

Bell Global Equities Fund

Wholesale Class Fund Summary – Period Ending 31 January 2018

Net Performance[^]

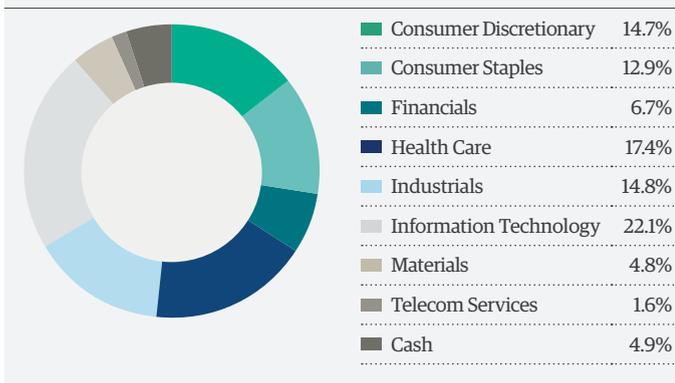
	Fund	Index*
1 Month	1.57%	1.75%
3 Months	4.33%	3.24%
6 Months	10.76%	12.25%
1 Year	17.10%	18.14%
3 Years (pa)	8.54%	10.49%
5 Years (pa)	16.65%	17.77%
Inception (pa)[^]	5.32%	6.34%
Global Equities (Net) Strategy Inception - Total Return^{^^}	185.7%	159.9%

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

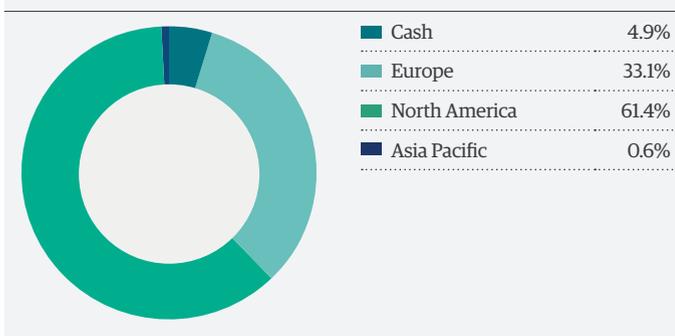
[^] Inception date of the Fund is 3 December 2007. Returns are based on the Wholesale redemption price and are net of fees.

^{^^} 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	2.9%
Apple Inc	Information Technology	US	1.7%
Johnson & Johnson	Health Care	US	1.6%
Verizon Communications	Telecom Services	US	1.6%
Oracle Corp	Information Technology	US	1.6%
Roche Holding AG	Health Care	CH	1.5%
BAE Systems Plc	Industrials	UK	1.4%
UnitedHealth Group Inc	Health Care	US	1.3%
Siemens AG	Industrials	DE	1.3%
Omnicom Group	Consumer Discretionary	US	1.2%

Best & Worst Performers - Month

Top 5 – Relative Contribution		Bottom 5 – Relative Contribution	
Electronic Arts Inc	0.10%	Sealed Air Corp	-0.13%
Ambu A/S	0.09%	Roche Holding AG	-0.11%
Advance Auto Parts Inc	0.08%	Britvic Plc	-0.10%
Airbus SE	0.07%	Relx NV	-0.10%
Lowe's Cos Inc	0.05%	Snap-On Inc	-0.09%

Investment Metrics

	Portfolio	Index	Relative
Risk			
Total Risk	11.0	10.8	
Number of Stocks	99	1,564	
Active Share	78.5		
Value			
P/E	17.8	16.7	107%
PEG Ratio	2.0	1.7	115%
EV/EBITDA	12.0	10.4	115%
Growth			
Sales Growth	5.7%	5.7%	100%
EPS Growth	10.1%	11.7%	86%
Quality			
Return on Equity	24.2	11.1	218%
Net Debt / EBITDA	0.8	1.4	57%

Bell Global Equities Fund

Commentary – Period Ending 31 January 2018



Ned Bell CIO / Portfolio Manager



Adrian Martuccio Portfolio Manager

Fund Overview

Asset Allocation	Long Only Global Equities
Inception Date	3 December 2007
Fund Size	\$36.0mn
Entry Unit Price	1.3448
Index	MSCI World (ex Aus) Index

Performance

The Bell Global Equities Fund return for January was 1.57% compared to the Index return of 1.75%. The Fund has outperformed by 1.09% over the last three months. Over the last 12 months, the Fund has rallied 17.10%. Given that we have consistently applied our 'Quality at a Reasonable Price' approach in an environment much more conducive to 'Growth' as a style, we feel the portfolio has performed well over the period.

Market Activity

Global equities had a very strong rally in January as last year's investor optimism spilled over into 2018. The MSCI World Index appreciated by a whopping 5.3% in USD terms, as all regions delivered returns of 5% or more. The strong rally in the Australian Dollar dampened returns for our domestic clients. The sheer magnitude of the rally in global equities seemed quite excessive in our opinion and difficult to justify - despite the positive economic and fundamental backdrop.

During the month, investors continued to digest the stimulative impact of the recently announced tax reforms which arguably triggered very strong market performance. While we agree that the tax cuts will be beneficial for corporate earnings, we also feel they could add fuel to the economic fire. The U.S. economy is already in a very healthy shape and by adding further stimulus at possibly the wrong time, we may well see the return of inflation and rising interest rates faster than many had expected. From our perspective, we have held this view for some time - which partially explains our more cautious approach in what has been an extremely strong market.

Performance Attribution

During the month, the value we added by way of relative sector allocation was offset by stock selection.

We benefited by being *underweight* Utilities, Energy & Real Estate and being *overweight* information technology. Against this, we suffered marginally due to our overweight in Consumer Staples and our cash position which we have been building in recent months.

From a style perspective, our strong Quality bias neither helped nor hurt. Using the MSCI World Quality Index as a rough proxy, Quality marginally lagged in January and match broader index returns over three months. Our decision to gradually reduce our exposure to higher growth stocks in the last six months arguably worked against us in January as Growth continued its recent period of outperformance.

At a stock specific level, our better performers were: Electronic Arts, Ambu, Advance Auto Parts, Airbus & Lowe's, while our main laggards were: Sealed Air, Roche, Relx, Britvic and Snap-On. We also suffered through lack of exposure to a handful large tech names that had big rallies in January - Amazon, Netflix & NVIDIA.

Research Focus

Our recent research focus has been centred on a recent research trip to China & Germany conducted by CIO - Ned Bell. The purpose of the trip was to refresh current research views on several names we have constantly followed and to flesh out new theses on companies that have come onto our radar more recently.

"We have diligently been trimming positions whose valuations have become difficult to justify and redeployed funds into what we believe are high quality companies which may have lagged recently but offer good upside over 2-3 years."

The trip to China confirmed our positive view on the state of the economy and that Chinese corporates are improving from a quality perspective. We have historically adopted a more cautious approach to Chinese equities due to poor corporate governance, disclosure and capital allocation. While we have become more constructive on the companies themselves - we also feel the current basket of Chinese equities that we follow is somewhat overbought in the near term. The names of particular interest are Ping An Insurance, HKEX, 51Jobs and New Oriental Education.

Having also attended the Kepler Cheuvreux German conference, we were reminded not only of the underlying strength of the German economy but that there are some very high quality German companies. As a generalisation, we find German corporates to have a strong mix of capital allocation discipline, transparent management teams, conservative balance sheets and a preference for return on capital rather than growth at all costs. As we head into what will possibly be a more volatile year for equities - we feel that such companies could well hold up better than the market as a whole. The names of particular interest are Adidas, Wirecard and CTS Eventim.

Trade Activity

While our trade activity was somewhat subdued in January, it followed our recent pattern of profit taking in names that have run hard and reinvesting in portfolio laggards that represent better value. The only sale in the portfolio was that of Varian Medical Systems - after it rallied 64% in USD terms over the trailing 12 month period. We could no longer justify further upside in the name so we made the decision to exit the position.

Portfolio Positioning & Outlook

As we have alluded to in recent months, we feel that global equities are getting a little ahead of themselves and as such we feel it's prudent to adopt a moderately more conservative portfolio stance. We have diligently been trimming positions whose valuations have become difficult to justify and redeployed funds into what we believe are high quality companies which may have lagged recently but offer good upside over 2-3 years.

We always point to our portfolio characteristics as a window into our most relevant portfolio tilts. We currently have a very strong quality bias - which is demonstrated by the fact that our portfolio ROE @ 25% is more than double that of the index, while the average leverage levels of our holdings is half that of the index. We have also been particularly prudent as far as managing portfolio valuation risk - which is demonstrated by our portfolio free cash flow yield of 5.2% vs 4.7% for the index. In other words, our portfolio is higher quality and cheaper than the index.

While we don't necessarily disagree with the consensus view that global economic growth is robust - we do feel that much of this positive backdrop is reflected in equity prices. Our more cautious stance is reflective of what could be a rising interest rate environment in 2018, at a time when momentum & complacency are abundant in equity markets.

Key Features

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

Fund Terms

Fund Inception Date	December 2007
Product Structure	Wholesale 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
Indirect Cost Ratio	1.46% p.a
Buy / Sell Spread	+/-0.21%
Reporting	Transaction confirmations upon transacting, half yearly transaction and valuation statement, tax statement, distribution statement & Annual Financial Report
Income	Annual distribution of taxable income

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