

# Bell Global Equities Fund

Fund Update: January 2016

**Bell**  
ASSET MANAGEMENT

## Net Performance

for the period ending 31 January

	Fund	Index*	Excess
<b>1 month</b>	-2.6%	-3.2%	+0.6%
<b>3 months</b>	-5.7%	-7.4%	+1.7%
<b>6 months</b>	-4.7%	-7.3%	+2.6%
<b>1 Year</b>	8.5%	4.8%	+3.7%
<b>3 Years (p.a)</b>	22.4%	20.8%	+1.6%
<b>5 Years (p.a)</b>	15.5%	13.6%	+1.9%
<b>Inception (p.a.)^</b>	4.5%	4.7%	-0.2%

\*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.

<b>Global Equities (Net) Strategy Inception - Total Return ^^</b>	142.4%	102.0%	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.

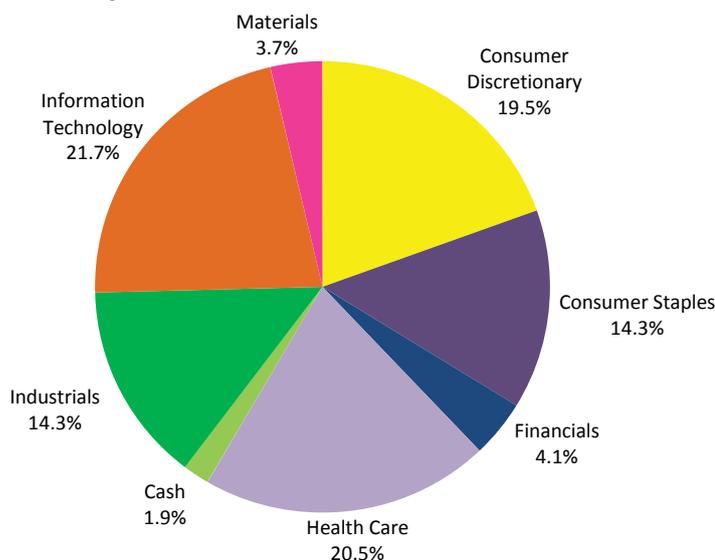
## Best & Worst Performers

Top 5 > relative contribution	Bottom 5> relative contribution
Cognizant Tech Solutions	Alliance Data Systems Corp
Foot Locker Inc	American Express Co
Dollar Tree Inc	McKesson Corp
Johnson & Johnson	Express Scripts Holdings Co
Raytheon Company	Priceline Group Inc

## Trade Activity

Buys	Weight	Sells	Weight
Nil		Baxalta Inc	0.6%
		Ebay Inc	0.6%
		Kimberly-Clark Corp	0.8%
		Rightmove Plc	0.8%

## Sector Exposure



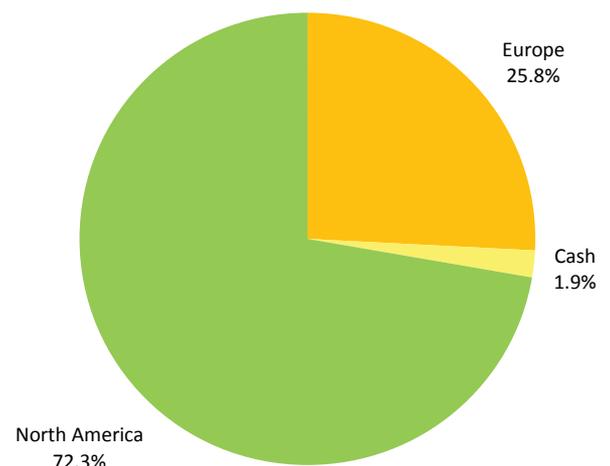
## Top 10 Holdings

Company	Sector	Country
Alphabet Inc	Information Technology	
Apple Inc	Information Technology	
Johnson & Johnson	Health Care	
Oracle Corp	Information Technology	
Anheuser-Busch InBev SA	Consumer Staples	
Visa Inc	Information Technology	
Cognizant Tech Solutions	Information Technology	
Roche Holding AG	Health Care	
Publicis Groupe	Consumer Discretionary	
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 Margin	13.5	13.0	104%
Net Debt / Equity	39.1	51.8	75%

## Geographic Exposure



## Market Commentary

### Performance

- Global equities had a difficult start to the year as the MSCI World (ex-Australia) Index declined by 3.2% in January.
- The fund also had a difficult month in January – declining by 2.6%, which was a little better than the broader benchmark.
- We believe our performance over the last 6 months is also worth noting. Given that markets have consistently drifted lower since July 2015, we would note that the fund has held up relatively well in what has been a difficult environment. Specifically, the fund has declined by 4.7% after fees while the MSCI World (ex-Australia) Index has declined by 7.3%.
- The same negative trends in global equities carried through January, as investors have had to quickly readjust their global economic growth expectations in light of ongoing weakness in emerging economies and commodity markets.

### What Helped

- At a sector level, our lack of exposure to Financial stocks (which were particularly weak) & overweight in Consumer Staples helped our relative performance.
- Another relative positive for the fund was our lack of exposure to emerging markets and Japan which declined by 5.8% & 14.2% respectively in AUD terms.
- At a stock specific level, our better performers were Cognizant, Foot Locker, Dollar Tree, Johnson & Johnson and Raytheon.

### What Hurt

- At a sector level, our underweight in the more defensive sectors like Utilities & Telecoms worked against us in January.
- Our poorer performing stocks were Alliance Data, American Express, McKesson, Express Scripts and Priceline. We feel that the majority of the recent weakness in these names can be attributed to the general sell-off in equity markets which has been somewhat indiscriminate.

### Research Highlights

While there were no research trips undertaken by the investment team in January, we were kept busy with the U.S. earnings season and the numerous buying opportunities which presented themselves to us. As far as the earnings season is concerned, our companies managed to beat earnings expectations for the most part. Having said that, the outlook statements for a number of companies were quite subdued as the reality of a slower growth environment sinks in. The widespread weakness in equity prices in January has peaked our interest in a number of companies which have previously been out of reach for valuation reasons. As such, our immediate research focus is centred around updating existing theses on a range of companies on our watch-list. As far as research trips are concerned, various members of the team will be travelling to Japan, U.S. & the UK between now and May.

### Portfolio Changes

**Sales:** Baxalta Inc (US / Health Care), Ebay Inc (US / Information Technology), Kimberly-Clark Corp (US / Consumer Staples), Rightmove Plc (UK / Information Technology)

### Positioning & Outlook

We feel the portfolio is well positioned to simultaneously preserve capital in what could be a volatile few months, and take advantage of what we regard as disconnects between quality & value at an individual stock level. The changes made to the portfolio in January have been relatively modest as far as sector & regional adjustments are concerned. At a stock level, we removed several positions from the portfolio – mainly for valuation reasons – and reinvested those funds in a number of existing holdings.

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

*Overweight:* North America, Cash, 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
<b>Contact Details</b>	<a href="http://www.bellasset.com.au">www.bellasset.com.au</a> Tel: +613 8637 6000 <a href="mailto:info@bellasset.com.au">info@bellasset.com.au</a>

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