

# Spire Copper Rock Capital Global Smaller Companies Fund

A SPIRE GLOBAL INVESTMENT SERIES FUND

## Monthly Fact Sheet - March 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 31 March 2018

APIR Code ETL0410AU

Exit Price 1.0449

Fund Size \$92.1 Million

Inception Date 1 July 2014

Companies in Portfolio 97

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									
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)	1.21	0.11	3.54	9.53	3.49	9.79
Benchmark*	1.71	1.51	7.25	15.75	9.82	14.06
Active Return#	-0.50	-1.40	-3.71	-6.22	-6.33	-4.27
Distribution				5.42	9.31	7.38

\*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
RYMAN HOSPITALITY PROPERTIES, INC.	1.7	USA
HORIBA, LTD	1.6	JAPAN
CALLON PETROLEUM CO.	1.6	USA
PAREX RESOURCES, INC.	1.5	CANADA
AMN HEALTHCARE SERVICES, INC.	1.5	USA
GENERAC HOLDINGS, INC.	1.4	USA
CALLAWAY GOLF COMPANY	1.4	USA
COLUMBIA BANKING SYSTEM, INC.	1.4	USA
YOKOGAWA ELECTRIC CORPORATION	1.3	JAPAN
LUMENTUM HOLDINGS, INC.	1.3	USA
<b>TOTAL:</b>	<b>14.7%</b>	

### Portfolio Characteristics\*

Characteristics	Fund	MSCI World Small Cap Index (USD)
Price / Cash Flow	11.5	10.3
P/E (Forward 1 Year)	15.8	17.1
LT EPS Growth	10.2	12.8
ROE	16.6	10.9
ROA	7.2	4.7
Operating Margin	15.4	14.8
Yield (%)	1.2	1.8
Price to Book	2.2	1.9
Weighted Average Market-Cap (US\$bil)	3.0	3.4
Number of Holdings	97	4,283
Active Share	97%	

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

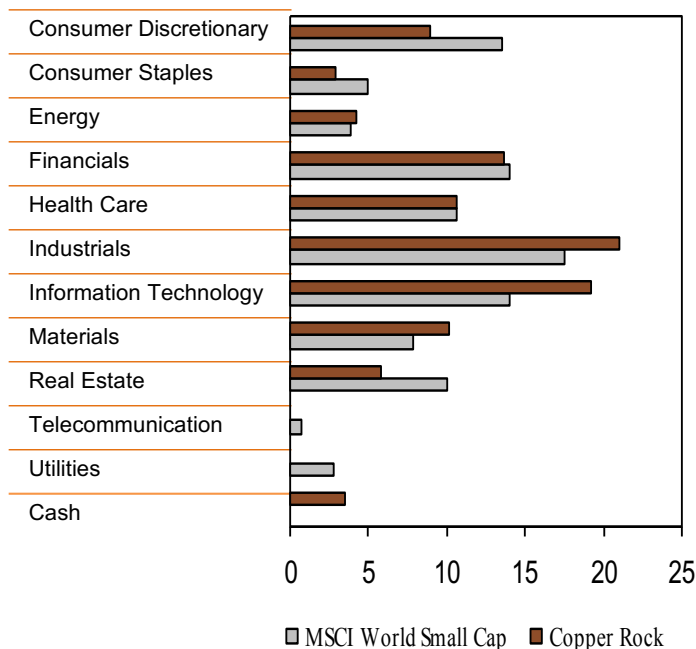
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## Sector Exposure (%)\*

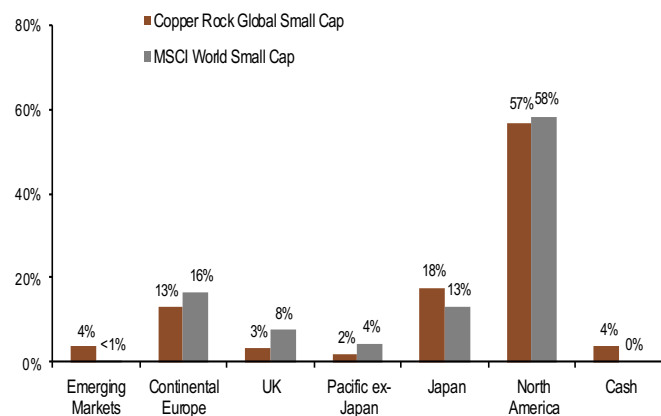


## Market Commentary

Following a rather volatile February, global markets in March moderated a bit. The Copper Rock Global Small Cap Composite returned +0.08% and was almost in line with the MSCI World Small Cap Index which returned +0.11%. The unwind of the carry trade coupled with new U.S. public policy uncertainties put sudden pressure on global equities resulting in a 10% correction in the U.S. market from late January through to the second week of February. This correction was perceived as both a fear and a cause of lower economic demand in the U.S., resulting in dips in many major commodities' prices. Over the next several weeks and throughout March, major changes in U.S. public policy initiatives impacted investor confidence despite the new lower tax regime and continued steady employment growth. These initiatives, seemingly stimulated by the bi-annual federal House elections, included new proposed federal spending, a more hawkish view on Iran, and trade confrontation both on NAFTA and with China. The result was an end of quarter flight to quality that dampened equity multiples and returned U.S. Treasury rates to levels that were seen at the beginning of the quarter. Evidence of a "risk-off" environment at the end of the quarter focused on a flattening yield curve, widening credit spreads, sell downs in high beta groups such as technology and biotech, and a modest recovery in stable demand sectors.

Unlike the prior month, there was positive overall contribution to relative return from stock selection in the Industrials sector. Generally, individual stock selection within Health Care, Energy and Real Estate contributed to positive relative return just as in the prior month. However, the portfolio faced some underperformance due to individual stock selection in Financials. Copper Rock believes that the rising interest rate environment should translate into expanding net interest margins which combined with moderate loan growth should buttress revenue growth. In addition, banks are key beneficiaries of corporate tax reform. The proliferation of further regulatory reform on the horizon and a good M&A backdrop sets up for an attractive tailwind for investing in traditional spread lenders and investment banks. However, the recent flattening of the yield curve did present a performance headwind in March. Copper Rock continues to own TP ICAP plc but have sold MGIC Investment Corp. Regionally, Japan performance was flat and the UK market within the MSCI World Small Cap index climbed about 1%. The portfolio was underweight the country and this detracted modestly from relative return. The US continued to face some underperformance from stock selection as stocks, some of which are related to our exposure in Financials declined, e.g. MGIC Investment Corp., Essent Group, Ltd., and Evercore, Inc.

## 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.

The portfolio continues to maintain an overweight relative to the index in the Information Technology, and Materials and Industrials sectors, but has shifted some of the positioning. Copper Rock have moved away from earlier cycle, more cyclical growth Technology stocks (e.g. early cycle semiconductors) and into later cycle IT services and software stocks. In addition, while the portfolio had a meaningful amount of exposure in the US to more housing related Materials and Industrials companies, it has identified more secular growth stocks with structural unit growth in those and other Consumer and Health Care sectors. As a result of this, Copper Rock have also broadened the number of positions to 97 stocks at the end of the quarter as they see more normalization in the equity market performance (from 2017 highs) and increase in volatility.

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