

# Spire Copper Rock Capital Global Smaller Companies Fund

A SPIRE GLOBAL INVESTMENT SERIES FUND

## Monthly Fact Sheet - December 2016



### Fund Objective

To outperform the MSCI World Small Cap Index \$A on an annual basis and to outperform the same index by 2% to 3% p.a. over a full market cycle (e.g 5 - 7 years).

### Fund Manager

Copper Rock Capital Partners LLC ("Copper Rock"), based in Boston, MA, was founded in 2005 and provides specialised global equity investment management solutions for investors throughout the world with a strong focus on small cap investing globally. Copper Rock had approximately \$4.9 billion (USD) in assets under management as at June 30, 2016.

### Investment Philosophy and Approach

Copper Rock believes that small and mid-cap markets are inefficient and uses a blend of quantitative and fundamental analyses to identify companies with superior growth rates relative to their peers. The Global Small Cap strategy typically looks for resilient and defensible business models that are characterized by underlying unit growth, longer term market share gains (an evidence of competitive strength), high profitability, and significant internal cash generation. Distinguishing elements of the process are also the application of a routinely practiced and proven Sell Discipline and Alert List that provide risk control and are crucial in preserving alpha earned in the portfolio.

### Ratings

Zenith Investment Partners – Recommended  
Lonsec – Recommended

### Fund Summary as at 31 December 2016

APIR Code	ETL0410AU
Exit Price	0.9709
Inception Date	1 July 2014
Companies in Portfolio	90
Total Management Fee	1.38%
Indirect Cost Ratio (ICR)	1.38%
Buy / Sell Spread	0.20% / 0.20%
Investment Manager	Copper Rock Capital Partners, LLC

#### Portfolio Management Team

Stephen Dexter	CIO, Lead Portfolio Manager
Denise Selden, CFA	Portfolio Manager
H. David Shea, CFA	Portfolio Manager
Responsible Entity	Equity Trustees Limited
Custodian	State Street Australia Limited

# The information provided in this report should not be considered a recommendation to purchase or sell any particular security. There is no assurance that any security discussed will remain in portfolio at any time you receive this report or that securities sold have not been repurchased. The securities mentioned may represent only a small percentage of a portfolio's holdings. It should not be assumed that any of the holdings were or will prove to be profitable, or that the investment recommendations made in the future will be profitable or will equal the performance of the securities presented in this material. All securities recommendations within the preceding 12 months are available upon request.

### Monthly Performance (gross %)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2016	-3.99	-1.90	-0.37	0.98	8.09	-5.85	2.49	0.22	-1.27	-3.76	8.84	4.21
2015	3.20	6.55	4.51	-3.95	4.87	-1.63	5.34	-2.70	-1.92	2.18	-2.09	-2.29
2014	n/a	n/a	n/a	n/a	n/a	n/a	-3.22	2.13	0.81	3.10	4.73	4.75

### Performance (%)

Performance %	1 mth	3 mths	6 mths	1 year	2 years	Inception pa>
Total (net)	4.08	8.76	9.89	5.20	7.71	10.96
Benchmark*	4.52	8.69	13.53	13.79	13.20	14.87
Active Return#	-0.44	0.07	-3.64	-8.59	-5.49	-3.91
Distribution				11.78	11.31	8.93

\*Benchmark – MSCI World Small Cap \$A

> Inception Date: 1 July 2014 # Based on net performance. The performance data has not been audited. Performance figures are audited on an annual basis. Source: State Street.

### Top 10 Common Stock Holdings\*\*

Companies	% of Portfolio	Country
COLUMBIA BANKING SYSTEM, INC.	2.1	USA
WEBSTER FINANCIAL CORPORATION	1.9	USA
NUTRISYSTEM, INC.	1.7	USA
ESSENT GROUP, LTD.	1.7	USA
MEREDITH CORPORATION	1.6	USA
WHITECAP RESOURCES, INC.	1.6	CANADA
WS ATKINS PLC	1.5	UK
THE CHILDREN' PLACE INC.	1.5	USA
ASPEN INSURANCE HOLDINGS, LTD.	1.5	USA
PLANET FITNESS, INC.	1.5	USA
<b>TOTAL:</b>	<b>16.6%</b>	

### Portfolio Characteristics\*

Characteristics	Fund	MSCI World Small Cap Index (USD)
Price / Cash Flow	11.2	9.7
P/E (Forward 1 Year)	17.2	18.5
LT EPS Growth	14.0	12.5
ROE	12.8	9.1
ROA	5.6	3.9
Operating Margin	14.9	13.7
Yield (%)	1.8	1.8
Price to Book	2.5	1.9
Weighted Average Market-Cap (US\$bil)	2.6	2.8
Number of Holdings	90	4,302

\* Data derived from a Copper Rock Global Small Cap representative account expressed in USD. Source: FactSet.

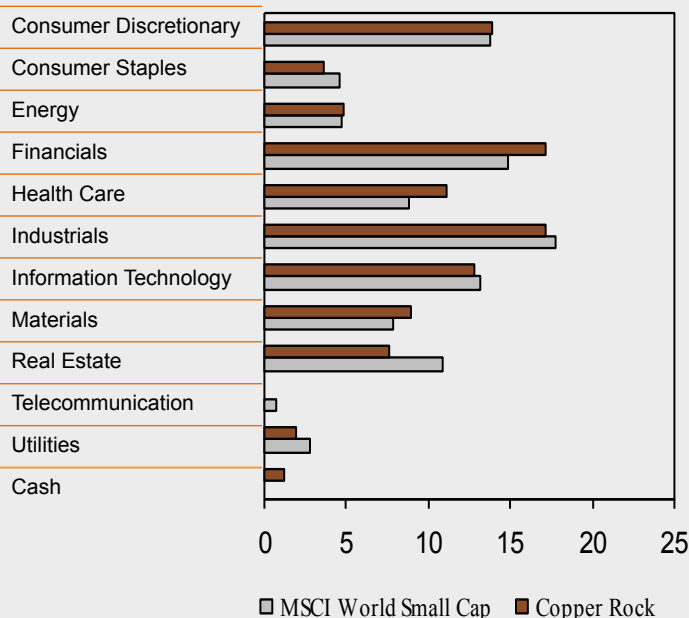
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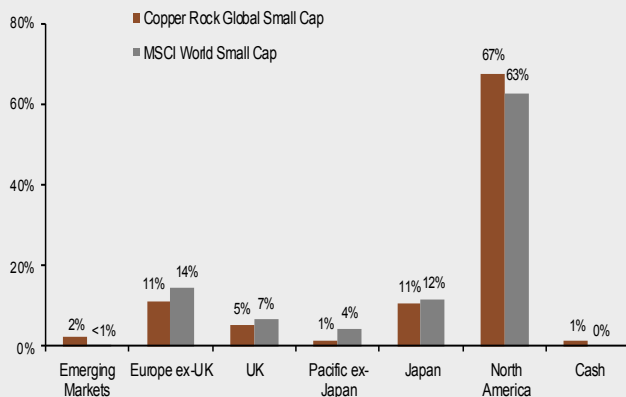
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## Sector Exposure (%)\*



## Regional Allocation (%)\*



\* Data derived from a Copper Rock Global Small Cap representative account expressed in USD. Source: FactSet. Totals may not add to 100% due to rounding.

## Contact

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## Market Commentary

The Copper Rock Global Small Cap Composite returned +4.24% (AUD) in December. The MSCI World Small Cap index returned +4.52% (AUD). For the 4th quarter, the Copper Rock Global Small Cap Composite returned +9.10% (AUD) and outperformed the MSCI World Small Cap index which returned +8.69% (AUD). The backdrop for the investment style has improved throughout the fourth quarter as demonstrated by greater breadth in contribution to relative return from stock selection across sectors.

In December, stock selection was positive within Healthcare, Materials, Real Estate, Consumer Staples, and Industrials sectors. The portfolio's overweight allocation relative to the index in the Financials sector was also additive as the indication to a slow but prolonged tightening rate environment has been beneficial to spread lenders. Regionally, strong stock selection in North America (primarily the US) contributed to relative return. The underweight position relative to the index in Pacific ex-Japan, the UK, and Japan was also beneficial. US based financial services company, Columbia Banking System, was the top contributor in December. Momentum from the company's recent favorable 3rd quarter results led to the outperformance. The company had record loan production and deposit growth of 10% year over year. Also, Columbia Banking System has one of the lowest fund costs versus competitors.

On the downside, there was some underperformance in stock selection within the Energy, Information Technology, Consumer Discretionary, and Utilities sectors. Worthington Industries, Inc. is a metal processing company which focuses on value added steel processing and manufactured metal products based in the US. Worthington's stock had been steadily outperforming as a beneficiary of expected infrastructure investment in the US and a much improved pricing environment for US steel companies. Consensus estimates got too far ahead, by several months, of an ongoing recovery in Worthington's finished product sales to the oil & gas and heavy truck industries. As a result, the stock sold off in December after management reported below consensus quarterly results that did not reflect a recovery in these businesses that represent about 20% of revenues. Recent data for both oil rig counts and heavy truck production are now suggesting the cycles have bottomed and nascent recoveries are underway. Copper Rock believes the setback in the stock is short term as consensus estimates have now reset and the company continues to deliver guided results, particularly in the steel business. Copper Rock continues to own the position in the portfolio.

At the end of December, the portfolio has an overweight position relative to the index in the Healthcare, Financials, and Materials sectors. There are modest overweight exposures relative to the index in the Consumer Discretionary and Energy sectors. It has more significant underweight positions relative to the index in the Real Estate, Consumer Staples, Utilities, and Telecommunication Services sectors, while the Industrials and Information Technology sectors are modestly underweight versus the benchmark. Regionally, the portfolio is overweight relative to the index in North America and maintains an allocation of about 2.39% to Emerging Markets. The portfolio maintains an underweight allocation to the index in Continental Europe, Pacific ex-Japan, the UK, and Japan.

Spire Capital Pty Ltd ABN 21 141 096 120 AFSL No. 344365 ("Spire")

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