

STRATEGIC GLOBAL FUND

ARSN 613 886 392 APiR OMF0027AU

MONTHLY UPDATE

September 2022

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
- Aims to Invest Globally in Strong Businesses with Sustainable Competitive Advantages
- Benchmark Unaware
- Relatively Concentrated Portfolio
- Maintains Long-Term Investment Horizon

PERFORMANCE CHART



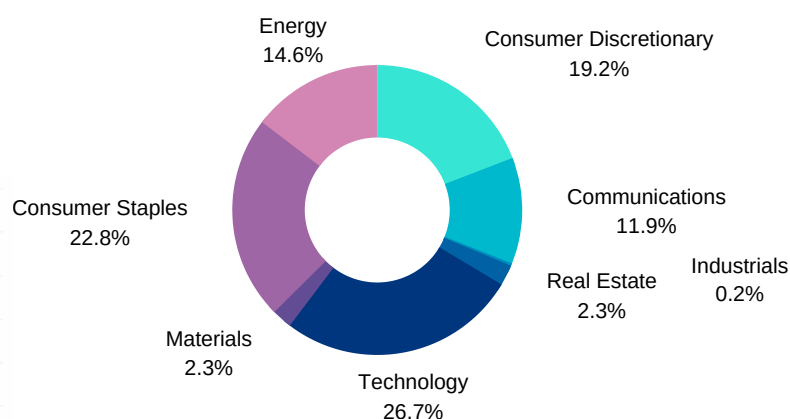
NET PERFORMANCE

1 Month	-3.49%
3 Months	2.88%
6 Months	-21.87%
1 Year	-39.71%

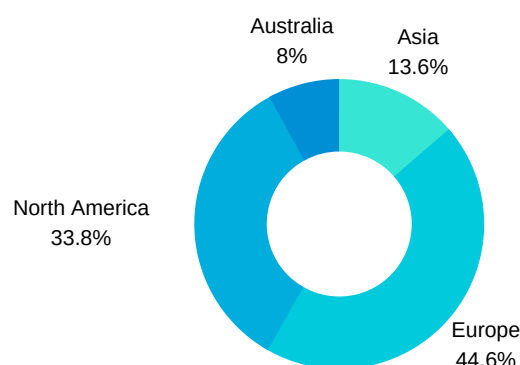
TOP TEN HOLDINGS

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

INDUSTRY EXPOSURE



GEOGRAPHICAL EXPOSURE



WARNING - The information given by Strategic Global Fund is general information only and is not intended to be advice. You should therefore consider whether the information is appropriate to your needs before acting on it, seeking advice from a financial adviser or stockbroker as necessary.

DISCLAIMER - The responsible entity for the Fund is One Managed Investment Funds Limited (ACN 117 400 987) (AFSL 297042) ("OMIFL"). The information contained in this document was not prepared by OMIFL but prepared by other parties. All of the commentary, statements of opinion and recommendations contain only general advice and have not taken into account your personal circumstances. This report contains general financial product advice only. Any investment in the Strategic Global Fund or OMIFL products need to be made in accordance with and after reading the Product Disclosure Statement (PDS) and Additional Information Booklet (AIB) dated 27 June 2019 and the TMD dated 1 October 2021, available at www.sgf.com.au. Investors should consider the PDS and AIB before deciding whether to invest in the Fund or continue to hold units in the Fund. The opinions, advice, recommendations and other information contained in this report, whether express or implied, are published or made by JBS Investments Australia Holdings Limited (JBS) in good faith in relation to the facts known at the time of preparation. Information is current as at 01 November 2022. Past performance is not indicative of future performance. Limitation of liability: Whilst all care has been taken in preparation of this report, to the maximum extent permitted by law, neither JBS or OMIFL will be liable in any way for any loss or damage suffered by you through use or reliance on this information. JBS and OMIFL's liability for negligence, breach of contract or contravention of any law, which cannot be lawfully excluded, is limited, at JBS's option and to the maximum extent permitted by law, to resupplying this information or any part of it to you, or to paying for the resupply of this information or any part of it to you.

Market observations

It remains a very complex investment environment. We played defence this quarter and repositioned the portfolio further into shorter term holdings where we believe the downside is limited relative to the upside and the capital can be recycled into compelling new ideas as market conditions develop.

We think the main point to focus on is that bear markets provide investors with the best opportunity to buy stocks at extraordinary valuations. Our view is that this is what sets the scene for extraordinary performance in the following years. So often, it is buying during miserable market periods that yields the best subsequent returns. Case in point, nearly any purchases made during March-May 2020 looked very good a few years later. This accords with the strategy of famous investor Bill Miller averaged down because in the long run, the *“lowest average cost wins.”*

As you never pick the bottom, the best litmus test is to look to individual company valuations. There is a big divergence across markets and sectors, some companies we would love to own are down by only 20% from elevated starting valuations. Our goal is to buy those stocks that have reached valuations consistent with the bottom price ranges you would expect to see in a severe bear market sell-off but keep powder dry (via our cash and short term special situation positions) to add to those positions if markets come off further.

Cash remains a large holding.

Portfolio news

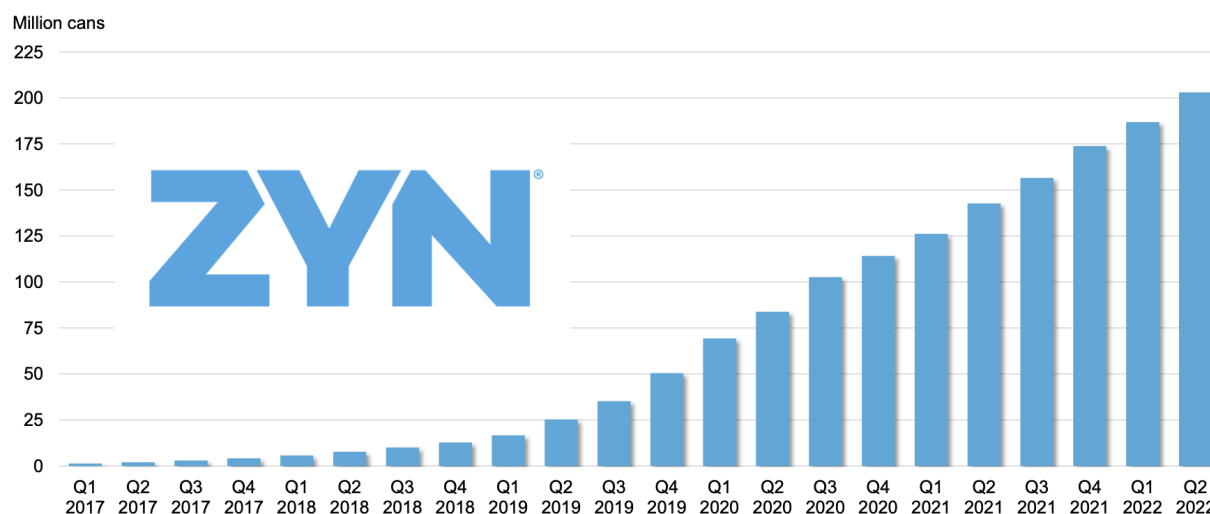
Capricorn Energy (CNE) received an increased takeover offer from NewMed Energy (formerly Delek, an Israeli gas giant) which superseded the previous takeover transaction. Key terms of the new deal are a large special dividend paid out to CNE shareholders of \$620mm, (172p a share) along with 10% of the post-merger company.

We purchased the shares at less than the value of CNE’s cash holding and the revised bid provided the Fund with a good short term gain. This deal is far superior to the Tullow transaction but seems a large step down from the obvious solution of returning all of the Company’s cash to shareholders and selling the remaining assets. Indeed, it is a completely different set of risks to own a mere 10% of the new company, which is more complex and not what we signed up for. Accordingly, we have elected to take our profits on the position and move on.

Overall, we believe this situation is a good example of the type of investments we are focused on in the current market environment - profitable, low risk with a view of providing capital for super bargains should they become available. We aim to take profits when they are there for the taking as well.

We added a position in **Swedish Match** which is subject to a takeover offer from Philip Morris. As its name suggests, Swedish Match was historically a match company but it owns an amazing oral nicotine business under the brand “ZYN”, which provides nicotine to consumers in a way that is dramatically safer than smoking. Note that Swedish Match does not sell cigarettes. As the health dangers of vaping have become more evident and regulators have cracked down, ZYN has experienced remarkable success in the key US market:

ZYN shipment volumes in the US, 12 months rolling



Source: Swedish Match reported shipments.

The bidder for the company, Philip Morris, has announced that it wants half of its earnings to be from non-cigarette products, something it cannot do without owning ZYN.

We expected an increased bid from the initial 106 SEK bid and sure enough we got one. However, it was a small increase to only 116 SEK and seems very unlikely to result in the deal getting done. Certain activist investors own enough to stop the deal happening so we expect the deal will fail and SWMA stays listed. We would welcome a drop in price to add to the stock given the long runway for ZYN and the likelihood that Philip Morris will come back in 5 months with a new increased bid.

One of the best performers was recent addition **Whitehaven Coal (WHC)**, which has been on a tear since we initiated the position at \$8.09. The investment thesis is that WHC became far too cheap relative to the short to mid-term outlook for the coal price. Due to chronic underinvestment in coal mines, a massive spike in coal prices resulted from the Ukraine crisis. As a result, at the time of purchase, WHC was earning around \$450m in free cash flow (FCF) (net of all capex and taxes) **per month** on a market capitalisation of \$7B. At forward prices, we paid around 1x-2x operating cashflow.

We have seen too many mining companies over the years immediately waste windfall gains on additional acquisitions in an empire building exercise when the only sensible capital allocation

policy is to pay dividends or buy back shares. Key to the investment was WHC's willingness to signal such a sensible policy. After all what new project or acquisition will have better financial results than being a share cannibal, buying back your own shares at prices of 1-2x FCF.