

# STRATEGIC GLOBAL FUND

ARSN 613 886 392 APiR OMF0027AU

## MONTHLY UPDATE

October 2022

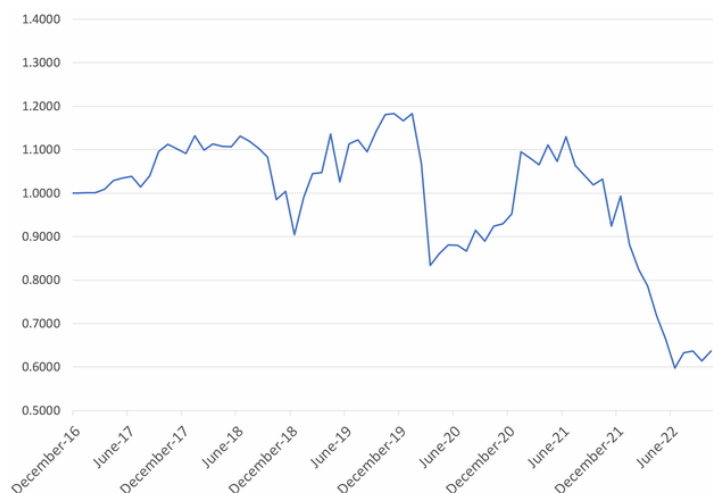
### FUND FACTS

<b>Structure</b>	Global Equity Fund
<b>Fund Manager</b>	JBS Investments
<b>Currency</b>	AUD, Unhedged
<b>Unit Valuation</b>	Monthly
<b>Minimum Investment</b>	\$20,000
<b>Investment Strategy</b>	Event Driven Global Value
<b>Distribution Frequency</b>	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



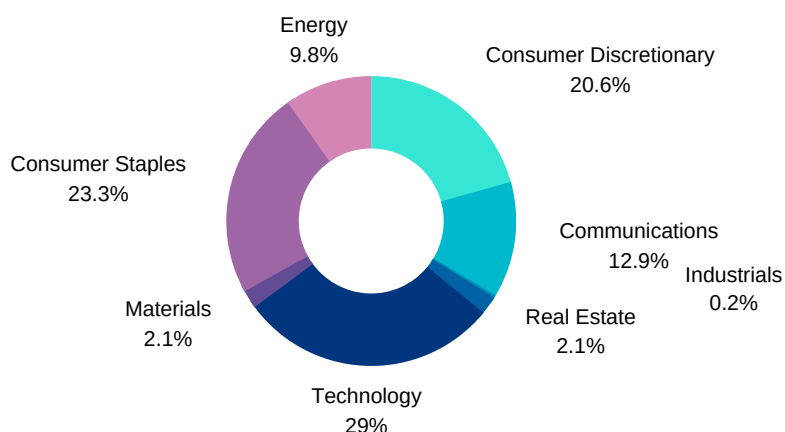
### NET PERFORMANCE

<b>1 Month</b>	3.59%
<b>3 Months</b>	0.57%
<b>6 Months</b>	-11.18%
<b>1 Year</b>	-38.31%

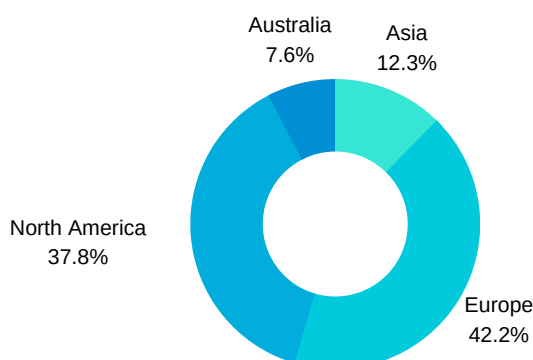
### TOP TEN HOLDINGS

Company	Sector
<b>Universal Music Group</b>	Communication Services
<b>ACV Auctions</b>	Consumer Discretionary
<b>Evolution Gaming</b>	Consumer Discretionary
<b>Rumbleon</b>	Consumer Discretionary
<b>Swedish Match</b>	Consumer Staples
<b>Capricorn Energy</b>	Energy
<b>Whitehaven Coal</b>	Energy
<b>Digital Turbine</b>	Technology
<b>Kaspi Global</b>	Technology
<b>Vizio</b>	Technology

### INDUSTRY EXPOSURE



### GEOGRAPHICAL EXPOSURE



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## **SGF update - October**

At SGF, we focus on owning resilient high-quality companies that we believe are trading at reasonable valuations. Unlike their weaker competitors, these kinds of companies can survive challenging environments and emerge stronger than their weaker counterparts. This is what underpins our quality combined with value investment strategy.

A focus on quality helps us navigate the current uncertain times. Quality companies are reliable long-term value generators. They can survive by adapting to challenging circumstances such as the current bout of inflation. Adapting can take time however and we have seen some great companies disappoint short-term focused investors which can cause share price volatility. Stock prices typically tend to overshoot, on the upside and on the downside, leading to investment opportunities in such quality companies. A successful contrarian can buy attractive stocks when they are trading for well under intrinsic value. This is a recipe for earning excess returns. In this vein, we have taken advantage of recent moves such as the drop in **Alphabet** (parent company of Google) shares from \$148 to a low of \$86 to opportunistically add to our position.

## **Portfolio holdings**

Three of the core holdings of the Fund reported exceptional results.

**Evolution Gaming** has faced increased interest rates, increased inflation, signs of a weakening economy in some markets as well as an uncertain geopolitical situation. Inflationary pressures include the cost in supplies, electricity, transport and also upward pressures on salaries. Despite all of this, Evolution Gaming has delivered a strong revenue growth in the third quarter of 2022:

- Revenues increased by 36.5%
- Gross earnings increased by 38.1%

For the nine-month period, Evolution's gross profit margin was 69.5 percent. Very few businesses in the world have close to such a margin, let alone ones that are growing at a rapid rate. The online casino continues to grow world-wide and the growth path in a long term perspective remains very strong.

**Kaspi** reported outstanding results in the latest quarter with the following highlights:

- Revenue up 39% on a year on year basis
- Net profit up 30%
- The payments (51% growth in net income) and marketplace (59% growth in net income) divisions lead the growth

Kaspi has been buying back its undervalued shares, having bought back \$96m worth already this year with another buyback of \$100m authorised. Kaspi shares have recovered much of the recent July lows of around \$43 shares to currently trade around \$72. The long term outlook for

the business remains compelling with long term growth of 30% per annum continuing. This growth outlook is not reflected in its forward price to earnings multiple of 12x.

**Universal Music Group** is the world's best music company. The best way to think of its business model is a tax on music. No music streaming service can exist without paying UMG. As streaming services continue to grow UMG has decades of growth ahead of it. As revenues grow, UMG's cost base is largely fixed so that we expect profit margins should expand. We love the music streaming services we personally use. We believe that even in a recession the business will be resilient as having access to tens of millions of songs on your phone for a modest monthly subscription represents great value. Given its long runway for sustained earnings growth, we believe that UMG's current valuation underprices this unique company. Recent results support our view with revenue of €7.3 billion up by 15.6% year-over-year and gross earnings up by 10.2% with strong growth across all segments.