

# Global Equity Fund

## PORTFOLIO MANAGERS

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## FUND OBJECTIVE

- Seeks to generate strong long-term investment performance relative to the MSCI AC World Index
- Identify companies across the globe with attractive total return potential
- Manage risk through a disciplined valuation and scenario analysis framework

## COMPOSITE PERFORMANCE SINCE INCEPTION

The investment strategy of the Fund has been designed to replicate that of the Loomis Sayles Global Equity Opportunities Composite which is a separate investment vehicle offered to qualified investors by the Fund Manager, Loomis Sayles & Company, LP. Given the Fund is new, the table to the right summarises the recent performance of the Composite, which may be a useful reference point for the Fund. However, you should be aware that the Fund itself is new and has limited performance history – the past composite performance information is NOT the past performance of the Fund. Past performance is not a reliable indicator of future performance.

## Market Conditions

Global equity markets registered strong returns in the final quarter of the year (as measured by the MSCI All Country World Index in AUD terms). Markets began the period in decline, as fears of a second surge of COVID-19 and the potential for associated shut-downs impacted investor confidence. Markets then staged a sharp rally in November as COVID-19 vaccine trial results cheered investors with the optimism continuing through year end. Most sectors posted positive returns, with the Financials and Energy sectors registering returns well into the double-digits. The Consumer Staples and Health Care sectors posted modest declines as investors switched to more cyclical sectors.

## Portfolio Review

The Loomis Sayles Global Equity Fund rounded out a successful year with a solid return of 2.5% for the December quarter although the Fund lagged its benchmark for the quarter. The Fund’s underweighting to the Financials and Energy sectors weighed most heavily on performance while the Fund’s positioning in the Health Care and Consumer Staples sectors supported the Fund’s relative performance.

### PERFORMANCE AS AT DEC 31, 2020

### BENCHMARK MSCI AC World Index

	1 MONTH	3 MONTHS	6 MONTHS	1 YEAR	2 YEAR <sup>^</sup>	SINCE INCEPTION <sup>^^</sup>
<b>TOTAL RETURN<sup>**</sup></b>	-0.6%	+2.5%	+7.8%	+7.9%	+21.6%	+16.8%
<b>BENCHMARK<sup>***</sup></b>	-0.1%	+6.5%	+10.6%	+5.9%	+15.9%	+12.1%

<sup>^</sup>% Performance per annum.

<sup>\*</sup>Since inception returns calculated from November 1, 2018. <sup>\*\*</sup>Fund returns are calculated net of management fees, and assuming all distributions are re-invested. Investors should be aware that past performance is not a reliable indicator of future performance.

Returns can be volatile, reflecting rises and falls in the value of underlying investments.

<sup>\*\*\*</sup>The benchmark for this Fund is the MSCI All Country World Index NR (MSCI AC World)

### A long-term track record of consistent performance

### Composite Performance AS AT DEC 31, 2020

### BENCHMARK MSCI AC World Index

	1 YEAR	3 YEARS <sup>^</sup>	5 YEARS <sup>^</sup>	10 YEARS <sup>^</sup>	SINCE INCEPTION <sup>^^</sup>
<b>GLOBAL EQUITY OPPORTUNITY COMPOSITE<sup>**</sup></b>	+8.7%	+15.5%	+13.5%	+14.8%	+10.8%
<b>BENCHMARK<sup>***</sup></b>	+5.9%	+10.6%	+10.9%	+12.3%	+7.7%

<sup>^</sup>% Performance per annum. <sup>\*</sup>Since inception return calculated from October 1, 2004. <sup>\*\*</sup>Fund returns are calculated net of management fees, and assuming all distributions are re-invested. Investors should be aware that past performance not a reliable indicator of future performance. Returns can be volatile, reflecting rises and falls in the value of underlying investments. <sup>\*\*\*</sup>The benchmark for this Fund is the MSCI All Country World Index NR (MSCI AC World)

**FUND FACTS**

APIR	IML0341AU
Inception date	1-Nov-18
Assets	\$106.2 M
Application (Ex)	1.3896
Redemption (Ex)	1.3854
Management fee	1.23%*
Performance fee	N/A
Investment Horizon	4-5 years
Distributions	Annually

\*Inclusive of the net effect of GST

**Leaders**

The three most significant contributors to performance were Peloton, M&T Bank, and HDFC Bank.

Shares of Peloton, an at-home connected fitness platform company, continue to rise as consumers turned to at-home fitness in the wake of quarantine orders and associated gym closures. We believe Peloton's addressable market has meaningfully increased from when we first purchased shares of the company, driven by our expectation that a greater portion of the workforce may work from home for an extended period, and there will likely be permanent closures of some gyms and fitness studios. We continue to see a significant opportunity for Peloton to gain market share with its first mover advantage, brand awareness, and network effect.

Shares of M&T Bank, a regional bank based in New York, rebounded sharply in the fourth quarter on optimism about a vaccine-led economic recovery and indications that its loan portfolio is not experiencing loan losses beyond initial management projections. We remain confident of M&T's high quality and healthy medium-term growth prospects; while M&T's New York commercial real estate exposure is higher than rivals, we believe the exposure is manageable given M&T's loan underwriting experience, and the high level of collateral that it holds against these loans.

Shares of HDFC Bank, India's leading private sector bank, also rose significantly in the period. While the pandemic hit India's economy especially hard, HDFC Bank has continued to be resilient, with relatively mild loan losses. HDFC Bank is a high-quality bank which has been steadily growing market share in India (currently about 7%), with low credit costs and high return on equity (ROE). It serves both retail and wholesale clients creating a diversified product mix.

**Laggards**

The three largest detractors from returns were Alibaba, S&P Global, and Northrop Grumman.

Despite record sales on Singles Day (a shopping event similar to Black Friday in the US), Alibaba, a Chinese e-commerce company, underperformed. This was driven by the release of proposed antitrust regulations by the Chinese government and the suspension of the ANT Group IPO. The company continues to be the dominant e-commerce platform in China and we believe its core competencies in payments, marketplace, logistics and technology infrastructures will remain.

Shares of S&P Global, a financial data company that includes its S&P bond ratings business, were weak, driven in part by its announced acquisition of IHS Markit. We are positive on the deal and believe it will boost S&P Global's financial data offerings and offer cost-cutting opportunities.

Shares of Northrop Grumman, an aerospace and defense company, lagged due to concerns around the impact the new US administration will have on defense spending.

## Outlook

Our investment philosophy is predicated on the belief that investing in companies with multiple alpha drivers, where the risks can be quantified, will deliver long-term outperformance. We follow a disciplined and repeatable process, investing only in opportunities that meet our three alpha drivers: quality, intrinsic value growth and compelling valuation. This bottom-up approach results in a concentrated portfolio of businesses where we fully understand and have quantified the risks associated with each investment. Our scenario analysis, under which we determine a range of business values, is an integral part of this process. Through this framework, we determine the relative attractiveness of our investments to assist in constructing an optimal portfolio.

The shape of the economic recovery depends on the world's ability to control the spread of COVID-19, which will be determined in part by the success of recently approved vaccines. A recovery is also reliant on the scope of continued fiscal and monetary support, as well as other relief packages, in the US and globally. Thus, our focus remains on investing in companies we believe have the ability to successfully navigate the current environment and generate value over the longer-term.

Some of our holdings have been beneficiaries of the disruption, notably e-commerce companies, those with cloud offerings and an on-line connected fitness company. Many of our companies have leveraged this period of disruption to reduce costs through the use of augmented reality and virtual reality technologies to perform virtual sales and service visits. Many companies are reducing (or assessing) their real estate footprints; we anticipate an increased percentage of the work force will be working-from-home for an extended period of time. Across the portfolio, companies are opportunistically shoring up their balance sheets readying themselves for a longer period of uncertainty, and in some cases positioning themselves for potential attractive opportunities.

The volatility over the year has created attractive entry points for a number of new companies in various industries – over the course of this year, we have added a diverse group of technology names spanning digital payments, cloud storage and collaboration, and semiconductor manufacturing and equipment. We have selectively initiated in consumer related names, focusing on best-in-class retailers with compelling value propositions and the growing on-line fitness industry. We continue to have no direct exposure to the energy or utilities sectors, as we typically do not find many opportunities which meet our three alpha drivers.

As the pandemic persists, global equities could be impacted further. However, we believe our portfolio of companies have sustainable competitive advantages and strong balance sheets which will prove resilient. This is evidenced by the portfolio's return on equity (ROE), which is meaningfully higher than the MSCI ACWI benchmark, and financial leverage which is significantly less than the benchmark (on a net/debt to ebitda basis). This allows our holdings the flexibility to weather challenging environments, and quite possibly emerge stronger.



ALL DATA AS OF DEC 31, 2020

## SECTOR ALLOCATION (%)

	Fund	Index
Communication Services	6.4	9.3
Consumer Discretionary	14.9	13.0
Consumer Staples	7.0	7.4
Energy	--	3.0
Financials	10.9	13.5
Health Care	13.4	11.9
Industrials	10.7	9.7
Information Technology	27.7	21.9
Materials	5.2	4.9
Real Estate	--	2.6
Utilities	--	3.0
Cash	3.7	--

## TOP 10 HOLDINGS (%)

	Fund
Danaher	3.9
Amazon.com	3.9
IQVIA	3.5
Mastercard	3.4
Roper Technologies	3.3
Alphabet	3.3
Linde	3.2
UnitedHealth Group	3.1
Facebook	3.1
Taiwan Semiconductor	2.9
<b>Total</b>	<b>33.6</b>

## PORTFOLIO CHANGES\*

New holdings	Taiwan Semiconductor Manufacturing
Sold holdings	None

## RESEARCH

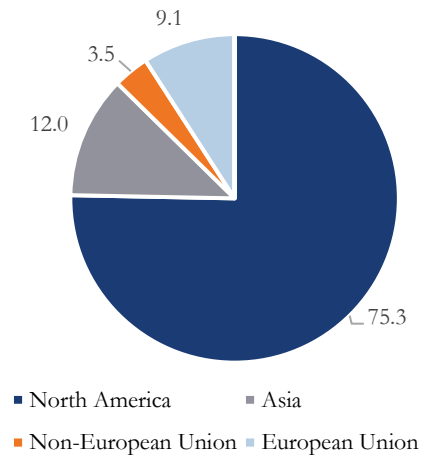
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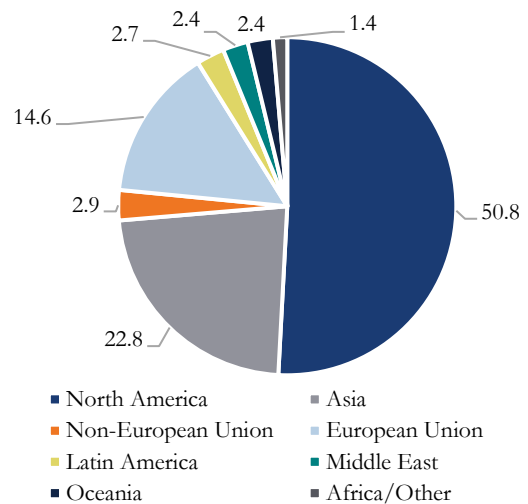
\* There is a 30 day lag on portfolio changes

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## REGIONAL ALLOCATION BY DOMICILE (%)



## REGIONAL ALLOCATION BY REVENUE (%)



## PLATFORMS

Asgard	Powerwrap
BT Wrap	MLC Wrap
BT Panorama	MLC Navigator
Hub 24	Macquarie Wrap
Netwealth	uXchange