

# Spire Copper Rock Capital Global Smaller Companies Fund

A SPIRE GLOBAL INVESTMENT SERIES FUND

## Monthly Fact Sheet - February 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 billion (USD) in assets under management as at 30 September 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 28 February 2018

APIR Code ETL0410AU

Exit Price 1.0324

Fund Size \$89.8 Million

Inception Date 1 July 2014

Companies in Portfolio 95

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										
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 pa>
Total (net)	-0.41	-3.54	6.72	10.75	4.56	9.67
Benchmark*	-0.22	-1.63	10.84	15.63	10.18	13.89
Active Return#	-0.19	-1.91	-4.12	-4.88	-5.62	-4.22
Distribution				5.42	9.31	7.55

\*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
HORIBA, LTD	1.5	JAPAN
PAREX RESOURCES, INC.	1.5	CANADA
TP ICAP PLC	1.5	UK
AMN HEALTHCARE SERVICES, INC.	1.5	USA
RYMAN HOSPITALITY PROPERTIES, INC.	1.5	USA
MGIC INVESTMENT CORPORATION	1.5	USA
COLUMBIA BANKING SYSTEM, INC.	1.4	USA
GENERAC HOLDINGS, INC.	1.4	USA
ESSENT GROUP, LTD.	1.4	USA
CALLAWAY GOLF COMPANY	1.4	USA
<b>TOTAL:</b>	<b>14.6%</b>	

### Portfolio Characteristics\*

Characteristics	Fund	MSCI World Small Cap Index (USD)
Price / Cash Flow	11.6	9.6
P/E (Forward 1 Year)	15.6	17.3
LT EPS Growth	12.9	13.3
ROE	15.7	10.8
ROA	7.0	4.7
Operating Margin	16.4	17.5
Yield (%)	1.9	2.6
Price to Book	2.2	1.9
Weighted Average Market-Cap (US\$bil)	3.0	3.4
Number of Holdings	95	4,306
Active Share	97%	

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

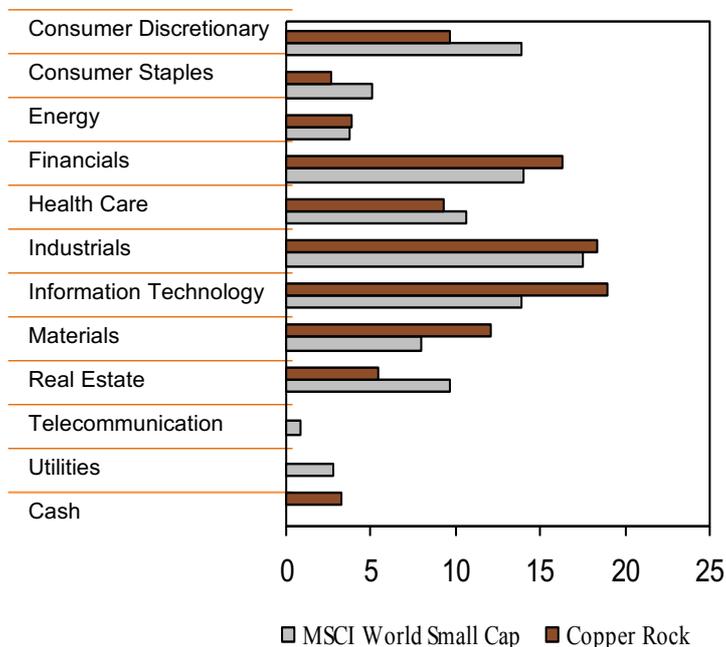
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## Sector Exposure (%)\*



## Market Commentary

For the month of February, the MSCI World Index fell approximately -0.4% (AUD) in the month and the MSCI World Small Cap Index declined only slightly less far at -0.2% (AUD). The Copper Rock Global Small Cap Composite hung in with the markets and declined in tandem, falling ~-0.3% (AUD) in the month.

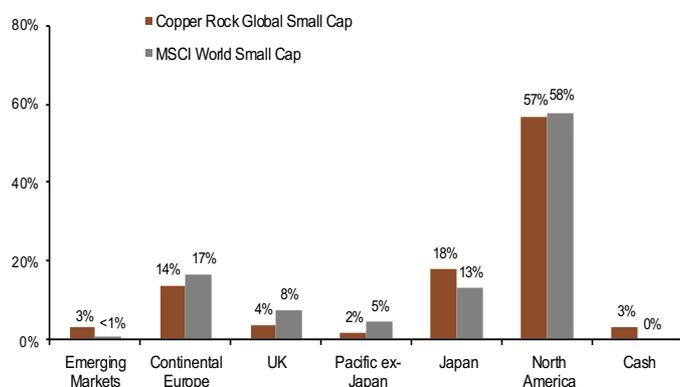
Global markets declined in February led down by indicators of a market correction as investors grew concerned that surprise inflation and wage gains would lead the Federal Reserve to raise interest rates more than previously anticipated in 2018. There was also a sharp move in 10 year rates in the US which also explained some of the market action as heavily interest rate sensitive sectors like Real Estate, Industrials, Materials, Staples, and Telecommunications decline in response. Oil prices moved lower which also impacted Energy sector performance to the downside as the sector fell ~-11% within the MSCI World Small Cap index. In response, February behaved like a classic risk off market environment.

Investors saw Japan decline about 1% over the month as the Yen strengthened which is negative for Japanese exporters. Yet, relative to the MSCI World Small Cap index overall return, Japan outperformed. The currency effect impacted the Copper Rock portfolio given the portfolio's quite full overweight relative to the index. Japanese materials, largely export oriented, declined the most within that market. US industrials moved lower as a group on the reaction to the rise in the 10 year Treasury and unfortunately, the portfolio felt this underperformance in stocks like Beacon Roofing Supply, Inc., GMS, Inc., Generac Holdings, Inc. and Timken Co.

The portfolio did have good stock selection overall in Health Care and Real Estate. Within Health Care, positions in Phibro Animal Health Corp., AMN Healthcare Services, and Dentium Co. were among those with positive contribution to relative return. The portfolio's underweight allocation relative to the index in the Real Estate sector was also additive to returns. The position in Nexity SA contributed to that sector's positive relative contribution to return. Within Technology, the portfolio's exposure to Lumentum Holdings, Inc. and Japanese technology company Horiba, Ltd. were beneficial as they rose approximately 32% and 16% respectively in the month.

The portfolio continues to maintain an overweight relative to the index in the Information Technology and Materials sectors. It has trimmed some of the overweight relative to the index in the Financials sector while maintaining underweight allocations relative to the index in the Consumer and Health Care segments. Regionally, Copper Rock continues to have the portfolio quite fully exposed in Japan with investments in the Technology, Materials, Financials and Consumer Discretionary sectors. Exposure in EM is about 3% of the portfolio at the end of February, and the portfolio owns four positions that are quite diversified by sector and country but each capture the theme of the emergent consumer. In Korea, the portfolio owns Dentium Co., which manufactures dental supplies and equipment. In Brazil, the portfolio owns Smiles Fidelidade SA which is an operator of travel loyalty programs. It also owns the Taiwanese manufacturer of semiconductor and other flash device programming equipment, Macronix International Co. Ltd. and Chinese education provider Bright Scholar Education Holdings.

## 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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