

Bell Global Equities Fund

Fund Update: June 2016

Bell
ASSET MANAGEMENT

Net Performance

for the period ending 30 June

	Fund	Index*	Excess
1 month	-4.6%	-3.8%	-0.8%
3 months	2.7%	4.4%	-1.7%
6 months	-3.4%	-1.7%	-1.7%
1 Year	2.1%	0.4%	+1.7%
3 Years (p.a)	15.2%	14.8%	+0.4%
5 Years (p.a)	15.4%	14.9%	+0.5%
Inception (p.a.)^	4.2%	4.6%	-0.4%

*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 ^^	140.5%	105.2%	35.3%
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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
Hershey Co	Howden Joinery Group Plc
Mead Johnson Nutrition Co	ITV PLC
Johnson & Johnson	Britvic PLC
Advance Auto Parts Inc	Adecco Group AG
Stericycle Inc	Alliance Data Systems Corp

Trade Activity

Buys	Weight	Sells	Weight
Bae Systems Plc	0.6%	Polaris Industries Inc	0.6%
Tractor Supply Company	0.6%		

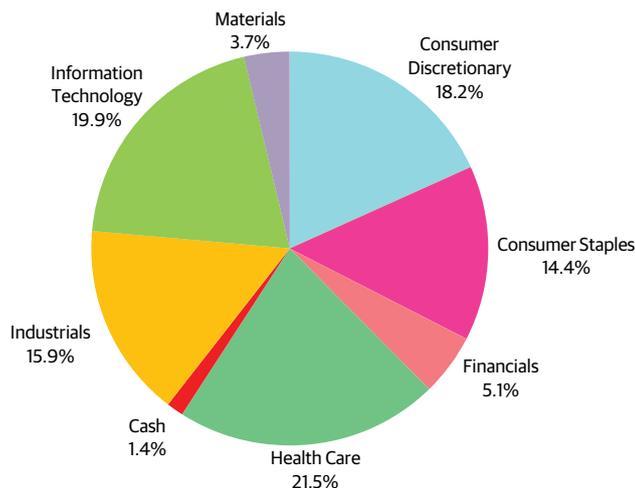
Top 10 Holdings

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

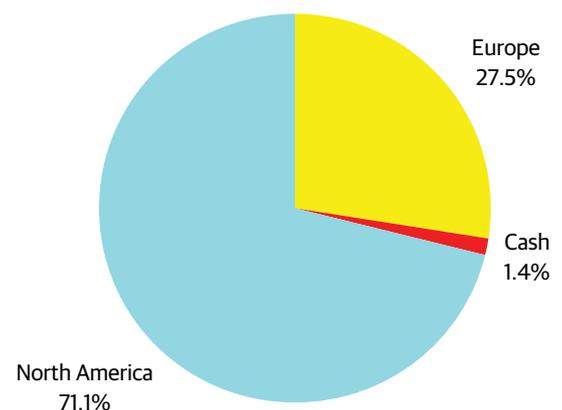
Investment Metrics

	Fund	Index*	Relative
Value			
P/E	17.4	18.4	95%
PEG Ratio	1.8	2.3	78%
EV/EBITDA	11.6	10.5	110%
Growth			
Historic EPS growth	14.2%	10.8%	131%
Forecast EPS growth	10.8%	9.2%	117%
Forecast Sales growth	4.9%	2.1%	233%
Quality			
Return on Equity	31.4	19.7	159%
Net Income Margin	14.9	11.9	125%
Net Debt / Equity	46.8	58.3	80%

Sector Exposure



Geographic Exposure



Market Commentary

Performance

Global equities were a touch weaker in June, as the MSCI World Index declined by 1.07% in USD terms, and 3.80% in AUD terms, as the Australian dollar rallied. The fund marginally underperformed the broader index during the month, delivering a return of (4.6%). Our performance over some longer time periods remains quite strong, as we have outperformed over 1, 3 & 5 years.

The implications of the Brexit vote in the UK essentially dominated market activity during the month. When we delve into the underlying drivers of equity returns, what was very clear was the large negative reaction of European equities in both local currency and AUD terms, declining by 9.6%. Clearly, the weakness in the British pound exacerbated declines as investors came to grips with the economic ramifications of the vote.

When we look closer at the behaviour of European equities during the month, we would make a couple of points:

- UK Small Cap equities were particularly weak, evidenced by the fact that the FTSE SmallCap Index declined by 14.1% in AUD terms;
- With the exception of the Swedish & Swiss markets, the UK market actually performed a little better than most of the major European constituents (i.e. France, Germany, Spain, Italy & Portugal, all of which declined by more than 9%);
- The European banks were hit extremely hard, which thankfully had no bearing on our portfolio returns due to lack of exposure;
- The Bloomberg European Banks & Financial Services Index fell by 14% on the night of the vote - led lower by the likes of Lloyds; and
- Santander, BNP Paribas, Intesa, Barclays, RBS, Societe Generale, BBVA and Unicredit all of which fell by more than 15%.

What contributed to performance

When we look at the drivers of our relative performance during the month, we would note that there were essentially a range of competing forces which collectively resulted in modest degree of underperformance. Given the shock of the Brexit vote, we saw investors flock to traditional safe haven stocks like Telecoms, Utilities & Gold, which all materially outperformed.

On the positive side, our relative performance was helped by our *underweight* position in Financials and *overweight* positions in Health Care & Consumer Staples. More specifically, our better performers were Hershey, Mead Johnson, Johnson & Johnson, Advanced Auto & Stericycle. We also benefited from our lack of exposure to the U.S. & European banks which suffered material declines.

On the *negative* side, we were hurt by our underweight positions in Energy, Utilities & Telecoms which all outperformed. Our Consumer Discretionary names also lagged during the month. Our poorer performing names were unsurprisingly some of our European names - Howden Joinery, ITV, Britvic & Adecco.

The magnitude of our European exposure had a marginal impact on relative returns - whilst we were 4.6% *overweight* in European equities, we also went into the Brexit vote with an *underweight* position in UK equities to the tune of 1.07%.

Portfolio Changes

Sales: Polaris Industries Inc (US/Consumer Discretionary)

Buys: Bae Systems Plc (UK/Industrials), Tractor Supply Company (US/Consumer Discretionary)

Positioning & Outlook

Our overall portfolio positioning didn't change much during the month. At a sector level, we remain *overweight* in Health Care, IT, Consumer Discretionary & Industrials, at the expense of Financials, Energy, Telecoms, Utilities, Materials & Industrials. At a geographical level, we remain *overweight* in the U.S. & Europe at the expense of Asia Pacific.

Looking ahead, our current research agenda is looking very robust with four team members travelling to Europe in September to meet with a wide range of companies on our watchlist. The recent Brexit related turbulence in European markets may well present us with some interesting opportunities to build positions in companies we have long admired but kept away from for valuations reasons.

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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