Bell Global Emerging Companies Fund

Bell ASSET MANAGEMENT

Class A Fund Summary - Period ending 30 November 2022

Net Performance^

Returns in AUD	Fund	Index*
1 Month	4.4%	2.1%
3 Months	7.6%	5.6%
6 Months	6.5%	4.4%
1 Year	-9.4%	-7.9%
3 Years (pa)	7.8%	5.6%
5 Years (pa)	11.3%	7.4%
Inception (pa)^	11.2%	9.9%

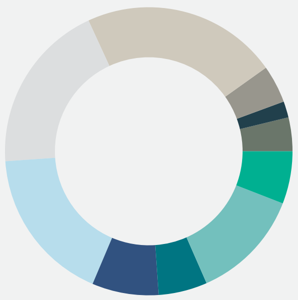
* Index is the MSCI World SMID Cap Index. ^ The Bell Global Emerging Companies Fund was established in November 2012 under a different name and with a different investment strategy. The fund has operated under its current name and strategy since 27 June 2016 (Inception).

Best & Worst Performers - 1 Month

Top 5 - Relative Contribution	
YETI Holdings, Inc.	0.58%
Techtronic Industries…	0.43%
Hong Kong Exchanges…	0.41%
Vestas Wind Systems…	0.38%
Fox Factory Holding…	0.25%

Bottom 5 - Relative Contribution	
Ritchie Bros Auct	-0.38%
Genpact Ltd	-0.31%
Zebra Technologies…	-0.28%
Jack Henry & Assoc	-0.17%
Broadridge Financial…	-0.13%

Sector Exposure



Communication Services	5.8%
Consumer Discretionary	12.6%
Consumer Staples	5.4%
Financials	7.6%
Health Care	17.4%
Industrials	19.3%
Information Technology	22.0%
Materials	4.3%
Real Estate	1.7%
[Cash]	3.9%

Geographic Exposure

Africa/Mideast	2.4%
Asia/Pacific Ex Japan	3.2%
Europe	28.7%
Japan	4.5%
North America	57.5%
[Cash]	3.9%

Top 10 Holdings

Company	Sector	Geography	Weight
Kroger Co.	Consumer Staples	US	3.1%
Amerisourcebergen	Health Care	US	3.1%
Broadridge Financial…	Information Technology	US	2.9%
Cognizant Tech Solutions	Information Technology	US	2.7%
Fortune Brands Home…	Industrials	US	2.6%
Nihon M&A Center…	Industrials	JP	2.6%
Partners Group…	Financials	CH	2.5%
CGI Inc.	Information Technology	CA	2.4%
Check Point Software	Information Technology	IL	2.4%
Genpact Ltd	Information Technology	US	2.4%

Investment Metrics#

	Portfolio	Index	Relative
Risk			
Total Risk	16.59	16.74	
Number of Stocks	63	5333	
Active Share	97.4		
Value			
P/E (Fwd 12M)	21.4	14.9	143%
EV/EBITDA	12.8	8.9	144%
Growth (%)			
Sales Growth	10.7	11.9	90%
EPS Growth	12.9	14.1	91%
Quality			
Return on Equity	25.6	14.4	178%
Net Debt / EBITDA	1.2	2.1	57%
ESG			
MSCI ESG Overall Score	7.2	6.2	117%
Carbon Emissions*	20.4	198.5	10%

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

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Performance

Equity markets rallied in November with the MSCI World SMID Cap Index rising 2.1% in AUD terms. The Bell Global Emerging Companies Fund (Class A) also performed strongly, rising 4.4%, an outperformance of 2.3%.

Performance Attribution

Outperformance during the month was mostly driven by good stock selection, with sector and regional allocations having a relatively benign impact on performance. At a sector level, Materials (underweight) was the best performing GICS Sector (+6%) driven mainly by strength in Metal & Mining stocks where our strategy has no direct exposure. Having no exposure to Energy helped, as it was the worst performing sector (-2%), giving back some of the massive YTD outperformance. From a stock selection perspective, around 70% of strategy holdings delivered a positive return, including more than a quarter of holdings advancing greater than 10%.

The best stock performer was Yeti (+34%) which bounced strongly from recent lows after delivering Q3 results that exceeded expectations. Prior to the result, sentiment on Yeti had reached very bearish levels due to fears over softening discretionary spending patterns, but the 20% y/y revenue growth provided reassurance that the Yeti brand and product suite has the ability to deliver solid growth despite the pressures in the external environment. We continue to closely monitor consumer spending behaviour and the shorter-term risks around margins and inventory levels but our view is that the long-term growth trajectory remains intact, especially given the relatively low penetration outside the US Market. Other strong stock performers during November included the newly established position in Hong Kong Exchanges & Clearing, along with Techtronic, Vestas Wind Systems and Fox Factory Holding.

The largest individual performance detractor was Ritchie Bros. Auctioneers (RBA), a leading global auctioneer for commercial machinery. RBA had been an outperformer YTD and posted very strong Q3 earnings results but the stock price declined 20% during November after announcing the intended ~$6bn acquisition of IAA Inc, a leading provider of auction solutions for salvage vehicles. While the deal comes with certain risks that we will be monitoring over time, there are a number of strategic benefits related to scale, diversification and digital investments that should drive decent revenue and cost synergies (if the deal is approved by the relevant parties). We had been disciplined around trimming profits a number of times between June to October this year which meant that our position was modest leading into the month. On the back of the material share price pullback we think the stock has overreacted to the downside and subsequently used the lower share price during November to add back to our holding. Other weak stock performers during November included Genpact, Zebra Technologies, Jack Henry and Amadeus. We have taken advantage of the recent share price weakness to add to a number of these names.

Market Commentary

The strength seen in the equity markets in November was a continuation of the rally from the October lows. The focus continued to be inflation and the path of tightening by Central Banks which was reinforced early in the month with another round of steep hikes, but sentiment remained positive since expectations are that the pace of interest rate rises will ease as inflation begins to taper off.

This year has seen many significant moves and an unprecedented amount of volatility. The MSCI World SMID Cap Index has had moves of greater than 1% up or down on over 110 trading days this year and the VIX Index has barely been below 20 all year. From the start of the year to early October, the MSCI World SMID Cap Index had fallen 28.0% (in US dollars), before recovering nearly half of those losses, finishing down 19% at the end of November. The U.S. has been seen as the 'safe haven' with the currency moving up significantly which has been reflected in the USD Trade-Weighted Index rallying over 11%. This has dampened the effect of the weak equity market with the MSCI World SMID Cap Index only down 7.1% in euros, down 9.0% in Australian dollars and in Japanese Yen it is up 2.0% with that currency depreciating nearly 30% year to date.

Inflation reached the highest levels in four decades reaching 9.1% in the U.S., 10.6% in the Eurozone, 11.1% in the U.K., 7.3% in Australia and 3.7% in Japan. Central Banks have arguably been late to the game in raising rates, but have moved quickly and in large increments, with the U.S. Federal Reserve has taken the most aggressive path since the 1980's, lifting the target range from nearly zero in March to the current level of 3.75% to 4%. There are fears that we are now headed into a recession, which is probably not reflected in the equity market, but is reflected in the bond market with the yield curve now inverted after the recent rally in 30-year bonds where yields have come down to around 3.5%. But for now, the consumer looks ok since unemployment is low and labour shortages and wage inflation remains a key topic in almost every meeting we have with companies.

Lastly, let's not forget the moves in commodity prices, WTI crude oil moved from under US$50 per barrel in mid-2019, to a high of US$120 in June this year. Gas prices have surged, especially in Europe where many countries have seen a five-fold jump over the last twelve months. A broader measure of commodity inflation is the S&P GSCI Index which includes 24 key commodities across all sectors and had risen 45% in the first six months of the year. Over recent months, there has been some normalisation in many of these prices which is thankfully contributing to a slowdown in inflation, however the moves have had an interesting effect in equity markets. Energy stocks, driven by the rally in oil and gas, has seen the MSCI Energy Index surge 52% this year, outperforming the MSCI World Index by 66%. Rising interest rates have resulted in a rotation away from expensive growth stocks and this has pushed the MSCI Value Index to a 10% outperformance. In many respects, companies with great franchises and strong fundamentals have been left behind as top-down macroeconomic effects being the major driver of the market. This has resulted in an unusual underperformance of Quality stocks where the MSCI World Quality Index has lagged by 4.5%.

The volatility this year has shown that risk awareness is of paramount importance and that diversification can actually be very useful in reducing the effects of these uncertain outcomes. From our perspective as Quality investors, we can see many of these trends normalising and the outperformance of the portfolio in November was testimony to the fact that disciplined, bottom up stock picking can be very rewarding.

Research

Members of the research team have recently returned from trips visiting companies in Europe and the U.S. Interestingly, most management teams in Europe were cautiously optimistic. The 'consensus view' was that Europe and most likely many countries around the World might go into a mild recession in 2023, but the companies are continuing to invest because demand remains robust, and they believe an economic setback would be shallow and of short duration. Companies commented that consumer demand can be volatile week-to-week, however the effect of rising energy prices and housing costs has not materially dampened demand for discretionary goods and services. The region has also been materially bolstered by tourism and an unusually long summer with data from the United Nations World Tourism Organization showing Europe was the destination for 68% of the world's 477 million international arrivals and tourism rates over the summer were back to 81% of pre-pandemic levels. The portfolio is overweight the European region which seems underpinned by the generally positive sentiment of companies in the region.

In the U.S. the key theme was onshoring. Ongoing supply constraints, new trade policies and restrictions and geopolitical tensions with major trade partners has resulted in U.S. companies planning to substantially ramp up the amount of capital spent domestically. This will be a multi-year tailwind with key beneficiaries including companies specialising in factory and manufacturing robotics and automation, to deal with labour constraints and rising wages. Various companies in the portfolio will likely benefit from this trend and our team continues to look at additional ideas in the space.

Trading

We introduced one new holding to the portfolio during November, Hong Kong Exchanges & Clearing (HKEX). HKEX is the seventh largest stock exchange in the world based on market capitalisation, has an extremely strong competitive position and is well placed to benefit over the long term from increased exchange traded volumes across the Hong Kong and Chinese markets. After a sharp sell-off over the past 12-18 months, HKEX entered our SMID universe (i.e. bottom 28% of MSCI World Index) at the end of October and we subsequently established a position in the SMID portfolio. Our initial entry point was in the HK$218-230 range and within two weeks the stock had rallied 30-40%. This meant we actually moved to scale back the position slightly in the back half of the month. Being fundamental long-term focused investors, we wouldn't typically expect to be both adding and trimming a position in the same month but with such material moves in the share price our level of conviction shifted quickly and we therefore took action to right size the position against the overall risk/reward.

In addition to this purchase, we also did a number of smaller adds and trims to existing positions. The reasons for this activity varied depending on the stock but ultimately comes down to position size adjustments based on our view around the prevailing risk / reward profile. A couple of examples of adds included Broadridge (financial services outsourcing solutions) and Cognizant Solutions (technology consulting & services). On the trim side, we took some profits in names that have recently outperformed including Toro (equipment manufacturer) and Tractor Supply (rural lifestyle retailer).

Outlook

The broadly constructive stance of companies seems to point to a path of a soft economic landing. This gives us comfort that although equity markets are likely to see more volatility as we head into the next earnings period, investors may be positively surprised in 2023.

Valuations remain reasonably attractive with the MSCI World SMID Cap Index trading on a P/E multiple of 15.0x. However, we must be diligent about the companies we own since the key equity market risk is further earnings downgrades. Earnings for the MSCI World Index are still expected to grow around 6% next year and expectations have only been reduced by about 6% from their highs in June. Stubborn wage inflation, higher interest costs and the full effects of input cost increases feeding into the P&L are the primary concerns, as well as some moderation in revenue growth expectations. Many of these risks can be reduced by investing in high quality companies with strong pricing power.

Therefore, we expect to see a divergence in earnings outcomes where poorer quality companies suffer more severe earnings downgrades which sets up 'Quality' as a style to be in a good position to outperform the broader market. We believe the earnings resiliency of the companies in the portfolio is strong with an average return on capital of 11.8%, over 80% better than the benchmark and with significantly less leverage which puts the portfolio in a strong position to outperform.

Key Features

Investment Objectives	Outperform the index over rolling three year periods
Asset Allocation	Long only global small and mid cap equities, No gearing, No derivatives
Investment Style	Fundamental bottom up approach "Quality at a reasonable price"
Investment Highlights	• A diversified portfolio of small and mid cap (SMID) global stocks • 'Quality' focus - consistently high returning companies • Long-term horizon - typically 3-5 year holding periods • Benchmark agnostic • Diversified portfolio structure • Maximum cash position 10% • Highly experienced investment team
Benchmark	MSCI World SMID Cap Index
Currency Exposure	Unhedged
Investment Timeframe	At least 5 years
Number of Holdings	35 - 55

Fund Terms

Fund Inception Date	November 2012
Strategy Inception Date	27 June 2016
Product Structure	Registered Managed Investment Scheme
Investment Manager	Bell Asset Management
Responsible Entity	Bell Asset Management
Custodian	National Australia Bank
mFund Code	Code: BLM01
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 – $10k Minimum transaction – $5k
Indirect Cost Ratio	1.34% p.a No performance fees, No entry or exit fees
Buy / Sell Spread	+/-0.10%
Reporting	Transaction confirmations upon transacting, annual periodic statement, tax statement, distribution statement and Annual Financial Report
Income	Annual distribution of taxable income
Target Market	This Fund is likely to be appropriate for a consumer seeking long term capital growth through exposure to a diversified portfolio of global small and mid cap listed securities within a portfolio where the consumer has at least a 5 year investment timeframe, high risk/return profile and needs infrequent access to capital. BAM considers that the risk level of the Fund is high. The likelihood of the value of your investment going up or down over the short term is relatively high compared to investments in funds investing in other types of assets such as fixed interest or cash. However, the Fund has the potential to produce higher or lower returns over the longer term (5 years or longer).