Global Equity Fund

PORTFOLIO MANAGERS

Eileen Riley, CFA

Lee Rosenbaum

Market Conditions

Global equity markets continued to rise during the second quarter, albeit more modestly than we witnessed during the first quarter of 2019 (as measured by the MSCI All Country World Index in AUD). Markets experienced a few bumps along the way, notably in May when trade tensions appeared most elevated. Investors eventually took comfort once again in the Federal Reserve's comments. All sectors finished the quarter in positive territory, as led by the Financials, Information Technology, Industrials, and Consumer Discretionary sectors.

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

Portfolio Review

The Loomis Sayles Global Equity Fund performed strongly over the June quarter, returning +8.7% (net of fees)a head of the benchmarks' return of +4.9% for quarter. The Fund's strong result was primarily driven by strong performances from several of the Fund's holdings in the Information Technology, Industrials, and Health Care sectors.

FUND PERFORMANCE AS AT JUN 30, 2019

BENCHMARK MSCI AC World Index

	1 MONTH	3 MONTHS	1 YEAR	3 YEARS^	5 YEARS^	SINCE INCEPTION*
TOTAL RETURN**	+6.2%	+8.7%	-	-	-	+18.3%
BENCHMARK***	+5.2%	+4.9%	-	-	-	+11.2%

*^% Performance per annum. *Since inception return calculated from November 1, 2018.*
***Fund returns are calculated net of management fees, and assuming all distributions are re-invested. Investors should be aware that past performance is not indicative of future performance. Returns can be volatile, reflecting rises and falls in the value of underlying investments. ***The benchmark for this Fund is the MSCI All Country World Index NR (MSCI AC World)*

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 relatively 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 a relatively limited performance history and the past Composite performance information is NOT the past performance of the Fund. Past performance is not a reliable indicator of future performance.

A long-term track record of consistent performance

COMPOSITE PERFORMANCE AS AT JUN 30, 2019

BENCHMARK MSCI AC World Index

	1 YEAR	3 YEARS^	5 YEARS^	10 YEARS^	SINCE INCEPTION^*
GLOBAL EQUITY OPPORTUNITY COMPOSITE**	+16.7%	+19.2%	+17.0%	+16.1%	+11.4%
BENCHMARK***	+11.3%	+13.9%	+12.6%	+11.7%	+7.4%

*^% Performance per annum. *Since inception return calculated from October 1, 2004. **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. ***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	$23.8 M
Application (Ex)	1.1840
Redemption (Ex)	1.1804
Management fee	1.23%*
Performance fee	N/A
Investment Horizon	4-5 years
Distributions	Annually

**Inclusive of the net effect of GST*

Winners

The Fund's best performing stock was **Northrop Grumman**, a global aerospace and defense technology company (and as we approach the 50-year anniversary of the lunar landing – **Northrop Grumman** was the company commissioned to build the lunar module responsible for landing the astronauts on the moon). **Northhrop's** shares rose over the period as first quarter results reported strong demand and a healthy increase in orders. **Northrop Grumman** rates highly across our quality criteria. The company holds a leading position in an increasingly attractive industry, with a favorable business model with balanced exposure across contract type, customer, and product life cycle. We expect intrinsic value growth to be driven by revenue growth and margin expansion, as well as through the acquisition of Orbital ATK as well through the continued return of capital to shareholders.

Marriott International, a global hotelier, also performed well over the period. The shares rose in the second quarter following its investor day in late March with the company outlining its plans to leverage its scale advantage to drive better marketing, branding, pipeline, technology, and improve its loyalty program. **Marriott** remains a high conviction holding; the company operates a capital-lite business model managing and franchising most of its properties, while long-term contracts and high switching costs create significant cash flow visibility. We expect intrinsic value growth to be driven by margin expansion (a result of synergies emerging from its acquisition of Starwood hotels), a robust share buyback program, and to a lesser extent, top line growth from modest rate increases and supply growth.

Lastly, **Temenos** saw its shares rally after the company announced its new long-term growth targets at its Capital Markets Day in May. We believe **Temenos**, as a leading banking software provider, is well positioned as banks globally undergo a once-in-a-generation IT transformation to more effectively compete in the digital age. A local client of **Temenos** is Macquarie Bank.

Laggards

Alphabet, the leading global search company, was disappointing in the second quarter. Its shares fell after the company announced its first quarter results in April; the first quarter marked the first fiscal period since early 2015 when revenue growth, at 19%, missed the 20% mark. While this disappointed investors, we believe that most of the growth slowdown was driven by the tough comparison from the first quarter of 2018 and product changes made to Alphabet's YouTube platform. As such, we expect the drag from these events to lessen in future periods. Additionally, shares of the "Big Tech" companies fell after news reports suggested the Federal Trade Commission (FTC) and the Department of Justice (DoJ) will launch anti-trust investigations. With the focus on anti-trust as opposed to privacy goals we view any downside to be manageable; if the DoJ (which would handle the investigation of Alphabet) achieves a ruling to break-up the company, long-term investors may benefit. Alphabet's portfolio-approach to owning, by our count, no less than a dozen of the best technology properties, means that the stock currently receives little credit for assets like its Android mobile operating systems or Google Maps. We continue to believe **Alphabet** is a high quality company and that the shares remain attractive based on our discounted cash flow methodology.

Shares of **Alibaba**, a Chinese e-commerce company, declined as US/China trade war concerns escalated, compounding worries of a Chinese economic slowdown. While China e-commerce is growing at a slower pace due to a slower economy, we believe **Alibaba** can successfully navigate this environment with other growth levers, such as its focus on monetising its search business and expanding its addressable market. We continue to view **Alibaba** as a high quality company whose valuation remains attractive based on our discounted cash flow methodology.

EOG Resources, an upstream oil and gas company, detracted marginally from performance as shares declined in sympathy with the overall energy sector. We continue to view **EOG Resources** as a high quality company with a large and growing inventory of high-return drilling locations. The company leverages its unique technological expertise to deliver production rates and wellhead returns in excess of industry averages. An advantaged cost position is further enhanced by its vertical integration. Shares of **EOG Resources** remain attractive based on our discounted cash flow methodology.

Outlook

Our investment philosophy is predicated on the belief that investing in companies with multiple alpha drivers, where the risks can be quantified, can help deliver 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.

We expect market volatility to continue, as trade tensions evolve and political uncertainty persists in many regions around the globe. While global growth has decelerated and there are concerns surrounding benchmark level valuations, we continue to find compelling opportunities. Specifically, companies well positioned to capitalise on the accelerated pace of change driven by technology. These opportunities are across the various industries: software companies with a significant value-add proposition for their clients (e.g., design and simulation software which allows companies to create a digital twin of their products), consulting companies with technological expertise to help their clients develop technology platforms and industrial companies that are using technology to go direct to their customers, thus increasing their margins and strengthening the customer relationship.

We also find opportunities in companies that are beneficiaries of market volatility such as financial exchanges, and other financial companies with exposure to geographies where there is growing demand for banking and insurance services. We retain our conviction in our platform company holdings; whether it is search, e-commerce or social media, these services remain highly desired by consumers. In short, even with a less positive economic backdrop, we believe those companies with sustainable competitive advantages and strong balance sheets will prove resilient.

In closing, short-term volatility can often provide us with entry points to build long-term positions in high-quality companies and opportunities to trim or sell positions at what we consider attractive levels. Rather than try to predict macro events, we focus on companies with sustainable business models and an attractive valuation.

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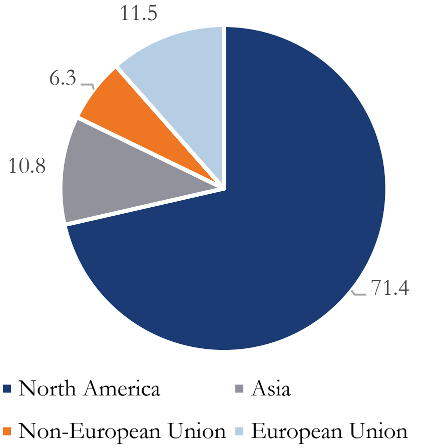
ALL DATA AS OF JUN 30, 2019

SECTOR ALLOCATION (%)

	Fund	Index
Financials	18.2	16.9
Information Technology	17.7	16.0
Industrials	15.9	10.5
Consumer Discretionary	13.6	10.8
Health Care	11.2	11.4
Materials	7.4	4.9
Communication Services	6.7	8.7
Consumer Staples	4.7	8.3
Real Estate	2.5	3.2
Energy	0.9	5.9
Utilities	--	3.3
Cash	1.2	--

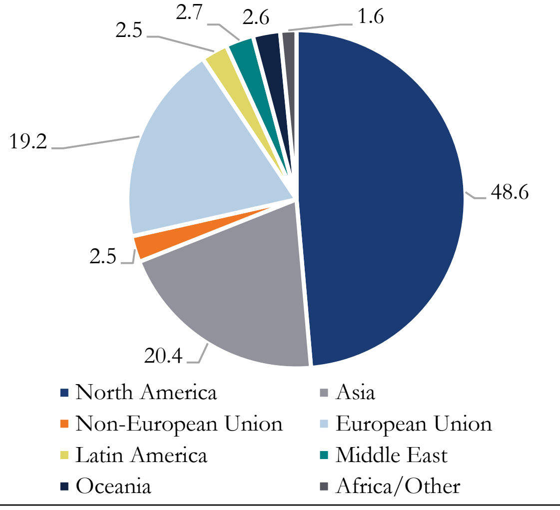
REGIONAL ALLOCATION BY DOMICILE (%)



TOP 10 HOLDINGS (%)

	Fund
Roper Technologies, Inc.	5.1
Danaher Corporation	4.9
Northrop Grumman Corporation	4.1
Marriott International, Inc. Class A	4.0
Alphabet Inc. Class A	3.9
AIA Group Limited	3.8
Amazon.com, Inc.	3.8
UnitedHealth Group Incorporated	3.8
Sherwin-Williams Company	3.7
Nestle S.A.	3.5
Total	**40.6**

REGIONAL ALLOCATION BY REVENUE (%)



RESEARCHER RATING

Zenith	Recommended
SQM Research	Superior (4 Star)
Lonsec	Contact IML for details

PORTFOLIO CHANGES

New holdings	-
Sold holdings	-

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