Bell Global Emerging Companies Fund

Bell ASSET MANAGEMENT

Fund Summary — Period Ending 31 December 2017

Net Performance^

	Fund	Index*
1 Month	-0.86%	-1.43%
3 Months	7.16%	5.86%
6 Months	6.34%	9.07%
1 Year	11.82%	13.88%
Inception^	9.59%	16.98%

* Index is the MSCI World SMID Cap Index.

^ The Bell Global Emerging Companies Fund was established in November 2012 under a different name and with a different investment strategy. The fund has operated under its current name and strategy since 27 June 2016 (Inception).

Best & Worst Performers - Quarter

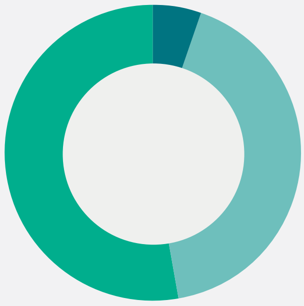
Top 5 - Relative Contribution	
Kroger Co	0.48%
Synchrony Financial	0.36%
Dollar Tree Inc	0.33%
Snap-On Inc	0.30%
Tractor Supply Company	0.30%

Bottom 5 - Relative Contribution	
Henry Schein Inc	-0.45%
Bunzl Plc	-0.40%
Assa Abloy	-0.35%
Check Point Software Tech	-0.32%
Distribuidora Internacional	-0.26%

Sector Exposure

Financials	9.6%
Materials	10.7%
Cash	5.5%
Consumer Staples	10.3%
Industrials	20.0%
Consumer Discretionary	19.0%
Information Technology	12.2%
Health Care	12.7%

Geographic Exposure



Cash	5.5%
Europe	41.7%
North America	52.7%

Top 10 Holdings

Company	Sector	Geography	Weight
Dun & Bradstreet Corp	Industrials	US	3.6%
Publicis Groupe	Consumer Discretionary	FR	3.2%
Bunzl Plc	Industrials	UK	3.0%
Amerisourcebergen Corp	Health Care	US	2.8%
Sealed Air Corp	Materials	US	2.7%
Snap-On Inc	Industrials	US	2.7%
CGI Group Inc	Information Technology	CA	2.7%
Advance Auto Parts Inc	Consumer Discretionary	US	2.7%
Henry Schein Inc	Health Care	US	2.6%
Omnicom Group	Consumer Discretionary	US	2.5%

Investment Metrics

	Portfolio	Index	Relative
Risk			
Total Risk	11.7	10.9	
Number of Stocks	43	5118	
Active Share	95.7		
Value			
P/E	17.8	18.7	95%
PEG Ratio	2.0	1.3	154%
EV/EBITDA	11.3	11.7	97%
Growth			
Sales Growth	5.7	6.8	84%
EPS Growth	10.0	10.7	93%
Quality			
Return on Equity	21.8	7.3	299%
Net Debt / Equity	1.4	2.2	64%

Bell Global Emerging Companies Fund

Commentary – Period Ending 31 December 2017

Ned Bell CIO / Portfolio Manager

Adrian Martuccio Portfolio Manager

Performance

The Bell Global Emerging Companies Fund had a strong December quarter appreciating by 7.16%, outpacing gains in the MSCI World SMID Cap Index of 5.86%.

Market Activity

The market has become increasingly confident with the current global economic environment and all regions and all sectors had positive returns over the last three months, bringing to an end what has been a very strong year for equity markets.

In the U.S., a solid economy and the passing of tax reform has continued to push that market to new highs. The potential for a transitional Brexit agreement was a positive relief to the UK market and in Japan, the market rallied due to improving global trade and strong corporate profit growth. The rally in some of the continental European markets was not as strong, mainly due to political issues, with the Catalonian referendum a drag on the Spanish market, a political stalemate and lack of a coalition resulting in softer performance in Germany and investors looking ahead to next years' Italian elections creating a headwind to that market.

The stronger economic environment has underpinned recent interest rates increases, although we are cognisant of the negative effect this might have on highly valued companies and also on sectors that are often seen as bond proxies, hence the weakness in the Utilities sector in December.

Performance Attribution

The majority of our positive performance attribution for the quarter can be attributed to good stock selection, with most value added in Financials, Materials, Consumer Staples and Consumer Discretionary. From a country perspective the bulk of our outperformance came from stocks in the U.S.

Although we are underweight the Financial sector, mainly because our investment process steers us away from investing in banks, we have still benefited from excellent stock selection with the consumer lender Synchrony Financial rallying 25% in the quarter, plus strong performance from investment solutions provider SEI Investments and index provider MSCI.

In the Materials sector, we generally avoid the cyclical areas such as resources and basic chemicals and focus on companies with strong franchises and more stable earnings. Stocks that performed well in the quarter were Ingredion, who provide sweeteners and starches to the food and beverage industries and Sealed Air, which provides packaging products including bubble wrap that gets used across many industries including shipments you might receive from Amazon.

The Consumer sectors were also strong in the December quarter, especially the rebound of many companies in the retail space which had been weaker in the first half of 2017. The best performer in the Fund in the period was U.S. supermarket operator Kroger, which rallied 38%. In addition, discount variety stores Dollar Tree and Dollar General both appreciated strongly, plus Tractor Supply, which has a network of stores providing farm equipment and supplies to rural America was also a solid performer.

In terms of negative drivers, Industrials was a drag with consumer product distributor Bunzl and lock maker Assa Abloy both weaker in the period. Health Care company Henry Schein which supplies dentists with equipment and consumables was the weakest performer during the quarter, however we have strong conviction in our theses on all three of these names and have recently added to them.

Research Focus

During the last few months we have undertaken extensive research trips through the U.S., Europe and the U.K. and in early 2018 we will be meeting companies in China, Hong Kong, Japan and Germany. Our exposure to Asia has been very low for some time but we have an extensive watchlist of companies that we are keen to speak to again. The higher valuation of 'quality' stocks in the region, has resulted in us finding better value in North America and Europe.

Trade Activity

The strong market over the quarter meant that we found many opportunities to trim companies that were getting expensive or that had strong rallies in a short period of time. This included reducing our exposure to the Materials sector and also trimming various names in the Consumer Discretionary sector that had

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performed very strongly. We exited some positions in the quarter, including MSCI as we believed upside was limited and there was growing valuation risk.

We opportunistically redeployed this capital into companies that were better value and where we thought earnings visibility was better, these included adding to Ingenico and Henry Schein and initiating a position in Service Corp International. We also increased our weight to the Industrials sector, buying new positions in defence companies BAE Systems and Thales, plus cash management company Loomis.

Service Corp International (SCI) is the leading provider of death-care products and services in North America. They own and operate approximately 1,500 funeral homes and 470 cemeteries (60% of which are combination locations). We discovered SCI during one of our recent research trips to the US and we were immediately attracted to their unmatched market position, the increasing trend towards preneed sales, demographic tailwinds and barriers to entry in the cemetery business.

Service Corp have 16% share of the highly fragmented $19bn North American death-care industry with the next two biggest players having approximately 1.5% each. 80% of the market is operated by small independents that lack scale and financial capacity to cater to the preneed market. Service Corp leverages their scale to consolidate the market and aim to add 1-2% growth per year from M&A, on average they pay a post-synergy multiple of 5-7x and generate a 12-22% IRR on acquisitions.

A preneed sale consists of selling funeral and cemetery products and services prior to a death occurring. Preneed sales grow future market share and diversify revenue stream in a low inflation environment. Service Corp has a $10bn backlog of preneed sales. The average age of a preneed cemetery customer (buying cemetery plot) is early 60s, the average age of a preneed funeral (purchasing funeral ceremony before need) customer is early 70s. The baby boomer generation is therefore now starting to enter the preneed funnel which should be a good tailwind for Service Corp.

We have already seen a significant lift in preneed cemetery sales from the baby boomers which will continue and then flow into preneed funeral sales in the years to come. Service Corp own much larger cemeteries compared to the industry average. Given the zoning restrictions and capital requirements there are high barriers to entry in the cemetery business and in turn there a very few new builds occurring. The average cemetery property sells for $3,800 and carries a 65% incremental margin and Service Corp have 40 years of capacity within their existing footprint.

We view Service Corp as a quality compounder delivering annual EPS growth of 8-12% with potential acceleration as the demographic trends play out.

Portfolio Positioning and Outlook

We remain constructive on the outlook for equities. Our upbeat expectations are supported by various Global economic indicators and consumer data that we observe, which broadly, are very constructive. Most importantly, this positivity is reinforced by commentary from management teams that we continuously meet with during our extensive research trips.

Throughout the latter half of 2017 we have become increasingly diligent on valuation and we continue to trim or sell highly valued stocks and rotate that liquidity into businesses with a more stable earnings trajectory and strong niche franchises, which still provide opportunity for upside. This is reflected in the characteristics of our portfolio where we focus on high profitability, low levels of gearing, a robust level of growth and an overall P/E valuation of the portfolio at a slight discount to the benchmark.

Key Features

Investment Objectives	Outperform the index over rolling three year periods
Asset Allocation	Long only global small and mid cap equities, No gearing, No derivatives
Investment Style	Fundamental bottom up approach "Quality at a reasonable price"
Investment Highlights	• A diversified portfolio of small and mid cap (SMID) global stocks • 'Quality' focus - consistently high returning companies • Long-term horizon - typically 3-5 year holding periods • Benchmark agnostic • Diversified portfolio structure • Maximum cash position 10% • Highly experienced investment team
Benchmark	MSCI World SMID Cap Index
Currency Exposure	Unhedged
Investment Timeframe	At least 5 years
Number of Holdings	35 - 55

Fund Terms

Fund Inception Date	November 2012
Strategy Inception Date	June 2016
Product Structure	Registered Managed Investment Scheme
Investment Manager	Bell Asset Management
Responsible Entity	Bell Asset Management
Custodian	National Australia Bank
mFund Code	BLM01
Unit Pricing & Liquidity	Daily Published on www.bellasset.com.au & market data services Applications using application form attached to the PDS Redemptions typically paid out within 10 days
Minimum Investment	Minimum investment - $10k Minimum transaction - $5k
Indirect Cost Ratio	1.39% p.a No performance fees, No entry or exit fees
Buy / Sell Spread	+/-0.17%
Reporting	Transaction confirmations upon transacting, annual periodic statement, tax statement, distribution statement and Annual Financial Report
Income	Annual distribution of taxable income

Contact Details

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