

# STRATEGIC GLOBAL FUND

ARSN 613 886 392 APIR OMF0027AU

## MONTHLY UPDATE

May 2021

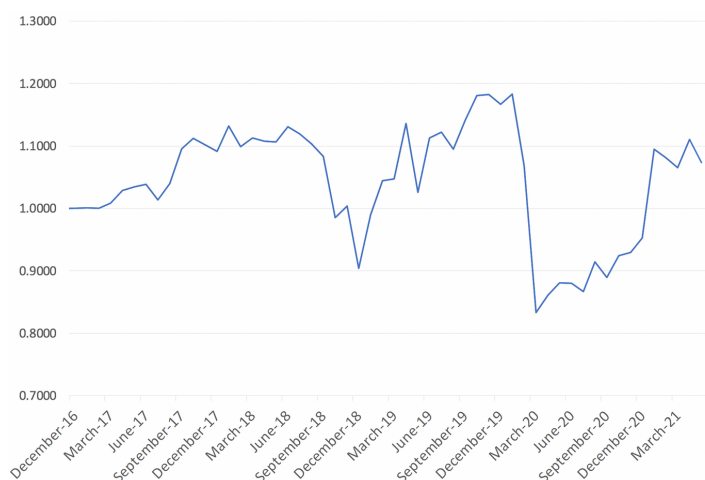
### FUND FACTS

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



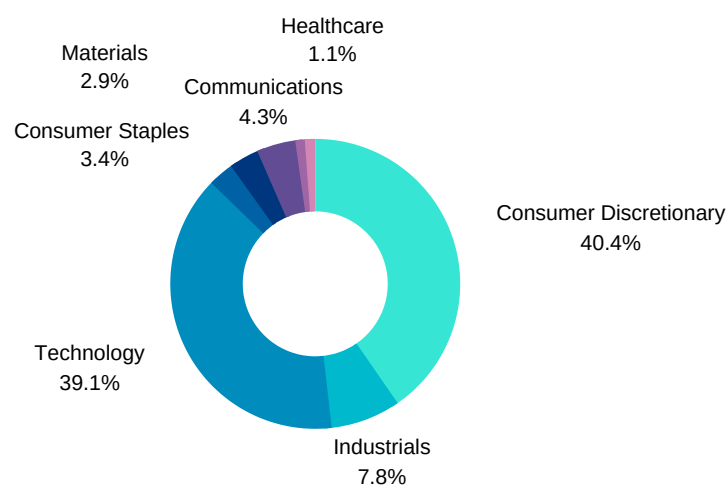
### NET PERFORMANCE

1 Month	-3.36%
3 Months	-0.71%
6 Months	15.45%
1 year	21.84%

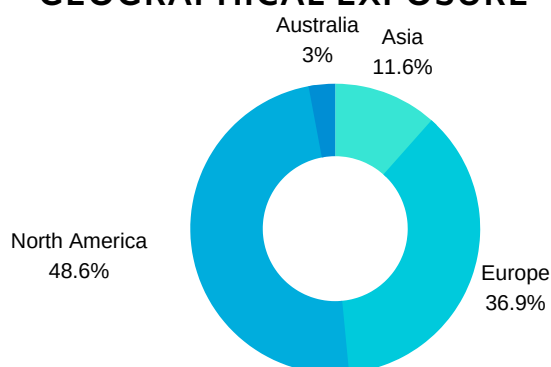
### TOP TEN HOLDINGS

Company	Sector
Tremor International	Communications
Betterware	Consumer Discretionary
Garrett Motion	Consumer Discretionary
Nautilus Group	Consumer Discretionary
Antares Vision	Industrials
Mo-Bruk	Industrials
Dometic Group	Technology
Kaspi Global	Technology
Livechat Software	Technology
Vizio	Technology

### INDUSTRY EXPOSURE



### GEOGRAPHICAL EXPOSURE



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## SGF May Monthly Update

### Commentary

The most important items of news over the month for the Fund included:

- New position established in **Dometic Group**, the world's largest manufacturer of accessories for mobile living with products for RV users, boat owners and campers. We are seeing record demand for outdoor living products and the market has been slow to recognise that Dometic will also be a beneficiary of this trend. The company has doubled down on this demand with a number of meaningful acquisitions recently which we see as accretive to earnings in the years to come.
- New position established in automotive turbo maker **Garrett Motion** after its successful exit from bankruptcy. We have written before about the efficiency of the US bankruptcy system which allows good businesses which get into trouble for non-fundamental reasons to fix such problems and emerge as new entities with bright futures. Bargains can emerge as the stigma of bankruptcy can take time to pass despite previous problems such as too much debt having been solved. The Fund did very well with another post-bankruptcy stock last year so it is a good hunting ground for us. Garrett Motion is underpriced compared to its less profitable competitors. We expect that this discount should fade over the next year.
- Portfolio holding **Hunter Douglas** received a revised takeover offer from the family that owns the majority of the company. We viewed even the higher offer as a low ball offer that materially undervalued the company. As the market has been digesting whether the takeover will succeed or not, the shares have been stuck in a holding pattern. Investors naturally had no incentive to perform the work to establish the long-term prospects of the business given the strong possibility that it would be taken private by the majority owning family. The big news is that the takeover failed after receiving a pathetic acceptance level. The company will now stay listed. We now expect that the company to re-rate to a share price level more commensurate with its market dominating position. It currently trades at a valuation that is half that of comparable businesses.
- **Antares Vision** (track and trace company) successfully uplisting from the small Italian AIM market to the main Italian Stock Exchange which is a key part of our thesis. The shares have not rerated despite this occurring so we will review our position if no progress occurs shortly.
- The main detractors during the month were **Betterware** and **Nautilus**, two businesses that have delivered amazing results during the pandemic (demonstrating both strong topline growth and better-than-expected profit margins). The share price of both businesses have retreated on concerns that it will be difficult to maintain earnings growth momentum going forward. Although the extraordinary growth of last year may fade, we

remain confident that both companies are more than capable of continuing to expand their market share, introduce new products and build on their trusted brands. Nautilus sells exercise equipment to chain stores such as Walmart and K-Mart, which should benefit from reopening. Our channel checks on Betterware indicate that its products reach 20% of all Mexican households. Should the company achieve its goal of reaching 40% of households over the next five years, the result should be a spectacular one for its shareholders.

Betterware has been a core holding for SGF since it came to the public markets via a merger with a **Special Purpose Acquisition Company (SPAC)**. A SPAC, also known as a "blank check company" or "cashbox", is a shell corporation listed on a stock exchange with the purpose of acquiring a private company. This allows the operating company to bypass the traditional IPO process, saving time and the risk that the transaction will fail. Our view is that the vast majority of SPAC listings will end in tears as there is a mismatch between the promoters of the SPAC, which typically receive a 20% stake in the merged business for free, and public shareholders who are left with the merged business. If no deal is completed by a set period, the SPAC is wound up and the money is returned to the initial SPAC shareholders. This creates a very strong incentive for promoters of the SPAC to push forward any deal rather than return the money and receive nothing. Incentives matter. Given the large number of recent SPAC listings, although most deals will be average to bad, there will be some gems. We certainly viewed Betterware as a gem and the market has agreed. Of all such SPAC listings in the past, Betterware is the third best performing of all time, rising from a low of \$8 to recent prices in the \$40s. We continue to see meaningful upside and it remains a core holding for SGF.

**Kind Regards,**  
**Strategic Global Fund**