

# STRATEGIC GLOBAL FUND

ARSN 613 886 392 APiR OMF0027AU

MONTHLY UPDATE

October 2019

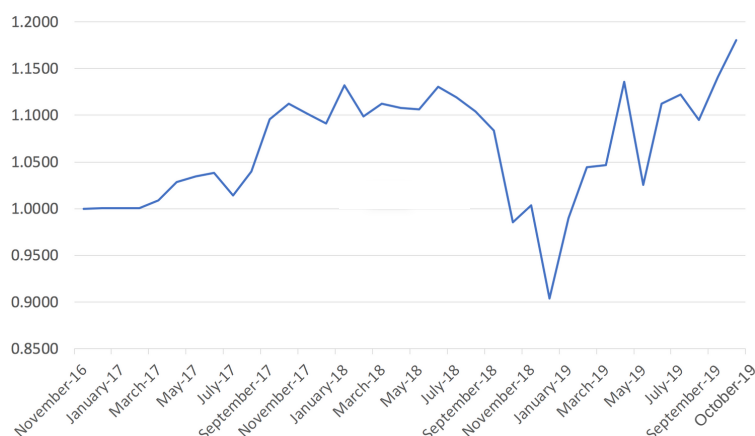
## FUND FACTS

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



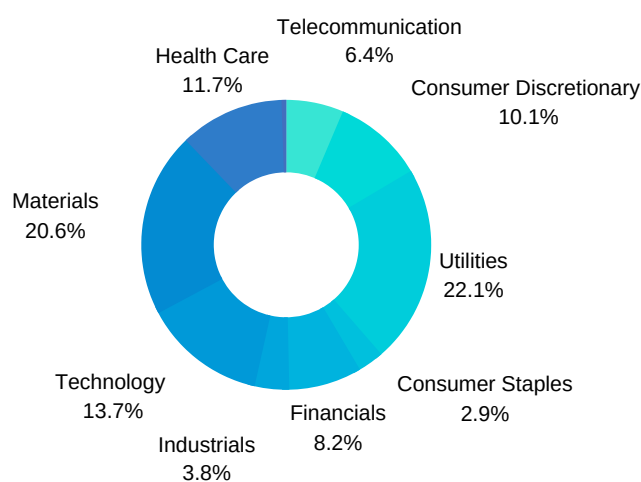
## NET PERFORMANCE

1 Month	3.43%
3 Months	5.21%
6 Months	4.08%
Calendar Year to Date	30.75%

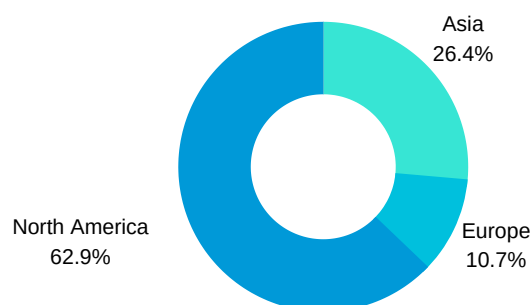
## TOP TEN HOLDINGS

Company	Sector
LKQ	Consumer Discretionary
Sberbank	Financials
3SBIO	Health Care
Bausch Health	Health Care
Sea Limited	Information Technology
Crown Holdings	Materials
Graphic Packaging	Materials
Magnachip	Technology
Nexstar Media Group	Telecommunication
Vistra Energy	Utilities

## INDUSTRY EXPOSURE



## GEOGRAPHICAL EXPOSURE



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## COMMENTARY

- Fund returned a strong 3.43% for October and strong year to date returns of 30.75%
- New positions initiated; solid business achievements from core positions
- Continuing focus on finding the best investment ideas

### BLOSSOMS IN THE DESERT: AMAZING BUSINESSES (AND RETURNS) IN A MUNDANE INDUSTRY



The month of October saw continued strong performance across the broad range of SGF's holdings. Core position **Crown Holdings** has delivered solid performance for the Fund with Crown's shareholders benefitting from a 75% total shareholder return in the year to date, far in excess of its peers. Crown Holdings was formerly known by the less-than-exciting name of Crown, Cork and Seal. It is involved in the less-than-exciting industry of making rigid packaging products for food and beverage companies.

This is not typically a high profit industry marked by fat profit margins. Crown however is a blossom in the desert. Due to its large scale and relentless focus on cost reduction, Crown maintains market leading profit margins. Crown delivered strong and stable cash flows across all of its business divisions enabling the company to reduce debt. The business is very predictable; you could set your watch by the reliability of Crown's earnings. Our original opportunity to acquire Crown at an attractive price was created by an investor sell-off following Crown making a major acquisition. So we took comfort from company management recently confirming that they do not plan to pursue acquisitions as part of their strategic plan. Crown's strong performance should enable the company to return substantial capital to its shareholders. We expect the announcement of a large special dividend or buyback plan soon, which would be icing on the cake for SGF.

SGF has also benefited from the 50.79% year-to-date increase in the price of an unsung hero in the portfolio: **GPK Holdings**. This is a sister position to Crown Holdings in that it is also in the packaging industry. GPK specialises in paper-based packaging solutions for a range of products for food, beverage and other consumer product companies. Its customer base is a who's who of consumer goods companies: Starbucks, McDonalds, Pepsi, Whiskas, Asahi and more. A market leader in the US, GPK makes 37% of all folding cartons in the US and around one third of all paper cups. Although unglamorous, GPK has a fine business that reliably generates substantial free cash flow with industry leading profit margins due to its vertically integrated supply chain. Largely unnoticed by many market participants, GPK has had significant success fixing a problem that used to plague its financial results. When its input costs rise, GPK has the ability to pass these increased costs on to its customers in the form of higher prices. Its historic problem has been that there is a significant lag in doing so; often over 9 months. Management of GPK has now reduced this delay to under 6 months providing more visibility to earnings. Despite the increase in earnings GPK still remains significant undervalued in our view. GPK isn't sitting idle though and is taking a self-help approach to fixing this by buying back its own shares. Over the past five years, GPK has purchased and cancelled over \$538m worth of its shares. This serves to increase the share price by reducing the number of outstanding shares. We continue to be enthusiastic supporters of GPK's excellent management team.

The Fund is managed for absolute returns, and not by reference to an index or peer group. The Fund typically has a concentrated portfolio of shares selected on a bottom-up basis, and the geographical and industry mix can change considerably over time. We have initiated a new position in Japan in November that has captured our attention, which we will update our investors on in due course.

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## STRATEGIC GLOBAL FUND

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