STRATEGIC GLOBAL FUND

ARSN 613 886 392   APIR OMF0027AU

Monthly Update | March 2024

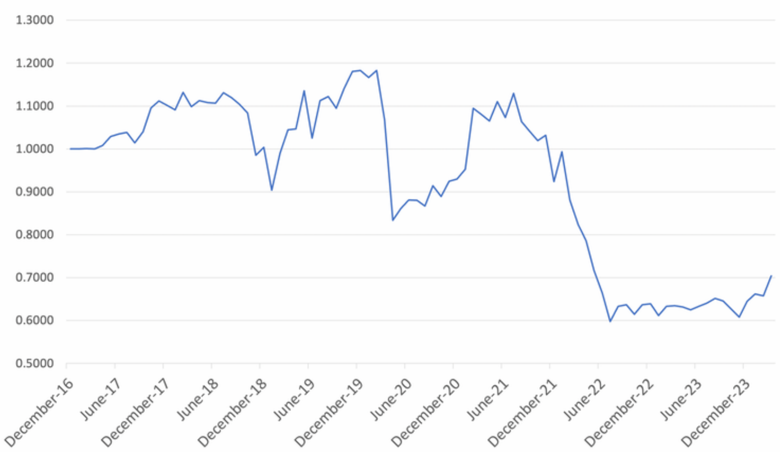
FUND FACTS

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
- Aims to Invest Globally in Dominant Businesses with Sustainable Competitive Advantages
- Benchmark Unaware
- Relatively Concentrated Portfolio
- Maintains Long-Term Investment Horizon

PERFORMANCE CHART



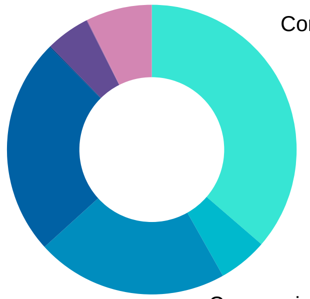
NET PERFORMANCE

1 Month	3.27%
3 Months	9.74%
6 Months	15.86%
1 Year	15.09%

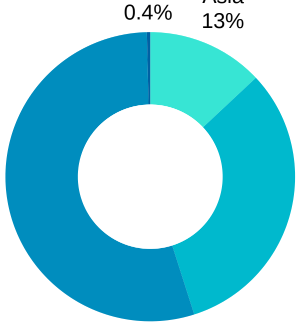
TOP TEN HOLDINGS

Company	Sector
Universal Music Group	Communication Services
ACV Auctions	Consumer Discretionary
Cairn Homes	Consumer Discretionary
Evolution Gaming	Consumer Discretionary
Hibbett	Consumer Discretionary
Richelieu Hardware	Consumer Discretionary
Protector Forsikring	Financial Services
Carlisle Companies	Industrials
Hammond Power	Industrials
Taiwan Semiconductor	Technology

INDUSTRY EXPOSURE



GEOGRAPHICAL EXPOSURE



Monthly Report

Strategic Global Fund

MARKET & PORTFOLIO PERFORMANCE

The Fund had a fantastic quarter, returning 9.74% as the refocussed strategy we implemented six months ago began to deliver results. It was rewarding to see strong performance across the portfolio with the vast majority of our companies executing well and delivering excellent operating results.

Key contributors to performance include:

- our AI focused stocks, such as **Super Micro Computer** (leading AI Server rack solution provider), **Nvidia** and **Taiwan Semiconductor Manufacturing Company** (critical maker of semiconductor chips).

- Our electrification theme has also performed well, with our holding in **Hammond** a standout, rising 108% since purchase (we added to our initial purchase as the investment case solidified).

And not to be outdone, **Hibbett**, our US Nike shoe retailer, surprised investors with good numbers and a more robust outlook than the market might have been expecting given restrained commentary from Nike. It is a somewhat under-recognised fact that retail stocks have outperformed tech stocks since the market bottomed in November 2023. Indeed, consumer brands have enjoyed a perfect storm of their own. As the holiday 2023 sales data rolled in, investors realised that the consumer is alive and kicking. Top line performance among consumer stocks has remained robust through year-end 2023 and with a large drop in freight costs margins have been resilient. Despite its recent results, Hibbett remains modestly valued relative to its long run way of growth and we project that even if the rest of the year is tough, it has the right management team and strategy to exceed the modest expectations baked into its stock price.

There was good news from fund-holding **L'Occitane Group**, which announced that it is expecting to receive a takeover offer from its billionaire chairman Ronald Geiger who already controls 70% of its shares. This is the second time the Company's controlling shareholder has attempted to buy out the remaining shareholders and a key reason why we are owners. L'Occitane is on track to generate $3.1 billion in revenue over the next year, up 41% from the previous year. This growth has been driven by the ongoing success of its Sol de Janeiro brand and its cult "*Brazilian Bum Bum*" cream. Both of the outcomes from here look good:

- either, the company is acquired at a satisfactory premium to our entry price, or
- we continue to own a fast growing high-quality business that the most knowledgeable insider in the company is desperate to buy, at a valuation discount to competitors

(L'Occitane trades at half the valuation multiple of slower growing competitors), providing meaningful upside.

There were no meaningful detractors with the main headwind being the US dollar, which went against us. Our small position in **The Aarons Company** declined from purchase ($10 to $7) and **Richelieu Hardware** (home hardware company) was flat.

Key investment theme - AI positions

1. AI Technological Disruption

There are two waves of tech disruption coming from generative AI. The first is already upon us today, which is where genAI tools are used to replace existing services that already exist in the marketplace. Today, genAI tools can produce images, logos, videos, writing, they can convert text to speech in a realistic manner, as well as basic programming work.

But this is minor in comparison to what will likely arrive in the years to come. The second wave of genAI disruption promises to be ubiquitous - and will likely change the way in which users interface with computers. To take a cue from the world of Marvel - you never see Iron Man typing on a keypad and clicking a mouse - rather he gives instructions to Jarvis.

2. Powering the boom

To power this sci-fi future, there is a giant AI hardware boom going on.

We have been highly selective about which companies will be true winners from this giant capex spend. Whenever you have a booming sector there will of course be companies that don't really sell anything that's used for AI chips, but that are giving aggressive forward profit guidance based on nothing more than "AI" hype. Another category of AI companies to be wary of are those whose recent results have been extremely strong due to the AI hardware frenzy, and for which investors are extrapolating those results far into the future, even in cases where competitive dynamics are rapidly changing. We have adopted a "best of breed" approach to our company selection.

The next level of beneficiaries of the AI revolution that are of interest to us are less obvious. One such group is power utilities, which are seeing massive new demand for power. Power demand that has previously grown at miserly 0-1% per annum rates for 20 years is now set to grow at 9%+ in the face of sudden new demand for energy. AI-enabled data centres are the main source of this growth given that they require huge amounts of power. We are actively seeking out opportunities in this ecosystem.

3. Our key positions in relation to AI

The following portfolio companies stand out as our top pure play positions on AI infrastructure with wide moats, high growth prospects and attractive valuations relative to expected growth. We believe that these stocks have the potential to return many multiples of their current value over the next decade.

- **Nvidia - Dominant Market Leader in AI Chips, Vertically Integrated with Software, Networking, and Training Services**
  With 85%+ of revenue now driven by surging datacenter sales, a near monopoly in the data center a GPU[1] market, and vertical integration in networking, software and AI-related services, NVDA is poised to capture the lion's share of value in accelerated computing. Nvidia's revenue and profits are now mainly driven by data center revenues (80%+), which encompass a vertically integrated solution for AI computing, including GPU servers (98% market share), Infiniband networking, Cuda software, and services such as virtual GPUs. Nvidia recognized the potential for a parallel computing revolution nearly twenty years ago and has gradually acquired and developed the networking technology and software that enable its cutting-edge GPUs to scale up and act as one giant computer, handling trillions of operations in parallel. As Nvidia's approach drives the marginal cost of compute to zero with each new product launch, new demand for AI training and inference is unlocked. Nvidia is the key enabling technology in the AI market, expected to grow another 10x to ~$2 trillion globally by 2030, with both the lowest cost of compute and exceptionally high profitability. The stock trades at ~37x forward earnings, which are projected to grow 100%+ year on year. We expect Nvidia will continue to surprise us for the next decade, with $1T of annual earnings not out of the question due to the rapid adoption of accelerated computing and the company's further expansion into various software services.

- **Lasertec - Growing Portfolio of Niche Monopolies in Leading Edge Wafer Testing Equipment**
  Lasertec is a natural monopoly in EUV-related semiconductor equipment, with the largest contribution from mask inspection equipment. However, Lasertec's business has significantly outperformed ASML (another company held up as one of the best businesses in the world) over the past five years as it is purely exposed to leading-edge processes in Taiwan and Japan where it is improving functionality and raising prices, and it is expanding its portfolio into additional high-growth niche areas where it can dominate. Lasertec is unique among semiconductor equipment players in that they only operate in niche areas where they enjoy natural monopolies, resulting in the highest margins and revenue growth in the industry. The Company has a fab-lite business model, primarily employing R&D engineers and outsourcing manufacturing.

- **Super Micro Computer - Plug-and-play AI servers with industry-leading performance and energy efficiency**

[1] A graphics processing unit (GPU) is a specialized electronic circuit initially designed to accelerate computer graphics and image processing.

Has the potential to outperform Nvidia, a close partner, in terms of earnings growth from GPU hardware over time as it gains server market share and the industry upgrades to higher-value liquid cooling solutions. Purest exposure to AI-optimized GPU servers and transition to liquid cooling. Currently most production is air-cooled, server ASP will rise as liquid cooling penetration increases with next-gen GPUs. Demand outstripping supply (constrained by GPU chips) due to leading performance and energy efficiency, superior PUE (1.04-1.1 vs. industry average 1.8). Production capacity $25B+ vs. revenue run rate of $10B, expected to rapidly increase utilisation as GPU supply ramps. Customers transitioning from buying individual systems to complete integrated rack-scale clusters, especially for AI systems. “Plug and play” solution includes management software, security, similar to “cloud as a service” but hardware revenue model. Its goal is to be first to market for all new Nvidia products. Interestingly, Super Micro was founded the same year as Nvidia, and has worked together from day one, is located 15 minutes apart and SuperMicro was the first to ship AI servers after Nvidia introduced its chip. At the same time, SuperMicro’s platform has the flexibility to support all chips (Intel, AMD) and can be optimised depending on customer workloads.

- **Asia Vital Components - Leading Taiwanese provider of thermal solutions for chips and servers**
  Due to longstanding client relationships and R&D capabilities, the Company has maintained a predictable share of GPU cooling components. The transition to liquid cooling will increase the dollar value of their solutions delivered per GPU by 2-3x, which should enable the business to deliver profit growth in excess of GPU volume growth over the next 3-5 years.

We look forward to updating you next month.