STRATEGIC GLOBAL FUND

ARSN 613 886 392 APIR OMF0027AU

MONTHLY UPDATE May 2020

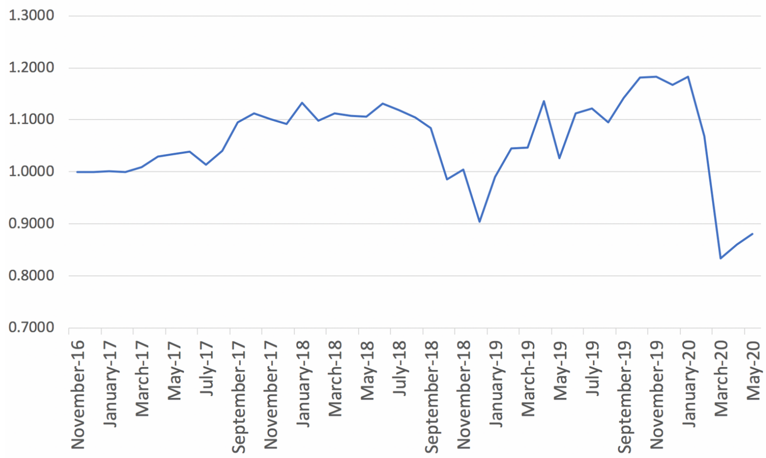
FUND FACTS

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



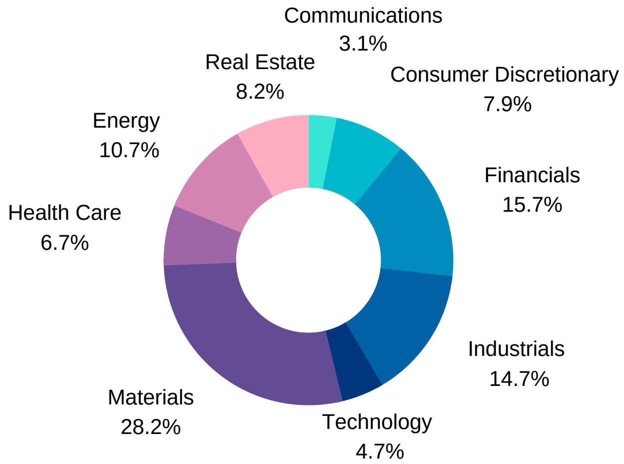
NET PERFORMANCE

1 Month	2.29%
3 Months	-17.55%
6 Months	-25.52%
1 year	-13.99%
2019 Return	29.20%

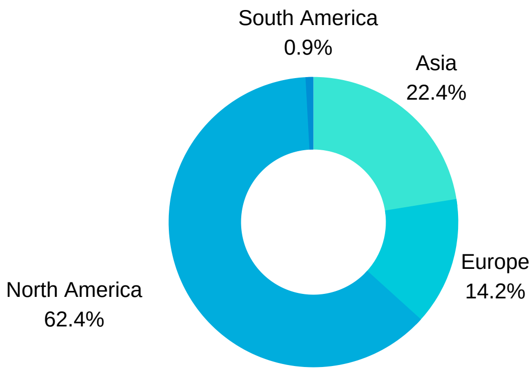
TOP TEN HOLDINGS

Company	Sector
Wanda Sports	Communications
Genesis Energy	Energy
INTL FCStone	Financials
Sberbank of Russia	Financials
Change Healthcare	Health Care
API Group	Industrials
Sandstorm Gold	Materials
Crown Holdings	Materials
Shinoken Group	Real Estate
Magnachip	Information Technology

INDUSTRY EXPOSURE



GEOGRAPHICAL EXPOSURE



SGF Update - May

Market observations

It remains a time of extremes. There have been extreme changes taking place in the economy, Central Bank policy and the national debt levels. And in the price swings in our portfolio companies.

Markets have continued to behave in an unusual way. The strange market movements of late can perhaps be best illustrated with the behaviour of bankrupt stocks recently. Shares in Hertz Global Holdings, Inc. rallied by 351% in the space of a week despite the fact that the company had filed for bankruptcy two weeks ago. In a bankruptcy case shareholders sit at the very back of the queue in terms of getting paid. Shareholders rarely recover anything from bankrupt companies as all of a company's debts must be repaid in full first. In Hertz's case, $19 billion in net debt must be repaid first by a loss making company before shareholders recover anything; an unlikely proposition. So why have the shares increased in such an illogical way? The best explanation appears to be amateur investors betting on shares in the absence of casinos and sports betting. This is unlikely to have a happy ending.

There is a disconnect between the financial markets and the real economy. Within the financial markets, there is an extreme level of divergence between the valuations of the cheapest stocks and the most expensive. Despite an extremely uncertain economic climate, a small number of the very largest companies in the world (Microsoft, Apple, Alphabet (Google owner) and Amazon) have driven indexes higher. As these companies dominate passive and most active portfolios and have an outsized position in share indexes, this has served to mask the bear market in almost all other shares.

There is opportunity hiding within the stock market as a function of this disparity of valuations. Using data over the past 30 years, the cheapest shares within the Russell 2000 index is currently priced in the 96th percentile towards cheap over the last 30 years. In other words, it has only been cheaper 4% of the time. This presents an attractive universe of shares for us to choose from over the next several years relative to standard indexes.

We don't have a strong view on exactly when the headwinds of the current crisis will eventually subside. We have maintained a cautious stance. Our expectation is that company earnings will normalise over the next few years. Long term valuations of shares are typically based on normalized earnings and growth rates two to three years into the future. As always, we favour high quality businesses which are noted for their: high cash flow generation, decent returns on capital and strong balance sheets.

PORTFOLIO UPDATES

Genesis Energy

We established a new position in **Genesis Energy LP**, which owns irreplaceable pipelines in the Gulf of Mexico that are not directly exposed to the oil price and the World's lowest cost soda ash business.

We purchased shares after the company announced a cut to their dividend payout which shook out some dividend chasing shareholders. As cash flow should not decline more than 10% from 2019 levels due to the contractual and mission critical nature of Genesis Energy's services with investment grade counter parties, we view Genesis as a true '*baby thrown out with the bathwater*'. The Company currently trades at a projected 25% FCF yield to equity (including dividend or 2x our 2023 cashflow projection) in two years' time as new projects come online which will greatly increase the amounts flowing through Genesis Energy's pipelines. Free cash flow is a more applicable valuation metric due to the favorable capex profile of the Company. This multiple implies the company is distressed and does not reflect the balance sheet strength of Genesis to ride out the current storm. 8X multiple on 2023 EBITDA, gives us a $24 per share stock price. A 10X multiple, lower than its historical multiple, (10% FCF to equity yield), gives us a $38 per share stock price target. Genesis currently trades at $9.18.

API Group

SGF has a position in **API Group**, which is best understood in the context of some history of its founding shareholder, Sir Martin Franklin. Sir Martin was the driving force behind **Jarden Corporation**, which was one of the best-performing stocks of the past 20 years, delivering a 5,000% total return to investors (around 30% per annum). API Group was a family owned industrial services conglomerate built generating over $400m of EBITDA across its three divisions. Although well-run and organically growing we are excited by the prospect of a proven capital allocator growing this business going forward.

API Group's largest division is Safety Solutions which is focused on fire safety systems. These businesses are heavy in recurring services. These businesses have historically grown double digits organically. Its second-largest business called Specialty Services provides infrastructure services such as building fiber-optic lines and wastewater work. The third business conducts service work for utilities and energy companies.

When we invested in API Group, it was listed on the Over The Counter (OTC) stock exchange[1] in the US. This form of listing made the company ineligible for inclusion in the U.S indices or mutual fund ownership with limited analyst coverage despite the meaningful size of the business ($400m in EBITDA). As a result, we believed that we purchased the business at a meaningful discount to its closest peers. At the time of purchase, we anticipated that the company would "uplist" to a larger exchange. It has now changed its listing to the New York Stock Exchange which should bring with it a larger potential investor base for its shares. The company is also likely to be a beneficiary of large scale infrastructure spending in the US which recent news suggests President Trump is proposing to fund.

At the peer group average of 18x P/E, shares in API would be worth $22.50. It currently trades for $13.61, up 47% from the Fund's entry point.

We will write to update you again next month. Thank you for entrusting us with your savings and we wish you and your family the best of health.

[1] Also known as the "Pink Sheets".