

# Spire Copper Rock Capital Global Smaller Companies Fund

A SPIRE GLOBAL INVESTMENT SERIES FUND

## Monthly Fact Sheet - MARCH 2019



### 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 \$6.4 billion (USD) in assets under management as at 31 December 2017.

### 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 March 2019

APIR Code ETL0410AU

Exit Price \$0.9824

Fund Size \$87.7 Million

Inception Date 1 July 2014

Companies in Portfolio 91

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 Chief Investment Officer

H. David Shea, CFA Sr. Portfolio Manager

David Dineen, CFA Sr. Portfolio Manager

Responsible Entity Equity Trustees Limited

Custodian State Street Australia Limited

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### Monthly Performance (gross %)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2019	5.52	6.78	-0.15									
2018	-0.55	-0.30	1.34	1.72	1.76	0.10	0.79	5.49	-1.60	-7.74	-2.93	-6.67
2017	-3.78	1.68	2.46	4.11	0.12	2.12	-1.98	1.03	4.45	4.96	1.29	-2.36

### Performance (%)

Performance %	1 mth	3 mths	6 mths	1 year	4 Years	Inception pa>
Total (net)	-0.27	12.09	-6.65	0.45	2.72	7.76
Benchmark*	-0.41	12.83	-4.50	6.84	9.07	12.51
Active Return#	0.14	-0.74	-2.15	-6.39	-6.35	-4.75
Distribution	0.00	0.00	0.00	6.41	8.58	7.17

\*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
Kobe Bussan Co., Ltd.	1.82	JAPAN
Itochu Techno-Solutions Corporation	1.74	JAPAN
Verint Systems Inc.	1.73	USA
ACI Worldwide, Inc.	1.60	USA
Selective Insurance Group, Inc.	1.56	USA
Quanta Services, Inc.	1.49	USA
Darling Ingredients Inc.	1.49	USA
Ryman Hospitality Properties, Inc.	1.44	USA
Sushiro Global Holdings, Ltd	1.43	JAPAN
Dream Global Real Estate Investment Trust	1.43	CANADA
<b>TOTAL:</b>	<b>15.74%</b>	

### Portfolio Characteristics\*

Characteristics	Fund	MSCI World Small Cap Index (USD)
Price / Cash Flow	10.4	9.0
P/E (Forward 1 Year)	16.2	16.2
LT EPS Growth	13.5	12.8
ROE	16.6	10.8
ROA	7.0	4.8
Operating Margin	16.9	15.1
Yield (%)	1.6	2.0
Price to Book	2.1	1.8
Weighted Average Market-Cap (US\$bil)	3.3	3.4
Number of Holdings	91	4,329
Active Share	96%	

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

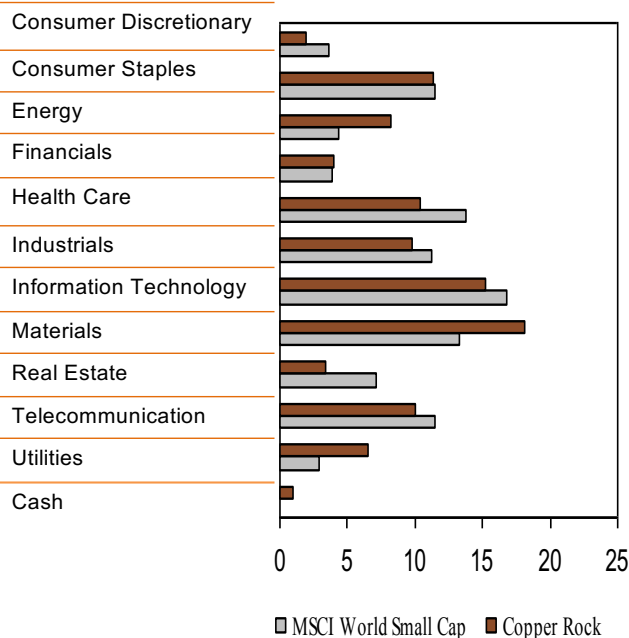
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## Sector Exposure (%)\*

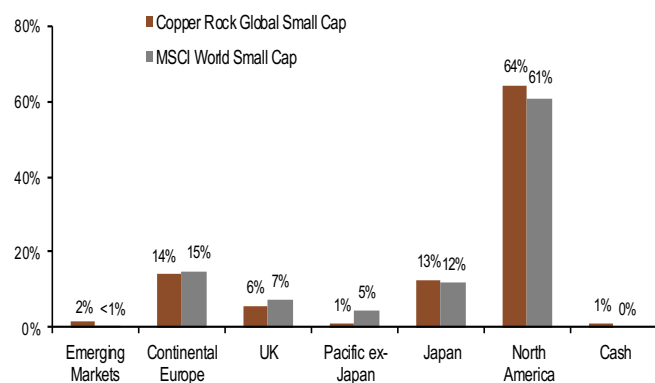


## Market Commentary

In March, the Copper Rock Global Small Cap Composite returned -0.10% (AUD) and outperformed the MSCI World Small Cap index which returned -0.41% (AUD). Positive stock selection in the Financials, Consumer Staples, Information Technology, Materials, and Consumer Discretionary sectors contributed to relative return. Regionally, stock selection in the Japan, North America, and the UK was additive. The top contributor in the month was Kobe Bussan, a Japanese supermarket, which reported strong quarterly earnings results stemming from a rise in the number of stores, larger sales weighting for high margin private brand products, and an increase in same store shipments in areas under its direct control.

On the downside, there was some underperformance from individual stock selection. Party City, which is the USA's largest party goods supplier, was a leading detractor in March. This is a slow growth segment of retailing that is quite mature. Copper Rock's investment thesis on Party City had been that management's focus on more self-manufactured items (which translates into higher margins) and the move to being Amazon's de-facto party goods supplier would allow the company to differentiate itself from the rest of the industry. While the company has in fact executed on these two fronts, the industry has suffered from much harsher price competition than we had expected. This pressure essentially has offset the good things management has been doing inside the company. This has led the market to further de-rate an already inexpensive stock. Copper Rock reassessed their thesis and concluded that it was unlikely in the medium term that the stock will be re-rated higher and the positive earnings surprises they have been expecting are being pushed out. As such, they liquidated their holding.

## 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.

Copper Rock continues to believe they are positioned correctly for this later cycle economic environment and remain focused on identifying high quality, attractively valued stocks with assured growth that will be rewarded in 2019.

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