

# Bell Global Equities Fund

Fund Update: February 2016

**Bell**  
ASSET MANAGEMENT

## Net Performance

for the period ending 29 February

	Fund	Index*	Excess
<b>1 month</b>	-1.4%	-1.7%	+0.3%
<b>3 months</b>	-5.4%	-7.0%	+1.7%
<b>6 months</b>	-3.9%	-5.9%	+2.0%
<b>1 Year</b>	2.0%	-2.1%	+4.1%
<b>3 Years (p.a)</b>	20.8%	19.3%	+1.5%
<b>5 Years (p.a)</b>	14.9%	12.9%	+2.0%
<b>Inception (p.a.)^</b>	4.3%	4.4%	-0.1%

\*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.

Global Equities (Net) Strategy Inception - Total Return ^^	139.0%	98.6%	40.4%
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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.

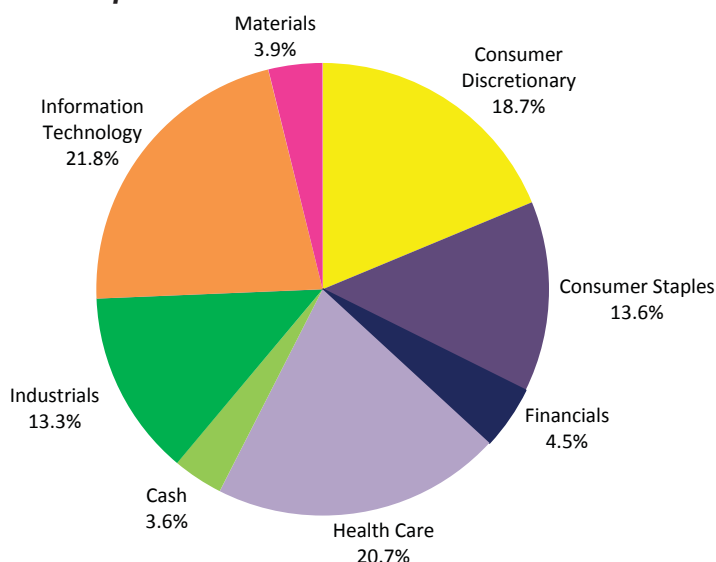
## Best & Worst Performers

Top 5 relative contribution	Bottom 5 relative contribution
Priceline Group Inc	Intl Flavors & Fragrances
Polaris Industries Inc	Cognizant Tech Solutions
Copart Inc	Anheuser-Busch InBev SA
Estee Lauder Companies	Perrigo Co Plc
Qualcomm Inc	Assa Abloy AB

## Trade Activity

Buys	Weight	Sells	Weight
SEI Investment Co	0.6%	Bank of Nova Scotia	0.4%
Zoetis Inc	0.8%	Church & Dwight Co Inc.	0.7%
		GlaxoSmithKline Plc	0.6%
		Intertek Group Plc	0.7%
		Next Plc	0.8%
		Rockwell Auto Inc	0.7%

## Sector Exposure



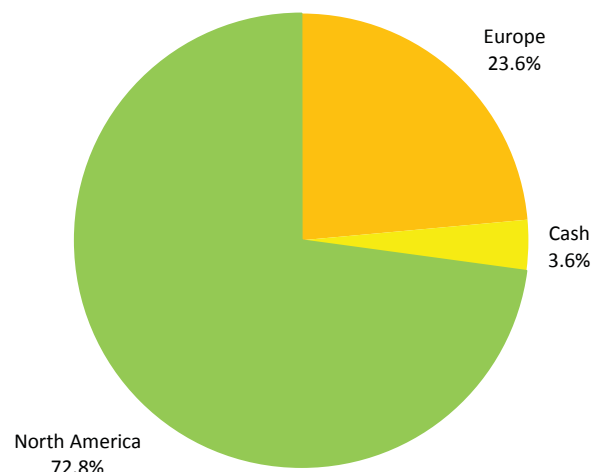
## Top 10 Holdings

Company	Sector	Country
Alphabet Inc	Information Technology	
Apple Inc	Information Technology	
Johnson & Johnson	Health Care	
Oracle Corp	Information Technology	
Roche Holding AG	Health Care	
Publicis Groupe	Consumer Discretionary	
Visa Inc	Information Technology	
Anheuser-Busch InBev SA	Consumer Staples	
Costco Wholesale Corp	Consumer Staples	
Advance Auto Parts Inc	Consumer Discretionary	

## Investment Metrics

	Fund	Index*	Relative
<b>Value</b>			
P/E	17.1	19.1	90%
PEG Ratio	1.8	2.2	82%
EV/EBITDA	11.7	10.1	116%
<b>Growth</b>			
Historic EPS growth	17.8%	13.9%	128%
Forecast EPS growth	10.7%	9.5%	113%
Forecast Sales growth	6.6%	6.3%	105%
<b>Quality</b>			
Return on Equity	29.8	18.3	163%
Net Income Margin	13.5	13.0	104%
Net Debt / Equity	39.1	51.8	75%

## Geographic Exposure



## Market Commentary

### Performance

- Global equity markets remained soft in February as the MSCI World (ex-Australia) Index declined by 1.7% in AUD terms.
- The Fund declined by -1.4%, outperforming the benchmark by +0.3%. Over the past 12 months our portfolio has appreciated by +2.0% versus an Index decline of -2.1%, outperforming by +4.1% (net of fees).

### What Helped

- At a sector level, the portfolio benefitted from our large underweight allocation to Financials and overweight in Consumer Discretionary and Consumer Staples. On a regional basis, our overweight in US and underweight in Japan, helped relative performance.
- At a stock specific level, our better performers were Priceline, Polaris, Copart, Estee Lauder and Qualcomm.

### What Hurt

- At a sector level, our underweight Materials position and overweight to the IT and Healthcare sectors, worked against us in February.
- Our poorer performing stocks were International Flavors & Fragrances, Cognizant, ABI InBev, Perrigo and Assa Abloy.

### Research Highlights

Early in the month our investment team was focused on the tail-end of reporting from US and European companies. While there was some volatility during reporting season, overall we were happy with the numbers posted by companies in our portfolio. Many management teams have provided "cautious" outlook statements given the macroeconomic uncertainty in many regions around the world. Our investment team also held calls with management from a number of companies including Colgate Palmolive, SEI Investments and Tractor Supply during February. Multiple members of our team are heading overseas during March to meet with a wide-range of companies across the US, Europe and Japan. We look forward to sharing our findings with you in the coming months.

### Portfolio Changes

**Sales:** [Bank of Nova Scotia](#) (Canada / Financials), [Church & Dwight Co Inc](#) (US / Consumer Staples), [GlaxoSmithKline Plc](#) (UK / Health Care), [Intertek Group Plc](#) (UK / Industrials) [Next Plc](#) (UK / Consumer Discretionary), [Rockwell Auto](#) (US / Industrials) **Buys:** [SEI Investments Co](#) (US / Financials), [Zoetis Inc](#) (US / Health Care)

**Zoetis** is the global market leader in the animal health industry. The company develops medicines and vaccines for both the livestock and companion animal markets. Zoetis has excellent margin expansion opportunities over the next few years and business drivers are very positive, with companion animal spending growing at -5% CAGR and livestock animal related spending growing at -6% CAGR. Zoetis should avoid most of the controversy surrounding excessive drug prices in the US due to the fragmented and largely cash pay customer base. Generic competition is also less of a factor in animal healthcare than in human healthcare, resulting in a more consistent and resilient earnings stream over time.

**SEI Investments** is a leading global provider of asset management, investment processing and investment operations solutions for private banks, investment advisors, investment managers, and institutional investors. SEI's stock price pulled back over 30% since our meeting in November as investors have become concerned about the increasing costs associated with investments in SEI's new wealth platform. While we acknowledge these rising costs may pressure near term earnings we are confident that the new wealth platform will set the company up extremely well for the long term and will be a key competitive advantage that will enable SEI to continue taking share from competitors, many of whom have failed to invest sufficiently in their legacy systems. Stock price volatility in the near-medium term is likely to persist, but as shareholders with a long term view we see excellent value in SEI shares at current levels.

### Positioning & Outlook

While our sector and regional tilts haven't changed materially, we did make a number of changes to the portfolio during February at a stock specific level. We reinvested the cash raised from the positions sold into two new holdings (Zoetis and SEI Investments), as well as adding to a number of existing holdings where we have higher conviction and were able to opportunistically increase our position on pullbacks. We believe that these changes have had the combined effect of reducing valuation risk and improving the earnings quality of the portfolio. Going forward, we will continue to seek out investments in high quality companies while remaining disciplined with valuation. We expect the stock market volatility will keep providing us with good opportunities to add value through adding and trimming existing positions, as well as establishing new investments in companies where we see a disconnect between quality and value.

The biggest deviations in our portfolio from the MSCI World (ex-Australia) Index fall into two broad buckets:

Overweight: North America, IT, Health Care & Consumer Discretionary

Underweight: Asia Pacific, Financials, Energy, Telecom Services & Utilities

### Terms

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

### Key Features

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