

Bell Global Equities Fund

Fund Update: August 2015



Net Performance

for the period ending 31 August

	Fund	Index*	Excess
1 month	-2.2%	-3.1%	+0.9%
3 months	2.9%	0.5%	+2.4%
6 months	6.1%	4.1%	+2.0%
1 Year	31.8%	27.5%	+4.3%
3 Years (p.a)	26.0%	26.3%	-0.3%
5 Years (p.a)	17.5%	16.5%	+1.0%
Inception (p.a.)^	5.1%	5.5%	-0.4%

*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.

Global Equities (Net) Strategy Inception - Total Return ^^	148.7%	111.0%	37.7%
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^^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.

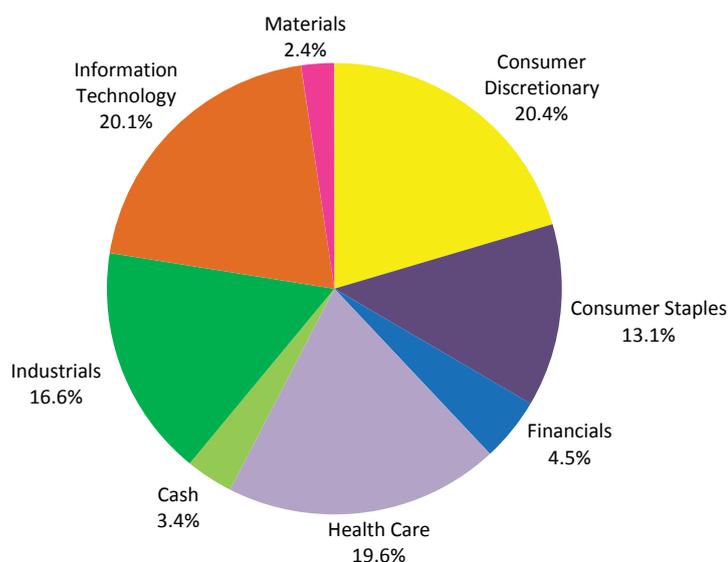
Best & Worst Performers

Top 5 > relative contribution	Bottom 5> relative contribution
Toro Co	Twenty-First Century Fox
American Express Co	CBRE Group Inc
Priceline Group Inc	Macy's Inc
Stericycle Inc	ITV PLC
Google Inc	Amgen Inc

Trade Activity

Buys	Weight	Sells	Weight
Adecco SA	0.7%	Baxter International Inc	0.5%
Henkel AG	0.7%	McDonald's Corp	0.8%
Intuit Inc	0.4%	Royal Bank of Canada	0.6%
Sherwin-Williams Co	0.4%	Softbank Group Corp	1.0%
Snap-On Inc	0.7%		

Sector Exposure



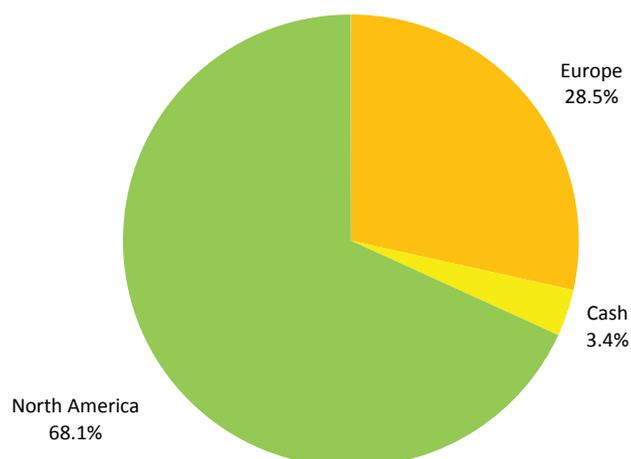
Top 10 Holdings

Company	Sector	Country
Apple Inc	Information Technology	
Johnson & Johnson	Health Care	
Google Inc	Information Technology	
Oracle Inc	Information Technology	
SAP SE	Information Technology	
American Express Co	Financials	
Visa Inc	Information Technology	
Honeywell International Inc	Industrials	
Home Depot Inc	Consumer Discretionary	
Priceline Group Inc	Consumer Discretionary	

Investment Metrics

	Fund	Index*	Relative
Value			
P/E	18.3	18.7	98%
PEG Ratio	1.6	1.9	85%
EV/EBITDA	11.5	11.5	100%
Growth			
Historic EPS growth	12.7%	7.5%	171%
Forecast EPS growth	10.8%	10.5%	103%
Forecast Sales growth	5.4%	4.4%	122%
Quality			
Return on Equity	32.5%	18.4%	176%
Net Margin	15.2%	13.3%	114%
Net Debt / Equity	40.1%	56.5%	71%

Geographic Exposure



Market Commentary

Performance

- In what was an extremely volatile month, the fund declined by 2.2% - which compared favourably with the MSCI World (ex-Australia) Index return of -3.1%.
- The weakness in global stocks was cushioned somewhat by the weaker Australian dollar which declined by 2.7% during the month.
- Equities were weak across all sectors & geographies in a highly correlated manner, which to us implies a reasonably sharp 'risk-off' adjustment by investors.
- Despite the difficult August period, the longer term net returns of the fund have been strong: 1 year +31.8%, 3 years +26.0% p.a. & 5 years +17.5% p.a.

What Helped

- At an overall level, the weaker AUD helped the overall fund.
- Our better performers were: Toro, American Express, Priceline, Google & Stericycle.
- Our decision to stay clear of emerging markets helped us in a relative sense - the MSCI Emerging Markets index declined by a further 6.5% in AUD terms.

What Hurt

- Clearly markets were weaker across the board so the bulk of our stocks posted negative returns in August.
- In a relative sense, our lack of exposure to the Telecom & Utilities sectors worked against us.
- Our poorer performers were: Twenty First Century Fox, CBRE, Macy's, ITV & Amgen.

Research Highlights

What drove the market lower? In our view, the 'next act' in the much publicised correction in Chinese equities unfolded in August. It seemed that investors finally woke up to the ramifications of slowing emerging market economies on their developed market peers. Having accounted for such a meaningful proportion of global economic growth for the last decade, it seemed that investors have now recalibrated their global GDP assumptions for the next 12-18 months. Looking ahead, it now seems that the U.S. & UK economies, and to a lesser extent broader Europe, will have to do more of the heavy lifting as far as economic growth goes. Another major readjustment in many investors' mindsets relates to what until recently seemed to be a certain rate rise by the U.S. Fed in September. With the backdrop of scarce inflation and a weaker global economic outlook, it now seems that the Fed may in fact wait until later in the year or early next year.

The excellent news from what was a turbulent month was that we were presented with plenty of opportunities. As an investor with a strong 'Quality at a Reasonable Price' mantra, we found that plenty of high quality companies which we had previously resisted for valuations reasons - all of a sudden reached our buy levels and we were able to act. We spent the vast majority of our cash and added several positions which we feel will be excellent long-term contributors to the fund:

- Adecco: large European recruitment company - attractive valuation & strong earnings profile for the next 2-3 years
- Henkel: diversified German chemicals company with a relatively defensive earnings profile - attractive valuation after selloff
- Intuit: U.S. leader in financial management software which became attractive after a pull back
- Sherwin Williams: leader in the U.S. paint industry and key beneficiary of a strong housing and non-residential construction backdrop
- Snap-On: niche manufacturer & distributor of premium brand hand and power tools in the U.S. - beneficiary of increasing complex passenger vehicles.

Portfolio Changes

Purchases: Adecco SA (Switzerland / Industrials), Henkel AG (Germany / Consumer Staples), Intuit Inc (U.S. / Information Technology), Sherwin-Williams Co (U.S. / Materials), Snap-On Inc (U.S. / Industrials)

Sales: Baxter International Inc (U.S. / Health care), McDonald's Corp (U.S. / Consumer Discretionary), Royal Bank of Canada (Canada / Financials), Softbank Group Corp (Japan / Telecom Services)

Positioning & Outlook

Needless to say that we feel optimistic about the changes we have made to the portfolio this month. We feel that opportunistically adding a handful of great companies to the fund will ultimately bear fruit for our investors. The recent emerging market related volatility doesn't overly surprise us and nor does it materially change our expectations for equity returns in developed markets. In the developed markets, while we are not seeing much in the way of robust growth - we are seeing relatively steady & stable economic growth in the U.S. & the UK. While broader Europe is arguably a little more susceptible to EM turbulence, it is growing nonetheless and we would expect 2016 to be a better year.

Terms

Fund Inception date	3 December 2007
Product Structure	Wholesale Unlisted Managed Fund
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 (wholesale class)	Minimum investment - \$50k. Minimum transaction - \$10k.
Fees	1.46% (inclusive of distribution fee) No performance fees, No entry or exit fees
Distribution fee	0.50% 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

Key Features

Investment Highlights	<ul style="list-style-type: none">• Global equity portfolio• Fundamental bottom-up approach• '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
Portfolio Manager:	Ned Bell and Adrian Martuccio
Index:	MSCI World (ex Australia) Index
Asset allocation:	Long only global equities, No gearing, No derivatives
Investment objectives:	Outperform the index * over rolling three year periods *Index is MSCI ex Australia
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