STRATEGIC GLOBAL FUND
ARSN 613 886 392   APIR OMF0027AU

MONTHLY UPDATE   March 2021

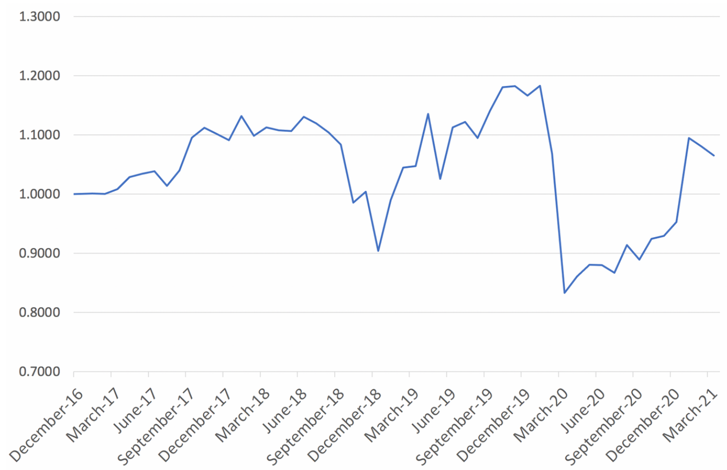
FUND FACTS

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



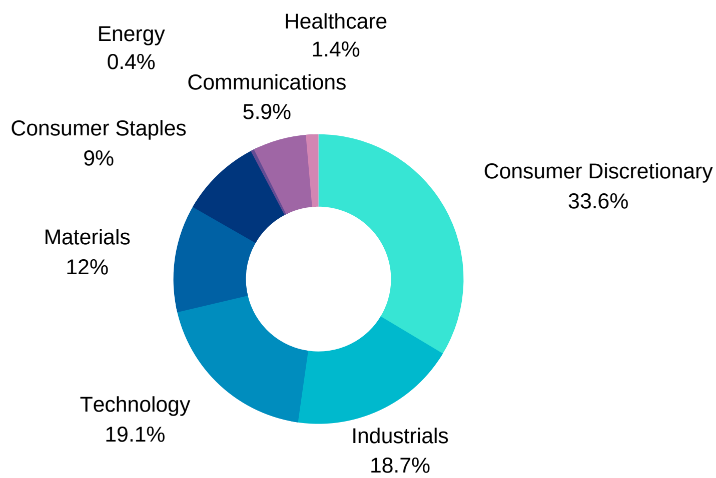
NET PERFORMANCE

1 Month	-1.45%
3 Months	11.83%
6 Months	19.79%
1 year	27.83%

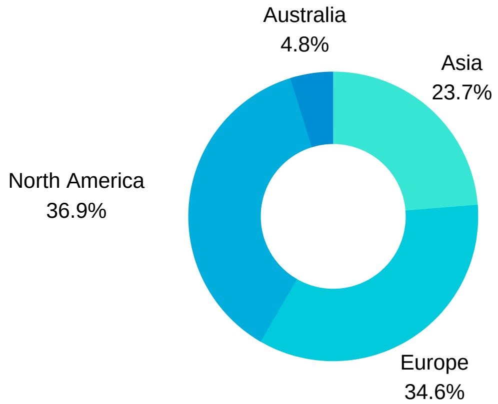
TOP TEN HOLDINGS

Company	Sector
Tencent Music	Communications
Betterware	Consumer Discretionary
Lastminute.com Group	Consumer Discretionary
Nautilus Group	Consumer Discretionary
Ito En	Consumer Staples
Antares Vision	Industrials
Mo-Bruk	Industrials
Sandstorm Gold	Materials
Endor	Technology
Haier Smart Home	Technology

INDUSTRY EXPOSURE



GEOGRAPHICAL EXPOSURE



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SGF March Monthly Update - Commentary

The quarter finished with a gain of 11.83%.

Portfolio positioning

The aim of the Fund is to generate attractive long term returns by applying the SGF investment process to build a concentrated portfolio of listed businesses. We set a high bar for a company to be included in the portfolio – they must do something unique that is difficult to replicate and be run by honest and driven management teams with financial "skin in the game". We also want to identify such investments when they are available at attractive prices that discount future profits and growth. For the past year, we have placed an increased emphasis on companies exhibiting higher levels of revenue and profit growth rather than cheapness alone.

We have continued to uncover new ideas during the past quarter and are spending our time understanding these businesses. Part of this effort has focused on undiscovered reopening plays, given our view that as vaccination reaches a critical point, a new normal will emerge. In that environment, many "Covid-champions" are likely to struggle as extraordinary growth from lockdowns evaporates as the world begins to reopen. We have been digging deeply to find overlooked reopening opportunities.

We also own businesses that benefited significantly from the pandemic (**Betterware**, **Nautilus**) but which we believe will continue to grow at meaningful rates going forward. The market has been sceptical of Nautilus in this regard as this maker of home workout products, such as exercise bikes and treadmills, has dropped in price since February. Trading now at around 6 times earnings with close to $100m cash and no debt we believe that Nautilus will regain its previous highs as it continues to deliver results outside of a pandemic tailwind. Our target price is $30 as compared to Nautilus's recent drop to $15 per share.

Our holding in **Lvji Technology**, a travel related software company trading at a very low price relative to what it is likely to earn post-Covid, performed strongly during the quarter. Similarly, **SHVA**, an Israeli credit card processing company, has increased in price as other investors begin to consider what earnings might look like as shops reopen.

New position: Tencent Music Entertainment
Taking advantage of chaotic sell off

Archegos Capital Management, a previously unknown investment fund, collapsed last week. According to media reports, the fund had assets of about $10 billion which were pledged to a wide assortment of prime brokers (stock brokers that lend money for the purchase of shares) in order to borrow between $50 billion and $100 billion to buy stocks like Viacom and Discovery. It now transpires that each of the prime brokers were unaware that other prime brokers were also lending Archegos substantial amounts of money to purchase shares. When Archegos was unable to meet a margin call, the result was a fire sale of all of Archegos's holdings by the brokers. Large companies such as Discovery dropped by 30% in a day on no company specific news.

We combed through the holdings being sold with a view of taking advantage of the chaos. We invested in Tencent Music Entertainment (**TME**), widely known as the “Spotify of China” after the forced selling caused a drop in price of around 40%. The company benefits from access to its parent company’s (Tencent) substantial cross-platform user traffic. Additionally, in China there is a less consolidated music label industry which enables TME to negotiate more profitable music content deals than Spotify can in the West. After Alibaba exited the music streaming business, the competition looks less intense with TME being easily the largest company in the space in China. There is substantial opportunity for TME to increase its paid subscribers, which as a percentage of its overall subscriber base represents just 9% compared to Spotify’s paying ratio of 45%. By taking advantage of the forced selling, we believe our entry point of around $20 represents a meaningful discount to our estimate of fair value of around $35.

New position: Antares Vision

The Fund established a new position in **Antares Vision,** which is a leading global provider of traceability and vision control solutions. In the distribution of many products, “track and trace” is the process of determining the current and past locations (and other information) of a particular item. Track and trace technology enables brand owners to track their products at all times, while also protecting against counterfeiting. This is particularly important for products such as medicines and vaccines to ensure integrity and authenticity.

Antares Vision has a strong market position as the leader in the pharmaceutical industry as the supplier to 10 of the 20 leading pharmaceutical companies in the world operating in over 60 countries. It also has a fast growing presence in the F&B, cosmetics and fashion industries. With a combination of organic growth and accretive acquisitions, the company has grown its revenue by over 12-fold since 2002 whilst at the same time nearly doubling its profit margins. The future looks promising for Antares Vision as it has a clearly defined strategic pathway for future growth, driven by increasing regulatory requirements that will cause pharmaceutical and food & beverage companies to make greater use of its products. Industry sources forecast that as a result of new government regulations, prescription drug traceability should double by 2026.

Antares Vision has an outstanding financial track record with double-digit revenue growth, solid profitability, best in class cash generation and a founder led management team. Adding to our attraction is the fact that the company is currently in the process of upgrading its listing on the main Milan Stock Exchange from its current AIM Italia listing, which is designed for emerging smaller companies. The current obscure listing prevents many fund managers from investing in Antares Vision, which explains the attractive valuation. We expect this story to re-rate meaningfully once the uplisting takes place in the next few months.

New position: Lastminute.com

Lastminute.com is an online travel agency (**OTA**) which, due to its listing in Switzerland, represents a compelling reopening holding for the Fund. OTA businesses at scale tend to be very powerful profit machines. By connecting a diversified base of travel industry suppliers (airlines, hotels, car rental companies, insurers etc) and a diverse base of individual travellers, OTAs act as the platform in the middle clipping the ticket on each transaction without having to provide any other service. Such attractive businesses do tend to attract competition but that typically results in the larger OTAs buying out the smaller ones to protect their turf. On that note, we see Lastminute.com as a logical acquisition target for larger competitors such as Booking Holdings Inc.

We were impressed that Lastminute.com avoided conducting any dilutive capital raising during the crisis. Trading at close to half the multiple of its directly comparable competitors, Lastminute.com seems to have been overlooked as other OTA companies have recovered in price. Even better, the pandemic has forced Lastminute.com to cut costs significantly and we expect the benefits of these efforts to flow through the numbers in the coming quarters. Trading at close to half the multiple of its directly comparable competitors, Lastminute.com remains under its pre-Covid price and our target price represents a double in the coming year.

Mobruk

The Fund established a position in **Mobruk**, the dominant waste management company in Poland following its largely overlooked IPO near the end of last year.

We have a soft spot for companies that do things that are unappealing. Peter Lynch famously wrote in *One Up on Wall Street*: “*Better than boring alone is a stock that's boring and disgusting at the same time. Something that makes people shrug, retch or turn away in disgust is ideal.*” That sounds more like a funeral home than waste management but at least the latter would merit a shrug. The nice thing about boring companies is that they attract less competition and as a result profit margins tend to be very good. Waste management companies typically have meaningful barriers to entry as it is difficult and time consuming to obtain regulatory permission to have a new facility opened given likely community opposition.

Mobruk’s financials are fantastic as the company generates software company-like profit margins. Revenue is growing at over 40% per annum with 58% pre-tax profit margins in the last quarter. This is largely down to pro-recycling changes that are taking place in Poland. This is being imposed by EU countries as Poland had gained a reputation as a lax regulatory when it came to disposing of rubbish. This is now changing as new punitive penalties have been introduced for illegal waste disposal. Mobruk has also been benefiting from large scale waste cleanups of ecological disaster zones caused by previous large scale illegal dumping. The local market remains fragmented so Mobruk can continue to grow via bolt-on acquisitions. Importantly, despite the secular industry growth, there are no meaningful new build facilities currently under construction.

Mobruk shares trade at around 12x current year earnings for this debt free company. Management has indicated that, given its profitability, the company will pay out all of its earnings as a dividend which implies a yield of around 9%. Given the growth outlook and modest multiple, we believe that Mobruk shares will rerate significantly higher in the coming years.

Visit the Website

Strategic Global Fund’s website is www.sgf.com.au

Kind Regards,
Strategic Global Fund