

STRATEGIC GLOBAL FUND

ARSN 613 886 392 APiR OMF0027AU

MONTHLY UPDATE

September 2020

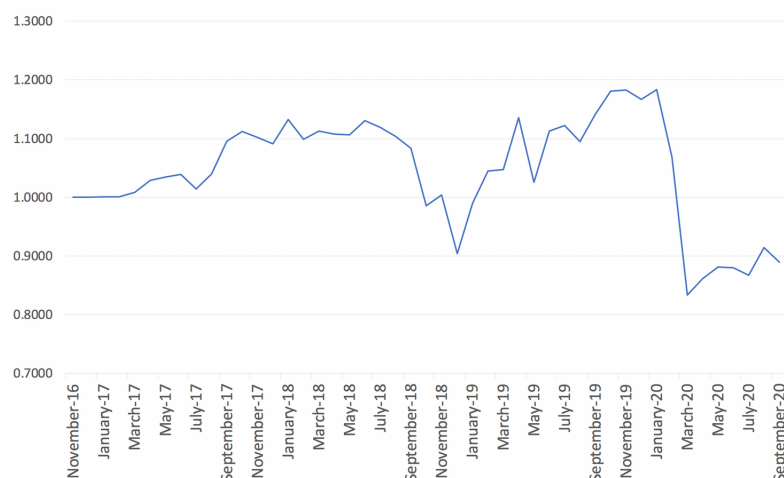
FUND FACTS

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



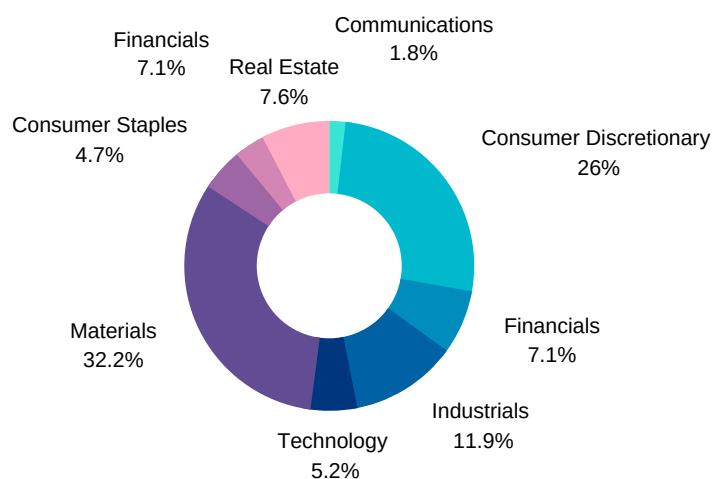
NET PERFORMANCE

1 Month	-2.72%
3 Months	1.02%
6 Months	6.71%
1 year	-22.09%

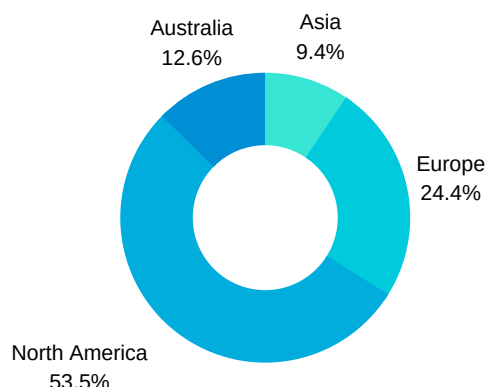
TOP TEN HOLDINGS

Company	Sector
Gamesys Group	Consumer Discretionary
Betterware	Consumer Discretionary
Fiji Kava	Consumer Staples
Stonex Group	Financials
API Group	Industrials
Sandstorm Gold	Materials
Iluka Resources	Materials
Crown Holdings	Materials
Shinoken Group	Real Estate
Endor	Information Technology

INDUSTRY EXPOSURE



GEOGRAPHICAL EXPOSURE



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September Monthly Update

The Fund declined slightly in September but we have been very busy indeed. While the top end of the market, particularly large cap and technology is increasingly as expensive as it has ever been, much of the market remains ripe with opportunity and we have actively made significant changes in the portfolio as we have uncovered promising new opportunities.

We often talk in detail in our updates about our underlying positions but we probably don't talk enough about the quality of our portfolio of businesses. The underlying theme is that we seek to buy businesses that are **special and unique**. Special might mean different things to different companies; for some it means a better business model, for others it might be a brand name that cannot be replicated. The business might have the form of a natural monopoly (we own a port that fits this description) or it might have advantages deriving from its sheer scale that competitors struggle to compete with (such as online furniture seller BHG). Such special businesses have moats that prevent competitors from encroaching on their territory that would depress margins and profits.

Such businesses often share the same characteristics: strong organic growth and non-capital intensive (not having to spend a lot of money just to stay in business) with a solid track record of growth and led by excellent management. The key attributes of the investments in the long-biased concentrated portfolio include:

- high returns on invested capital with significant barriers to entry and predictable and reliable cash flow generation.
- easy to understand businesses operating in industries with which we are comfortable.

We have spent a significant amount of time enhancing our understanding of platform technology companies (and companies that are making the most of technology) recently given that the Covid-19 pandemic has increased digital adoption in a range of industries as well as entrenching the competitive position of many incumbent e-commerce companies. This has led us to a range of new investments that are seeing their businesses benefit from the current state of affairs. These include:

- **BHG Group**, one the largest and most successful e-commerce companies in Nordic region which has been growing revenue at +54% with earnings growing at an amazing +119% year on year.
- **Redbubble**, an Australian success story that has developed a global online platform that sells unique products and has recently achieved a significant scale.
- **Nautilus**, a long standing fitness equipment maker that is now in a sweet spot as the cheapest maker of connected stationary exercise bikes.

We took profits on our position in fire safety business **API Group** which increased by around 50% since purchase to concentrate on fresh ideas.

New position

Betterware is a direct-to-consumer homeware company currently growing revenues at 100% rate, is free of debt and yet trades at only 7x our estimate of next year's earnings. In a world of low interest rates, Betterware pays out a dividend yield of close to 10%. Management of the company is excellent with an owner-operator who still owns 88% of the company. Betterware's competitive advantage is largely an attribute of its huge geographic reach in Mexico where the timely distribution of products can be difficult. The company has a 99% on-time delivery record, with all products delivered to customers within two days. Even before the pandemic, Betterware had been growing at a 30% rate with margins increasing in recent years. These growth rates have only accelerated further as the pandemic served to light a fire under the business. We are excited by the fact that the market has not yet priced in the history of success and unique nature of the business and have established a meaningful position.