

# IFP Global Franchise Fund

Macquarie Professional Series

Monthly Report – October 2020



## Investment objective

The Fund aims to achieve a long-term total return (before fees and expenses) that exceeds the MSCI World ex Australia Index, in \$A unhedged with net dividends reinvested (Benchmark).

## Fund performance to 31 October 2020

	Total gross Fund returns	Total net Fund returns*	Benchmark returns**	Net excess returns
1 month (%)	-3.11	-3.23	-1.13	-2.10
3 months (%)	0.04	-0.31	1.99	-2.30
6 months (%)	-0.28	-0.97	4.90	-5.87
Fin. YTD (%)	-1.71	-2.17	2.61	-4.78
1 year (%)	2.50	1.09	2.71	-1.62
3 years (% pa)	9.92	8.42	9.24	-0.82
5 years (% pa)	8.73	7.25	8.51	-1.26
7 years (% pa)	13.51	11.97	12.14	-0.17
10 years (% pa)	15.21	13.64	12.48	1.16
Since inception (% pa)***	11.60	10.08	7.38	2.70

Past performance is not a reliable indicator of future performance. Total returns are calculated based on changes in net asset values and assumes the reinvestment of distributions.

\*Total net returns are quoted after the deduction of all fees and expenses. Due to individual investor circumstances, your net returns may differ from the net returns quoted above

\*\* The benchmark is the MSCI World ex Australia Index, in \$A unhedged with net dividends reinvested

\*\*\* Inception date is 17 November 2004

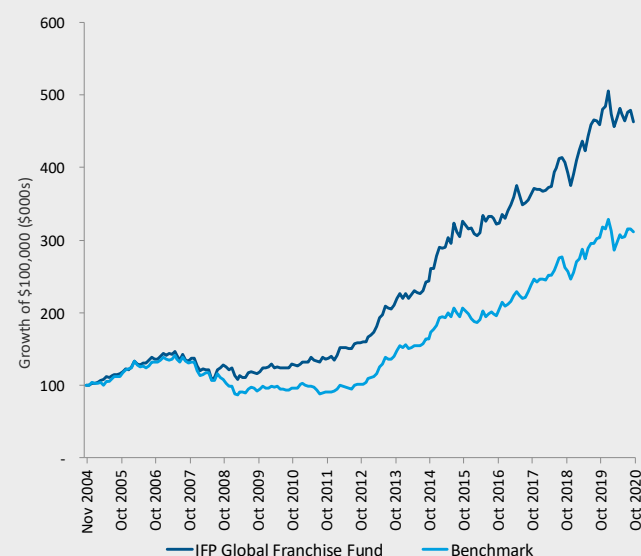
Fund details	
Total funds under management	\$1,529.9m
Inception date	17 November 2004
Investment manager	Independent Franchise Partners LLP (IFP); London (UK)
Suggested minimum investment timeframe	7 years
Benchmark	MSCI World ex Australia Index, in \$A unhedged with net dividends reinvested
No. of stocks	20-40
Management fee*	1.38% pa (inclusive of the net effect of GST)
APIR code	MAQ0404AU
Portfolio Turnover	Approximately 15% pa
Buy/sell spread	+0.20% / -0.14%
Minimum investment	\$20,000
Distributions	Annually

\*Read the Product Disclosure Statement for more details on fees and expenses that may be charged.

Top 10 stocks*	Sector	Industry	Holding (%)
Nintendo Co Ltd	Communication Services	Entertainment	5.89
Nestle Sa	Consumer Staples	Food Products	4.80
British American Tobacco	Consumer Staples	Tobacco	4.63
Novartis Ag	Health Care	Pharmaceuticals	4.58
Philip Morris International	Consumer Staples	Tobacco	4.26
Fox Corp	Communication Services	Media	4.15
Apple Inc	Information Technology	Technology Hardware Storage & Peripherals	3.96
Oracle Corp	Information Technology	Software	3.74
Corteva Inc	Materials	Chemicals	3.66
Reckitt Benckiser Group	Consumer Staples	Household Products	3.61
<b>Total number of stocks</b>			<b>31</b>

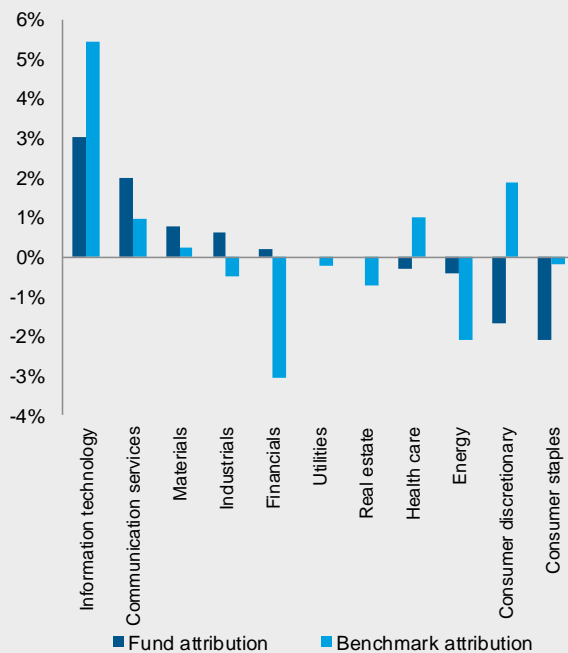
\*The Top 10 stock names and total number of stocks are reported using end of month data that is 3 months prior to the date of this report.

## Growth of \$100,000 since inception of the Fund



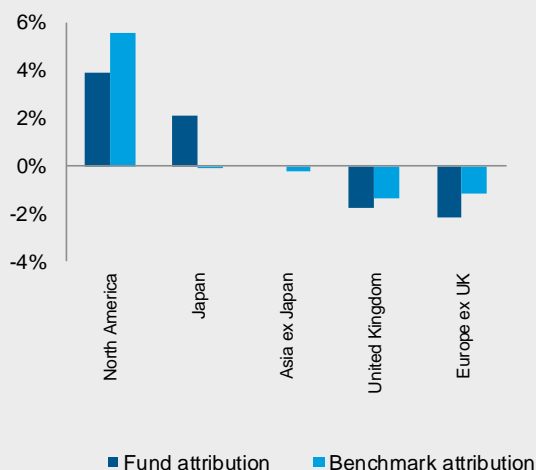
Sector weights	Fund (%)	Benchmark (%)
Consumer staples	23.01	8.18
Communication services	21.05	9.36
Information technology	17.12	22.03
Health care	13.87	13.52
Consumer discretionary	8.44	12.00
Financials	6.61	11.65
Materials	4.40	4.18
Energy	0.82	2.40
Industrials	0.00	10.53
Utilities	0.00	3.45
Real estate	0.00	2.71
Cash	4.67	0.00
<b>Total</b>	<b>100</b>	<b>100</b>

Sector attribution - 12 months to date



Region weights	Fund (%)	Benchmark (%)
North America	59.44	71.35
Europe ex UK	15.90	14.99
United Kingdom	11.54	4.05
Japan	8.45	8.15
Asia ex Japan	0.00	1.47
Cash	4.67	0.00
<b>Total</b>	<b>100</b>	<b>100</b>

Region attribution - 12 months to date



## Performance summary

- The Fund returned -3.23% in October 2020, compared with a return for the Benchmark of -1.13%, with key European markets moving lower as COVID-19 cases in the region soared.
- Most market sectors saw declines in October, including Energy, following a further fall in oil prices, and Information Technology; Utilities and Communication Services moved higher. For the Fund, the largest detractors from relative performance were holdings in Consumer Staples, including British American Tobacco ("BAT"), as well as holdings in Financials; these were partially offset by Materials, owing to the Fund's sole sector holding Corteva.
- Corteva, a global seed and agrochemical company, was among the top individual contributors to performance in October. The market appears to have reacted positively to the news an activist investor has taken a position in the company, highlighting the margin opportunity available to Corteva. Franchise Partners continue to think the company can significantly improve operating margins, primarily through development and commercialisation of its in-house seed traits pipeline.
- BAT was among the top individual detractors from performance in October. There was no material company specific news, and while US cigarette volumes, as measured by retail scanner data, have deteriorated over the past couple of months, the underperformance of BAT's shares relative to Altria is difficult to explain. Franchise Partners continues to believe BAT is well-positioned to deliver strong revenue growth over the next few years.
- During the month, Franchise Partners completed the initial purchase of CME Group, one of the leading vertically integrated global financial exchanges and clearing houses. The company holds strong market shares in interest rate, energy, foreign exchange, commodities and

Distribution history	Cents per unit
Jun-20	25.3778
Jun-19	24.9373
Jun-18	21.4996
Jun-17	13.4082

Unit prices	
Application price	\$2.0909
Redemption price	\$2.0838
NAV price	\$2.0867



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metals futures and options markets. Most of these exchange categories are near-monopoly or duopoly market structures.

- Franchise Partners' investment approach offers several features relevant to the current market environment; in particular, the defining characteristic of companies held by the Fund is their possession of a dominant intangible asset, such as a brand, patent, or intellectual property. Such an asset can place a company in a stronger market position and allow it to weather periods of economic uncertainty.

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Weights and attribution breakdown for Sector, Stocks and Region is sourced from Macquarie and Factset.

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