Bell Global Emerging Companies Fund

Fund Summary — Period Ending 30 June 2017

Net Performance^

	Fund	Index*	Relative
1 Month	-3.77%	-1.90%	-1.87%
3 Months	3.98%	3.86%	0.12%
6 Months	5.16%	4.41%	0.75%
Inception^	7.93%	16.07%	-8.14%

* Index is the MSCI World SMID Cap Index.

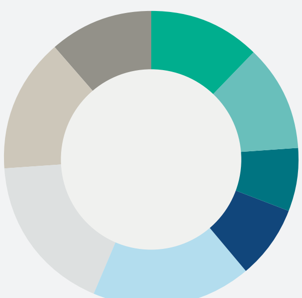
^ The Bell Global Emerging Companies Fund was established in November 2012 under a different name and with a different investment strategy. The fund has operated under its current name and strategy since 27 June 2016 (Inception).

Best & Worst Performers: Quarter

Top 5 – Relative Contribution	
Ambu A/S	0.62%
Euronext NV	0.42%
Icon Plc	0.37%
Partners Group Holding	0.31%
Amadeus IT Group	0.29%

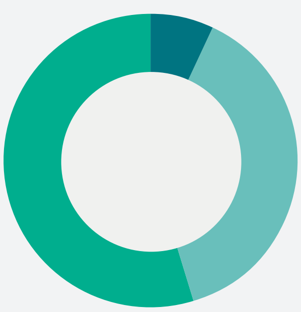
Bottom 5 – Relative Contribution	
Advance Auto Parts Inc	-0.70%
Tractor Supply Company	-0.69%
O'Reilly Automotive Inc	-0.40%
Dollar Tree Inc	-0.35%
ITV Plc	-0.32%

Sector Exposure



Financials	12.4%
Materials	11.7%
Cash	7.0%
Consumer Staples	7.8%
Industrials	17.5%
Consumer Discretionary	17.6%
Information Technology	14.7%
Health Care	11.3%

Geographic Exposure



Cash	7.0%
Europe	38.5%
North America	54.5%

Top 10 Holdings

Company	Sector	Geography	Weight
Publicis Groupe	Consumer Discretionary	FR	3.1%
Dun & Bradstreet Corp	Industrials	US	3.1%
Huhtamaki OYJ	Materials	FI	2.7%
SEI Investments Company	Financials	US	2.7%
Dollar General Corp	Consumer Discretionary	US	2.7%
Bunzl Plc	Industrials	UK	2.6%
Advance Auto Parts Inc	Consumer Discretionary	US	2.6%
Dollar Tree Inc	Consumer Discretionary	US	2.5%
Adecco Group AG	Industrials	CH	2.4%
Intl Flavors & Fragrances	Materials	US	2.4%

Investment Metrics

	Portfolio	Index	Relative
Risk			
Total Risk	12.0	11.2	
Number of Stocks	44	5,139	
Active Share	94.6		
Value			
P/E	17.9	18.1	99%
FCF Yield	5.5	3.9	141%
EV/EBITDA	11.2	11.2	100%
Growth			
Sales Growth	6.0%	7.5%	80%
EPS Growth	11.0%	15.4%	71%
Quality			
Return on Equity	23.1	7.8	296%
Net Debt / Equity	1.3	2.2	59%

Bell Global Emerging Companies Fund

Commentary — Period Ending 30 June 2017

Bell
ASSET MANAGEMENT

Ned Bell CIO / Portfolio Manager

Adrian Martuccio Portfolio Manager

Fund Overview

Asset Allocation	Long Only Global Small and Mid Cap Equities
Strategy Inception Date	27 June 2016
Fund Size	$27.4mn
Entry Unit Price	1.0504
Index	MSCI World SMID Cap Index

Performance

The Bell Global Emerging Companies Fund appreciated by 3.98% in Q2, slightly outpacing the gains in the MSCI World SMID Cap Index of 3.86%. Strong outperformance in April and May was partially offset by underperformance in June.

Market Activity

Needless to say that global equities have had yet another strong quarter as markets around the world continue to make new highs. As investors, while we are very happy about delivering strong returns for our investors - the more the bull market rolls on, the more cautious we become.

While we remain constructive about underlying economic conditions around the world, we have increasingly taken the view that equity markets are currently pricing in an overly optimistic view of the world. From an economic perspective, the UK continues to soften while the economic benefits that were promised by President Trump last year seem unlikely to materialise in the near term as the administration struggles to implement its agenda.

It has also become hard to ignore the ongoing shift in the approach of asset owners to the way they manage equities. While the transition from active to passive management of equities has been building for some time, the culmination is looking more and more like a momentum driven rally in an increasingly narrow group of companies. While the motivation for such a shift is understandable, the commensurate unintended risks that come with passive management appear to be unappreciated.

As far as this phenomenon relates to us as investment managers, we are increasingly finding that some of our long held positions have an increasing degree of passive ownership - the result being that disconnects are appearing between valuations and fundamentals.

Performance Attribution

When we take a closer look at our performance attribution for the quarter, we would make a few points:

- We added value in most sectors, with Health Care, Financials, IT & Materials being particularly strong. Our exposure to Consumer Discretionary and Industrials detracted from our relative performance.
- At a regional level, we added value in our European holdings, but lagged in North America and we were moderately hurt by having a lack of exposure to Asia Pacific.
- Our bias to 'quality' had a negligible impact on our relative returns during the quarter, as quality kept up with the broader market but it was 'growth' that led the market higher.
- Our better performers were: Ambu, Euronext, ICON, Partners Group and Amadeus.
- Our laggards were: Advance Auto Parts, Tractor Supply, O'Reilly Automotive, Dollar Tree and ITV.

Stock selection within both Health Care and Financials was very good during the quarter with names such as Ambu, Euronext, ICON and Partners Group all rallying more than 10% in local currency terms. The overhang on Health Care from late 2016 / early 2017 has eased somewhat as investors have become less nervous about Trump's ability to achieve major healthcare reform, with the current proposal to repeal and replace the Affordable Care Act still facing an uphill battle to pass the Senate. Scrutiny on pharmaceutical pricing has also eased from the previously elevated levels.

In terms of negative drivers during the quarter, Consumer Discretionary was the biggest source of weakness. Our poorer performers were concentrated in the U.S. retail sector, where Amazon's recently announced acquisition of Whole Foods has sent shockwaves through the market. While we fully acknowledge that Amazon is a formidable competitor and disruptor in the broader retail space, we also believe their acquisition of Whole Foods highlights the importance of a bricks and mortar presence.

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Our in-depth analysis of the retail landscape has highlighted that certain sub-sectors of the market, such as auto part retailing and home improvement, are more insulated from the threat posed by Amazon and other online players. As a result, the indiscriminate sell off across the retail sector is presenting opportunities to add to positions in quality companies trading at attractive valuations.

Research Focus

"Our recent research focus has been centered on a recent research trip to the U.S. & UK undertaken by three members of the investment team"

Our recent research focus has been centered on a recent research trip to the U.S. & UK undertaken by three members of the investment team - Ned Bell, Joel Connell and Nicole Mardell. Between us we met with 170 companies across a range of different industries, with more than 80% of these names in the SMID cap space. While we met with a number of companies that we currently own or have owned in the past, the bulk of our meetings were with companies that we had identified as being potential investment targets in the future.

Our key takeaways from the trip were:

- **Opportunities in Small & Mid Cap companies:** after meeting with companies across a broad spectrum of market caps, we came away with a shortlist of far more attractive opportunities in the SMID cap space where there is a lot of high quality companies with attractive sales and earnings growth profiles.
- **Stretched valuations:** unfortunately, many of the companies which we have identified as being top priorities on the basis of fundamental strength, are also trading on relatively punchy valuations. Given our investment style as being Quality at a Reasonable Price, we are prepared to be patient and wait for attractive buying opportunities.
- **Risk of technology disruption:** while disruption being caused by the likes of Amazon grabs most of the headlines, it is clear that companies across all sectors, whether it be healthcare, logistics or financials, are being impacted by the evolving technology landscape. This is presenting both risks and opportunities for the companies we invest in. A key part of our engagement with management is to ensure that each company has implemented an appropriate strategy to not only protect against disruptive forces, but more importantly, to position the company to adapt and be successful over the long term.
- **Disconnect between Conditions & Expectations:** one message that came through loud and clear was that U.S. corporate leaders have become increasingly cautious about the likelihood of the Trump agenda becoming legislation any time soon. The recent performance of the U.S. equity market is seemingly pricing in a more robust economic environment than what may realistically unfold in the coming months.

A couple of stock specific names to highlight from the trip include:

- **Ambu** is a small cap global medical products company listed in Denmark. Our meeting with Ambu's CEO, Lars Marcher, in New York reinforced the very positive outlook for the company. We first met with Ambu on our travels through Denmark in September 2016 and subsequent to that meeting we initiated a position in December 2016 (stock is up 40%+ from our entry price). We expect the company to generate very strong earnings growth for the next few years, as the company benefits from exceptionally strong growth in one of its key products called the aScope. This is a single use fibre-optic endoscope that has major benefits over existing re-usable scopes from the perspective of lowering the risk of contamination/infection while also helping to lower overall costs for hospitals.
- **Broadridge Financial Solutions** provides a range of technology based outsourcing solutions to the financial services industry. All of the top 10 global banks are clients and the company has a 98% client revenue retention rate given their proven ability to lower costs and improve efficiencies for clients. The pipeline of new business remains strong and should help the company to continue delivering earnings growth in the 8-12% range moving forward. Four of our team members have met with the company over the past couple of years and we all agree this is an impressive company. We continue to build out our investment thesis and monitor the name for an attractive entry point.

“Our current portfolio positioning remains consistent with our underlying investment philosophy of owning a much higher quality portfolio than the index without a meaningful valuation premium.”

Trade Activity

Our trade activity during the month of June has consisted of a series of adds & trims to existing positions, as well as a handful of wholesale changes. In terms of sales, we decided to exit our positions in ITV and Howden Joinery as we believe the UK business drivers will soften through the rest of the year and we felt the capital would be best invested elsewhere. We also exited our position in Foot Locker at the end of April at approx. $76 due to deteriorating visibility into the company’s ability to retain sales as shopping mall traffic continues to decline and key vendors such as Nike and Adidas increase their direct to consumer efforts. Following our sale, the stock had subsequently fallen to $49 by the end of the quarter.

On the purchase side of the equation, we initiated new positions in WD-40, Synchrony Financial, O’Reilly Automotive and CGI Group. WD-40 is a company we have followed for a long period of time and our recent meeting with the management team in San Diego was the catalyst to initiate a position. They are a great example of a niche company that has been able to deliver very consistently for shareholders for a number of years.

When we take a close look at our portfolio activity over the quarter as a whole, the common theme has been profit-taking in our better performers and rotating into laggards - with a view to managing valuation risk at a portfolio level. The net result being very minor sector changes and a modest geographical tilt from Europe back to the U.S.

Portfolio Positioning & Outlook

Our current portfolio positioning remains consistent with our underlying investment philosophy of owning a much higher quality portfolio than the index without a meaningful valuation premium. In the context of what has been a very strong period for equity markets globally, we have made a series of underlying adjustments to the portfolio which we think better positions the portfolio in the event that volatility picks-up in the second half of 2017.

At a granular level, this means that we have diligently been taking profits in winners and incrementally reducing our exposure to some growth stocks where valuations have risen to potentially unsustainable levels. We have been reinvesting in some really interesting Small & Mid cap companies that we believe have a compelling blend of quality & value.

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
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	1.96% p.a No performance fees, No entry or exit fees
Buy / Sell Spread	+/-0.20%
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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