

# Bell Global Equities Fund

Wholesale Class Fund Summary – Period Ending 31 December 2017

## Net Performance<sup>^</sup>

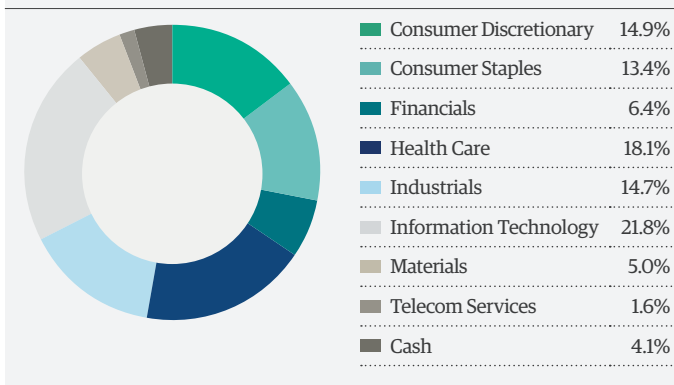
	Fund	Index*
<b>1 Month</b>	-1.57%	-1.71%
<b>3 Months</b>	6.33%	5.81%
<b>6 Months</b>	6.24%	8.47%
<b>1 Year</b>	12.79%	13.37%
<b>3 Years (pa)</b>	8.88%	11.00%
<b>5 Years (pa)</b>	17.12%	18.42%
<b>Inception (pa)<sup>^</sup></b>	5.20%	6.21%
<b>Global Equities (Net) Strategy Inception - Total Return<sup>^^</sup></b>	181.3%	155.4%

\* Index is the MSCI World ex Australia in \$A Unhedged with net dividends reinvested.

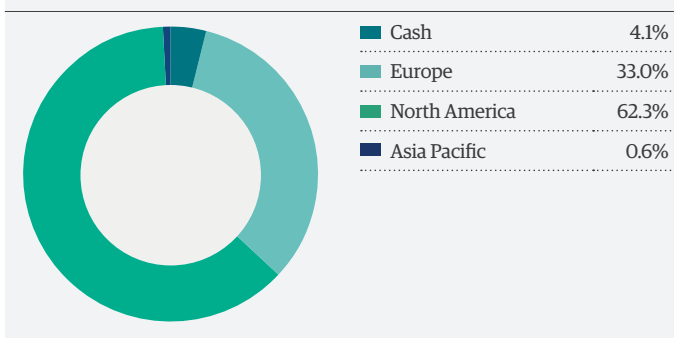
<sup>^</sup> Inception date of the Fund is 3 December 2007. Returns are based on the Wholesale redemption price and are net of fees.

<sup>^^</sup> The Bell Global Equities Fund has been operating since December 2007. To give a longer term view of our performance in the asset class, we have shown longer term returns for a representative global equities strategy managed by Bell Asset Management with an inception date of 1 Jan 2003. We have adjusted the returns to reflect fees representative of the Bell Global Equities Fund - Wholesale Class units.

## Sector Exposure



## Geographic Exposure



## Top 10 Holdings

Company	Sector	Geography	Weight
Alphabet Inc	Information Technology	US	2.7%
Apple Inc	Information Technology	US	1.8%
Johnson & Johnson	Health Care	US	1.8%
Roche Holding AG	Health Care	CH	1.6%
Verizon Comms Inc	Telecom Services	US	1.6%
Oracle Corp	Information Technology	US	1.5%
BAE Systems Plc	Industrials	UK	1.3%
Omnicom Group	Consumer Discretionary	US	1.3%
Bayer AG	HealthCare	DE	1.2%
Siemens AG	Industrials	DE	1.2%

## Best & Worst Performers - Month

Top 5 – Relative Contribution		Bottom 5 – Relative Contribution	
Lowe's Cos	0.06%	Huhtamaki OYJ	-0.10%
Rightmove Plc	0.04%	Dun & Bradstreet Corp	-0.10%
AmerisourceBergen Corp	0.04%	Oracle Corp	-0.09%
Tractor Supply Company	0.04%	Airbus SE	-0.08%
Distribuidora Internacional	0.02%	Henkel AG & Co	-0.07%

## Investment Metrics

	Portfolio	Index	Relative
<b>Risk</b>			
Total Risk	11.3	11.0	
Number of Stocks	100	1,567	
Active Share	78.8		
<b>Value</b>			
P/E	17.8	17	105%
PEG Ratio	2	1.9	105%
EV/EBITDA	11.4	10.1	113%
<b>Growth</b>			
Sales Growth	5.9%	5.6%	105%
EPS Growth	10.4%	12.3%	85%
<b>Quality</b>			
Return on Equity	24.9	11.4	218%
Net Debt / EBITDA	0.8	1.5	53%

# Bell Global Equities Fund

Commentary – Period Ending 31 December 2017



**Ned Bell** CIO / Portfolio Manager



**Adrian Martuccio** Portfolio Manager

## Fund Overview

<b>Asset Allocation</b>	Long Only Global Equities
<b>Inception Date</b>	3 December 2007
<b>Fund Size</b>	\$35.8mn
<b>Entry Unit Price</b>	1.3240
<b>Index</b>	MSCI World (ex Aus) Index

## Performance

The Bell Global Equities Fund had a softer month in December falling 1.57% versus the benchmark MSCI World ex Australia Index in AUD which fell 1.71%. 2017 has been a strong year for global equities with the Fund appreciating 12.79% versus the benchmark return of 13.37%.

## Market Activity

In local dollar terms, Global equities were generally stronger in December. However a rebound in the Australian dollar reduced the returns of international equities markets in AUD.

Tax reform and a solid economy continued to push the U.S. market to new highs, the potential for a transitional Brexit agreement was a positive relief to the UK market and improving global trade and strong corporate profit growth rallied the Japanese market. Some of the continental European markets were weaker, mainly due to political issues, with the Catalan 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.

In AUD terms, the only sectors with positive returns were Materials and Energy. Following on from last month, what was most notable was the continued recovery in many Consumer Staples & Consumer Discretionary stocks, which had lagged in prior months.

## Performance Attribution

The majority of our positive performance attribution for the month can be attributed to stock selection with most value added in Health Care, Consumer Discretionary and Technology. From a country perspective the two main positives were good stock selection in the U.S. and our underweight to Japan where the Yen weakened against the AUD.

At a stock specific level, our better performers for the month were Lowes, Rightmove, AmerisourceBergen and Tractor Supply, all of which have had good rallies in the last few months. Our laggards were Dun & Bradstreet, Huhtamaki, Oracle and Airbus.

## Research Focus

During the last few months we have undertaken extensive research trips through the U.S., Europe and the U.K. For the next few months we will be visiting companies through China, Hong Kong, Japan and also Germany. Our exposure to Asia has been very low for some time. The higher valuation of 'quality' stocks in the region, has resulted in us finding better value in North America and Europe. However, we have an extensive watchlist of companies we are keen to speak to again, as well as looking for potential new names to add to the investible list.

## Trade Activity

During December we added two new names which are very different businesses, but both have a common attribute - earnings stability. Diageo, a leading alcoholic beverage company and rail operator, Canadian National Railway.

“We remain constructive on the outlook for equities which is reflected in the characteristics of our portfolio where we focus on high profitability, a conservative level of growth while maintaining the overall P/E of the portfolio similar to the benchmark.”

Canadian National Railway operates over 30,000 kilometres of Class 1 rail across Canada and mid-America, servicing a diverse range of business sectors from industrial and manufactured merchandise to consumer goods to the agriculture, resources and oil & gas industries. CNR has a solid multi-year growth trajectory for revenues and earnings.

From a macro perspective, the strong North American economy underpins the business with the potential for a positive surprise from strengthening industrial output and continued growth in intermodal volumes. CNR is a superior operator with excellent yields and an industry leading operating ratio which we believe is sustainable considering its business mix, continued efficiency gains as it removes network bottlenecks and as rail takes share of total transport which improves pricing thanks to a shortage of trucking capacity. Our expectations for earnings growth are supported by these fundamentals and we think the shares represent good value at these levels.

Finally, in terms of sales, we exited Distribuidora Internacional, the Iberian and South American supermarket operator. Although its valuation is low, quality has deteriorated as management have struggled to grow the business and the company now faces a more difficult outlook.

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## Portfolio Positioning & Outlook

Throughout the latter half of 2017 we have increasingly spoken about being diligent on valuation. This month is very representative of that as we continue to trim or sell highly valued stocks and rotate that liquidity into businesses with a stable earnings trajectory, which still provide opportunity for upside.

We remain constructive on the outlook for equities which is reflected in the characteristics of our portfolio where we focus on high profitability, a conservative level of growth while maintaining the overall P/E of the portfolio similar to the benchmark.

Our upbeat expectations are supported by the 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.

However, we are cognisant of pockets of crowding and high valuations which we believe is most prominent in the U.S. We expect that will result in us continuing to take profit from this market and adding to our exposures throughout Europe and potentially in Asia. We also continue to find good investment opportunities in the small and mid-cap space, where we regularly find bigger disconnects between quality and value.

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## Key Features

<b>Investment Objectives</b>	Outperform the index* over rolling three year periods <i>*Index is MSCI ex Australia</i>
<b>Asset Allocation</b>	Long only global equities, no gearing, no derivatives
<b>Investment Style</b>	Fundamental bottom up approach 'quality at a reasonable price'
<b>Investment Highlights</b>	<ul style="list-style-type: none"><li>• Global equity portfolio</li><li>• 'Quality' focus - consistently high returning companies</li><li>• Long-term horizon - typically 3-5 year holding periods</li><li>• Benchmark agnostic</li><li>• Diversified portfolio structure</li><li>• Maximum cash position 5%</li><li>• Fund inception 2007 (strategy inception 2003)</li><li>• Highly experienced investment team</li></ul>
<b>Benchmark</b>	MSCI World (ex Australia) Index
<b>Currency Exposure</b>	Unhedged
<b>Investment Timeframe</b>	At least 5 years
<b>Number of Holdings</b>	90-110

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## Fund Terms

<b>Fund Inception Date</b>	December 2007
<b>Product Structure</b>	Wholesale Registered Managed Investment Scheme
<b>Investment Manager</b>	Bell Asset Management
<b>Responsible Entity</b>	Bell Asset Management
<b>Custodian</b>	National Australia Bank
<b>Unit Pricing &amp; Liquidity</b>	Daily Published on <a href="http://www.bellasset.com.au">www.bellasset.com.au</a> & market data services Applications using application form attached to the PDS Redemptions typically paid out within 10 days
<b>Indirect Cost Ratio</b>	1.46% p.a
<b>Buy / Sell Spread</b>	+/-0.21%
<b>Reporting</b>	Transaction confirmations upon transacting, half yearly transaction and valuation statement, annual periodic statement, tax statement, distribution statement & Annual Financial Report
<b>Income</b>	Annual distribution of taxable income

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