

# Bell Global Equities Fund

Wholesale Class Fund Summary – Period Ending 31 August 2016

## Net Performance

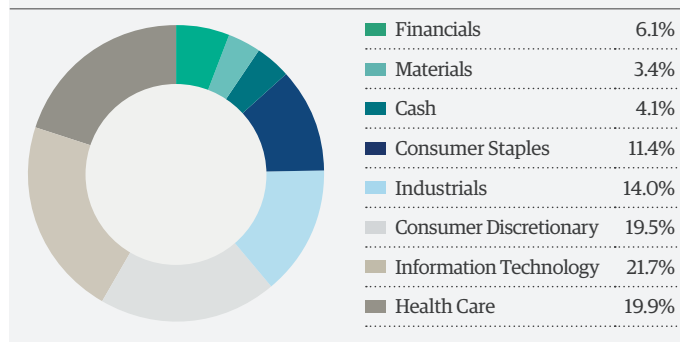
	Fund	Index*	Excess
<b>1 Month</b>	-0.2%	1.3%	-1.5%
<b>3 Months</b>	-2.3%	-0.6%	-1.7%
<b>6 Months</b>	3.0%	6.8%	-3.8%
<b>1 Year</b>	-1.0%	0.5%	-1.5%
<b>3 Years (pa)</b>	13.9%	13.9%	0.0%
<b>5 Years (pa)</b>	17.7%	17.8%	-0.1%
<b>Inception (pa)^</b>	4.4%	4.9%	-0.5%
<b>Global Equities (Net) Strategy Inception - Total Return^^</b>	146.2%	112.0%	34.1%

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

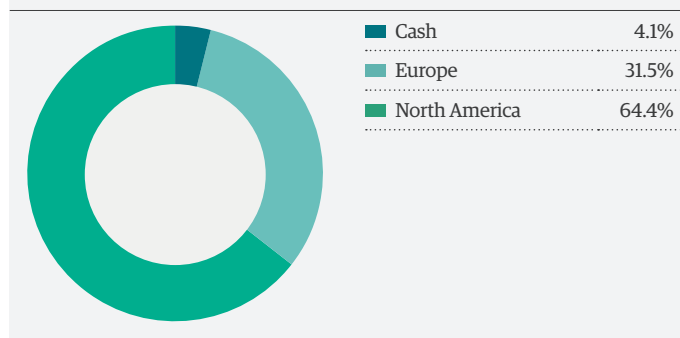
^ Inception date of the Fund is 3 December 2007. Returns are based on the Wholesale redemption price and are net of fees.

^^ 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.

## Sector Exposure



## Geographic Exposure



## Top 10 Holdings

Company	Sector	Geography	Weight
Alphabet Inc	Information Technology	USA	3.0%
Apple Inc	Information Technology	USA	2.5%
Johnson and Johnson	Health Care	USA	1.7%
Visa Inc	Information Technology	USA	1.5%
Roche Holding AG	Health Care	CH	1.5%
Publicis Groupe	Consumer Discretionary	FR	1.5%
Mastercard Inc	Information Technology	USA	1.4%
Nike Inc	Consumer Discretionary	USA	1.4%
Priceline Group Inc	Consumer Discretionary	USA	1.4%
Oracle Corp	Information Technology	USA	1.4%

## Best & Worst Performers

Top 5 – Relative Contribution		Bottom 5 – Relative Contribution	
Alimentation Couche-Tard	0.17%	Alliance Data Systems Corp	-0.14%
Foot Locker	0.12%	Dollar Tree Inc	-0.13%
Dun & Bradstreet Corp	0.07%	Novo Nordisk A/S	-0.13%
Priceline Group Inc	0.06%	Novozymes A/S	-0.12%
Omnicom Group	0.06%	Advance Auto Parts Inc	-0.09%

## Investment Metrics

	Portfolio	Index	Relative
<b>Risk</b>			
Total Risk	12.09	11.15	
Beta	1.05	1.00	
Number of Stocks	95	1,641	
Active Share	79.96		
<b>Value</b>			
P/E Next	17.2	19.2	90%
PEG Ratio	1.9	2.4	79%
EV/EBITDA	11.7	10.8	108%
<b>Growth</b>			
Sales Growth - 1 yr	5.3%	2.3%	230%
EPS Growth - 1yr	5.2%	3.5%	149%
<b>Quality</b>			
Return on Equity	30.9%	18.6%	166%
Net Debt / Equity	46.1%	58.3%	79%

# Bell Global Equities Fund

Commentary – Period Ending 31 August 2016

**Bell**  
ASSET MANAGEMENT



**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>	\$25.0mn
<b>Entry Unit Price</b>	\$1.2150
<b>Index</b>	MSCI World (ex Aus) Index

## Performance

The moves in the Global equity markets during August were highlighted by a continued rotation from defensive to more cyclical sectors. Financials were the strongest performing sector, with Industrials, Energy and Materials also strong. The traditionally defensive sectors including Utilities, Telecommunications, Health Care, and Consumer Staples all underperformed the market. The Fund wasn't able to keep up with the cyclical bounce, depreciating by -0.16% and finishing 1.47% behind the MSCI World ex Australia Index for the month.

## What Helped

We continued to reduce positions that have had extended rallies like our two best contributors; Couche-Tard and Foot Locker, as well as SAP, Henkel and Priceline. We completely sold out of other companies where we thought further upside was limited, including Toro, Union Pacific, Mead Johnson and Hershey. Our better performing stocks for the month were Alimentation Couche-Tard; Foot Locker, Dun & Bradstreet, Priceline Group and Omnicom.

## What Hurt

The continued rotation from defensive to more cyclical sectors benefited many sectors that we are underweight including Financials, Energy and Materials. The traditionally defensive sectors, many of which we are overweight underperformed the market, these included Health Care, and Consumer Staples. Our poorer performers were Alliance Data Systems Corp, Dollar Tree, Novo Nordisk, Novozymes and Advance Auto Parts.

## Research Highlights

We believe part of the reason the cyclicals have rallied is the broader markets desperate search to find growth, while disregarding the fundamental quality of the companies. This looks to be driven by investors with a short term investment horizon, whereas the market environment still seems very unsettled. The underlying risks from political and macro uncertainty in addition to cautious commentary from various companies this reporting period has resulted in bouts of heightened volatility. These type of market conditions reinforce our preference for trimming into strength and keeping a relatively conservative portfolio positioning with a skew towards earnings consistency.

We are also keeping some powder dry and have a slightly higher than normal cash position of 4.1%, but we are still finding some new ideas that exhibit consistent earnings streams and also have sales growth including FactSet, Fiserv and Henry Schein. Additionally, we bought Disney and Dollar General, two stocks we felt represented good value at current prices.

All of these companies are great examples of ideas where we have spent time engaging with management and building the investment thesis, but have waited opportunistically before establishing a position.

Dollar General is the most recent addition to the portfolio. They are a U.S. based convenience store selling a broad array of grocery products, but at price points similar to low-priced mass merchants, well below prices of a typical drug store or supermarket - "it's a staple-like company, in discretionary clothing". We initiated a position at a very attractive valuation of just under 15x P/E. Dollar General has a very resilient combination of driving traffic with low prices and selling a high mix of consumable goods which make up 75% of sales; this bodes well especially in times of macro uncertainty. Our extensive research was followed by conversations with management where they laid out their strong growth story. Their target is to achieve 10-15% pa EPS growth over the next few years. They have consistently been able to take market share and grow their footprint over a long period with 26 years of consecutive same-store-sales growth. Even with a low price-point offering, the company generates 30% gross margins, well in excess of most peers and has good capital discipline resulting in a ROE around 20%.

This combination of solid historic performance, strong margins, good management and an attractive valuation could have significant upside over the next few years as the company rolls out its longer term plans.

## Portfolio Changes

**Purchases** Dollar General (US, Consumer Discretionary), Factset Research (US, Financials), Fiserv (US, Information Technology), Henry Schein (US, Health Care), Walt Disney (US, Consumer Discretionary) **Sales** Biogen Inc (US, Health Care), Hershey Co (US, Consumer Staples), Mead Johnson Nutrition (US, Consumer Staples), Toro Co (US, Industrials), Union Pacific Corp (US, Industrials)

## Positioning & Outlook

With the earnings season now behind us for another quarter, we refocus our research efforts on retesting thesis on our existing portfolio holdings and searching for new exciting ideas. During September and October, three members of the investment team will be embarking on international research trips. The primary geographic focus of the trips is Europe, a region where we have been allocating more funds. We look forward to bringing you insights from company visits which will take place in Germany, France, Denmark and through the Nordics, as well as the U.K. and U.S.

## 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 rate'
<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

## 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>	+/-0.20%
<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

## Contact Details

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