Bell Global Equities Fund

Fund Update: March 2016

Bell ASSET MANAGEMENT

Net Performance
for the period ending 31 March

	Fund	Index*	Excess
1 month	-2.0%	-1.0%	-1.0%
3 months	-5.9%	-5.8%	-0.1%
6 months	-4.4%	-4.2%	-0.2%
1 Year	-1.5%	-3.9%	+2.4%
3 Years (p.a)	19.5%	18.7%	+0.8%
5 Years (p.a)	14.7%	13.3%	+1.4%
Inception (p.a.)^	4.0%	4.2%	-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.

Global Equities (Net) Strategy Inception - Total Return ^^	134.2%	96.7%	37.5%

^^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
Mead Johnson Nutrition Co	Kroger Co
Accenture Plc	Alimentation Couche-Tard
Microsoft Corp	Express Scripts Holding Co
IBM	AmerisourceBergen Corp
CBRE Group Inc	Priceline Group Inc

Trade Activity

Buys	Weight	Sells	Weight
Airbus Group SE	0.9%	CBRE Group Inc	0.4%
Dun & Bradstreet Corp	0.9%	Cummins Inc	0.8%
		Paypal Holdings Inc	0.8%
		WW Grainger Inc	0.7%

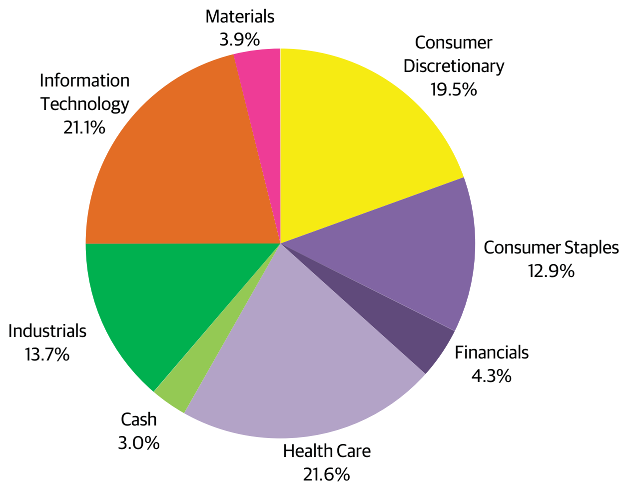
Top 10 Holdings

Company	Sector	Country
Alphabet Inc	Information Technology	
Apple Inc	Information Technology	
Johnson & Johnson	Health Care	
Publicis Groupe	Consumer Discretionary	
Roche Holding AG	Health Care	
Bayer AG	Health Care	
Oracle Corp	Information Technology	
Visa Inc	Information Technology	
Microsoft Corp	Information Technology	
Advance Auto Parts Inc	Consumer Discretionary	

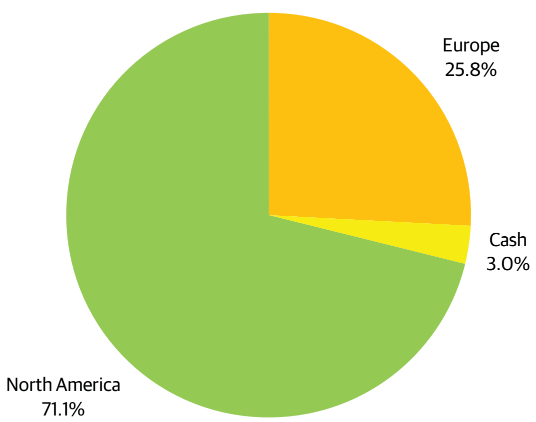
Investment Metrics

	Fund	Index*	Relative
Value			
P/E	17.1	19.1	90%
PEG Ratio	1.8	2.2	82%
EV/EBITDA	11.7	10.1	116%
Growth			
Historic EPS growth	17.8%	13.9%	128%
Forecast EPS growth	10.7%	9.5%	113%
Forecast Sales growth	6.6%	6.3%	105%
Quality			
Return on Equity	29.8	18.3	163%
Net Income Margin	13.5	13.0	104%
Net Debt / Equity	39.1	51.8	75%

Sector Exposure



Geographic Exposure



Market Commentary

Performance

- Global equity markets were stronger in USD terms during March, but the rally in the Australian dollar resulted in the MSCI World (ex-Australia) Index ultimately declining by 1.0%.
- The fund declined by 2.0%, underperforming by 1.0%.
- Over the last 12 months, the fund has outperformed the benchmark by 2.4% in what have been quite volatile market conditions.
- The fund has still managed to deliver strong absolute returns over longer time periods: +19.5% p.a. over 3 years, and +14.7% p.a. over 5 years.

What Helped

- The vast majority of our holdings actually performed very well in local currency terms.
- Our relative performance was helped by our overweight in the I.T. sector.
- Our better performers were: Mead Johnson Nutrition, Accenture, Microsoft, IBM and CBRE.

What Hurt

- The +7% appreciation in the Australian dollar negated all of the underlying strength in many of our holdings.
- High 'Quality' stocks lagged the broader market in March, as many of the more cyclical stocks led the way – i.e. Energy, Basic Materials and Industrials. Our portfolio is heavily exposed to the former and minimally exposed to the latter.
- At a sector level, Health Care stocks were also weaker as many short term investors rotated into more cyclical names.
- Our poorer performers were: Kroger, Alimentation Couche-Tard, Express Scripts, AmerisourceBergen and Priceline.

Research Highlights

Several members of the investment team embarked on research trips during March which ultimately proved to be extremely useful.
The first of these trips was to Japan to attend the Daiwa Investment Conference in Tokyo. Whilst we currently have no exposure to Japanese equities, we feel that it's always important to keep looking for ideas and retesting existing views on companies and markets. Frustratingly, we came away with very few actionable investment ideas in Japan. While there are some Japanese companies that we would like to own in the fund, they are few and far between. Because so few Japanese companies have comparable levels of profitability as their western peers, they tend to trade on extremely high valuation multiples which we feel are totally unjustified. From a top down perspective, the Japanese economy and market as a whole faces numerous challenges:

- The economy seems to be stagnating, again. After recent optimism that Prime Minister Abe's "Abenomics" would lift Japan out of the economic mire, recent signs aren't good. Japan's increasing reliance on China as an export market has meant the big Japanese exporters are feeling the brunt of the economic slowdown in China. The domestic consumer also appears to be in a fragile state. The older population, which represents a disproportionate component of the overall population, has become increasingly frugal in recent months. Given that the government plans on increasing the consumption tax again early 2017, we would be inclined to steer clear of Japanese consumer exposure.
- Japan Inc. have lost their competitive edge. While this hasn't happened over night, the recent trip was a reminder that so many of the once great Japanese multinational corporations are now a shadow of their former selves, which begs the question, why? The technological advantage they once had has dissipated over the last 10 years and they now find themselves operating in highly commoditized industries where they are competing with large scale aggressive competitors whose primary objective is market share, often at the expense of returns.

The other research trips were to the U.S. and Europe where members of the investment team met with 42 companies which we either own or are considering.
The research conducted on the trip is ongoing and we would expect that some of the names we met with to eventually appear in the portfolio.

Portfolio Changes

Sales: CBRE Group Inc (US/Financials), Cummins Inc (US/Industrials), Paypal Holdings Inc (US/Information Technology), WW Grainger Inc (US/Industrials)
Buys: Airbus Group SE (France/Industrials), Dun & Bradstreet Corp (US/Industrials)

Positioning & Outlook

We haven't made too many meaningful changes in the portfolio positioning of late. Our quite large overweight in U.S. stocks and underweight in Japanese stocks is merely a reflection of where we are finding the best investment opportunities that meet our 'Quality at a Reasonable Price' mantra. In terms of recent portfolio activity, we have also used the recent rally as an opportunity to trim some positions in the Industrial and Consumer Staples sectors.

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

- 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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