

# Spire Copper Rock Capital Global Smaller Companies Fund

A SPIRE GLOBAL INVESTMENT SERIES FUND

## Monthly Fact Sheet - May 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 \$4.7 billion (USD) in assets under management as at December 31, 2015.

### 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 May 2016

|                           |                                   |
|---------------------------|-----------------------------------|
| APIR Code                 | ETL0410AU                         |
| Exit Price                | 1.1176                            |
| Inception Date            | 1 July 2014                       |
| Companies in Portfolio    | 99                                |
| 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 |       |       |       |       |      |       |       |
| 2015 | 3.20  | 6.50  | 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 | Inception pa> |
|----------------|-------|--------|--------|--------|---------------|
| Total (net)    | 7.96  | 8.35   | -0.65  | -2.43  | 12.60         |
| Benchmark*     | 6.67  | 10.89  | 1.94   | 3.19   | 14.90         |
| Active Return# | 1.29  | -2.54  | -2.59  | -5.62  | -2.30         |
| Distribution   |       |        |        | 10.85  | 5.51          |

\*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 |
|---------------------------------|----------------|---------|
| SOUTH STATE CORPORATION         | 1.6            | USA     |
| TELEFLEX, INC.                  | 1.5            | USA     |
| EL PASO ELECTRIC COMPANY        | 1.4            | USA     |
| AMN HEALTHCARE SERVICES, INC.   | 1.4            | USA     |
| WHITECAP RESOURCES, INC.        | 1.4            | CANADA  |
| WEBSTER FINANCIAL CORPORATION   | 1.4            | USA     |
| CSG SYSTEMS INTERNATIONAL, INC. | 1.4            | USA     |
| NUTRISYSTEM, INC.               | 1.4            | USA     |
| GERRESHEIMER AG                 | 1.4            | GERMANY |
| INSPERITY, INC.                 | 1.4            | USA     |
| <b>TOTAL:</b>                   | <b>14.3%</b>   |         |

### Portfolio Characteristics\*

| Characteristics                       | Fund | MSCI World Small Cap Index (USD) |
|---------------------------------------|------|----------------------------------|
| Price / Cash Flow                     | 11.3 | 9.2                              |
| P/E (Forward 1 Year)                  | 17.3 | 17.3                             |
| LT EPS Growth                         | 14.9 | 12.3                             |
| ROE                                   | 16.0 | 9.4                              |
| ROA                                   | 6.1  | 4.2                              |
| Operating Margin                      | 15.5 | 16.4                             |
| Yield (%)                             | 2.3  | 2.8                              |
| Price to Book                         | 2.5  | 1.8                              |
| Weighted Average Market-Cap (US\$bil) | 2.3  | 2.8                              |
| Number of Holdings                    | 99   | 4,271                            |

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

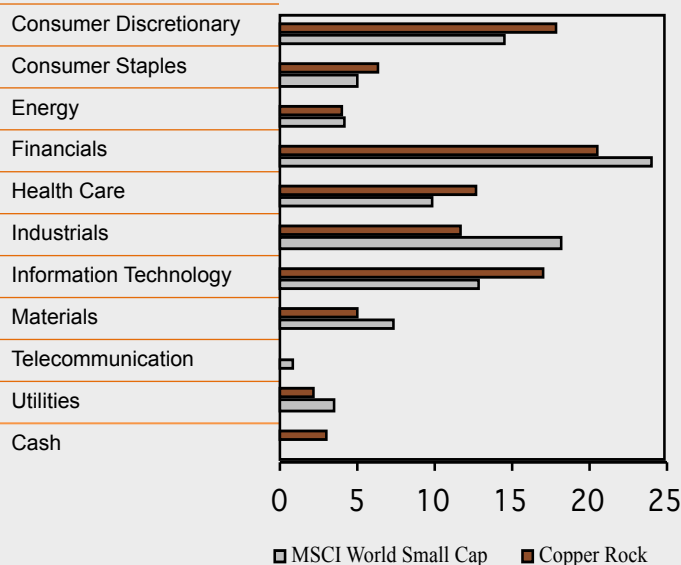
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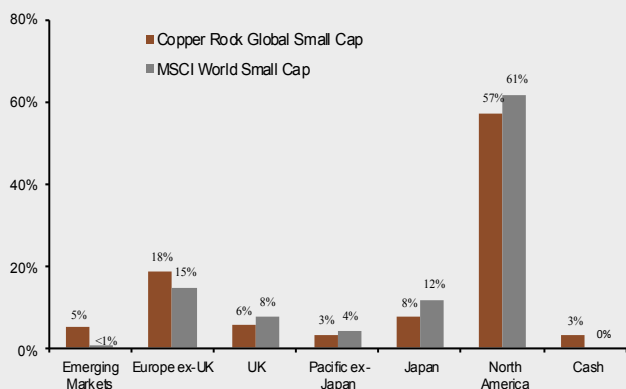
Monthly Fact Sheet - MAY 2016



## 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.

## Market Commentary

The Copper Rock Global Small Cap Composite returned +8.08% (AUD) and outperformed the MSCI World Small Cap index which returned +6.67% (AUD) for the month of May 2015. During May, the market backdrop was more favorable to our investment process as fundamentals and earnings returned as the more normal determinant of stock price return. As a result, there was breadth amongst sectors in terms of market performance and amongst regions.

In May, individual stock selection within the Financials, Materials, Consumer Discretionary, and Industrials sectors contributed positively to total return. The underweight allocation relative to the Index in Materials and Energy was also positive, particularly so in Materials which prior to May had seen deep cyclical like mining and minerals stocks, which Copper Rock tends to avoid, rally sharply. While the portfolio benefited from a rich overweight relative to the index in the Information Technology sector, there was some individual underperformance from stock selection which led to a flat to modest contribution to return in the sector. On the downside, a combination of stock selection and ownership of a few positions outside the index detracted from return in Consumer Staples while there was some modest underperformance from stock selection in Health Care. Regionally, the individual stock selection within North America (namely, the US), Japan and Continental Europe drove relative returns while the overweight allocation to Emerging Markets was the primary determinant for the underperformance in that region despite good contribution from individual stock selection.

The five leading contributors in the month included Insperty, Inc. (Industrials/US), Nutrisystem, Inc. (Consumer Discretionary/US), Integrated Device Technology, Inc. (Information Technology/US), Kinaxis, Inc. (Information Technology/Canada), and Toridoll Corp. (Consumer Discretionary/Japan). Insperty, Inc. provides human resources and business solutions software. The company reported strong first quarter 2016 results which exceeded Street expectations as a result of good client retention and positioning for future growth. Management also increased fiscal year 2016 guidance.

The five leading detractors in the month included Red Robin Gourmet Burgers, Inc. (Consumer Discretionary/US), Amplify Snack Brands Inc. (Consumer Staples/US), Select Comfort Corp. (Consumer Discretionary/US), Skylark Co. (Consumer Discretionary/Japan), and INC Research Holdings, Inc. (HealthCare/US). Red Robin Gourmet Burgers, Inc., the US based restaurant chain, reported weak first quarter 2016 results in May primarily off of declining same store sales growth in the period. However, adjusted earnings per share were ahead of consensus even after accounting for litigation contingencies and some asset impairment charges. The company continues to have expansion plans in place for 2016 and is guiding for approximately 8%+ revenue growth which despite lowering guidance, still leaves meaningful room for the stock price to tick higher.

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