

# Spire Copper Rock Capital Global Smaller Companies Fund

A SPIRE GLOBAL INVESTMENT SERIES FUND

## Monthly Fact Sheet - May 2015



### 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 \$3.1 billion (USD) in funds under management as at December 31, 2014.

### 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 – Investment Grade

### Fund Summary as at 31 May 2015

APIR Code	ETL0410AU
Exit Price	1.2291
Inception Date	1 July 2014
Companies in Portfolio	87
Total Management Fee	1.38%
Indirect Cost Ratio (ICR)	1.48%
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
2015	3.20	6.50	4.51	-3.95	4.87							
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 yr	Inception pa>
Total (gross)	4.87	5.27	21.26	n/a	30.47
Total (net)	4.74	4.88	20.38	n/a	28.73
Benchmark*	4.58	5.05	0.19	n/a	26.53
Active Return#	0.16	-0.17	1.32	n/a	2.20

\*Benchmark – MSCI World Small Cap \$A  
> Inception Date: 1 July 2014 # Based on gross 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
AMBARELLA, INC.	1.8	USA
NAUTILUS, INC	1.8	USA
THE GREENBRIER COMPANIES, INC.	1.7	USA
DIALOG SEMICONDUCTOR PLC	1.6	GERMANY
LEONTEQ AG	1.5	Switzerland
SOUTH STATE CORP.	1.5	USA
WEST PHARMACEUTICAL SERVICES, INC.	1.5	USA
U-BLOX HOLDING AG	1.5	SWITZERLAND
STARZ, INC	1.4	USA
COVENANT TRANSPORTATION	1.4	USA
<b>TOTAL:</b>	<b>15.7%</b>	

### Portfolio Characteristics\*

Characteristics	Fund	MSCI World Small Cap Index (USD)
Price / Cash Flow	12.1	10.2
P/E (Forward 1 Year)	17.6	18.7
LT EPS Growth	14.7	14.6
ROE	16.6	10.5
ROA	8.4	4.7
Operating Margin	16.8	16.3
Yield (%)	2.0	2.5
Price to Book	2.7	2.0
Weighted Average Market-Cap (US\$bil)	2.7	3.1
Number of Holdings	91	4,275

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

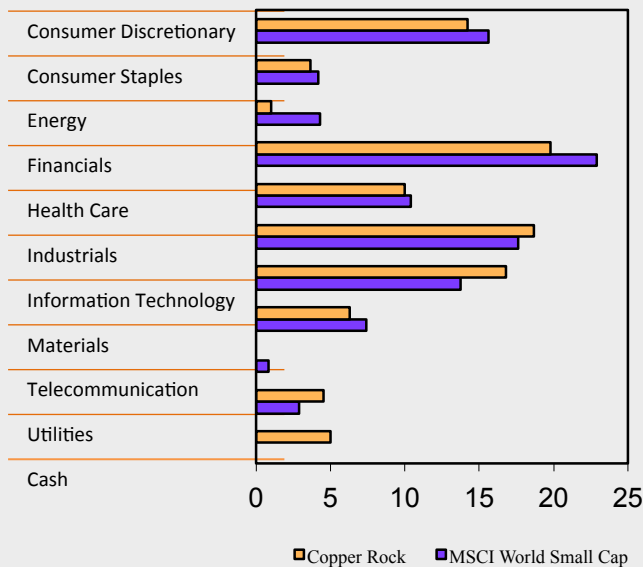
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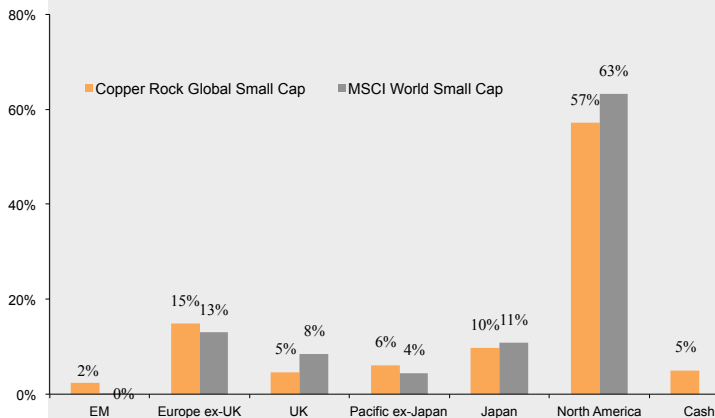
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## Sector Exposure (%)\*



## 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

Spire Capital Pty Ltd  
Level 14, 25 Bligh Street  
Sydney NSW 2000  
T: +61 2 9377 0755  
[www.spirecapital.com.au](http://www.spirecapital.com.au)

### Advisor Queries

Dale Holmes, Director  
M: 0401 146 106  
[dale.holmes@spirecapital.com.au](mailto:dale.holmes@spirecapital.com.au)

## Market Commentary

For the month of May, the Copper Rock Global Small Cap strategy recovered from the negative performance in the prior month and returned +4.87% (AUD) and outperformed the MSCI World Small Cap index which returned +4.58% (AUD). As evidenced by the quantitative model, May tended to be a month where quality generally was rewarded which was not the case in April as winners tended to sell off and laggards rallied. Stock selection had a barbell appearance across the portfolio with positive individual stock selection driving performance in the Information Technology sector. On the other hand, there was some individual underperformance from stocks within the HealthCare and Industrials sectors that detracted from overall relative return. There was strong individual stock selection within Continental Europe and North America while the portfolio exhibited some negative stock selection within the United Kingdom, Japan, and Emerging Markets.

Three of the top five individual contributors to relative return were U.S. based companies representing the Consumer Discretionary and Information Technology sectors. Nautilus, Inc. is a global fitness company based in the U.S. The stock followed through from its April performance after the company reported strong quarterly results. Ambarella, Inc. (U.S.), Integrated Device Technology, Inc. (U.S.), Dialog Semiconductor plc (Germany), and u-blox Holding AG (Switzerland) were the top four contributors within the Information Technology sector. Ambarella, Inc. is an Information Technology company that develops semiconductor processing solutions that enable high-definition video capture, sharing, and display. The company supplies chips to the automotive, sports, and security video markets with a growing presence in the wearable camera devices and HD camera enabled drones. For example, GoPro is listed among its top five customers and its recent June quarter guidance suggested higher camera unit shipments than previously estimated which bodes well for the demand for Ambarella product. The stock's shares have surged approximately 50% since the March 2015 earnings report. U-blox Holding, Inc. is a Swiss company that engages in the manufacture of wireless semiconductors designed primarily for global navigation systems and other wireless products and services. In March 2015, the company announced strong results for the fiscal year 2014 and gave good guidance for 2015. The company exhibited an increase in year over year sales of more than 20% and top line accelerated growth across all regions. The stock moved up in May following the good performance outlook and tracked along positively with the entire semiconductor group. Outside of the top ten, but a holding that has struggled in the first half of 2015 was Bakkafrøst A/S, the Norwegian producer, farmer, and exporter of salmon. The stock was a significant contributor in 2014, but fell on some downgrades in the market after concerns of lower salmon pricing and news that China might restrict salmon imports. We believed the underperformance was temporary and continued to own the position. Bakkafrøst is the number one market share salmon farmer in the Faroe Islands and is the global leader in the definition of industry best practices in the full value chain of salmon farming.

On the downside, three of the leading five detractors from relative return were U.S. based companies within the Consumer Discretionary and Industrials sectors. Cooper Tire & Rubber Company manufactures replacement tires for passenger and light/medium trucks. The company reported first quarter results that missed analyst expectations in early May driven by lower operating income. Copper Rock exited this position as the stock hit the alert list. Spirit Airlines, Inc. continued to lag in May following its first quarter results. The low cost airline carrier's stock was impacted by weaker near term guidance from lower fares and the cost impact from entering new markets. We exited the stock in favor of other opportunities, such as Wizz Air Holdings PLC which provides airline services across Central and Eastern Europe. We believe in this high quality, structural growth story as a replacement to Spirit and an investment in a well-run ultra-low cost carrier. Columbia Sportswear Company reported a strong set of first quarter 2015 results on April 30th. On the back of continued solid demand for its products, management reported higher than normal levels of inventory in the quarter, and increased estimates for full year marketing expenses. This initially worried some investors and the stock sold off in early May. However, we remain confident that the cost increases are due to the success of the Columbia branded retail store expansion in the U.S., which is improving consumer's awareness of the brands, and positioning the company for continued strong sales results the rest of the year.

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

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