Bell Global Emerging Companies Fund

Bell ASSET MANAGEMENT

Class A Fund Summary - Period ending 30 September 2024

Net Performance^

Returns in AUD	Fund	Index*
1 Month	1.0%	-0.1%
3 Months	8.1%	5.6%
6 Months	-0.6%	0.1%
1 Year	14.1%	17.3%
3 Years (pa)	3.1%	4.4%
5 Years (pa)	8.5%	8.5%
Inception (pa)^	10.5%	10.2%

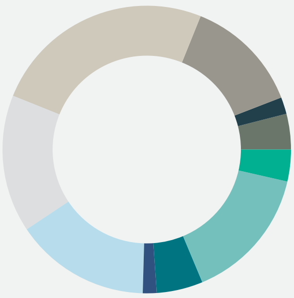
* Index is the MSCI World SMID Cap Index. ^ The Bell Global Emerging Companies Fund was established in November 2012 under a different name and with a different investment strategy. The fund has operated under its current name and strategy since 27 June 2016 (Inception). Past performance is not indicative of future performance.

Best & Worst Performers - 1 Month

Top 5 - Relative Contribution	
Hong Kong Exchanges…	0.79%
Rightmove plc	0.33%
DSV A/S	0.27%
Techtronic Industries…	0.24%
Fortune Brands…	0.15%

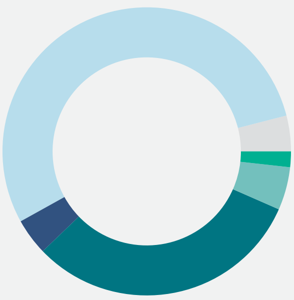
Bottom 5 - Relative Contribution	
ICON Plc	-0.35%
Neste Corporation	-0.34%
Cencora, Inc.	-0.20%
Coloplast A/S Class B	-0.12%
Edwards Lifesciences…	-0.11%

Sector Exposure



Communication Services	3.6%
Consumer Discretionary	15.1%
Consumer Staples	5.2%
Energy	1.5%
Financials	15.2%
Health Care	15.3%
Industrials	25.1%
Information Technology	12.9%
Materials	2.0%
[Cash]	4.0%

Geographic Exposure



Africa/Mideast	1.8%
Asia/Pacific Ex Japan	4.8%
Europe	31.2%
Japan	4.2%
North America	54.0%
[Cash]	4.0%

Top 10 Holdings

Company	Sector	Geography	Weight
Moncler S.p.A.	Consumer Discretionary	IT	2.6%
Hong Kong Exchanges…	Financials	HK	2.6%
Amadeus IT Group SA	Consumer Discretionary	ES	2.6%
CGI Inc.	Information Technology	CA	2.6%
Partners Group…	Financials	CH	2.5%
Advanced Drainage…	Industrials	US	2.5%
ICON plc	Health Care	US	2.4%
Keysight Technologies,…	Information Technology	US	2.4%
Cencora, Inc.	Health Care	US	2.4%
Paylocity Holding…	Industrials	US	2.3%

Investment Metrics#

	Portfolio	Index	Relative
Risk			
Total Risk	10.92	11.78	
Number of Stocks	53	4,865	
Active Share	97.6		
Value			
P/E (Fwd 12M)	23.6	16.4	144%
EV / EBITDA	14.2	11.9	120%
Growth (%)			
Sales Growth	11.6	13.2	88%
EPS Growth	14.1	13.8	102%
Quality			
Return on Equity	23.3	9.3	252%
Net Debt / EBITDA	0.1	1.9	5%
ESG			
MSCI ESG Overall Score	7.9	6.6	120%
Carbon Emissions*	17.2	163.7	11%

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

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Ned Bell CIO / Portfolio Manager

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Performance

Global small and mid-cap equities dipped slightly lower in September, with the MSCI World SMID Cap Index declining 0.1% during the month. The Bell Global Emerging Companies Fund (Class A) increased 1.0%, outperforming the MSCI World SMID Cap Index by 1.1%. The performance over the quarter was much stronger, with the Fund advancing 8.1%, whilst the MSCI World SMID Cap Index rose 5.6%, representing an outperformance of 2.5%.

Performance Attribution

A strong quarter with broad based strength across most of the portfolio, including particularly good returns from holdings in sectors such as Communication Services, Industrials, Financials, Information Technology and Materials. Positive stock selection was the main driver of outperformance relative to the benchmark, which more than offset a small headwind from being underweight to the three best performing GICS sectors; Real Estate, Utilities and Financials. The appreciation of the Australian dollar acted as a slight headwind to returns in AUD terms.

From a style perspective, we observed a rotation in the market during the September quarter, which contrasted trends seen over the preceding 12-18 months. Style factors such as Growth, Momentum and certain Cyclical segments of the market shifted from being strong outperformers to underperformers, while the prior style laggards, including Low Volatility and Value, were material outperformers. In terms of market capitalisation, large and mega caps, including the Magnificent Seven, underperformed during the September quarter after being major drivers of the market in recent periods. Meanwhile, there was a strong rotation into the small and mid-caps as investors better recognised many of the attractive investment opportunities in this segment of the market.

At a stock level, the best contributor to performance during the September quarter was Japanese B2B e-commerce company, MonotaRO, fuelled by consistently strong mid-teens+ earnings growth and a re-rating in the valuation. Another top performer was Hong Kong Exchanges & Clearing, which rallied over 35% in September alone. The sharp increase in the share price has been led by improved sentiment and a surge in daily trading volumes (reaching record highs in late September) following the recently announced Chinese stimulus. We also observed excellent performance from Danish-listed freight forwarder, DSV, where our investment thesis is starting to play out nicely after DSV was selected as the preferred bidder for Germany's DB Schenker. This was a key upside driver identified as part of our initial investment thesis when we established a position in DSV in March this year. Shares are currently trading more than 30% higher than our purchase price and we continue to see further upside for the stock looking forward, helped by strong earnings accretion from the deal.

The main detractor to performance over the quarter was US med-tech company, Edwards Lifesciences, where a slowdown in growth for the company's important TAVR (transcatheter aortic valve replacement) business, along with uncertainty around dilution impacts from acquisitions and divestments weighed on the stock. While we continue to like many aspects of the company's quality and long-term investment case, we are keeping the position size modest until we get further clarity related to upcoming clinical trial data readouts and Q3 results (both due late October), along with further insights into the outlook at the December investor day.

Other performance detractors during the September quarter included Icon (Health Care), BE Semiconductor (Information Technology) and BJ's Wholesale Club (Consumer Staples).

Market Commentary

Global stocks rose to all-time highs in the September quarter (in USD terms), driven by various major catalysts. The US Federal Reserve began its easing cycle with a larger-than-expected 50 basis point interest rate cut, followed by the People's Bank of China (PBoC) unveiling a raft of monetary policy measures being described as a 'China style QE program'. Since this announcement in the last two weeks of September, the Shanghai Shenzhen CSI 300 Index rose an astounding 27%! The stimulus package included lower mortgage rates, a reduction in the reserve requirement ratio for lenders, a cut to policy rates and lowered down payments required for second home purchases, along with additional measures to support the share market.

In Japan, an interest rate increase in July initially pressured equities; however a less hawkish tone from Japanese policymakers settled the market. European equity returns were also positive, but more muted as the eurozone economic recovery continues to be sluggish, dragged down by Germany's reliance on manufacturing which is struggling to compete with Chinese imports, especially in the automotive industry. More broadly, the conflict in the Middle East continues to escalate, despite growing calls to end hostilities, remaining a shadow over market sentiment.

From a style perspective, these significant news events have heightened volatility in equity markets. Since mid-July, traditional quality companies with strong fundamentals, trading at a reasonable price have outperformed. This marks a reversal of year-to-date trends where prior winners such as Growth, Momentum and Cyclical companies have underperformed as the market rally has broadened. Interestingly, the MSCI World Quality Index, which has been heavily influenced by mega-cap technology stocks with a growth tilt, underperformed during the quarter, rising 3.8% relative to the 6.4% increase in the broader MSCI World Index. Additionally, the broader rally has favoured smaller companies, which we still believe look relatively cheap, with the MSCI World SMID Cap Index jumping 9.7% over the three-month period.

Inflation pressures have generally eased across most countries during 2024, leading central banks to move towards a more neutral policy stance, with market expectations factoring in further cuts, particularly in the U.S. and Europe. However, rising tensions in the Middle East have pushed up oil prices more than 10% from what was a three-year low and China's stimulus has contributed to a rebound in commodity prices, with iron ore surging nearly 20%. In the U.S. the risk of stickier inflation is more pronounced given the robust employment landscape, alongside the prospect of higher tariffs and potentially higher taxes post-election under a Democratic government. If interest rates cuts are delayed, this could pose a risk to equity markets, especially for certain stocks now trading at extended valuations.

Portfolio Activity

Portfolio activity during September was limited to adds and trims of existing positions, with no wholesale name changes during the month.

On the add side of the equation we increased exposure to holdings such as Advanced Drainage (Industrials), BJ's Wholesale Club (Consumer Staples), Moncler (Consumer Discretionary), Partners Group (Financials) and Icon (Health Care).

We funded these purchases by trimming several existing portfolio holdings including Auto Trader (Communication Services), Hong Kong Exchanges & Clearing (Financials), Rightmove (Communication Services), Service Corp (Consumer Discretionary), Techtronic (Industrials) and Bunzl (Industrials). In most cases, the trim decisions were driven by profit taking in stocks that have performed strongly, therefore driving a recalibration of position sizes to better reflect risk adjusted upside potential.

Research

September proved to be a busy month with various team members meeting companies overseas. In the U.S., the economic situation remains relatively stable, with some early signs of a revival in the US housing market which is a positive for portfolio holdings such as Fortune Brands, Techtronic, Pool Corp, Assa Abloy and Advanced Drainage. Other consumer companies we spoke to highlighted a shift in spending preferences towards technology spend versus traditional areas such as apparel and personal care.

In the finance space investment banks such as Houlihan Lokey discussed the potential to benefit from the release of pent-up deal flow, as considerable external pressures are being placed on private equity companies such as Partners Group to invest their dry powder.

There was an increased focus on the upcoming election, with the broad takeaway being that the uncertainty is holding back animal spirits when it comes to discretionary spending on corporate projects and residential investment. Consequently, we are mindful of our exposure to companies dependent on capital expenditures. The exception is elevated investment flowing into the booming artificial intelligence (AI) sector which benefits holdings such as semiconductor equipment maker BE Semiconductor, as well as Keysight Technologies which benefits from a growing R&D market, along with other companies we visited in the electronic design automation (EDA) space.

While inflation has recently subsided, many management teams expressed concerns about potential for future challenges in keeping inflation under control given factors such as further tariff increases, the potential for higher tax rates under a Harris administration and general post-election stimulus. This raises the level of uncertainty as we head into the quarterly earnings period.

Outlook

We believe the rally in global equities over the past 12 months is largely justified by the positive operating fundamentals and catalysts such as interest rate cuts. While we continue to find many attractively priced quality companies to deploy capital into, we are conscious that there are pockets of the market where risk is increasing, either due to valuations becoming stretched or macro influences being mispriced, especially if rate cuts do not materialise as currently anticipated. Therefore, we remain diligent in constructing a portfolio that minimises relevant risks where possible while still being well positioned to capture the ongoing strong upside potential for equities over the long-term.

We still believe that small and mid-caps remain a very attractive cohort of the global equity landscape due to the ongoing attractive valuations and superior earnings growth prospects.

Key Features

Investment Objectives	Outperform the index over rolling three year periods while maintaining an ESG Quality Score of the Fund's portfolio above the ESG Quality Score which applies to the Benchmark and the carbon intensity (tonnes CO2 equivalents/$ million revenue) of the Fund's portfolio remaining at least 25% lower than the carbon intensity of the Benchmark.
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 • 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	30 - 60

Fund Terms

Fund Inception Date	November 2012
Strategy Inception Date	27 June 2016
Product Structure	Registered Managed Investment Scheme
Investment Manager	Bell Asset Management Limited
Responsible Entity	The Trust Company (RE Services) Limited
Custodian	Apex Fund Services Pty Ltd
mFund Code	BLM01
Unit Pricing & Liquidity	Daily Published on www.bellasset.com.au & market data services
Minimum Investment	Minimum investment - $10,000
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 product is intended for use as a core component for a long only exposure to global equities for a consumer who is seeking capital growth, with an ability to absorb potential loss and not looking for income returns and has a high to very high risk and return profile for that portion of their investment portfolio. It is likely to be consistent with the financial situation and needs of a consumer with a minimum 5 year investment timeframe and who is unlikely to need to withdraw their money on less than 7 Business Days' notice.