

Bell Global Emerging Companies Fund

Fund Summary - Period ending 31 January 2022

Net Performance[^]

Returns in AUD	Fund	Index*
1 Month	-5.48%	-4.45%
3 Months	0.36%	-1.68%
6 Months	-0.72%	-0.95%
1 Year	24.20%	16.90%
2 Years	14.02%	10.10%
3 Years	18.64%	14.37%
5 Year	15.92%	12.08%
Inception[^]	14.38%	12.48%

* 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

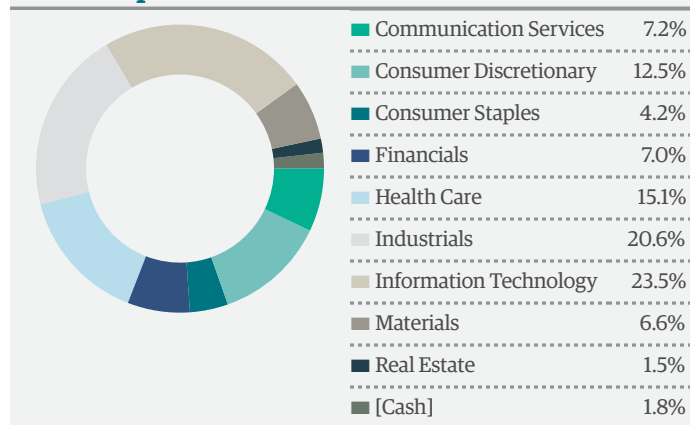
Top 5 - Relative Contribution

Deutsche Boerse AG	0.36%
Check Point Software	0.26%
Rogers Comms	0.26%
Amerisourcebergen	0.24%
Electronic Arts Inc.	0.23%

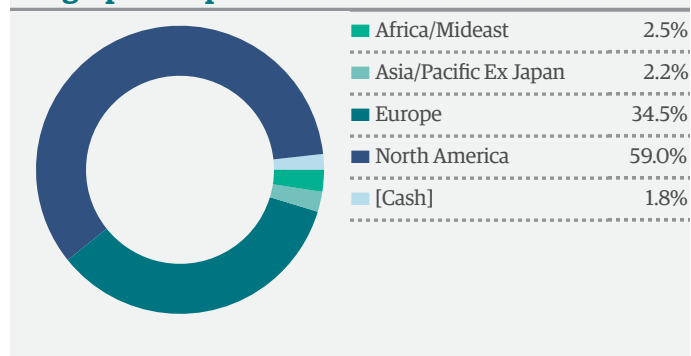
Bottom 5 - Relative Contribution

YETI Holdings, Inc.	-0.35%
Rightmove plc	-0.30%
Thule Group AB	-0.26%
Techtronic Industries...	-0.25%
Fox Factory Holding...	-0.24%

Sector Exposure



Geographic Exposure



Top 10 Holdings

Company	Sector	Geography	Weight
Ritchie Bros Auct	Industrials	CA	3.1%
Electronic Arts Inc.	Communication Services	US	3.0%
Fortune Brands Home...	Industrials	US	2.8%
Deutsche Borse AG	Financials	DE	2.8%
CGI Inc.	Information Technology	CA	2.7%
Booz Allen Hamilton...	Industrials	US	2.6%
Euronext NV	Financials	FR	2.6%
Check Point Software	Information Technology	IL	2.5%
Genpact Ltd	Information Technology	US	2.5%
Jack Henry & Assoc	Information Technology	US	2.5%

Investment Metrics

	Portfolio	Index	Relative
Risk			
Total Risk	12.08	14.10	
Number of Stocks	51	5,396	
Active Share	97.2		
Value			
P/E	21.9	16.3	134%
PEG Ratio	1.6	4.9	33%
EV/EBITDA	14.3	11.5	124%
Growth (%)			
Sales Growth	17.8	16.9	105%
EPS Growth	18.3	27.8	66%
Quality			
Return on Equity	23.4	9.9	236%
Net Debt / EBITDA	0.7	0.9	78%

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Ned Bell CIO / Portfolio Manager



Adrian Martuccio Portfolio Manager

Contact Details

Bell Asset Management: Investment Manager
www.bellasset.com.au
Level 20, 101 Collins Street, Melbourne Victoria
3000.

Unitholder Enquiries Telephone: 03 9616 8619
Email: bellasset@unitregistry.com.au

Xanthe Virtue: Head of Wholesale & Platforms
T: +61 2 9255 7281. M: +61 413 450 163.
Email: xvirtue@bellasset.com.au

Channel Capital: Distribution Partner
www.channelcapital.com.au

Byron Slessar: Head of Key Accounts and
Platforms
M: +61 400 592 592
Email: byron.slessar@channelcapital.com.au

Luke Mandekic: Head of Research and
Consulting
M: +61 466 772 444
Email: luke.mandekic@channelcapital.com.au

Phelim O'Neill: Distribution Director
ACT | NSW
M: +61 436 029 775
Email: phelim.oneill@channelcapital.com.au

James Biggins: Distribution Director
VIC | SA | WA | TAS
M: +61 419 093 082
Email: james.biggins@channelcapital.com.au

Sam Mirles: Distribution Director
QLD
M: +61 422 777 909
Email: sam.mirles@channelcapital.com.au

Performance

Global equities experienced a long overdue pullback in January as the MSCI World SMID Cap Index declined by 4.5% in AUD terms. The Bell Global Emerging Companies Fund declined by 5.5%, lagging the MSCI World SMID Cap Index by 1.0% for the month. Notwithstanding the soft start to 2022, the Fund rose by 24.2% over the last 12 months vs 16.9% for the MSCI World SMID Cap Index.

Performance Attribution

The performance divergence in equity markets was extreme to say the least. The realization that rising inflation and interest rate expectations will dictate equity returns has arguably wrongfooted many investors.

As far as our relative performance is concerned, we would highlight a couple of factors that collectively contributed to the poor relative performance in January. 'Quality' as a style had a particularly difficult January as the MSCI World Quality Index lagged the broader market by 2.74%, as 'Value' had a renaissance of sorts outperforming by 4.05%. Within the broader SMID cap universe our decision to avoid the Small Cap Growth subset proved to be prescient as they collectively lagged the MSCI World SMID Cap Index by a much more meaningful 4.0%

Our relative sector positioning also weighed on our relative returns in January accounting for the bulk of the underperformance which can mostly be attributed to our underweight exposure to Energy and Financials which outperformed by 21% and 6% respectively, and our overweight positions in Health Care and IT.

At a stock specific level, our better performers included Deutsche Boerse, Check Point Software, Rogers Communications, AmerisourceBergen and Electronic Arts. Our laggards included Yeti, Rightmove, Thule, Techtronic and Fox Factory.

Market Commentary

The start of the year has marked a

transition to what we think will be quite a different environment for equity investors. The last few years have been marked by extremely low interest rates and excessive speculation that ultimately drove equities to record levels with no particular regard for fundamentals or valuation. As an active manager with strict quality hurdles and valuation disciplines, the last few years have been somewhat frustrating as the market hasn't necessarily rewarded 'investment discipline' per se.

In our view, the recent spike in inflation and interest rate expectations marks an important transition in equity markets. Specifically, we expect that companies with durable earnings, pricing power, strong balance sheets and sensible valuations are poised to outperform in the coming 12-24 months. While some might argue that 'Quality' as a factor has already outperformed, we would point out that much of this perceived outperformance can be attributed to a handful of very large well-known companies, 8 of which co-exist in the top 10 constituents of both the MSCI World Growth & Quality Indices.

The point to be made is that the underlying performance of Quality as a factor has arguably been exaggerated by this anomaly. As we look forward, we believe that we will see a bigger divergence in earnings performance than we have seen in recent years. The combination of rising interest rates and inflation will result in earnings compression for companies with a combination of leverage, skinny margins and poor pricing power. The magnitude and breadth of the inflationary pressure we are currently witnessing will test the mettle of companies' actual pricing power. Companies and Industries that we would classify as low quality/junk are arguably most at risk from this development. The quality companies that we focus our attention on should be able withstand the current environment much better due to their solid balance sheets and exceptional pricing power.

As we have touched on previously, the global macro outlook has and is still seemingly waning. Chinese economic growth continues to soften while the U.S. economy has softened in recent months. Equity markets are seemingly now pricing in a more realistic economic outcome for 2022 than was the case late last year.

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Research Focus

The combination of market volatility and in some cases fairly indiscriminate selling often presents us with our best buying opportunities. The recent volatility had mainly had the effect of giving us more conviction into the names we already owned as their stock prices disconnected from their fundamentals. As for the 'quality' names on our watchlist, many of them are becoming more attractive but not yet compelling as many are retracing from very high valuation levels.

Our fundamental research more generally has been very focused on what we own and ensuring we are on top of the aforementioned macro issues, labour issues and supply chain disruptions. Pleasingly, we have seen that our companies have coped well and have overwhelmingly beaten earnings estimates and maintained guidance.

Trade Activity

Despite the spike in volatility, we didn't feel compelled to make meaningful portfolio adjustments in January, but rather made a series of small adjustments so as to better reflect our stock specific conviction. Specifically, we trimmed a number of our defensive staples and healthcare names and used the proceeds and some cash we held to build on current positions that had sold off. The only name that we did introduce to the portfolio was Veeva Systems which is a very high-quality name that we have long admired but resisted for valuation reasons.

Outlook & Portfolio Positioning

Against the current backdrop we feel our portfolio is extremely well positioned for the reasons already mentioned. When looking at the key portfolio tilts our considerable Quality tilt will hold us in good stead and we believe is underappreciated by the market. Our lack of exposure to the 'unprofitable growth' and 'expensive growth' cohorts will soon turn from being a headwind to a tailwind.

We also stand by our view that SMID cap stocks represent excellent relative value relative to other growth options. The

current 9% discount to the MSCI World Index vs a 12% premium over 10 years seems unwarranted and we feel there is scope for this gap to close over the course of 2022. We also feel that the earnings power and trajectory of what we would regard as the "Quality" SMID names in the market is underappreciated.

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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