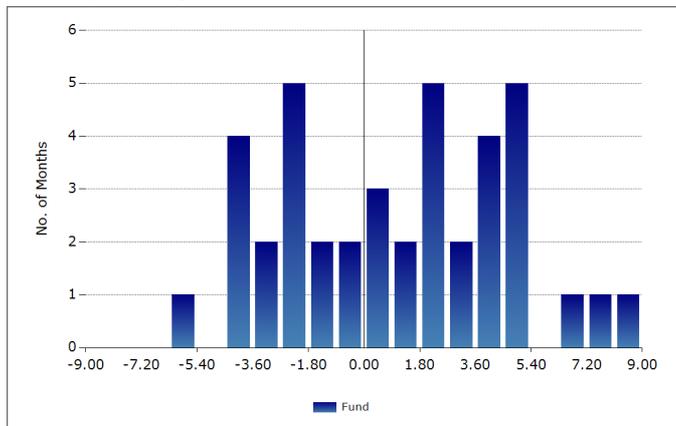
**Growth of \$10,000**



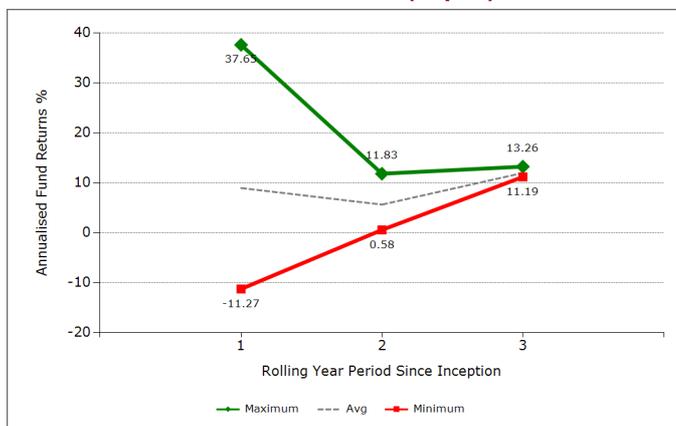
**ABSOLUTE PERFORMANCE ANALYSIS**

Return	Incpt.	3 yr	2 yr	1 yr
Fund (% p.a.)	12.60	13.26	7.19	29.49
Benchmark (% p.a.)	14.59	15.57	10.49	25.42
Median (% p.a.)	13.73	14.21	10.07	25.44
Ranking within Sector	Incpt.	3 yr	2 yr	1 yr
Fund Ranking	8 / 9	7 / 9	8 / 10	2 / 10
Quartile	4th	3rd	3rd	1st
Standard Deviation	Incpt.	3 yr	2 yr	1 yr
Fund (% p.a.)	12.42	12.79	12.78	11.10
Benchmark (% p.a.)	11.06	11.40	11.53	10.24
Median (% p.a.)	13.16	11.40	11.54	10.48
Downside Deviation	Incpt.	3 yr	2 yr	1 yr
Fund (% p.a.)	5.53	5.57	5.93	4.08
Benchmark (% p.a.)	4.85	4.92	5.34	2.92
Median (% p.a.)	7.47	5.23	5.46	2.98
Risk/Return	Incpt.	3 yr	2 yr	1 yr
Sharpe Ratio - Fund	0.84	0.87	0.41	2.50
Sortino Ratio - Fund	1.89	2.00	0.88	6.80

**Monthly Histogram**



**Minimum and Maximum Returns (% p.a.)**



Copper Rock benchmarks the Fund against the MSCI World Small Cap Index; however, for consistency purposes Zenith benchmarks all funds categorised within our International Shares - Small Companies sub-asset class against the MSCI World ex-Australia Small Cap Index. Accordingly all performance and risk measurements are calculated with the Zenith assigned index.

All commentary below is as at 31 October 2017.

The objective of the Fund is to outperform the MSCI World Small Cap Index \$A by 2% p.a. to 3% p.a. (before fees) over a full market cycle.

Given the Fund's recent inception date, there is currently insufficient performance history to conduct meaningful analysis. However, Copper Rock has a longer-term track record for the strategy which dates back to April 2010. Since the strategy's inception, it has exceeded its investment objectives, providing Zenith with confidence in the Fund.

## RELATIVE PERFORMANCE ANALYSIS

Alpha Statistics	Incpt.	3 yr	2 yr	1 yr
Excess Return (% p.a.)	-1.99	-2.31	-3.30	4.06
% Monthly Excess (All Mkts)	40.00	41.67	37.50	50.00
% Monthly Excess (Up Mkts)	48.00	50.00	42.86	55.56
% Monthly Excess (Down Mkts)	26.67	28.57	30.00	33.33
Beta Statistics	Incpt.	3 yr	2 yr	1 yr
Beta	1.06	1.06	1.04	0.99
R-Squared	0.88	0.89	0.88	0.84
Tracking Error (% p.a.)	4.27	4.36	4.52	4.47
Correlation	0.94	0.94	0.94	0.92
Risk/Return	Incpt.	3 yr	2 yr	1 yr
Information Ratio	-0.47	-0.53	-0.73	0.91

All commentary below is as at 31 October 2017.

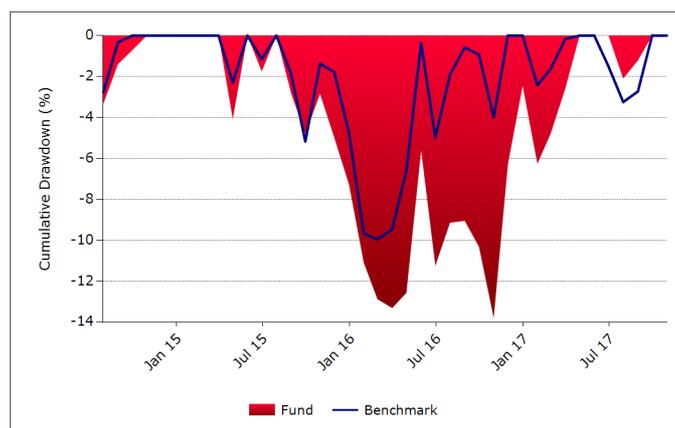
Given the Fund's recent inception date, there is currently insufficient performance history to conduct meaningful analysis.

## DRAWDOWN ANALYSIS

Drawdown analysis assesses the relative riskiness of a Fund versus the benchmark, in reference to capital preservation. The maximum Drawdown is recorded as the percentage decline in the value of a portfolio from peak to trough (before a new peak is achieved). All Drawdown analysis is calculated commencing from the inception date of the Fund in question, and Drawdown analysis for the Fund and benchmark(s) are calculated independently. That is, the largest drawdown for the Fund and benchmark(s) will not always refer to the same time period.

Drawdown Analysis	Fund	Benchmark
Max Drawdown (%)	-13.79	-9.95
Months in Max Drawdown	15	7
Months to Recover	6	9

Worst Drawdowns	Fund	Benchmark
1	-13.79	-9.95
2	-4.07	-3.25
3	-3.34	-2.76
4	-2.10	-2.42
5	-1.75	-2.29



All commentary below is as at 31 October 2017.

Given the Fund's recent inception date, there is currently insufficient performance history to conduct meaningful analysis. However, the Fund has not provided stronger downside protection relative to the benchmark, which Zenith believes to be disappointing.

## INCOME/GROWTH ANALYSIS

Income / Growth Returns	Income	Growth	Total
FY to 30 Jun 2017	8.71%	7.71%	16.42%
FY to 30 Jun 2016	11.78%	-18.39%	-6.61%
FY to 30 Jun 2015	10.85%	15.62%	26.47%

Investors should be aware the Fund does not target a specific level of income returns.

The Fund typically distributes income annually (June).

The Fund's portfolio turnover is expected to be in the range of 60% p.a. to 70% p.a., which Zenith considers to be a moderate to high level in absolute and relative terms. Given the Fund's expected level of portfolio turnover, a larger proportion of the Fund's performance is expected to be delivered via the realisation of capital gains in income distributions, rather than capital appreciation in the unit price. In addition, capital gains paid via distributions are unlikely to be eligible for capital gains discount treatment, which can have a further negative impact on the after tax outcomes for high tax paying investors. As such, the Fund may be more appealing to investors who are nil/low tax payers or high tax payers who invest through tax-effective vehicles such as a superannuation fund.

## REPORT CERTIFICATION

Date of issue: 30 Nov 2017

Role	Analyst	Title
Author	Quan Nguyen	Senior Investment Analyst
Sector Lead	Quan Nguyen	Senior Investment Analyst
Authoriser	Bronwen Moncrieff	Head of Research

## RATING HISTORY

As At	Rating
30 Nov 2017	Recommended
28 Nov 2016	Recommended
2 Dec 2015	Recommended
4 Dec 2014	Recommended
21 Oct 2014	Not Rated - Screened Out
Last 5 years only displayed. Longer histories available on request.	

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