Bell Global Equities Fund

Platform Class Fund Summary - Period Ending 29 February 2024

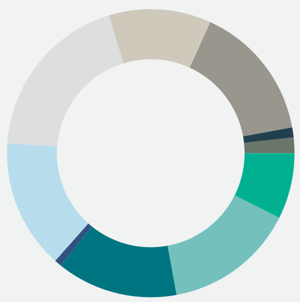
Bell ASSET MANAGEMENT

Net Performance^

Returns in AUD	Fund	Index*
1 Month	3.9%	5.9%
3 Months	10.0%	12.7%
6 Months	6.5%	11.9%
1 Year	20.2%	29.8%
3 Years (pa)	13.2%	15.2%
5 Years (pa)	12.1%	13.8%
Inception (pa)^	8.8%	8.3%

*Index is the MSCI World ex Australia in $A Unhedged with net dividends reinvested. ^ Inception date of the Platform Class is 7 May 2015. Returns are based on the Platform redemption price and are net of fees. The Bell Global Equities Fund - Platform Class has been operating since May 2015. 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 - Platform Class units.

Sector Exposure



Communication Services	7.4%
Consumer Discretionary	14.8%
Consumer Staples	13.6%
Energy	0.8%
Financials	14.6%
Health Care	19.1%
Industrials	11.4%
Information Technology	15.4%
Materials	1.0%
[Cash]	1.9%

Geographic Exposure

Africa/Mideast	0.7%
Asia/Pacific Ex Japan	3.4%
Europe	27.0%
Japan	1.3%
North America	65.9%
[Cash]	1.9%

Top 10 Holdings

Company	Sector	Geography	Weight
Microsoft Corporation	Information Technology	US	4.2%
Alphabet Inc.	Communication Services	US	4.2%
Unitedhealth Grp	Health Care	US	2.5%
Diageo plc	Consumer Staples	GB	2.0%
Nestle S.A.	Consumer Staples	CH	2.0%
Johnson & Johnson	Health Care	US	1.6%
Roche Holding	Health Care	CH	1.6%
PepsiCo, Inc.	Consumer Staples	US	1.5%
Starbucks Corporation	Consumer Discretionary	US	1.5%
NIKE, Inc.	Consumer Discretionary	US	1.4%

Best & Worst Performers - 1 Month

Top 5 - Relative Contribution	
ICON Plc	0.19%
Advanced Drainage…	0.15%
Charles River…	0.12%
Tractor Supply	0.10%
BJ's Wholesale Club…	0.10%

Bottom 5 - Relative Contribution	
Nestle S.A.	-0.23%
Amadeus IT Group SA…	-0.23%
Reckitt Benckiser	-0.23%
Neste Corporation	-0.22%
Roche Holding	-0.19%

Investment Metrics#

	Portfolio	Index	Relative
Risk			
Total Risk	9.37	10.09	
Number of Stocks	97	1,421	
Active Share	79.3		
Value			
P/E (Fwd 12M)	19.6	18.3	107%
EV / EBITDA	15.8	14.5	109%
Growth (%)			
Sales Growth	10.8	12.7	85%
EPS Growth	13.3	17.6	75%
Quality			
Return on Equity	29.6	15.1	196%
Net Debt / EBITDA	0.7	0.9	82%
ESG			
MSCI ESG Overall Score	7.5	6.9	109%
Carbon Emissions*	17.2	94.8	18%

Investment Metrics calculated using FactSet database
* Scope 1+2 CO2 and equivalents per US$ mil. of revenue

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Performance

The global equity market rally continued in February with the MSCI World ex Australia Index rising 5.9% during the month. The Bell Global Equities Fund (Platform Class) rose 3.9%, underperforming the MSCI World ex Australia Index by 2.0%.

Performance Attribution

The +3.9% portfolio return was driven mainly by holdings across the Consumer Discretionary, Health Care, Information Technology, Financials and Industrials sectors. Portfolio holdings in these five sectors combined made up nearly 75% of the total portfolio, with each sector returning over 4% during the month. From a regional perspective, gains in the US stocks led the way. Currency was a slight tailwind to returns in AUD terms as the Aussie dollar softened during the month. The portfolio's overweight exposure to small and mid-caps was a small headwind.

From a relative attribution perspective, underperformance in February was driven mainly by the underweight allocation and stock picking within the Information Technology, Communication Services and Industrials sectors, as well as being overweight Consumer Staples which lagged in the strong market conditions. The underweight to the US market and overweight to the UK and Switzerland also weighed on alpha.

In terms of stock specifics, the best stock performer during the month was Icon which rallied over 20%. Icon is one of the world's leading contract research organisations (CRO) which partners with pharma and biotech companies to help run their clinical trials. The company reported solid 4Q23 results, reiterated 2024 guidance for mid-high teens EPS growth and provided supportive commentary around solid RFP activity. The biopharma funding environment has also improved, providing further support from a near term sentiment perspective and, if sustained, should be a tailwind over the medium to long term for earnings prospects. Having increased our position in Icon meaningfully on the back of share price weakness in late 2022 and early 2023, we have taken advantage of the recent share price strength to trim some profits. However, with solid double-digit earnings growth set to continue and the valuation at attractive levels (forward P/E ratio ~20x), we continue to like the investment case looking forward.

Other positive contributors to performance during February included Advanced Drainage (Industrials), Charles River Labs (Health Care), Tractor Supply (Consumer Discretionary) and BJ's Wholesale Club (Consumer Staples). Not owning Apple also helped from a relative attribution perspective.

One of the largest negative contributors to performance in February was Amadeus, a Spanish technology company that specialises in software solutions for the travel and tourism industry. The company reported 4Q23 results and 2024 revenue guidance which were broadly in-line with expectations but disappointed slightly in terms of margin and FCF guidance. The stock also sold off late in the month due to speculation that Amadeus was considering the acquisition of US payment processor Shift4. Following month end, Amadeus management issued a statement saying that they were not interested in acquiring Shift4 and shares have subsequently started to rebound. Our positive outlook for the company remains unchanged and we took advantage of the recent share price weakness to add to the position.

Other performance detractors included Nestle (Consumer Staples), Reckitt Benckiser (Consumer Staples), Neste (Energy) and Roche (Health Care), along with a lack of exposure to NVIDIA and Meta Platforms. These two companies combined detracted almost 1% from relative returns.

Market Commentary

The global equity market rally continued in February. The strong returns were broad-based by region, with the US market once again leading the way. At a sector level, Consumer Discretionary, Information Technology and Industrials were the best performers, while some of the more defensive sectors such as Utilities and Consumer Staples lagged in the stronger market.

From a style perspective, 'Growth' stocks again did the heavy lifting, outperforming the 'Value' cohort by approx. 3.5%. This extends the outperformance of 'Growth' stocks to approx. 25% over the past 12 months (MSCI World Growth Index +38% vs MSCI World Value Index +13%, in USD terms). Both SMID Caps and Large Caps posted solid gains during February, with Large Caps marginally outperforming. This means that the relative valuation differential between SMID Caps and Large Caps remains close to historical trough levels.

The 'Magnificent 7' saw some diverging fortunes during the month, as NVIDIA and Meta Platforms (both 25%+) continued their rapid ascent after posting strong quarterly results, while Apple and Alphabet both lagged the market.

Economic conditions have been holding up well, especially with respect to the all-important labour market where unemployment rates remain at or near historical lows in many key regions, including 3.7% in the US, 3.8% in the UK, 6.0% in the EU and 2.4% in Japan. Inflation is generally cooling but came in a little hotter than expected in the US during January (CPI 3.1% vs. 2.9% forecast). The market has subsequently pushed back expectations for the timing of interest rate cuts in the US, with the consensus view that we will only see 3 cuts in 2024 compared to the 6 anticipated at the start of the year. This contributed to a rise in bond yields, including the US 5 year and 10 year treasury yields expanding 30-40bps to 4.25% (still well below October 2023 levels).

Elsewhere, the surge in Japanese stocks continued with the Nikkei 225 Index finally eclipsing the peak achieved in December 1989. It has been a lengthy wait for long suffering Japanese investors. The favourable equity market conditions in Japan continued despite the Japanese economy dipping into a technical recession in the second half of 2023. This caused Japan to lose its position as the world's third largest economy to Germany. In China, equity markets bounced (MSCI China Index +8%) as the Chinese Lunar New Year holiday showed solid activity levels and the government announced new measures to support markets, including further curbs on short selling and stock purchases by state owned investment firms.

Portfolio Activity

There were two wholesale position changes made during the month: buying MonotaRO (Industrials) and selling Texas Instruments (Information Technology).

MonotaRO is a Japanese B2B ecommerce company which sells a wide variety of industrial supplies that businesses need to function but are not their primary product, such as personal protective equipment, hand tools, lab supplies, cleaning supplies, building materials etc. End market exposure is diversified, with key industries serviced including Manufacturing, Construction and Auto. The market remains very fragmented and MonotaRO is well placed to take share given their scale and breadth of products sold (over 22m items in their catalogue), with customers attracted to the convenience and price competitiveness of their offering. We have been following the company for a long time and admired the company's track record of consistent growth (10-year revenue CAGR +20% and EPS CAGR +24%). We expect solid double-digit earnings growth to continue and with the valuation pulling back significantly in recent years, believe that now is an opportune time to establish a position in this quality compounder.

We also added to a number of existing holdings which we believe have strong upside potential including Agilent (Health Care), Aon (Financials), Paylocity (Industrials) and Techtronic (Industrials).

To fund these purchases we exited our modest position in Texas Instruments, a US listed semiconductor design and manufacturing company. The company's earnings are coming under pressure due to soft end market dynamics, elevated inventory levels and rising competitive threats (especially in China). While we like the fact that management typically take a long-term view and continue to invest through the cycle, this means that we could see further earnings downgrades in the near-medium term. Additionally, the longer-term visibility is currently more clouded than usual and valuation no longer looks attractive to us, therefore we made the decision to redeploy the capital into higher conviction ideas.

We have also taken some profits in a number of holdings which have continued to charge higher including Cencora (Health Care), Advanced Drainage (Industrials), Houlihan Lokey (Financials) and Check Point Software (Information Technology).

Research

Our research agenda has been very active as usual, with the first part of the month mainly focused on the tail-end of quarterly reporting season. More recently we have had several team members embark on overseas research trips to get up close and personal with the management teams of companies held in the portfolio, watchlist names and others where we think we can garner important insights. So far this has included attendance at various industry conferences across the Industrials, Consumer and Financials sectors, along with many meetings at corporate headquarters. Some of the initial high-level takeaways include:

- Consumer – the US consumer continues to spend at healthy levels, with the strong employment conditions and wage inflation remaining supportive. While consumer savings balances are coming down, in many situations they are still at levels higher than pre-COVID and other factors such as strong equity markets also help with confidence and financial security. There are pockets of weakness, especially amongst the lower income demographic and a number of companies have noted signs of down trading behaviour, so we are watching closely for any broad-based deterioration. For now, the consumer is generally in good shape.
- M&A activity showing signs of picking up – we heard from a wide range of industry participants, including a number of M&A advisory groups, that there are more M&A deals in the pipeline than there has been for some time. With market participants gradually adjusting to a higher rate environment and bid/ask spreads getting narrower in some situations, there is an expectation that deals previously on the back burner have a higher likelihood of getting completed. If deal activity does pick up, this should bode well for the small and mid-cap end of the market which are often acquisition targets.
- Investments in AI, digitalisation and automation – unsurprisingly, one of the most recurring themes in our discussions has been the topic of AI, along with digitalisation and automation. Most managements have flagged investments in these areas as a high priority.
- Supply chains and inventory levels – supply chain bottlenecks and inventory levels are largely getting back to more normalised levels. Issues in the Red Sea and Suez Canal have led to a spike in certain container shipping rates but we have not heard too much concern from corporates about the risk at this stage.
- US election – in the lead up to the November 2024 election, the US political landscape continues to garner a lot of media attention, however most of the companies we have spoken with played down any potential impacts to their business. There is a lot to still play out in this respect, but the fact that the two current leading Presidential candidates are known quantities provides some comfort on what is to come (even if some of their actions can be very unpredictable).
- Pricing tailwinds abating – for many consumer companies the contribution to organic growth from pricing in 2024 will be significantly lower than we have seen over the past couple of years. As a result, we are hearing companies talk about the more relevant role that volumes will need to play moving forward. Increased innovation and product launches should help in this respect but there is risk that some companies, especially those with weaker brand propositions, may resort to increased promotional or discounting activity.
- Commercial real estate – the office market continues to face a lot of pressures but most other segments of the commercial real estate market including multi-family, industrial and retail are generally holding up fine.
- Employment – while employment conditions remain tight, most management teams we have spoken to have indicated that wage inflation trends have decelerated and the ability to attract and retain employees is much easier than it was over the past year or two.

With more travel and many more meetings taking place in the next couple of weeks we will share more detailed insights in the near future.

Outlook

The outlook for global equities remains broadly positive. There are hints of the more speculative behaviour that we saw in 2020/21 creeping back in and valuations in certain pockets of the market are starting to look a little frothy but overall we are still finding many attractive investment opportunities in the current market.

At this stage we don't see any major risks on the horizon that may derail positive momentum but conscious of not becoming too complacent and are always looking at our investments through a risk-adjusted lens.

We continue to make gradual tweaks to the portfolio and some of our positioning has arguably taken a bit longer than usual to pay off, but we remain confident with the overall quality of the stocks held and believe the portfolio is well positioned with an excellent combination of upside potential and downside protection characteristics.

Key Features

Investment Objectives	Outperform the benchmark over rolling three year periods
Asset Allocation	Long only global equities, no gearing, no derivatives
Investment Style	Fundamental bottom up approach 'quality at a reasonable price'
Investment Highlights	• Global equity portfolio • 'Quality' focus - consistently high returning companies • Long-term horizon - typically 3-5 year holding periods • Benchmark agnostic • Diversified portfolio structure • Maximum cash exposure10% • Fund inception 2007 (strategy inception 2003) • Highly experienced investment team
Benchmark	MSCI World (ex Australia) Index
Currency Exposure	Unhedged
Investment Timeframe	At least 5 years
Number of Holdings	90-110

Fund Terms

Fund Inception Date	December 2007. Inception date of BGEF Platform is 7 May 2015.
Product Structure	Registered Managed Investment Scheme
Investment Manager	Bell Asset Management Limited
Responsible Entity	Bell Asset Management Limited
Custodian	National Australia Bank
mFund Code	BLL01
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	Minimum investment - $25,000 Minimum transaction - $1,000
Indirect Cost Ratio	0.85%p.a
Buy / Sell Spread	+/-0.10%
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
Target Market	The Fund is likely to be consistent with the financial situation and needs of a consumer who is seeking capital growth with at least a 5 year investment timeframe and who is unlikely to need to withdraw their money on less than one week's notice. The Fund is intended for use by consumers with a Medium or higher risk and return profile, depending on the proportion of their Investable Assets which is allocated to the Fund.