Bell Global Equities Fund

Wholesale Class Fund Summary — Period Ending 30 June 2017

Bell ASSET MANAGEMENT

Net Performance^

	Fund	Index*	Relative
1 Month	-3.90%	-2.64%	-1.26%
3 Months	3.97%	3.62%	0.35%
6 Months	6.16%	4.51%	1.65%
1 Year	10.07%	14.74%	-4.67%
3 Years (pa)	12.70%	12.97%	-0.27%
5 Years (pa)	17.10%	18.25%	-1.15%
Inception (pa)^^	4.82%	5.65%	-0.83%

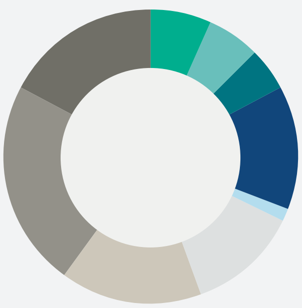
Global Equities (Net) Strategy Inception - Total Return^^	164.7%	135.5%	29.2%

* 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.

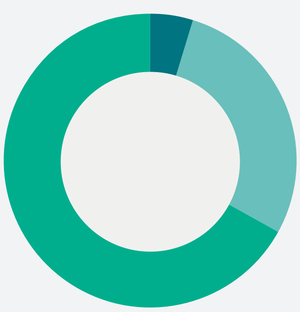
^^ The Bell Global Equities Fund has been operating since December 2007. To give a longer term view of our performance in the asset class, we have shown longer term returns for a representative global equities strategy managed by Bell Asset Management with an inception date of 1 Jan 2003. We have adjusted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

Sector Exposure



Financials	6.8%
Materials	5.9%
Cash	4.8%
Consumer Staples	13.6%
Telecom Services	1.4%
Industrials	12.1%
Consumer Discretionary	15.7%
Information Technology	22.8%
Health Care	17.1%

Geographic Exposure



Cash	4.8%
Europe	28.3%
North America	67.0%

Top 10 Holdings

Company	Sector	Geography	Weight
Alphabet Inc	Information Technology	US	2.8%
Apple Inc	Information Technology	US	2.3%
Johnson & Johnson	Health Care	US	1.7%
Oracle Corp	Information Technology	US	1.5%
Roche Holding AG	Health Care	CH	1.4%
Alimentation Couche-Tard	Consumer Staples	CA	1.4%
Verizon Communications Inc	Telecom Services	US	1.4%
Cognizant Tech Solutions	Information Technology	US	1.4%
Nike Inc	Consumer Discretionary	US	1.3%
Publicis Groupe	Consumer Staples	FR	1.3%

Best & Worst Performers: Quarter

Top 5 — Relative Contribution	
Ambu A/S	0.24%
Novo Nordisk A/S	0.20%
Icon Plc	0.16%
Euronext NV	0.15%
Zoetis Inc	0.12%

Bottom 5 — Relative Contribution	
Advance Auto Parts Inc	-0.30%
Kroger Co	-0.27%
O'Reilly Automotive Inc	-0.26%
Tractor Supply Company	-0.25%
Dollar Tree Inc	-0.16%

Investment Metrics

	Portfolio	Index	Relative
Risk			
Total Risk	11.6	11.1	
Number of Stocks	98	1,567	
Active Share	78.3		
Value			
P/E	17.7	16.3	109%
PEG Ratio	1.8	1.5	120%
EV/EBITDA	11.0	9.8	112%
Growth			
Sales Growth	6.0%	5.7%	105%
EPS Growth	11.0%	12.6%	87%
Quality			
Return on Equity	26.0	10.7	243%
Net Debt / Equity	0.7	1.4	50%

Bell Global Equities 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 Equities
Inception Date	3 December 2007
Fund Size	$31.8mn
Entry Unit Price	1.3066
Index	MSCI World (ex Aus) Index

Performance

The Bell Global Equities Fund appreciated by 3.97% in Q2, which compares favourably with the MSCI World ex Australia Index return of 3.62%. On a year to date basis the portfolio has outperformed by 1.65%, which when broken down, consisted of five consecutive months of outperformance until June when we lagged.

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 couple of points:

- We added value in most sectors, with Health Care, IT & Materials being particularly strong. Our exposure to Consumer Discretionary accounted for the majority of the weakness in the portfolio.
- 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, Novo Nordisk, ICON, Euronext & Zoetis.
- Our laggards were: Advance Auto Parts, Kroger, O'Reilly Automotive, Tractor Supply and Dollar Tree.

The common denominator amongst our better performers was that for the most part they consisted of what we regard as being very strong health care franchises. Some of these names have made strong recoveries after a more difficult Q4 last year.

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. The result has been what we regard as being a relatively indiscriminate sell off to the point where a number of retailers are trading on very attractive valuations.

In light of Amazon's recent dismemberment of the department store industry, many investors have jumped to the conclusion that the same fate awaits the majority of retailers in the U.S. While we fully acknowledge that Amazon is a formidable competitor in the broader retail space, we also feel their acquisition of Whole Foods is actually recognition by them of the importance of a bricks and mortar presence.

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“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”

We also feel that certain sub-sectors in retail - such as auto parts where we have exposure - will not be as badly impacted by Amazon as the market is currently pricing in. One of the key advantages that the auto parts retailers have over a potential competitive offering from Amazon, is the speed and service / advice the current retailers can offer customers.

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 - Ned Bell, Joel Connell and Nicole Mardell. Between us we met with 170 companies across a range of different industries. The bulk of the companies we met were in the Consumer Discretionary, Health Care, Industrials and IT sectors. While we met with 40 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:** with the benefit of having reflected on our collective meetings - it has become clear that we have found far more attractive opportunities in SMID cap companies. While we may need to be patient from a valuation perspective, we generally found the quality and longevity of the corporate franchises to be better in the SMID universe. Further where growth in sales and earnings are a scarce commodity, it is becoming increasingly important to have the ability to assess investment opportunities within the SMID cap space.
- **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.
- **Crowding in U.S. Large Cap IT Stocks:** while we already knew crowding was an issue with some of the larger US tech names, it became all the more apparent from being on the ground talking with companies, brokers and other investors. The reality is that too many investors are simply afraid of not having exposure to stocks that are ‘working’, as opposed to companies that represent good value.
- **Franchise damage:** while corporate disruption in the U.S. has had no shortage of airplay in the last 12 months, what has become more apparent is that disruption is spreading and is affecting companies whose franchises have until now been considered to be rock solid. Our meeting with Procter & Gamble was an interesting case in point. They made the point that they recently had to take a 12% price cut across their range of Gillette products - mainly due to a heightened competition from the likes of Dollar Shave Club (founded 6 years ago and acquired by Unilever in 2016 for $1billion). The speed and magnitude of the pricing damage caused by a relatively new business model should cause a number of corporates to sit up and take notice.
- **Technology Disruption:** has become a really important issue for all businesses to consider. It’s hard to think of too many businesses we met with that weren’t being in some way affected by technology disruption. The main takeaway for us on this point is that you cannot simply assume that companies will be able to maintain their competitive advantages.
- **Disconnect between Conditions & Expectations:** one clear 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.

When it comes to the actual names that were most interesting - we would highlight the following:

- **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).

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"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."

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.

- **UnitedHealth** is the largest health insurer in the US and is also a leading provider of wellness solutions, technology and pharmaceutical benefits. While we have followed UnitedHealth for a number of years, our meeting with management at their head office in Minneapolis further highlighted the key competitive advantages that come with UNH's scale, integrated health benefits & services business model and the importance of 'big data' in managing healthcare. Since 1999, UNH has delivered a +14% revenue CAGR and +19% EPS CAGR and we believe the company remains in a strong position to continue delivering superior operating performance moving forward. Trading at just over 17x forward P/E multiple, the stock is on a slight premium to the market for this high-quality company.

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 position in ITV as we felt the business drivers were going to soften through the rest of the year and we felt the capital would best be invested elsewhere.

On the purchase side of the equation, we initiated three new - albeit small - positions in Cisco, UnitedHealth (mentioned earlier) & WD-40. We have followed Cisco for a long time and the ultimate decision to invest was triggered by its appealing valuation after a recent pullback. WD-40 is also a company we have followed for some 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 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 growth stocks. We have been reinvesting in some really interesting Small & Mid cap companies and a handful of other large cap companies we feel have a compelling blend of quality & value.

Key Features

Investment Objectives	Outperform the index* over rolling three year periods **Index is MSCI ex Australia*
Asset Allocation	Long only global equities, no gearing, no derivatives
Investment Style	Fundamental bottom up approach 'quality at a reasonable price'
Investment Highlights	• 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	+/-0.20%
Reporting	Transaction confirmations upon transacting, half yearly transaction and valuation statement, annual periodic statement, tax statement, distribution statement & Annual Financial Report
Income	Annual distribution of taxable income

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