Bell Global Emerging Companies Fund^

Bell ASSET MANAGEMENT

Fund Summary — Period Ending 30 September 2016

Net Performance

	Fund	Index*	Excess
1 Month	-3.7%	-0.6%	-3.1%
3 Months	-2.1%	3.7%	-5.8%
Inception^	-2.1%	3.7%	-5.8%

* Index is the MSCI World SMID Cap Index

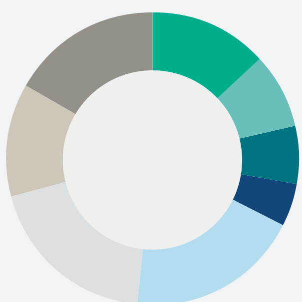
^ The Bell Global Emerging Companies Fund was established in November 2012 under a different name and with a different investment strategy. The fund has operated under its current name and strategy since 27 June 2016.

Best & Worst Performers

Top 5 - Relative Contribution	
Partner Group Holdings	0.16%
Amadeus IT Group	0.14%
Croda International Plc	0.07%
Alliance Data Systems Corp	0.05%
Copart Inc	0.03%

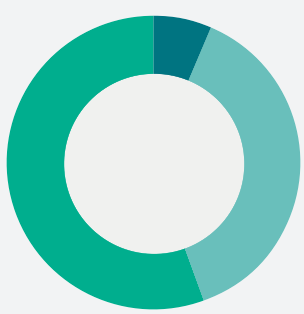
Bottom 5 - Relative Contribution	
Tractor Supply Company	-0.72%
Britvic Plc	-0.27%
Amerisourcebergen Corp	-0.24%
Howden Joinery Group	-0.23%
ITV Plc	-0.21%

Sector Exposure



Financials	13.2%
Materials	8.2%
Cash	6.5%
Consumer Staples	4.7%
Industrials	19.2%
Consumer Discretionary	19.3%
Information Technology	12.3%
Health Care	16.6%

Geographic Exposure



Cash	6.5%
Europe	38.2%
North America	55.3%

Top 10 Holdings

Company	Sector	Geography	Weight
Alliance Data Systems Corp	Information Technology	US	3.0%
Publicis Groupe	Consumer Discretionary	FR	3.0%
Croda International	Materials	UK	2.9%
Coloplast	Health Care	DK	2.9%
Parexel International Corp	Health Care	US	2.9%
Tractor Supply Company	Consumer Discretionary	US	2.8%
Deutsche Boerse AG	Financials	DE	2.8%
Novozymes A/S	Materials	DK	2.7%
Britvic Plc	Consumer Staples	UK	2.7%
Amadeus IT Group	Information Technology	ES	2.7%

Investment Metrics

	Portfolio	Index	Relative
Risk			
Total Risk	12.35	11.27	
Beta	1.02	1	
Number of Stocks	40	5,107	
Active Share	94.69		
Value			
P/E Next	17.2	22.4	77%
PEG Ratio	1.9	3.4	56%
EV/EBITDA	11.5	10.4	111%
Growth			
Sales Growth - 1 yr	6.10%	5.40%	113%
EPS Growth - 1 yr	4.00%	4.20%	95%
Quality			
Return on Equity	28.1	11	255%
Net Debt / Equity	59.9	60.3	99%

Bell Global Emerging Companies Fund

Bell ASSET MANAGEMENT

Commentary — Period Ending 30 September 2016

Ned Bell CIO / Portfolio Manager

Adrian Martuccio Portfolio Manager

Fund Overview

Asset Allocation
Long Only Global Small and Mid Cap Equities

Fund Inception Date
November 2012

Strategy Inception Date
27 June 2016

Fund Size
$29.0mn

Entry Unit Price
$0.9526

Index
MSCI World SMID Cap Index

Performance

The month of September was a difficult one as the fund delivered a negative return of 3.7%, which was below the index return of -0.6%. Global equity markets were mixed in September, posting modest positive gains in USD terms but a decline of 1.32% in AUD terms due to strength in the Australian dollar. Markets were led higher by some of the less profitable, more cyclical sectors like Energy & Basic Materials, while Financials and Consumer Discretionary stocks lagged the broader indices. As we look at our portfolio in particular, we would call out the following factors that detracted from our relative performance during the month:

- Our lack of exposure to Asia worked against us as the Asian Small and Middle Capitalization (SMID cap) basket outperformed the broader benchmark.
- Our high quality bias also worked against us as the market leaders were what we would call the 'junk' stocks, or those with low levels of profitability.
- Our overall 'batting average' – i.e. number of holdings that outperformed was relatively poor.
- Our laggards were: Tractor Supply, Britvic, Amerisourcebergen, Howden Joinery & ITV, which were weak but we remain positive on the names and are compelled to add at lower levels.

Research Highlights

Our research agenda has been a little more focused on Europe of late, as three members of the investment team embarked on a very comprehensive research trip in September. Between the three of us, we met with more than 75 companies across multiple geographies and sectors – the majority of which we would consider for the fund. While the primary objective of the trip was to test & re-test investment theses on a wide range of companies, we did have a couple of key takeaways :

a) **Brexit impact:** from an economic perspective, most of the UK companies we met with stated they had seen very little economic softness post the Brexit vote.

b) **Economic fragility:** while the collective economic picture across Europe seems OK, it is by no means robust.

c) **Strong Ownership:** one of the really interesting observations from the many meetings we had related to the importance of ownership structure. Many of the Danish & German companies in particular have large family and/or charitable trust owners. The relevance being that these majority shareholders have demonstrated a history of encouraging management teams to invest in their businesses while simultaneously protecting them from activist shareholders who tend to discourage investment and demand that capital be returned to shareholders. As long term investors with a strong emphasis on sustainable franchise strength and growth – this type of structure is particularly comforting.
It is also in stark contrast to the more recent concerning trend in the U.S. whereby activist investors are encouraging capital returns & effectively discouraging long term investments by companies.

d) **Weak French Economy:** one message which came across from many French companies in particular was how weak the economy has been post the recent terrorist attacks. The airlines and luxury companies in particular highlighted a material drop off in U.S. & Asian tourists.

e) **European banks:** while we have no exposure at all to banks anywhere, we remain interested onlookers. Our overall takeaway is essentially that the European banks face ongoing pressures which will drive returns lower in time. None of the major European banks pass our profitability hurdles and we don't see this changing anytime soon.

The most important outcome from the research trip was that we came away with some great individual stock ideas for our client portfolios. Some are in our portfolios already, some we need to be patient with from a valuation perspective and some need a little more work.

The companies of particular interest were: Ambu, Brembo, Christian Hansen, DIA, Hexpol, Howden Joinery, Huhtamaki, Moncler, Norma, Rightmove, Symrise & Thales.

Portfolio Positioning

We would make the point that our portfolio does look very different to the broader index, hence having some relative performance volatility on a month to month basis isn't totally surprising. The main differentials relate back to our very strong quality bias – for example, the ROE of our portfolio is 32.4% which compares with the index ROE of 10.8%.

At a regional level, a little over half the portfolio is invested in North America, 43% in Europe and the balance in cash. Our biggest deviation from the benchmark is in the form of our 17% underweight in Asian stocks where we struggle to find decent companies that pass our quality test.

As a sector level, the bulk of our portfolio is invested in the Consumer Discretionary, Industrial, Health Care, Financials & IT sectors. Our biggest sector deviation from the index comes in the form of our underweight positions in Real Estate, Energy & Utilities where we have no exposure.

Our recent portfolio changes have seen us increasing our cash position as we have sold / trimmed positions in the likes of Copart, Williams Sonoma, ITV, ProSieben and Verisk. We have also recently introduced a new position to the portfolio – DIA, which is a specialty Spanish food retailer that we have followed for some time.

While the recent month was disappointing from a performance perspective, we feel it's essentially an anomaly and we remain confident that our focus on high quality companies will be rewarded with solid results over the longer term.

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 2015
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	1.94% 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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