

Product Assessment

Spire Copper Rock Capital Global Smaller Companies Fund

Report data as at 31 Oct 2019
Rating issued on 27 Nov 2019

VIEWPOINT

The Fund, managed by Copper Rock Capital Partners, LLC (Copper Rock) and distributed by Spire Capital (Spire), offers investors a fundamental and relatively benchmark unaware exposure to the international equities small cap sector. Despite disappointing relative performance over the medium-term, Zenith retains confidence in Copper Rock's research, stock selection and portfolio construction efforts, which draw strongly from the team's experience.

Based in Boston, Copper Rock was founded in 2005 and specialises in global smaller companies. As of 30 September 2019, Copper Rock had approximately \$US 3.7 billion in funds under management. Copper Rock is an affiliate of BrightSphere Investment Group, a global multi-boutique asset management company. Spire is an independent, boutique funds management company based in Australia. Spire is focused on providing retail investors with access to global investment opportunities, which have previously only been available to institutional investors.

Copper Rock's investment team of eight is led by Stephen Dexter. Zenith believes the team is highly experienced and possess the required expertise to successfully manage the strategy. Zenith notes that the key members of the team worked together at Putnam Investments prior to forming Copper Rock, which we believe has contributed to a heightened level of stability and a strong culture within the team.

Copper Rock's investment philosophy is based on the belief that inefficiencies in international equity markets can be exploited through investing in companies with superior growth rates relative to their peers. Both quantitative and fundamental analysis is employed to identify companies with resilient and defensive business models that are characterised by underlying unit growth, longer-term market share gains, high profitability and significant internal cash generation.

Zenith believes Copper Rock's stock selection process effectively leverages the experience and expertise within the team, which allows them to effectively identify attractive smaller growth companies across international equity markets.

The Fund is constructed under a benchmark unaware and fundamentally driven approach, which strongly leverages the stock selection process. Although Dexter is ultimately responsible for the Fund, portfolio construction is collegiate in nature. An optimiser, which seeks to maximise risk-adjusted returns, is used as a guide for portfolio construction. In general, the optimiser will allocate higher weightings to securities that are deemed to be attractive investments. Zenith believes the Fund possesses a well-defined set of guidelines for its sell discipline and is encouraged by the utilisation of a daily portfolio monitoring process that enforces decisive action.

FUND FACTS

- Typically holds 80 to 100 stocks
- Expected portfolio turnover of 75% p.a. to 100% p.a.
- Currency unhedged

APIR Code

ETL0410AU

mFund Code

SPC01

Bid / Ask Price: 25-Nov-19

\$1.0755 / \$1.0799

Min Investment Amount

\$10,000

Asset / Sub-Asset Class

International Shares
Small Companies

Investment Style

Growth

Investment Objective

To outperform the MSCI World Small Cap Index on an annual basis and to outperform the same index by 2% to 3% p.a. (before fees) over a full market cycle. Tracking error is expected to be 3% p.a. to 6% p.a.

Zenith Assigned Benchmark

MSCI World ex Aust Small Cap \$A

Net Returns (% p.a.)

	5 yrs	3 yrs	1 yr
Fund	8.09	9.56	7.14
Benchmark	12.64	13.79	10.90
Median	10.54	11.56	9.73

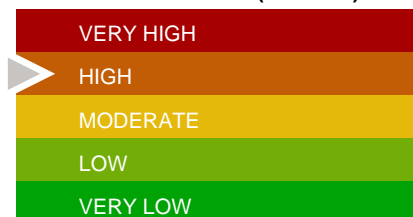
Income (% p.a.)

	Income	Total
FY to 30 Jun 2019	2.00	0.41
FY to 30 Jun 2018	6.41	10.16
FY to 30 Jun 2017	5.42	12.67

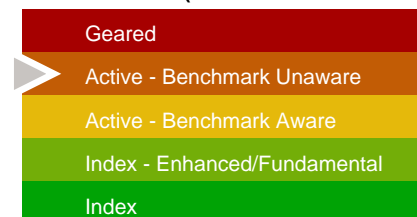
Fees (% p.a., Incl. GST)

Management Cost: 1.38%
Performance Fee: 15% outperformance over MSCI World Small Companies Index \$A net of the Fund's management fee with a high water mark

ABSOLUTE RISK (SECTOR)



RELATIVE RISK (FUND WITHIN SECTOR)



INCOME DISTRIBUTIONS PER



INVESTMENT TIMEFRAME



APPLICATIONS OF INVESTMENT

SECTOR CHARACTERISTICS

International equities offer Australian investors the ability to access a broader opportunity set, with the potential to invest in sectors not represented or not well represented in the Australian market. Given international markets are not perfectly correlated with the Australian market, international equities also affords portfolio diversification benefits.

The Zenith “International Shares – Small Companies” sector consists of long-only funds that invest in global equity markets. The sector incorporates both benchmark aware and benchmark unaware strategies that focus predominantly on international small capitalisation stocks.

Zenith benchmarks all funds in this sector against the MSCI World ex-Australia Small Cap Index. The index is market-capitalisation weighted, resulting in those companies with the largest market capitalisations receiving the largest weightings. The index consists of over 4,300 securities listed in 22 developed markets (Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States) with the United States currently representing approximately 58% of the index and Japan being the next largest constituent, representing approximately 12%. The index excludes emerging and frontier markets, however many managers retain the mandate flexibility to invest in emerging markets.

The global small cap market, as represented by the MSCI World ex-Australia Small Cap Index, is far more diverse, in terms of sector exposures, than the Australian market. Many sectors not well represented in the Australian market, such as industrials and information technology, are well represented in the global small cap index, with weightings of approximately 17% and 14% respectively. Notwithstanding this, we note that the financials sector represents a material sector index weight with a weighting of 13%. Despite the market capitalisation weighting methodology, the top 10 index stocks represent under 2% of the weighting of the index, reflecting the larger and less top heavy nature of the universe.

The Unhedged classification indicates that funds in this universe are currency unhedged, resulting in their returns being broadly affected by fluctuations in the Australian Dollar (AUD) versus other global currencies. Returns of unhedged funds are positively impacted by a depreciating AUD, whilst an appreciating AUD will negatively impact returns.

PORTFOLIO APPLICATIONS

International equities provide investors with broad exposure to industries and countries. With such a broad universe, it is expected that managers can deliver superior returns to more conservative asset classes. However, the expectation of greater returns comes with increased volatility, especially when currency movements are considered. Therefore, it is recommended that investors adopt a longer time frame when investing in international equities. It is also recommended that investments in international equities are blended with domestic equities and other asset classes such as fixed income to improve portfolio diversification.

Zenith believes international small capitalisation funds are best used in combination with large capitalisation international equities funds in order to achieve a well-blended exposure to international equities. Zenith believes international small capitalisation funds are most appropriate for investors with an investment time horizon of seven or more years.

The Fund's portfolio turnover is expected to be in the range of 70% p.a. to 100% p.a., which Zenith considers to be high. Given this expected level of turnover, the majority of the Fund's returns are expected to be delivered via the realisation of capital gains in income distributions, rather than through capital appreciation in the unit price. In addition, realised capital gains are highly unlikely to be eligible for the capital gains tax discount, which can have a further negative impact on the after-tax outcomes for high tax paying investors. As such, holding all else equal, the Fund may be more appealing to investors who are nil/low tax rate payers or high marginal tax rate payers who invest through tax-effective vehicles such as a superannuation fund.

RISKS OF THE INVESTMENT

SECTOR RISKS

The broad risks of investing in global equities include:

MARKET DOWNTURN: The biggest risk for all global equities based products is a significant downturn across global equities markets, which could lead to periods of negative performance. This risk can be significantly reduced by investors adopting a medium to long-term investment time frame.

AUSTRALIAN DOLLAR (AUD) CURRENCY RISK: The AUD has historically experienced declines during weaker market environments, and appreciation in market upturns. For funds that maintain an unhedged currency exposure, an appreciating AUD is likely to have a negative impact on a fund's total return. Conversely, an unhedged fund is likely to benefit relative to hedged global equities funds in periods where the AUD depreciates. Zenith believes that over the long-term, the currency impact on performance will be minimal and therefore does not advocate retail investors making active currency decisions based on near-term currency predictions. For investors who are concerned about the short-term risks associated with taking fully unhedged or hedged currency positions, Zenith suggests blending hedged and unhedged global equity exposures to reduce short-term volatility.

REGULATORY RISK: The ASIC Regulatory Guide 97 ‘Disclosing Fees and Costs in PDSs and Periodic Statements’ came into effect on 1 October 2017 and seeks to establish a common framework for disclosing fees with respect to registered managed investment schemes issued to retail investors.

In January 2019, ASIC released a Consultative Paper (CP), seeking feedback with respect to proposed changes to the existing fee and cost disclosure regime. The consultation period ends in April 2019, following which, ASIC will collate feedback and structure final recommendations, notifying of an intended implementation period.

In its current form, RG97 is not expected to impact the actual costs (or net returns) on existing investments. Rather, the guide is focused on providing increased transparency with

respect to the costs of management. Given this, it is feasible that under RG97, investors become more sensitive to the costs charged and seek lower cost alternatives, potentially leading to fund outflows.

FUND RISKS

Zenith has identified the following key risks of the Fund. Although Zenith believes the risks noted are all significant, we have listed them in order of importance. In addition, we have not intended to highlight all possible risks.

KEY PERSON RISK: As with most fund managers, Copper Rock is subject to a level of key person risk. Whilst Zenith acknowledges that there are currently a number of highly experienced investment professionals within the investment team, the departure of Dexter would be regarded as a material loss for the Fund. However, Zenith notes that all senior members of the investment team have equity ownership in the business, which can be a strong incentive for them to remain with the firm, at least in the medium-term.

FUM OUTFLOW RISK: Copper Rock has been subject to material outflows over the past two years, with a material decline in assets across the strategy. Since peaking at approximately \$US 2.4 billion in 30 September 2018, strategy FUM has declined to \$US 1.4 billion (as at 30 September 2019). Asset outflow has the potential to impact portfolio structure and Fund performance. As such, Zenith continues to monitor this risk and will look for greater stability in the strategy's asset base.

CAPACITY/LIQUIDITY RISK: Excessive levels of Funds under Management (FUM) can inhibit a manager's ability to trade portfolio positions effectively, thereby limiting outperformance potential. As at 30 September 2019, Copper Rock managed approximately \$US 3.7 billion in FUM. Approximately \$US 1.4 billion of this amount is invested in the Fund's strategy. The stated capacity of the strategy is \$US 2.5 billion. At this level of FUM, the strategy remains closed to new investors, which Zenith believes to be prudent.

Zenith notes that a true assessment of capacity should also include FUM across Copper Rock's other small capitalisation strategies. Copper Rock has indicated an aggregate capacity level of \$US 6 billion for its small capitalisation strategies. Zenith will continue to monitor Copper Rock's level of FUM closely to ensure increasing levels of FUM does not impede on performance.

INVESTMENT STYLE RISK: Copper Rock employs a growth orientated investment style which tends to underperform value orientated peers in periods where investors are risk adverse or during prolonged bear market conditions. As such, investors should adopt a medium to long-term investment timeframe to smooth out short-term volatility that can result from this style bias.

EMERGING MARKET RISK: Exposure to emerging markets is allowed up to a maximum of 15%. While exposure to emerging markets adds diversification to the Fund, it can also be a source of added volatility and may be detrimental to the preservation of capital.

FUM CONCENTRATION RISK: The Fund's investments are part of a commingled pool of assets where there are also a number of institutional investors. As at 30 September 2019, a

large portion of the pool's assets are sourced from institutional mandates. Zenith would prefer to see less FUM concentration as redemptions from these mandates may potentially result in adverse tax implications for remaining unitholders. Zenith has however been advised that the Responsible Entity of the Fund has the ability to quarantine any such tax implications to the redeeming investor where the redemption exceeds 5% of the net asset value of the Fund, which somewhat mitigates our concerns on this risk.

PORTFOLIO MANAGER FOCUS: In addition to this Fund, Dexter and the other portfolio managers have research responsibilities for a number of other strategies within Copper Rock. Although utilising similar processes, each of the other strategies are standalone strategies with different objectives. Specifically, the portfolio managers are also responsible for the following strategies:

- Emerging Markets Small Cap
- International (ex-US) Small Cap
- Global All Cap

Whilst Zenith acknowledges that the portfolio managers are highly incentivised to ensure the success of this Fund, we believe their other commitments have the potential to draw focus away from this Fund.

QUALITATIVE DUE DILIGENCE

ORGANISATION

Based in Boston, Copper Rock Capital Partners, LLC (Copper Rock), was founded in 2005 and is a specialist global smaller companies fund manager. As of 30 September 2019, Copper Rock had approximately \$US 3.7 billion in funds under management (FUM). Copper Rock is an affiliate of BrightSphere Investment Group (BrightSphere), a global multi-boutique asset management company which has approximately \$US 200 billion in FUM as at 30 September 2019.

BrightSphere provides Copper Rock with support in the form of legal & compliance, information technology, human resources, risk management and back office support. BrightSphere owns 65% of Copper Rock whilst the remaining 35% is owned by Copper Rock staff.

Spire Capital (Spire) is an independent, boutique funds management company based in Australia. Spire is focused on providing retail investors with access to global investment opportunities, which have previously only been available to institutional investors.

As at 30 September 2019, FUM in the strategy was \$US 1.4 billion of which \$A 116 million is in the Fund.

INVESTMENT PERSONNEL

Name	Title	Tenure
Stephen Dexter	Chief Investment Officer	11 Yr(s)

Based in Boston, the investment team of eight is led by Chief Investment Officer (CIO), Stephen Dexter who joined Copper Rock in November 2008. Dexter has over 30 years of investment experience and prior to Copper Rock, he was the Managing Director and Chief Investment Officer of the Global

and International Growth Equity team at Putnam Investments. As the lead portfolio manager for the strategy, Dexter has final decision making authority and is ultimately responsible for its performance. Dexter is also the lead portfolio manager for Copper Rock's International Small Cap strategy.

Zenith believes the team is highly experienced and possess the required expertise to successfully manage the strategy. Zenith notes that the key members of the team worked together at Putnam Investments prior to forming Copper Rock which we believe has contributed to a heightened level of stability and a strong culture within the team. Zenith believes the level of portfolio management responsibility across multiple strategies, albeit somewhat related, does have the potential to diminish focus on this strategy.

Given the relatively small investment team, a flat structure is adopted, with all members assuming analyst responsibilities. All team members are expected to be generalists, that is, they are given the freedom and flexibility to cover any stocks in any sector, rather than dividing research responsibilities amongst traditional sector lines.

Remuneration includes a competitive base salary and a bonus. Team members are primarily assessed based on the performance of their stock recommendations that are implemented in portfolios over a one to three year time period. Qualitative factors such as contributions to team discussions and peer feedback are also considered, although to a lesser extent. Zenith also notes that all portfolio managers hold equity in the firm, which serves as a strong alignment and retention mechanism.

Overall, Zenith has a high regard for the investment professionals at Copper Rock.

INVESTMENT OBJECTIVE, PHILOSOPHY AND PROCESS

The objective of the Fund is to outperform the MSCI World Small Cap Index by 2% p.a. to 3% p.a. (before fees) over a full market cycle. The Fund's Tracking Error is expected to be within the range of 3% p.a. to 6% p.a.

Copper Rock's investment philosophy is based on the belief that inefficiencies in the market can be exploited through investing in companies with superior growth rates relative to their peers.

Both quantitative and fundamental analysis is employed to identify companies with resilient and defensible business models that are characterised by underlying unit growth, longer-term market share gains (an evidence of competitive strength), high profitability and significant internal cash generation.

SECURITY SELECTION

The Fund's investment universe comprises of approximately 7,000 global companies with market capitalisations between \$US 100 million and \$US 5 billion.

A multi-factor quantitative model is used to produce expected returns for each stock in the investment universe. Each stock will then be ranked in quintiles by its expected returns. The multi-factor model assesses companies on the following broad categories:

- Valuation
- Earnings momentum
- Growth sustainability and quality

The output from the model is updated and monitored daily by the investment team. Generally, Copper Rock will focus its fundamental research efforts on companies that rank well based on the output from the quantitative model.

However, unlike many other strategies which utilise negative screens to reduce the investable universe to a more manageable size, Copper Rock undertakes a different approach. Instead, Copper Rock utilises the ranking output from the quantitative model to guide and assist with idea generation. For example, stocks ranked poorly by the quantitative model may still feature in the portfolio should they be deemed worthy based on the team's fundamental analysis.

Whilst Zenith believes that this provides Copper Rock with the potential to source increased excess return opportunities, we note that this is predicated on the research capacity of the relatively small investment team. Notwithstanding the above, Zenith's concerns are somewhat mitigated by the highly experienced nature of the team and Copper Rock's steady increase in team resources over recent years.

In addition to the output from the quantitative model, the investment team also considers information obtained from multiple meetings with company management, competitors, sell-side research and various industry contacts to assist in idea generation. The investment team will typically conduct between 1,200 and 1,400 company visits each year in their own offices and another 120 to 160 meetings per year as the team travels and visits companies onsite.

Copper Rock's fundamental research process is focused on the following areas:

- Attractive industry fundamentals - whether the company is gaining market share and is in an industry with high barriers to entry
- Improving operating margins and accelerating cashflows
- Attractive valuations
- Stability of cashflows
- Quality management team

In the first quarter of 2017, Copper Rock formalised the consideration of environmental, social and governance (ESG) factors and uses ESG ratings provided by a third party provider. This information is incorporated into the fundamental research process and is used to supplement the investment team's existing consideration of ESG factors.

In assessing company valuations, Copper Rock utilises multiple metrics such as:

- Price-to-Earnings
- Price-to-Cash Flow
- Enterprise value (EV) / Earnings before interest, tax, depreciation and amortisation (EBITDA)

Each of the above metrics are assessed relative to the security's history, relative to its country or regional peers and within its global sector universe. In addition, the investment team measures a company's incremental return on invested capital (ROIC), focusing on the absolute rate of directional improvement. Copper Rock believes that incremental ROIC is

a powerful predictor of future stock price performance in the global small cap universe.

Zenith believes Copper Rock's stock selection process effectively leverages the experience and expertise within the team, which allows them to effectively identify attractive smaller growth companies across international equity markets.

PORTFOLIO CONSTRUCTION

The Fund is constructed under a benchmark unaware and fundamentally driven approach, which is strongly driven by the stock selection process. Although Dexter is ultimately responsible for the Fund, portfolio construction is collegiate in nature, with Copper Rock's other portfolio managers providing input.

An optimiser which seeks to maximise risk-adjusted returns is used as a guide for portfolio construction. In general, the optimiser will allocate higher weightings to securities which are deemed to be attractive investments by the investment team. The portfolio optimiser is subject to several constraints which are intended to diversify the Fund's excess return sources and risk exposures. The portfolio optimisation process is conducted on a weekly basis, with the output being regularly reviewed by the portfolio managers.

The Fund will generally hold between 80 and 100 stocks. Individual stock positions will generally be held in the range of 0.5% to 3%, with smaller positions expected to increase as conviction builds over time. Individual positions may not exceed 5% of the Fund at cost. Whilst sector and geographic exposures are a residual of the investment process, they are still subject to broad constraints to prevent excessive concentration.

The Fund's cash holdings are not permitted to exceed 10% and are typically held at less than 3%. Zenith believes that active managers should remain fully invested and cash holdings be kept to a minimum.

Copper Rock will seek to completely exit its position in a security under the following scenarios:

- A company's fundamental valuation inputs deteriorate due to changes in its prospects or the fulfilment of its target price
- Quantitative inputs deteriorate due to changes in earnings expectations, valuation or growth sustainability
- Revenue growth falls short of expectations
- A potential breach in the Fund's risk constraints
- Where a stock appreciates to a market capitalisation greater than \$US 10 billion

On a daily basis, Copper Rock monitors the portfolio for stocks that have underperformed by 10% relative to their sector and region over a rolling 30 day period. Where this is the case, the investment team conducts a review to understand the reasons behind the underperformance. At the end of the review the team is required to either sell the entire position or add to the existing position.

Whilst not targeted, portfolio turnover is expected to range between 75% p.a. and 100% p.a.

In Zenith's view, Copper Rock's portfolio construction process provides the team with a consistent framework, embedding a strong discipline in its buy and sell decisions.

RISK MANAGEMENT

Portfolio Constraints	Description
Security Numbers	80 to 100
Maximum Security Weight - at cost (%)	max: 5%
Weight - Security Rel. Index (%)	-3.5% to 3.5%
Weight - Sector Rel. Index (%)	-6% to 6%
Weight - Region Rel. Index (%)	-6% to 6%
Security Market Cap - at purchase (%)	\$US 100 million to \$US 5 billion
Cash (%)	max: 10%
Maximum Security Market Cap (%)	\$US 10 billion
Expected Portfolio Turnover (% p.a.)	75% p.a. to 80% p.a.
Expected Tracking Error (% p.a.)	3% p.a. to 6% p.a.
ESG Constraints - Excluded Sectors	Tobacco

Formal portfolio constraints are broad, however, Zenith believes this is consistent with the Fund's fundamental investment approach and should assist in ensuring appropriate levels of diversification and discipline. These constraints are displayed in the table above.

Risk management is an integral part of the Fund's investment process and is addressed in a number of ways. Risk is considered as part of both the fundamental and quantitative aspects of the research process in addition to the portfolio construction process.

Zenith believes Copper Rock's buy/sell discipline, as detailed in the portfolio construction process, adds an additional layer of rigour to the risk management process.

Overall, Zenith is comfortable with Copper Rock's approach to risk management, which we believe is embedded into multiple stages of the investment process.

Environmental, Social & Governance (ESG)

Copper Rock takes into account ESG considerations during the fundamental analysis stage. Copper Rock believes that considering ESG factors as part of the investment process is an important source of value add and risk management. In the first quarter of 2017, Copper Rock formalised the consideration of ESG factors and uses ESG ratings provided by a third party provider. In addition, Copper Rock excludes Tobacco related stocks from its investment universe. Zenith believes that this qualitative analysis of a company's operations is crucial on a forward basis, given that a company's performance with regards to ESG considerations is increasingly being reflected in the company's share price. Overall, Zenith is comfortable with Copper Rock's approach to ESG.

INVESTMENT FEES

The sector average management cost (in the table below) is based on the average management cost of all flagship International Equities - Small Companies funds surveyed by Zenith.

The Fund charges a management cost of 1.38% plus a 15% performance fee applied to excess performance above the MSCI World Small Cap Index \$A (after fees), subject to the recoupment of all prior benchmark underperformance. The performance fee is accrued daily and paid annually.

For any fund that charges a performance fee, Zenith would prefer an additional excess return hurdle (i.e. a target return greater than the index plus the management cost) and considers this best practice.

Overall, Zenith believes the Fund's fee structure is expensive, relative to peers, given its stated objectives. In addition, we believe that investors have not been sufficiently compensated by way of risk-adjusted performance given the fees paid over the past three years (ending 30 June 2019).

The Fund also applies a buy/sell spread of 0.20% to all applications and redemptions.

(The fees mentioned above are reflective of the flagship version only and may differ when the product is accessed through an alternate investment vehicle such as a platform.)

Fees Type	Fund	Sector Average (Wholesale Funds)
Management Cost	1.38% p.a.	1.09% p.a.
	Description	
Performance Fee	15% outperformance over MSCI World Small Companies Index \$A net of the Fund's management fee with a high water mark	
	Buy Spread	Sell Spread
Buy / Sell Spread	0.20%	0.20%

PERFORMANCE ANALYSIS

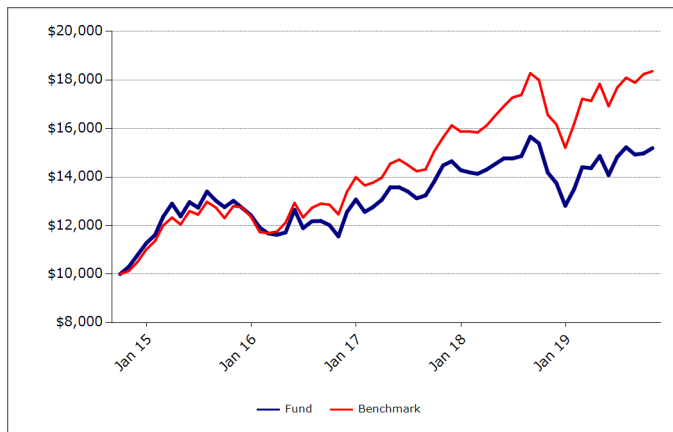
Report data: 31 Oct 2019, product inception: Jul 2014

Monthly Performance History (% , net of fees)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	FUND YTD	BENCHMARK YTD
2019	5.39	6.66	-0.27	3.47	-5.31	5.33	2.71	-1.99	0.34	1.45			18.54	20.75
2018	-0.67	-0.41	1.21	1.60	1.63	-0.02	0.66	5.36	-1.72	-7.86	-3.04	-6.79	-10.29	-4.20
2017	-3.90	1.57	2.33	3.98	0.00	-1.28	-2.09	0.91	4.32	4.83	1.17	-2.49	9.29	13.43
2016	-4.11	-2.01	-0.49	0.86	7.96	-5.97	2.37	0.10	-1.39	-3.87	8.71	4.08	5.20	13.19
2015	3.07	6.43	4.38	-4.07	4.74	-1.75	5.21	-2.82	-2.03	2.05	-2.21	-2.41	10.26	12.29

Benchmark: MSCI World ex Aust Small Cap \$A

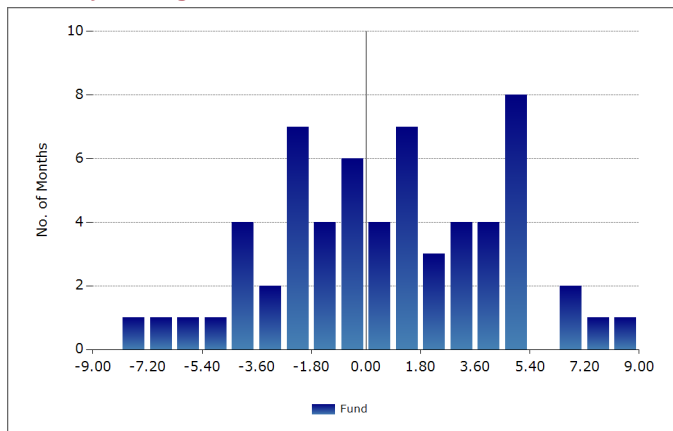
Growth of \$10,000



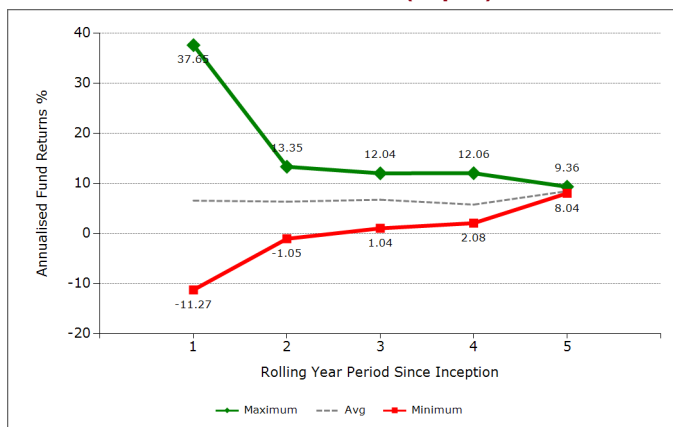
ABSOLUTE PERFORMANCE ANALYSIS

Return	Incpt.	5 yr	3 yr	1 yr
Fund (% p.a.)	8.01	8.09	9.56	7.14
Benchmark (% p.a.)	12.22	12.64	13.79	10.90
Median (% p.a.)	10.48	10.54	11.56	9.73
Ranking within Sector	Incpt.	5 yr	3 yr	1 yr
Fund Ranking	7 / 8	8 / 8	9 / 10	10 / 12
Quartile	4th	4th	4th	4th
Standard Deviation	Incpt.	5 yr	3 yr	1 yr
Fund (% p.a.)	12.58	12.81	12.58	14.34
Benchmark (% p.a.)	11.64	11.88	11.95	13.71
Median (% p.a.)	12.81	12.18	12.17	13.60
Downside Deviation	Incpt.	5 yr	3 yr	1 yr
Fund (% p.a.)	6.44	6.52	6.84	7.89
Benchmark (% p.a.)	5.95	6.04	6.35	7.08
Median (% p.a.)	7.32	6.21	6.39	6.95
Risk/Return	Incpt.	5 yr	3 yr	1 yr
Sharpe Ratio - Fund	0.48	0.48	0.62	0.38
Sortino Ratio - Fund	0.93	0.94	1.14	0.69

Monthly Histogram



Minimum and Maximum Returns (% p.a.)



Copper Rock benchmarks the Fund against the MSCI World Small Cap Index; however, for consistency purposes Zenith benchmarks all funds categorised within our International Shares - Small Companies sub-asset class against the MSCI World ex-Australia Small Cap Index. Accordingly all performance and risk measurements are calculated against the Zenith assigned index.

All commentary below is as at 30 October 2019.

The objective of the Fund is to outperform the MSCI World Small Cap Index \$A by 2% p.a. to 3% p.a. (before fees) over a full market cycle.

Although the Fund has performed well in absolute terms, it has been unable to meet its investment objectives, underperforming the Zenith's assigned benchmark since inception. While performance has been disappointing, Zenith notes that Copper Rock has a longer-term track record for the

strategy that dates back to April 2010. Since the strategy's inception, it has outperformed the benchmark, providing Zenith with confidence in the underlying strategy.

Since inception, the Fund's volatility (as measured by Standard Deviation) has been higher than the benchmark.

RELATIVE PERFORMANCE ANALYSIS

Alpha Statistics	Incpt.	5 yr	3 yr	1 yr
Excess Return (% p.a.)	-4.21	-4.55	-4.23	-3.76
% Monthly Excess (All Mkts)	37.50	38.33	38.89	41.67
% Monthly Excess (Up Mkts)	45.00	45.95	45.83	57.14
% Monthly Excess (Down Mkts)	25.00	26.09	25.00	20.00
Beta Statistics	Incpt.	5 yr	3 yr	1 yr
Beta	1.04	1.04	1.03	1.03
R-Squared	0.93	0.93	0.95	0.97
Tracking Error (% p.a.)	3.43	3.42	2.87	2.62
Correlation	0.96	0.96	0.97	0.98
Risk/Return	Incpt.	5 yr	3 yr	1 yr
Information Ratio	-1.23	-1.33	-1.47	-1.44

All commentary below is as at 30 October 2019.

Zenith seeks to identify funds which can outperform their index in greater than 50% of months as we believe this represents a persistence of manager skill. The Fund has not met this objective over any assessed period.

The Fund has demonstrated a stronger ability to outperform the index in up markets over all assessed periods.

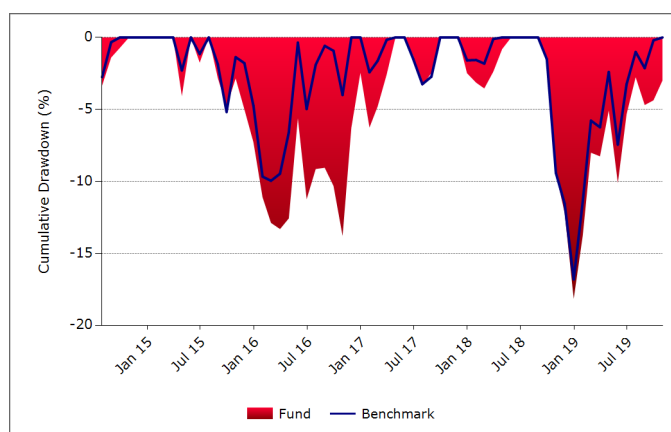
Investors should be aware that the Fund is not constructed with reference to the index, and as such, Tracking Error is expected to be an output of the portfolio construction process. The Fund's Tracking Error has been at the lower end of the expected range of 3% p.a. to 6% p.a., over all assessed periods.

DRAWDOWN ANALYSIS

Drawdown analysis assesses the relative riskiness of a Fund versus the benchmark, in reference to capital preservation. The maximum Drawdown is recorded as the percentage decline in the value of a portfolio from peak to trough (before a new peak is achieved). All Drawdown analysis is calculated commencing from the inception date of the Fund in question, and Drawdown analysis for the Fund and benchmark(s) are calculated independently. That is, the largest drawdown for the Fund and benchmark(s) will not always refer to the same time period.

Drawdown Analysis	Fund	Benchmark
Max Drawdown (%)	-18.15	-16.80
Months in Max Drawdown	4	4

Drawdown Analysis	Fund	Benchmark
Months to Recover	-	10
Worst Drawdowns	Fund	Benchmark
1	-18.15	-16.80
2	-13.79	-9.95
3	-4.07	-3.25
4	-3.54	-2.76
5	-3.34	-2.42



All commentary below is as at 30 October 2019.

Disappointingly, the Fund's drawdowns have historically been larger than that of the benchmark.

INCOME/GROWTH ANALYSIS

Income / Growth Returns	Income	Growth	Total
FY to 30 Jun 2019	2.00%	-1.59%	0.41%
FY to 30 Jun 2018	6.41%	3.75%	10.16%
FY to 30 Jun 2017	5.42%	7.25%	12.67%
FY to 30 Jun 2016	11.78%	-18.39%	-6.61%
FY to 30 Jun 2015	10.85%	15.62%	26.47%

Investors should be aware the Fund does not target a specific level of income returns.

The Fund typically distributes income annually (June).

The Fund's portfolio turnover is expected to be in the range of 70% p.a. to 100% p.a., which Zenith considers to be high. Given this expected level of turnover, the majority of the Fund's returns are expected to be delivered via the realisation of capital gains in income distributions, rather than through capital appreciation in the unit price. In addition, realised capital gains are highly unlikely to be eligible for the capital gains tax discount, which can have a further negative impact on the after-tax outcomes for high tax paying investors. As such, holding all else equal, the Fund may be more appealing to investors who are nil/low tax payers or high marginal tax rate payers who invest through tax-effective vehicles such as a

superannuation fund.

REPORT CERTIFICATION

Date of issue: 27 Nov 2019

Role	Analyst	Title
Author	Stephen Colwell	Investment Analyst
Sector Lead	Quan Nguyen	Head of Equities
Authoriser	Bronwen Moncrieff	Head of Research

RATING HISTORY

As At	Rating
27 Nov 2019	Recommended
28 Nov 2018	Recommended
30 Nov 2017	Recommended
28 Nov 2016	Recommended
2 Dec 2015	Recommended
4 Dec 2014	Recommended

Last 5 years only displayed. Longer histories available on request.

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