

STRATEGIC GLOBAL FUND

ARSN 613 886 392 APIR OMF0027AU

MONTHLY UPDATE

August 2021

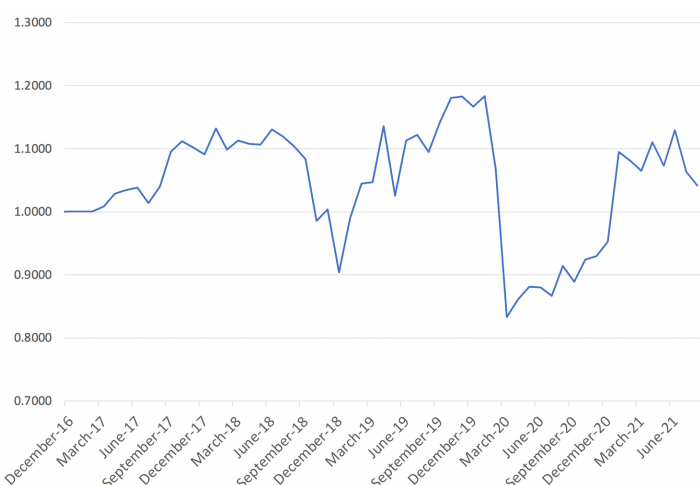
FUND FACTS

Structure	Global Equity Fund
Fund Manager	JBS Investments
Currency	AUD, Unhedged
Unit Valuation	Monthly
Minimum Investment	\$20,000
Investment Strategy	Event Driven Global Value
Distribution Frequency	Annually at 30 June

FUND FEATURES

- Specialised Global Equity Fund
- Invests Globally in Strong, Dominant Businesses with Sustainable Competitive Advantages
- Benchmark Unaware
- Relatively Concentrated Portfolio
- Maintains Long-Term Investment Horizon

PERFORMANCE CHART



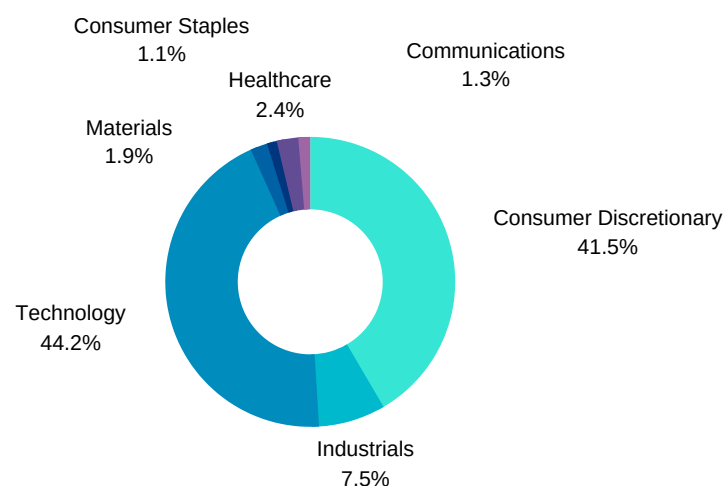
NET PERFORMANCE

1 Month	-2.07%
3 Months	-2.47%
6 Months	-3.17%
1 year	14.50%

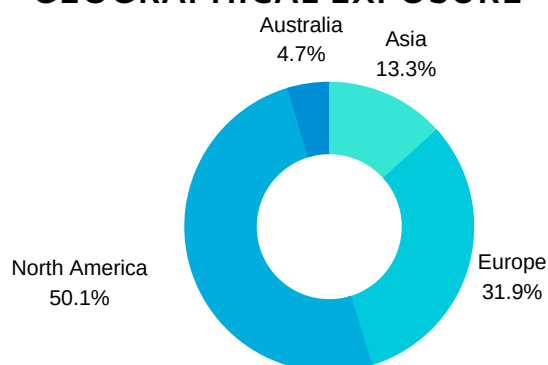
TOP TEN HOLDINGS

Company	Sector
Betterware	Consumer Discretionary
Garrett Motion	Consumer Discretionary
Hunter Douglas	Consumer Discretionary
Nautilus Group	Consumer Discretionary
Mo-Bruk	Industrials
Dometic Group	Technology
Kaspi Global	Technology
Livechat Software	Technology
Vizio	Technology
Digital Turbine	Technology

INDUSTRY EXPOSURE



GEOGRAPHICAL EXPOSURE



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SGF Update

The global economy has continued its remarkable recovery from the COVID-induced recession. There have been higher levels of volatility in recent months across financial markets. This bout of selling was set off by the Chinese government intervening in the education and technology sectors and worries about a heavily indebted Chinese property developer (which is facing collapse owing a mere \$300 billion in debt). Investors are also looking ahead to what the “new normal” will look like with a number of businesses that temporarily benefitted from COVID-related demand, such as **Zoom**, now trading at close to half the price levels of one year ago. The Fund has no exposure to any Chinese companies as we deem the current Government intervention into the market makes the Country best avoided as an investment destination. Our only clear Covid beneficiary is **Nautilus**, which has declined in price since purchase. However, at the current valuation of under 3x earnings, debt-free and with demand indicators continuing to be strong, we believe that the market has overreacted and oversold the stock.

The Fund’s current portfolio reflects a handful of themes:

- Fast growing and competitively-advantaged businesses in rapidly changing industries (**Kaspi**)
- Hidden growth stories - fast growing but overlooked businesses (**Vizio**)
- Underappreciated beneficiaries of current booms (hidden champions) (**Hunter Douglas**)
- Continuing growth of mobile advertising (**Digital Turbines**)
- Opportunistic situations (**API**)

The Fund has taken a breather from its recent gains in the past few months. This was largely due to two of our largest and highest conviction positions, **Betterware** and **Vizio**, retreating in price. In both cases there was nothing that has changed our conviction about the investment case and upside potential for both businesses.

In the case of **Betterware**, an anonymous short seller made a number of easily refuted allegations. The primary suggestion was that Betterware grew sales significantly in the past year despite not increasing the amount of space it leases. The implication is that there must be some question mark over the growth in the business over the past year (despite this being consistent with the previous 20 years of continuous growth). What the accuser conveniently failed to mention was that Betterware owns a wholly owned distribution centre and is currently building a second one to meet increased demand!

Fund holding **Vizio** declined as an early investor sold down his stake having achieved a very high return on his investment having invested in the company in its infancy. This selling has served to temporarily depress the share price but make no difference to the long term investment case. It is worth recapping why we are excited about the business. Vizio is the second largest manufacturer of televisions and largest manufacturer of soundbars in North America with over \$2 billion in annual revenue. Vizio’s reputation as a hardware company, however, masks its small, but rapidly growing and extremely profitable advertising platform

business that is growing at over 100% a year since it was established in 2018. Taking advantage of its large market share in TVs, Vizio is finally monetizing the millions of daily users of its SmartCast operating system (found on every Vizio television). Furthermore, the company offers investors a compelling opportunity to gain exposure to the connected TV advertising market, which is projected to grow from \$9 billion to \$28 billion between 2020 and 2025. While Vizio's device business has **7% to 9%** gross margins, its platform business has **65% to 75%** gross margins.

Fund holding **Hunter Douglas**, the world market leader in window coverings, reported superb second quarter results. Given the extent of the housing and home remodelling boom going on around the world, it is perhaps not a surprise that the business is firing on all cylinders. Organic growth came in at 60% with EBITDA margins north of 38%. Despite the high quality of the business in a great part of the cycle, we were able to acquire shares at a very attractive price. This was due to the fact that the founding family attempted to buy out the minority shareholders at a cheap price. That takeover attempt was defeated. Now, we are left with a company that trades at half the price of its lesser competitors. We expect that either the founding family will return with a significantly higher priced takeover offer or the business will double to a valuation commensurate with its competitors.

Overall, we believe the aggregate valuation metrics of the Fund's holdings are attractive both relative to market averages and in the individual company sense. We are also focused on expanding our technology, healthcare, and med-tech ideas.

Lastly, we have been investing in an expansion of our field research capabilities. There has never been more noise in markets and by conducting our own on-the-ground research we can cut through much market misinformation.