

Bell Global Equities Fund

Wholesale Class

Fund Update: July 2016

Bell
ASSET MANAGEMENT

Net Performance

for the period ending 31 July

	Fund	Index*	Excess
1 month	2.5%	2.0%	+0.5%
3 months	4.2%	4.0%	+0.2%
6 months	1.7%	3.6%	-1.9%
1 Year	-3.0%	-3.9%	+0.9%
3 Years (p.a)	13.5%	12.8%	+0.7%
5 Years (p.a)	17.0%	16.4%	+0.6%
Inception (p.a.)^	4.5%	4.8%	-0.3%

*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 ^^	146.6%	109.3%	37.3%
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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.

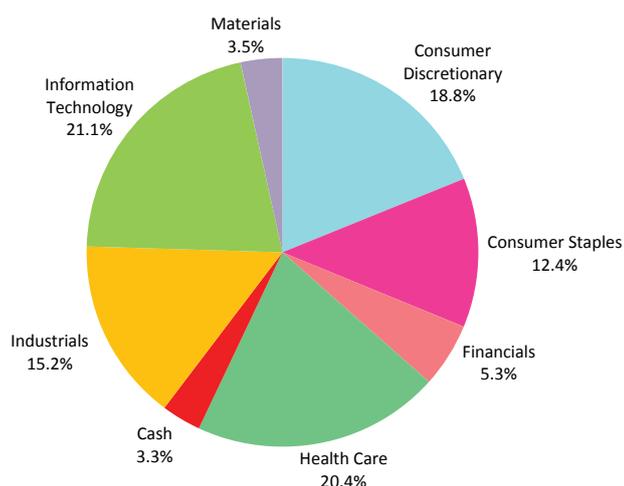
Best & Worst Performers

Top 5 relative contribution	Bottom 5 relative contribution
Alliance Data Systems Corp	Stericycle Inc
SAP SE	Kroger Co
Varian Medical Systems Inc	SEI Investments Company
Qualcomm Inc	Check Point Software Tech
Alphabet Inc	Roche Holdings AG

Trade Activity

Buys	Weight	Sells	Weight
Electronic Arts Inc	0.6%	Express Scripts Holdings	1.3%
Euronext NV	0.6%	Procter & Gamble Co	0.6%
Icon Plc	0.7%		

Sector Exposure



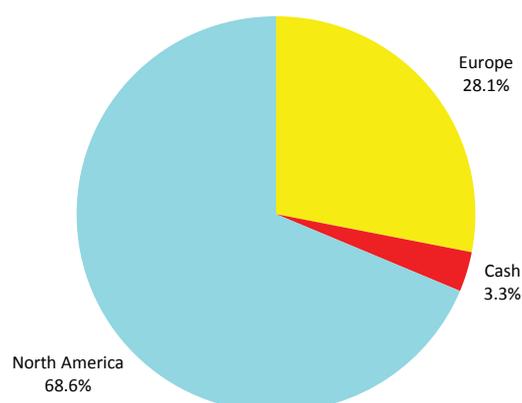
Top 10 Holdings

Company	Sector	Country
Alphabet Inc	Information Technology	
Apple Inc	Information Technology	
Johnson & Johnson	Health Care	
Roche Holding AG	Health Care	
Visa Inc	Information Technology	
Priceline Group Inc	Consumer Discretionary	
Mastercard Inc	Information Technology	
SAP SE	Information Technology	
Advance Auto Parts Inc	Consumer Discretionary	
Publicis Groupe	Consumer Discretionary	

Investment Metrics

	Fund	Index*	Relative
Value			
P/E	17.5	19.3	91%
PEG Ratio	1.8	2.4	75%
EV/EBITDA	11.7	11.0	106%
Growth			
Historic EPS growth	12.7%	10.7%	119%
Forecast EPS growth	5.7%	3.9%	146%
Forecast Sales growth	5.1%	2.6%	196%
Quality			
Return on Equity	30.0	17.2	174%
Net Income Margin	15.3	12.0	128%
Net Debt / Equity	42.1	53.3	79%

Geographic Exposure



Market Commentary

Global equities had a decent rebound in July after a weaker month in June. More specifically, the MSCI World ex Australia Index appreciated by 4.0% in USD terms and 2.0% in AUD terms. The fund managed to perform a little better during the month – delivering a return of +2.5%. Over the longer term, the absolute returns of the fund have been very strong: +13.5% p.a. over 3 years, and +17.0% p.a. over 5 years. We would also note that our returns have materially outperformed those of the Australian equity market – further emphasizing the benefits of global equity exposure.

After a turbulent month in June, driven by the Brexit fallout, investors seemed to adopt a more optimistic stance to markets. Market reactions to the U.S. earnings season were quite positive, despite the relatively cautious commentary coming from most companies.

When we look at the underlying sector performance of the index during the month – we basically saw a decent reversal of the clear trends in June. The defensive sectors like Consumer Staples, Telecoms and Utilities all gave back ground after a strong month in June. The stronger performing sectors in July tended to be some of the more cyclical sectors like IT, Consumer Discretionary and Materials which were all up by more than 4% during the month. All geographies delivered positive returns during the month, with the MSCI Asia Pacific Index leading the way with a 4% rally.

When we look at our performance attribution during the month, we would make a couple of points:

- We added value through our relative sector positioning. Our *underweight* positions in Energy, Utilities, Telecoms, and our *overweight* positions in IT and Consumer Discretionary all helped.
- Our lack of exposure to Asian equities had a modestly negative impact on our relative returns.
- Our stronger performers during the month were: Alliance Data, SAP, Varian Medical, Qualcomm and Alphabet.
- Our laggards were: Stericycle, Kroger, SEI Investments, Check Point and Roche.

Portfolio positioning and outlook

The bulk of our portfolio activity during the month was centred on taking some profits in some of our holdings that had performed very well and reached our price targets. As a “Quality at a Reasonable Price” investor, we have always been diligent about taking profits in periods of market strength and we also increased our cash position by 1.5% during the month.

Our portfolio activity during the month consisted of both adding and trimming existing positions, as well as a handful of wholesale positional changes.

We sold our long held position in Procter & Gamble for valuation reasons. We also sold our position in Express Scripts as we had lost a little confidence in the fundamental case and felt we could redeploy the capital in higher conviction ideas.

On the buy side, we opportunistically introduced three positions into the fund:

- Electronic Arts: EA is one of the largest global publishers of interactive games for all platforms. More recently, the company has streamlined their business and are now generating returns on capital in excess of 25%.
- Euronext: is a very profitable European exchange company trading on a very compelling valuation multiple.
- Icon Plc: is a leading Contract Research Organisation – servicing the biotech, pharmaceutical and medical device industries. Icon is a very profitable company with an increasingly scarce combination of a relatively attractive valuation and non-cyclical earnings.

As we look ahead, we feel that the portfolio is very well positioned. We feel that the very high magnitude of ‘quality’ metrics imbedded in the portfolio will hold us in good stead over the next 12 months. As a style, quality has lagged marginally over the last 6 months, however, we would expect this trend to reverse over the next year. Our immediate focus is to look for opportunities to build positions in great companies at attractive prices. Notwithstanding some of the excessive valuation pockets that we currently see in consumer staples for example, we are beginning to see more interesting ideas in the SMID cap space. Many of these opportunities will form the core focus of our research efforts in the coming months.

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.
Indirect Cost Ratio	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
Contact Details	www.bellasset.com.au Tel: +613 8637 6000 info@bellasset.com.au

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