

# Bell Global Equities Fund

Fund Update: March 2015



## Net Performance for the period ending 31 March

|                          | Fund  | Index* | Excess |
|--------------------------|-------|--------|--------|
| <b>1 month</b>           | -1.9% | -0.9%  | -1.0%  |
| <b>3 months</b>          | 4.4%  | 5.3%   | -0.9%  |
| <b>6 months</b>          | 16.7% | 17.4%  | -0.7%  |
| <b>1 Year</b>            | 26.7% | 26.7%  | 0.0%   |
| <b>3 Years (p.a)</b>     | 23.3% | 24.8%  | -1.6%  |
| <b>5 Years (p.a)</b>     | 14.8% | 14.4%  | +0.4%  |
| <b>Inception (p.a.)^</b> | 4.5%  | 5.4%   | -0.9%  |

\*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 (p.a)^</b> | 7.1% | 5.9% | +1.2% |
|--------------------------------------------------------|------|------|-------|

^^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 |
|-------------------------------|----------------------------------|
| Core Laboratories             | Hershey Co                       |
| Perrigo Co Plc                | Cognizant Tech Solutions         |
| FMC Technologies Inc          | Biogen Inc                       |
| Hasbro Inc                    | Copart Inc                       |
| Schlumberger Ltd              | TJX Companies Inc                |

## Trade Activity

| Buys                    | Weight | Sells            | Weight |
|-------------------------|--------|------------------|--------|
| Becton Dickinson and Co | 0.9%   | Fossil Group Inc | 0.5%   |
|                         |        | Halliburton Co   | 0.6%   |
|                         |        | Petrofac Ltd     | 0.6%   |

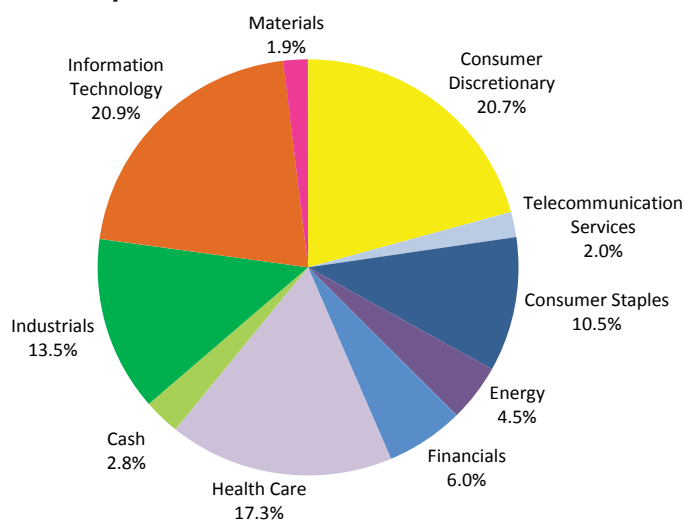
## Top 10 Holdings

| Company                    | Sector                 | Country |
|----------------------------|------------------------|---------|
| Apple Inc                  | Information Technology |         |
| Google Inc                 | Information Technology |         |
| Oracle Inc                 | Information Technology |         |
| Ebay Inc                   | Information Technology |         |
| SAP SE                     | Information Technology |         |
| Johnson & Johnson          | Health Care            |         |
| IBM                        | Information Technology |         |
| Priceline Group Inc        | Consumer Discretionary |         |
| Express Scripts Holding Co | Health Care            |         |
| United Technologies Corp   | Industrials            |         |

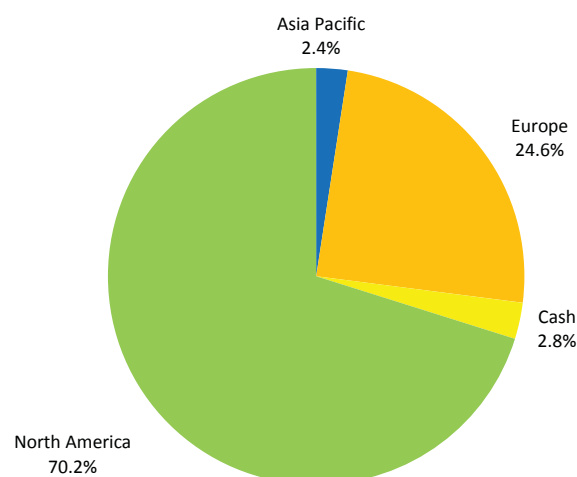
## Investment Metrics

|                       | Fund  | Index* | Relative |
|-----------------------|-------|--------|----------|
| <b>Value</b>          |       |        |          |
| P/E                   | 19.2  | 20.6   | 93%      |
| PEG Ratio             | 1.8   | 2.4    | 76%      |
| EV/EBITDA             | 11.9  | 11.9   | 100%     |
| <b>Growth</b>         |       |        |          |
| Historic EPS growth   | 12.5% | 9.6%   | 129%     |
| Forecast EPS growth   | 10.4% | 8.5%   | 122%     |
| Forecast Sales growth | 9.7%  | 6.7%   | 143%     |
| <b>Quality</b>        |       |        |          |
| Return on Equity      | 31.2% | 18.4%  | 169%     |
| Net Margin            | 15.6% | 13.4%  | 116%     |
| Net Debt / Equity     | 29.8% | 51.5%  | 58%      |

## Sector Exposure



## Geographic Exposure



# Market Commentary

## Performance

- The fund continued the strong start to 2015, appreciating by 1.4% which was a little better than the MSCI World Index return of 0.9%
- While equities actually fell in local currency terms, due to the continued weakness in the Australian dollar global equities posted a positive return
- At a geographical level, the outcomes were very mixed. In AUD terms, Japanese equities were very strong +4.3%, while European equities were flat and U.S. equities posted a modest gain
- At a sector level, returns were much more varied with Health Care delivering gains of +4% while the far more cyclical sectors such as Materials & Energy posted negative returns

## What Helped

- At a sector level we added value across most sectors – more specifically with IT & Industrials leading the way
- Our overall batting average was quite strong this month (i.e. the number of our holdings which posted positive Returns)
- Our better performers were a mixed bag this month: CBRE , Amerisourcebergen, Perrigo, ITV PLC & Rockwell Collins
- In a general sense, our 'quality' style marginally worked in our favour this month

## What Hurt

- Our perpetual underweight in the Financial sector didn't help us this month, as some of the heavyweight financial stocks pushed higher
- Our underweight in the Japanese market also worked against us
- At a stock level, our weaker names were Next, Polaris, Bunzl, Priceline and Union Pacific

## Research Highlights

Several members of the investment team have recently returned from research trips so we will touch on their key takeaways this month:

Joel Connell / U.S. Consumer Staples & Discretionary

- Currency headwinds are an increasing concern for many U.S. based multi-nationals
- Slowing Emerging market growth coupled with ever expanding valuations in the staples area are cause for concern
- Early signs of improving consumer spending on the back of lower oil prices
- Companies of interest: Tractor Supply, Starbucks, IFF, Church & Dwight and VF Corp

Patrik Sjoblom / Global Industrials

- Increasing optimism amongst European corporates on the back of QE, lower energy prices and a weaker Euro
- Commercial aerospace and US non-residential facing companies are two niches with strong backdrops
- Automotive sector remains strong in the U.S. & Europe while China is looming as decent disappointment for 2015
- The outlook for 'commodities facing' industrial names remains weak
- Geopolitical tensions limit downside in national defence budgets and increased military spending could commence in 2016-17
- Companies of interest: Assa Abloy, Boeing, Monsanto, Sherwin Williams & United Technologies

## Portfolio Changes

**Purchases:** Howden Joinery Group Plc, ProSiebenSat.1 Media AG, VISA Inc

**Sales:** FMC Corp, Hugo Boss AG, InvenSense Inc, Unilever NV

## Positioning & Outlook

- Our overall portfolio positioning hasn't changed much over the last little while
  - We remain overweight in U.S. equities and underweight in Japanese equities
- While the economic backdrop in Europe is clearly improving, we feel that equity markets are pricing in a pretty rosy outcome for European corporates. We remain wary of the impact of weakening emerging markets on major European corporates
- As we turn our attention to the U.S. market, we feel more positive from an investment opportunity perspective. In other words, we feel there are a greater number of disconnects between quality & value at a stock level
- Looking ahead we feel the prospects for global equities are very compelling – both the U.S. & European economies are arguably improving, overall valuations are not excessive in our view and the enormous consumer benefit from lower oil prices is yet to translate into stronger earnings

### Overweights

U.S. Equities

Consumer Discretionary

Information Technology

Health Care

### Underweights

Japanese & EU Equities

Financials

Utilities

Energy

### Contact Details

Website [www.bellasset.com.au](http://www.bellasset.com.au)

Email [bellglobal@bellasset.com.au](mailto:bellglobal@bellasset.com.au)

Telephone 03 8637 6000

## 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<br>Published on <a href="http://www.bellasset.com.au">www.bellasset.com.au</a> & market data services<br>Applications using application form attached to the PDS<br>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)<br>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<br>Half yearly transaction and valuation statement<br>Annual periodic statement, tax statement and distribution statement, Annual Financial Report                           |
| <b>Income</b>                               | Annual distribution of taxable income                                                                                                                                                                                   |

## Key Features

### Investment Highlights

- 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 Managers:** Ned Bell and Adrian Martuccio

**Index:** MSCI World (ex Australia) Index

**Asset allocation:** Long only global equities

No gearing

No derivatives

### Investment objective:

Outperform the index over rolling three year periods

**Important information:** Bell Asset Management Limited (BAM) ABN 84 092 278 647, AFSL 231091 is the responsible entity for the Bell Global Equities Fund (the Fund). This report has been prepared by BAM for information purposes only and does not take into consideration the investment objectives, financial circumstances or needs of any particular recipient - it contains general information only. Before making any decision in relation to the Fund, you should consider your needs and objectives, consult with a licensed financial adviser and obtain a copy of the product disclosure statement, which is available by calling BAM on 1300 305 476 or visiting [www.bellasset.com.au](http://www.bellasset.com.au). No representation or warranty, express or implied, is made as to the accuracy, completeness or reasonableness of any assumption contained in this report. Past performance is not necessarily indicative of expected future performance.