

Bell Global Equities Fund

Fund Update: July 2015

Bell
ASSET MANAGEMENT

Net Performance

for the period ending 31 July

	Fund	Index*	Excess
1 month	8.0%	6.6%	+1.4%
3 months	9.0%	7.4%	+1.6%
6 months	13.8%	13.1%	+0.7%
1 Year	38.3%	33.8%	+4.5%
3 Years (p.a)	28.8%	29.5%	-0.7%
5 Years (p.a)	17.6%	16.7%	+0.8%
Inception (p.a.)^	5.5%	6.0%	-0.5%

*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^^	154.2%	117.9%	+36.4%
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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.

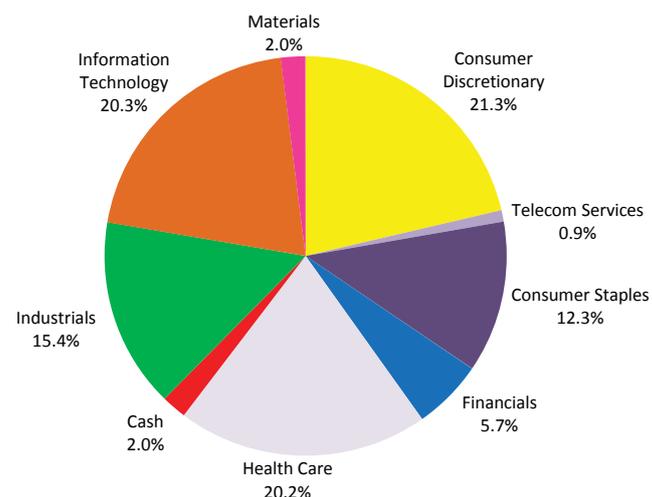
Best & Worst Performers

Top 5 > relative contribution	Bottom 5> relative contribution
Google Inc	Biogen Inc
Amadeus IT Holdings SA	United Technologies Corp
Ebay Inc	Rotork Plc
Raytheon Co	Rockwell Collins Inc
Partners Group Holding AG	Polaris Industries Inc

Trade Activity

Buys	Weight	Sells	Weight
Assa Abloy AB	0.7%	Coca-Cola Co	0.5%
Bayer AG	1.0%	Hasbro Inc	0.7%
Kroger Co	0.9%	SkyCity Entertainment Grp	0.1%

Sector Exposure



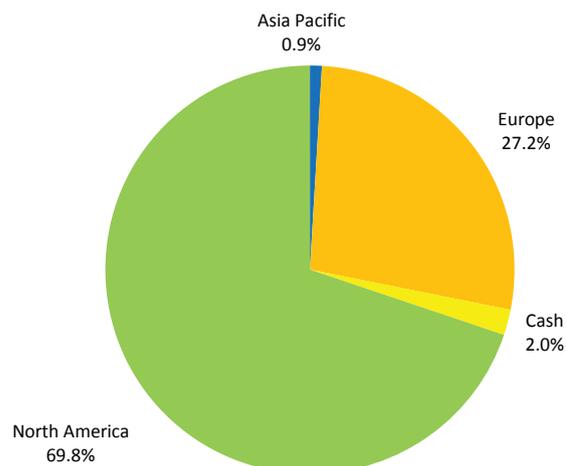
Top 10 Holdings

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

Investment Metrics

	Fund	Index*	Relative
Value			
P/E	19.4	20.3	96%
PEG Ratio	1.9	2.1	89%
EV/EBITDA	12.1	11.9	101%
Growth			
Historic EPS growth	12.6%	7.2%	176%
Forecast EPS growth	19.1%	14.6%	131%
Forecast Sales growth	8.6%	5.7%	151%
Quality			
Return on Equity	32.9%	18.5%	177%
Net Margin	16.0%	13.3%	120%
Net Debt / Equity	35.8%	56.2%	64%

Geographic Exposure



Market Commentary

Performance

- The fund posted a strong return of 8.0% in July, outpacing the MSCI World (ex-Australia) Index return of 6.6%.
- With the exception of Emerging Market equities, most global indices and sectors posted strong returns.
- The ongoing weakness in the Australian dollar helped performance, as did the underlying returns of our holdings in local currency terms.
- Over longer periods the fund has delivered strong absolute returns after fees: 1 year +38.3%, 3 years +28.8% p.a., 5 years +17.6% p.a.

What Helped

- We generated positive returns in almost all sectors with the exception of telecoms.
- The bulk of our gains came from the IT, Consumer Discretionary, Health Care & Consumer Staples sectors.
- Our complete lack of exposure to Energy was a big help as the sector underperformed by 8.4%, as did our underweight in the materials sector.
- On a similar note, having no exposure to Emerging Markets was also a big help as they collectively lagged developed market equities by -9%.
- Our better performing names were Google, Amadeus IT, eBay, Rockwell Collins & Polaroid.

What Hurt

- On an absolute basis, only a handful of our names posted negative returns during the month – Biogen, United Technologies & Rotork being the notable stocks.
- On a relative basis, our lack of exposure to Financials, Utilities & Telecoms collectively worked against us.

Research Highlights

The recent unravelling of not only the Chinese equity market but emerging markets as a whole have clearly been front and centre in the minds of many investors. Hence this might be an appropriate opportunity to explain our current views on emerging markets as they pertain to the fund itself. We currently have no direct exposure to EM stocks and have had less than 2% exposure for the last couple of years. Given that emerging markets as an asset class have underperformed developed market indices by a whopping 95% in AUD terms over the last 5 years, this decision has so far proven to be correct.

Our view is that many investors have historically invested in EM equities on the basis that their respective economies will grow faster than developed economies and therefore EM equities will outperform. We believe the premise of this approach fails to recognize the fact that the underlying quality of EM companies is pretty poor when compared to their developed peers, which is highlighted by the fact that the collective earnings growth of EM equities as a whole has been negative in recent years. As we look ahead, given the fact that the economic growth 'edge' that EM economies once held over developed economies has all but vanished – it becomes very difficult to see how EM corporate earnings will turnaround anytime soon. Until we can actually find high quality companies which compare favourably with developed peers, we will stay on the sidelines.

On a brighter note, we have introduced a couple of new positions which we feel will be excellent contributors to the long term performance of the fund:

- Assa Abloy is the world's leading manufacturer and supplier of locking solutions. In addition to having a very strong franchise position and management team, Assa has excellent financial characteristics and is arguably one of the better value for money opportunities in the broader industrial space.
- Kroger is the second largest and in our view the highest quality of the U.S. supermarket companies. KR generates an ROE > 30% and should deliver +10% annual EPS growth for the foreseeable future. In isolation this type of growth outlook might sound a little underwhelming, however, in the context of KR's defensive role in the portfolio we feel it will be an excellent contributor to our long term performance.
- Bayer is a diversified healthcare and chemicals company which is undergoing a portfolio rationalisation (exiting material sciences) which we feel will drive the stock higher in the medium term. The weakness in the Euro should also be a strong earnings tailwind in the medium term. In terms of portfolio fit – we feel that Bayer is a better value for money option in the defensive part of the portfolio than some of the diversified consumer staples names which have become very expensive.

Portfolio Changes

Purchases: Assa Abloy AB (Sweden / Industrials), Bayer AG (Germany / Health Care), Kroger Co (U.S. / Consumer Staples)

Sales: Coca-Cola Co (U.S. / Consumer Staples), Hasbro Inc (U.S. / Consumer Discretionary), SkyCity Entertainment Grp (N.Z. / Consumer Discretionary)

Positioning & Outlook

Looking ahead, we feel the portfolio is very well positioned for what we hope will be a strong second half of the year. Our overweight in U.S. equities should hold us in good stead for what should be a better second half for the U.S. economy. Our more neutral stance on European equities is indicative of our inability to find quality companies trading at attractive multiples in Europe.

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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