

Bell Global Emerging Companies Fund

Bell

ASSET MANAGEMENT

Class A Fund Summary - Period ending 31 March 2023

Net Performance[^]

Returns in AUD	Fund	Index*
1 Month	3.5%	-1.1%
3 Months	7.7%	5.7%
6 Months	15.7%	11.5%
1 Year	4.7%	1.7%
3 Years (pa)	12.2%	13.2%
5 Years (pa)	11.6%	7.7%
Inception (pa)[^]	11.1%	9.6%

* 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

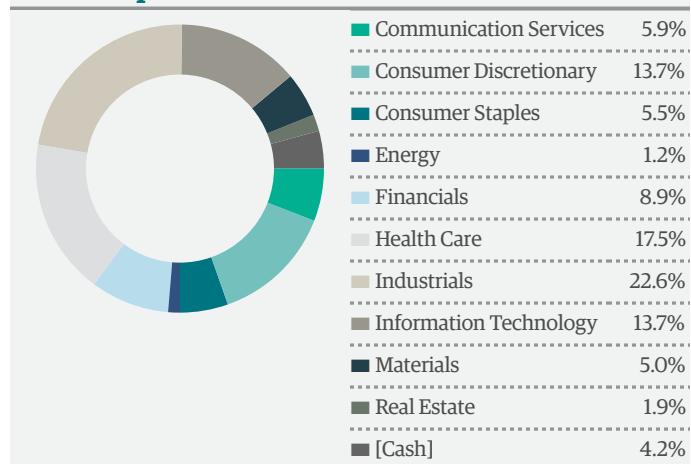
Top 5 - Relative Contribution

Arista Networks, Inc.	0.57%
Kroger Co.	0.46%
HOYA CORPORATION	0.30%
Coloplast A/S Class B	0.27%
Deutsche Boerse AG	0.26%

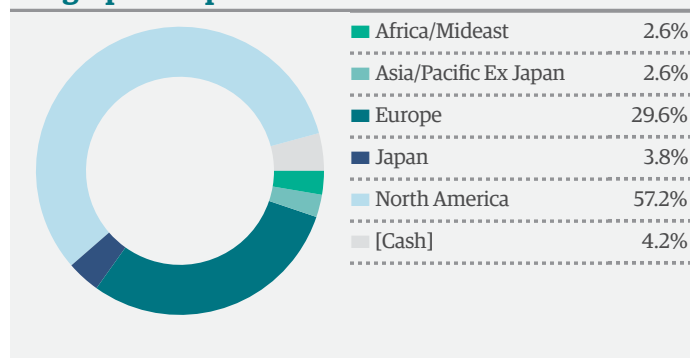
Bottom 5 - Relative Contribution

CBRE Group, Inc. Class A	-0.20%
Nihon M&A Center...	-0.13%
Charles River...	-0.12%
ICON Plc	-0.11%
Jack Henry & Assoc	-0.10%

Sector Exposure



Geographic Exposure



Top 10 Holdings

Company	Sector	Geography	Weight
Broadridge Financial...	Information Technology	US	3.2%
Kroger Co.	Consumer Staples	US	3.1%
Amerisourcebergen	Health Care	US	3.1%
ICON plc	Health Care	US	2.9%
Check Point Software	Information Technology	IL	2.6%
Genpact Ltd	Industrials	US	2.6%
Cognizant Tech Solutions	Information Technology	US	2.6%
Partners Group...	Financials	CH	2.6%
HOYA CORPORATION	Health Care	JP	2.5%
Zebra Technologies...	Information Technology	US	2.4%

Investment Metrics[#]

	Portfolio	Index	Relative
Risk			
Total Risk	13.43	14.20	
Number of Stocks	50	5,223	
Active Share	98.0		
Value			
P/E (Fwd 12M)	20.8	14.9	139%
EV/EBITDA	13.0	10.9	119%
Growth (%)			
Sales Growth	10.3	11.9	87%
EPS Growth	12.8	13.8	93%
Quality			
Return on Equity	20.6	8.9	231%
Net Debt / EBITDA	1.1	2.7	41%
ESG			
MSCI ESG Overall Score	7.5	6.3	119%
Carbon Emissions*	22.6	186.5	12%

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

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Performance

Global equity markets pushed higher again in March, with the MSCI World Index appreciating by 3.8% in Australian dollar terms, notwithstanding the recent banking crisis. The MSCI World SMID Cap Index declined by 1.1% in March. The Bell Global Emerging Companies Fund (Class A) delivered a positive return of 3.5%, outperforming by 4.6%. When looking over longer time periods the Fund has outperformed by 3.0% over 12 months and 3.9% annually over 5 years.

Performance Attribution

The portfolio outperformed the MSCI World SMID Cap Index in Q1 (+7.7% vs +5.7%). While there were a number of puts and takes to the relative performance outcomes, at a very high level, the beneficial impact of our Quality bias was arguably the most meaningful. The ripple effect of the regional bank crisis in the US was felt amongst Small & Mid Cap companies more than anywhere. For the avoidance of doubt, we had no exposure to the US regional banks or any company that was meaningfully impacted.

Our relative sector exposure was a positive for relative performance as we benefited from a lack of exposure to Financials, Energy and Real Estate, which more the offset the negative impact of being overweight in Health Care, that lagged in a strong market. More specifically, our total lack of exposure to Banks helped as the industry lagged the broader market by more than 12% in the wake of the SVB and US regional bank crisis.

When drilling down further on our portfolio returns, we managed to generate some solid alpha in the underperforming Financials, Health Care and Consumer Staples sectors. Our better performers for the quarter included the likes of Arista

Networks, Fox Factory, Moncler, Amadeus IT, Masimo and Zebra Technologies which all appreciated by more than 25%. Our main laggards were Nihon M&A, Jack Henry and Charles River Labs that all declined by more than 5%.

Market Commentary

Equity markets delivered a particularly strong Q1 against a very uncertain backdrop that culminated in a series of bank failures and bailouts. The remarkable rebound in large cap growth stocks is seemingly a reflection off an almost belligerent 'risk on' stance taken by investors. Investors have seemingly adopted a view that inflation would meaningfully decline in the latter year, and interest rate cuts would follow thereafter.

From our perspective, we feel that interest rates and inflation will stay higher for longer. The labour market in the US (in particular) remains incredibly tight, making the inflation battle much harder for the US Federal Reserve. One of the key risks for markets is that central bankers go too far with rate hikes and economies slow materially. One of the unintended benefits of the recent banking crisis in the U.S. 'could' come in the form of slowing credit growth and the corresponding economic cooling. If we were to see loan growth softening in the U.S. we would lean toward the view that rate hikes have peaked and the Fed adopts a 'wait and see' approach.

While the various banking failures in March have been well covered, we would make the more general observation that equity markets are essentially transitioning into a very different environment. Prolonged periods of low interest rates will inevitably encourage reckless capital allocation decisions and imbalances that become quickly exposed by rapid rate hikes. While the U.S. government's decision to backstop the

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regional banks have seemingly had the desired effect on markets, we would be surprised if we didn't see further "accidents" in markets between now and the end of 2023.

We therefore would expect to see a more material 'flight to quality' as 2023 unfolds. Investors will arguably be attracted to companies with strong balance sheets and pricing power, while shunning those with vulnerable balance sheets. The 'Quality' factor had an uncharacteristically poor 2022, as Energy surged and 'expensive Quality' retraced. Normally the 'Quality' factor performs very strongly during periods of high inflation. Over the last 40 years, in years when US CPI has exceeded 4%, the Quality factor has outperformed the MSCI World Index by an average of 7.4%. We suspect 2023 will see 'Quality' mean revert and quite possibly outperform for a prolonged period.

Overall, we remain quite cautious about equity markets more generally. The valuation of global equity markets are exactly in line with the 10 year average of 16.4x. Given the fed funds rate currently sits at 4.83%, after a prolonged period of sub 1% interest rates, valuations will need to rebase lower. Having said that, the Global SMID Cap cohort remains an anomaly, in that the current P/E of the MSCI World SMID cap index sits at 15.1x, a 16% discount to its 10 year average and a 37% discount to the MSCI World Growth Index. As far as earnings estimates are concerned, notwithstanding downgrades in recent months, we still feel like there is downside to earnings estimates in 2023.

Research

As far as our research priorities are concerned, the team is predominantly focused on refreshing our theses on names owned and those on our watchlist. Given the more volatile external environment,

it's incredibly important that we are constantly retesting our assumptions. We would also reflect upon the fact that it's now been three years since the onset of the COVID pandemic and the companies in our portfolios have stood up incredibly well and generally emerged as stronger companies.

When it comes to travel, the team has a busy schedule over the next few months with multiple trips to Europe and the US where we will meet with current and prospective portfolio constituents.

While we are always on the lookout for new ideas, we are particularly focused on companies we know well that exhibit very consistent earnings characteristics. The ultimate 'buy trigger' for such companies is usually a valuation event, i.e. where names are temporarily sold off after soft earnings guidance. We suspect we will get some interesting buying opportunities in the 2H 2023 as market volatility picks up.

Trading

Over the course of Q1, we have been opportunistic from a trading perspective. We introduced positions in a handful of high quality SMID cap names whose share prices had drifted lower, thereby creating the buying opportunity: Advanced Drainage Systems, Neste and SGS. Neste is a highly innovative Finnish based energy company focused on the growing renewable fuels market. It has an extensive network of feedstock suppliers from which they buy animal fats, used cooking oils and other inputs to refine into renewable diesel. Neste has recently opened new refining capacity in Singapore from where they will supply SAF (sustainable aviation fuel) to the many airlines that have signed up to use their product which will help reduce carbon emissions. Neste is a leader in this rapidly growing market, helping them achieve strong margins, plus they

have a track record of disciplined capital allocation. The shares currently trade on a very attractive 12 month forward price/earnings ratio of 14.5x and we see strong upside over the medium and long term. On the sell side of the ledger, we exited our position in Toro after a very strong share price rally and we trimmed a large number of names that rallied hard over the quarter.

Outlook

As we have alluded to already, we suspect equity markets will be quite turbulent for the course of 2023 as the side effects of low interest rates continue to come to the surface. As active managers, such an environment should very much play to our strengths as quality companies are increasingly sought after and our valuation sensitivity is rewarded by way of outperformance. We remain very optimistic that our investment approach will be rewarded in the current environment.

When looking at our positioning, we retain a very strong quality bias and have arguably reduced our relative valuation risk in Q1. Notwithstanding the recent portfolio changes, our sector weights have not changed materially. Our biggest sector overweights remain as Health Care (+8.1%) and Industrials (+3.1%), while the predominant underweights are (Real Estate 5.9%), Utilities (4.7%), Financials (4.6%) and Materials (3.6%) which should bode well in this market where earnings resiliency and predictability are paramount.

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	<ul style="list-style-type: none">• 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	<p>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.</p> <p>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).</p>

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