

# Spire Copper Rock Capital Global Smaller Companies Fund

A SPIRE GLOBAL INVESTMENT SERIES FUND

## Monthly Fact Sheet - May 2018



### 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 May 2018

APIR Code ETL0410AU

Exit Price 1.0789

Fund Size \$94.8 Million

Inception Date 1 July 2014

Companies in Portfolio 100

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   |
|------|-------|-------|-------|------|------|-------|-------|------|-------|-------|------|-------|
| 2018 | -0.55 | -0.30 | 1.34  | 1.72 | 1.76 |       |       |      |       |       |      |       |
| 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 |
| 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  |

### Performance (%)

| Performance %  | 1 mth | 3 mths | 6 mths | 1 year | 3 years | Inception on pa> |
|----------------|-------|--------|--------|--------|---------|------------------|
| Total (net)    | 1.63  | 4.50   | 0.80   | 8.76   | 4.43    | 10.25            |
| Benchmark*     | 2.48  | 6.93   | 5.18   | 15.58  | 10.84   | 14.88            |
| Active Return# | -0.85 | -2.43  | -4.38  | -6.82  | -6.41   | -4.63            |
| Distribution   |       |        |        | 5.42   | 9.31    | 7.05             |

\*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 |
|------------------------------------|----------------|---------|
| PAREX RESOURCES, INC.              | 1.9            | CANADA  |
| RYMAN HOSPITALITY PROPERTIES, INC. | 1.8            | USA     |
| CALLAWAY GOLF COMPANY              | 1.6            | USA     |
| TGS-NOPE GEOPHYSICAL CO. ASA       | 1.5            | NORWAY  |
| TIS, INC.                          | 1.4            | JAPAN   |
| SRC ENERGY, INC.                   | 1.4            | USA     |
| COLUMBIA BANKING SYSTEM, INC.      | 1.4            | USA     |
| CORE LOGIC, INC                    | 1.4            | USA     |
| EVERCORE, INC.                     | 1.4            | USA     |
| BOISE CASCADE COMPANY              | 1.4            | USA     |
| <b>TOTAL:</b>                      | <b>15.2%</b>   |         |

### Portfolio Characteristics\*

| Characteristics                       | Fund | MSCI World Small Cap Index (USD) |
|---------------------------------------|------|----------------------------------|
| Price / Cash Flow                     | 11.7 | 10.6                             |
| P/E (Forward 1 Year)                  | 15.7 | 17.5                             |
| LT EPS Growth                         | 14.5 | 13.5                             |
| ROE                                   | 15.7 | 10.7                             |
| ROA                                   | 6.5  | 4.7                              |
| Operating Margin                      | 16.2 | 17.1                             |
| Yield (%)                             | 1.9  | 2.6                              |
| Price to Book                         | 2.3  | 2.0                              |
| Weighted Average Market-Cap (US\$bil) | 3.1  | 3.5                              |
| Number of Holdings                    | 100  | 4,264                            |
| Active Share                          | 96%  |                                  |

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

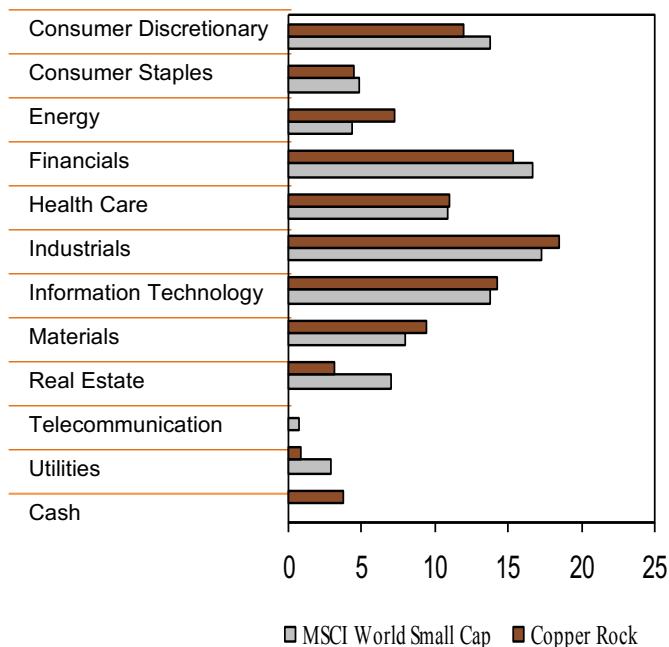
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## Sector Exposure (%)\*

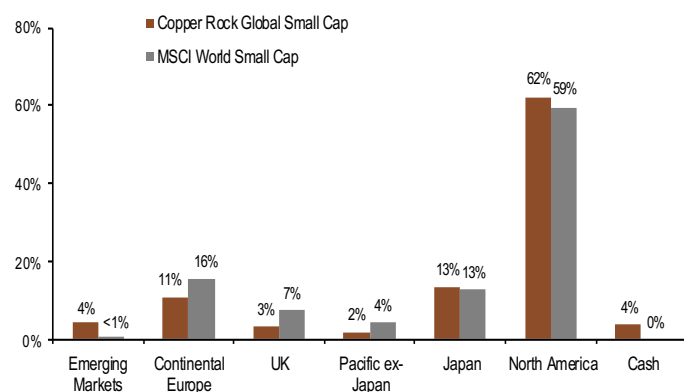


## Market Commentary

The Copper Rock Global Small Cap Composite returned +1.55% (AUD) during the month of May. The MSCI World Small Cap index returned +2.48% (AUD). The index performance in May was driven by strong returns in the Health Care, Information Technology, and Energy sectors. Markets remained relatively volatile. Cyclical sectors like Industrials and Materials rose less than 2% in the month. Those sectors were modestly impacted to the downside on Trump's tariff talk.

Within the strategy, the portfolio did exhibit positive contribution to relative return from overall stock selection in the Materials and Industrials sectors. Meanwhile, overall stock selection across all other sectors detracted from relative return. On a regional basis, stock selection within the Pacific ex-Japan and Japan regions contributed positively to relative return. The stock selection in North America, which includes U.S. and Canada, was the most significant source of underperformance in the month. Unfortunately, the underperformance in the region stemmed from a perfect storm of macro headwinds, earnings misses, and the negative effect from the U.S.-Canada tariff talk. The portfolio was overweight energy where the combination of a recent drop in oil prices coupled with significant equity offerings from Callon Petroleum Co. and Matador Resources Co. to acquire additional oil reserves hurt performance. Positions in U.S. stocks, AMN Healthcare Services Inc. and Beacon Roofing Supply, Inc. reported earnings misses and contributed approximately 50 bps to the underperformance. Although Copper Rock exited Beacon Roofing Supply, Inc., they had trimmed the position in AMN Healthcare Services, Inc. ahead of earnings and have subsequently met with management. Copper Rock continues to own a modest position and feels the disappointment on earnings was more based on aggressive analyst earnings estimates that were not met as opposed to fundamental weakness. Finally, there were a couple of Canadian companies owned in the portfolio, Linamar Corp. and NFI Group, Inc. which declined on the tariff talk by the Trump administration over Canada.

## 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.

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