

Bell Global Equities Fund

Fund Update: September 2015

Bell
ASSET MANAGEMENT

Net Performance

for the period ending 30 September

	Fund	Index*	Excess
1 month	-1.5%	-2.8%	+1.3%
3 months	4.0%	0.4%	+3.6%
6 months	3.1%	0.3%	+2.8%
1 Year	24.9%	18.9%	+6.0%
3 Years (p.a)	24.7%	24.3%	+0.4%
5 Years (p.a)	17.0%	15.8%	+1.2%
Inception (p.a.)^	4.9%	5.1%	-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 ^^	145.0%	105.2%	39.8%
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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
Nike Inc	Rotork Plc
Alimentation Couche-Tard	Perrigo Co Plc
Advance Auto Parts Inc	Sherwin- Williams Co
Raytheon Company	McGraw Hill Financial Inc
Kroger Co	Cummins Inc

Trade Activity

Buys	Weight	Sells	Weight
Novozymes A/S	0.4%		
Verisk Analytics Inc	0.6%		

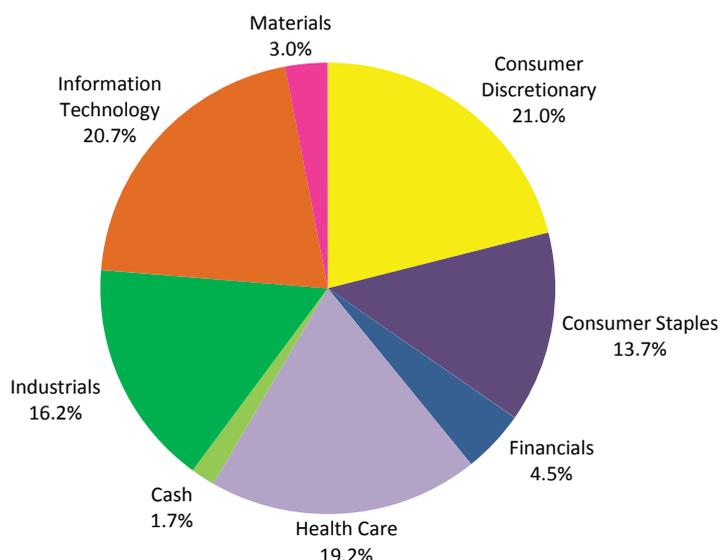
Top 10 Holdings

Company	Sector	Country
Alphabet Inc	Information Technology	
Apple Inc	Information Technology	
Johnson & Johnson	Health Care	
Nike Inc	Consumer Discretionary	
Oracle Inc	Information Technology	
American Express Co	Financials	
Publicis Groupe	Consumer Discretionary	
Alliance Data Systems Corp	Information Technology	
SAP SE	Information Technology	
Visa Inc	Information Technology	

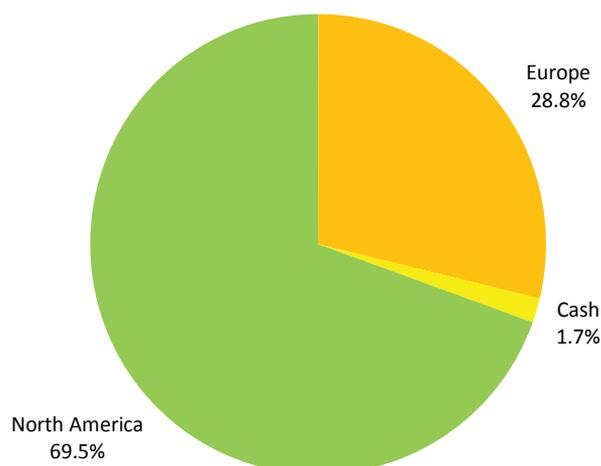
Investment Metrics

	Fund	Index*	Relative
Value			
P/E	18.0	18.6	96%
PEG Ratio	1.6	1.9	84%
EV/EBITDA	11.1	10.9	102%
Growth			
Historic EPS growth	12.6%	8.2%	153%
Forecast EPS growth	10.7%	10.2%	105%
Forecast Sales growth	5.3%	4.3%	123%
Quality			
Return on Equity	32.6%	18.6%	176%
Net Margin	15.2%	13.3%	114%
Net Debt / Equity	44.3%	55.3%	62%

Sector Exposure



Geographic Exposure



Market Commentary

Performance

- The fund declined by 1.5% in September, in what was another difficult month for global equities. Having said that we managed to outperform the MSCI World (ex-Australia) Index which declined by 2.8%.
- Not only did all major geographies give up some value but 8/10 major GICS sectors fell during the month.
- The more cyclical sectors like Energy & Materials bore the bulk of the downturn while defensives like Consumer Staples & Utilities managed to deliver modest gains.
- While the last few months have been somewhat difficult for global equities, we would note that our absolute & relative performance over the last 12 months in particular have been quite strong. The fund has returned +24.9% (net of fees) compared to the index return of +18.9%.

What Helped

- Our relative sector weightings were a positive driver - *Underweight* Energy & *Overweight* in IT & Consumer Discretionary, all helped.
- Our lack of exposure to Japanese equities also worked in our favour as Japanese equities lagged the MSCI World (ex-Australia) Index by 2%.
- The better performers in the fund were: Nike, Alimentation Couche-Tard, Advance Auto Parts, Raytheon & Kroger.

What Hurt

- At a sector level, our health care names collectively lagged as drug pricing was raised as an election issue by Hilary Clinton.
- The laggards in the portfolio were Rotork, Perrigo, Sherwin Williams, McGraw-Hill & Cummins.

Research Highlights

Our research efforts this month have been focused on Europe as two members of the investment team returned from extended research trips. Between them they met with a wide array of companies in the UK, Spain, Germany, France, Sweden & Switzerland. They met with companies in the portfolio and others being considered for investment. At a macro level, we maintain our view that Europe as a whole is on a sluggish upwards growth trajectory. Having said that, the growth patterns are quite different at a country level.

On the one hand, countries like Spain have clearly turned a corner and seem to be growing well off a very depressed base, while France & Germany appear to be quite sluggish.

Some of the key names of interest were:

- DIA – Spanish food retailer, high returning franchise model with positive economic leverage.
- Bunzl – current holding, UK based distributor of non-food consumable items – high returning / defensive business.
- ProSieben – interesting German media company, excellent management & business model.
- Intrum Justitia – very well managed Swedish debt collection business.

While there were plenty of other names of interest and takeaways, we probably won't be in a rush to add meaningfully to our European exposure until we see some more attractive entry levels.

Portfolio Changes

Purchases: *Novozymes* - is a very profitable Danish specialty chemicals business. Their core business is the production of enzymes for industrial uses such as the production of detergents, biofuels, beer, wine, human and animal food.

Verisk Analytics – provides data and decision support solutions that enable customers to better understand and manage risk. They have traditionally focused on the P&C insurance industry, but have more recently entered faster growing areas through their decision analytics business.

Sales: Nil

Positioning & Outlook

As we look ahead, it seems that the economic outlook has become a little more uncertain than it was a few months ago. The global economic effects of the well-publicised slowdown in Emerging economies are still being felt and the U.S. Fed's decision to delay a rate hike seems to acknowledge the economic lull we are faced with. On the brighter side, we still maintain the view that both the U.S. & Europe economies are still growing – albeit at a more subdued trajectory. From an opportunistic point of view, the correction in equity prices since June has provided us with multiple opportunities to build positions in companies we have previously resisted for valuation 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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