

Bell Global Equities Fund

Fund Update: May 2016

Bell
ASSET MANAGEMENT

Net Performance for the period ending 31 May

	Fund	Index*	Excess
1 month	6.5%	6.0%	+0.5%
3 months	5.5%	7.5%	-2.0%
6 months	-0.2%	-0.1%	-0.1%
1 Year	4.3%	1.6%	+2.7%
3 Years (p.a)	18.3%	17.2%	+1.1%
5 Years (p.a)	16.1%	15.4%	+0.7%
Inception (p.a.)^	4.8%	5.2%	-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 ^^	152.1%	113.4%	38.7%
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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
Dun & Bradstreet Corp	Bayer AG
Dollar Tree Inc	AmerisourceBergen Corp
Gartner Inc	Polaris Industries Inc
Alliance Data Systems Corp	Foot Locker Inc
Copart Inc	Williams-Sonoma Inc

Trade Activity

Buys	Weight	Sells	Weight
Britvic Plc	0.8%	Perrigo Co Plc	0.5%

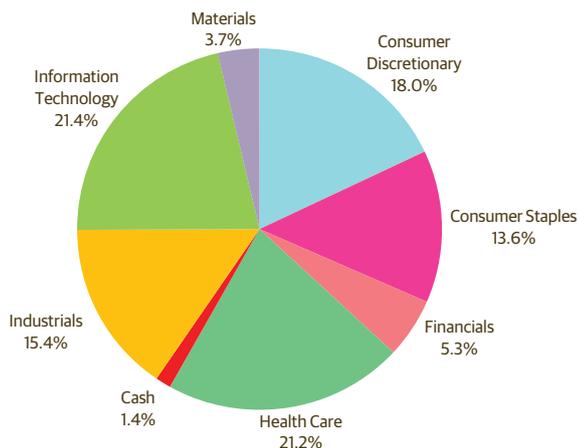
Top 10 Holdings

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	
Oracle Corp	Information Technology	
Mastercard Inc	Information Technology	
Publicis Groupe	Consumer Discretionary	
SAP SE	Information Technology	

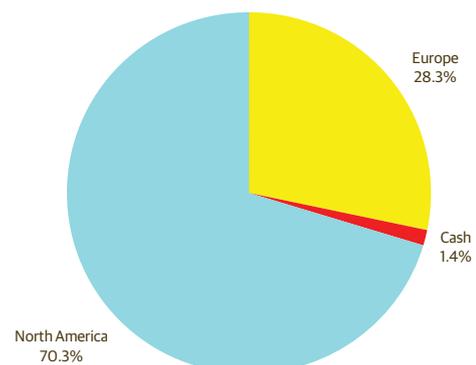
Investment Metrics

	Fund	Index*	Relative
Value			
P/E	17.1	18.2	94%
PEG Ratio	1.8	2.3	78%
EV/EBITDA	11.5	10.4	111%
Growth			
Historic EPS growth	14.2%	10.7%	133%
Forecast EPS growth	10.8%	12.7%	85%
Forecast Sales growth	5.9%	6.8%	87%
Quality			
Return on Equity	31.2	19.4	161%
Net Income Margin	15.1	11.8	128%
Net Debt / Equity	44.5	56.9	78%

Sector Exposure



Geographic Exposure



Market Commentary

Performance

Global equities had a moderately positive month in May, which was flattered by the -5% decline in the AUD/USD. The net result was that the MSCI World ex Australia Index appreciated by 6.0%, whilst our portfolio appreciated by 6.5%, marginally outstripping the benchmark. Our performance over the last 1 & 3 years remains strong - outperforming by 2.7% p.a. & 1.1% p.a. respectively.

What contributed to performance

Markets as a whole essentially moved in unison as the vast majority of sectors and geographies posted solid AUD returns. One of the key changes we witnessed in May, was the evenness of performance across sector and style. Unlike in March & April, when the more cyclical end of the market seemed to perform well, May represented more of a reality check for investors as they absorbed another benign earnings season in the United States. The result being that the strong rally in commodity stocks has drawn to a halt.

While the tone of U.S. corporate outlooks hasn't changed much from previous quarters, the recent results represent another sluggish datapoint for investors. It would seem that a combination of political uncertainty, continued weakness in emerging markets, a moderating labour market and mixed signals from the consumer, are collectively contributing to ongoing earnings uncertainty.

From our perspective, it appears that the U.S. economy remains in a shallow economic recovery with a couple of competing forces. It seems that the industrial economy is still pretty weak, predominantly for external / non-US reasons, while the broader health of the U.S. consumer seems quite strong. Housing and Autos have been decent drivers of growth, while other forms of discretionary spending remain quite weak. Some of this weakness is driven by a rapidly building structural change in the retail environment where the likes of Amazon are inflicting considerable damage on traditional retailers.

When we delve into our performance attribution over the month of May, we would make a couple of points:

- Our sector allocation was a positive, O/W IT, U/W Energy & Materials.
- Our lack of exposure to Japanese equities worked against us.
- Our better performers were: Dun and Bradstreet, Dollar Tree, Gartner, Alliance Data Systems & Copart.
- Our laggards were Bayer, AmerisourceBergen, Polaris, Foot Locker & Williams-Sonoma.
- Our lack of exposure to a handful of large index constituents worked against us (i.e. Amazon, Pfizer, Exxon Mobil, JP Morgan Chase).
- We don't feel that style bias had much of an impact on performance this month.

Portfolio Changes

Sales: Perrigo Co Plc (United States/Health Care)

Buys: Britvic Plc (United Kingdom/Consumer Staples)

Positioning & Outlook

Essentially, very little has changed as far as the portfolio positioning is concerned. We remain overweight in both U.S. & European equities at the expense of Asian equities. At a sector level, we have overweight positions in IT, Consumer Discretionary, Health Care & Consumer Staples, whilst we retain our underweight stance in Financials, Energy, Telecoms, Industrials, Utilities and Materials.

Needless to say that we are very comfortable with the current positioning of the portfolio. Our key areas of focus at the moment are:

- a) identifying companies with sustainable revenue growth outlooks (unfortunately, this is a diminishing list); and
- b) taking a closer look at some selective Small and Mid Cap opportunities which have sold off more recently.

We also had a busy research trip agenda in the early part of June. Three members of the investment team independently travelled through the U.S, meeting with existing holdings and conducting ongoing due diligence on others. The vast majority of our time was spent meeting with management teams in their head offices, whilst we also attended several broker conferences.

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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