Arnhem Global Growth SMA

April 2018

The Strategy

The Arnhem Global Growth strategy is a high conviction separately managed account portfolio of quality growth International equities.

The strategy is designed to complement domestic equity portfolios by investing in global growth industries and equities not available in Australia.

Portfolio Guidelines

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Benchmark:	MSCI World Ex-Australia Net AUD
Universe:	Global Developed Markets
# Securities:	15 to 30
% Individual Holding	Up to 10%
% GICS 4 Industry:	Up to 15%
Cash holdings:	Up to 25%
Hedged:	No
Management Fee:	0.9% (ex GST)

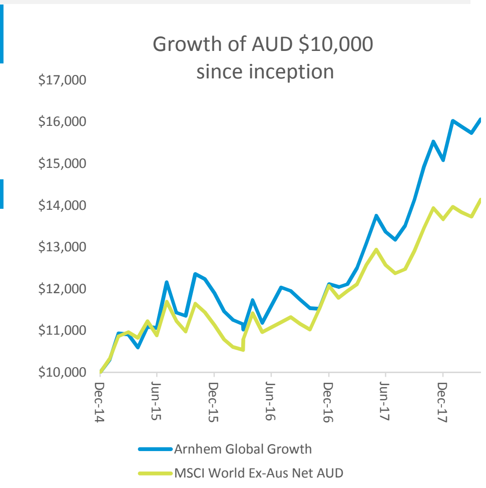
Performance Review.

After two stormy months, investor focus has shifted back to fundamentals. The economic reality, particularly, but not exclusively in the U.S, is that company earnings are growing strongly. While this in part reflects lower company taxes, more importantly, it is the result of stronger consumer demand as unemployment declines and wages slowly start to rise. Comments by the Fed and ECB also support a low inflation and modest GDP growth outlook, which will keep interest rates lower for longer. The Arnhem Global Growth SMA ended the month 2.10% higher, comparable to the MSCI World Ex-Australia benchmark which increased by 2.98%. The largest contributor to performance was F5 Networks, the communication equipment specialist from the U.S. The company reported a strong first quarter result, which showed that the new cyber security product is gaining traction. This shift by the company, from a traditional hardware model to software and services, should help the growth profile in coming years. The biggest detractor was Regeneron, the U.S biotech company that markets anti-macular degeneration drugs. We recently added Regeneron to the portfolio, as the market is overly worried about competition and underestimates the interesting drug pipeline of the company. Recent announcements by competitors and partners put some downward pressure on the stock price, but we believe this to be short term.

	Annualised Performance (Gross of Fees)				
	1 Month	YTD	1 Year	3 Year	Inception
Arnhem Global Growth	2.10%	6.47%	22.67%	14.88%	15.30%
MSCI World Ex-Aus	2.98%	3.46%	12.45%	9.30%	10.96%
Outperformance	**-0.88%**	**3.01%**	**10.22%**	**5.59%**	**4.34%**

Top 3	Contribution	Bottom 3	Contribution
F5 Networks	+51bp	Regeneron	-43bp
Boston Scientific	+36bp	Novo-Nordisk (ADR)	-12bp
SAP	+27bp	Nvidia	-6bp

Disclaimer: Past Performance is no guarantee of future performance. All Performance greater than 1 year is shown as an annualised return. The value of the model portfolio and the income derived from the associated investments decrease or increase from that appearing on the Website. Future returns are not guaranteed, and a loss of principal investment may occur. Information expressed is current information as of the date appearing on this Website only. The value of the model portfolio and the income derived from the associated investments expressly excludes any transaction costs (including, without limitation, any establishment, withdrawal, contribution, termination, switching and other service fees). The portfolio model performance information has been prepared by Arnhem. All information used for this calculation is considered to be from reliable resources but Arnhem cannot attest to its accuracy. This is not intended as investment advice nor should it be considered a solicitation or an offer to transact in the Model listed. The model performance has been calculated using the 1 January 2015 Arnhem Global Growth Model portfolio positions. Any model portfolio that commenced on a date other than the one specified may hold different positions and will experience different returns which may be better or worse than the



Source: Bloomberg, Arnhem Investment Management, as at 30 April 2018

Portfolio Outlook

It is abundantly clear that volatilty has returned to global equity markets. We expect this volatility to continue to play a role throughout 2018. Whether the primary driver turns out to be more central bank activity, or political uncertainty, remains to be seen. This will result in a greater dispersion between share prices and should reward fundamental, bottom-up stock pickers like Arnhem. Furthermore, we expect to see a more direct link between expected earnings growth and valuation multiples. The market is starting to become more concerned about multiple compression, as upward pressure on interest rates builds. This should place a greater focus on the price the market is willing to pay for stocks. Again, this is likely to play to our strengths as we maintain a strict valuation discipline when investing. In general, the biggest risk facing equity markets is related to the move into unknown territory, as central banks unwind asset purchasing programs that have injected unprecedented liquidity into the financial system. Exacerbating this risk, policymakers have no safety net as both fiscal and monetary policy are exhausted. On this basis, we believe it is prudent to run a higher (than usual) cash balance as there will be a number of opportunities to invest this cash in the quarters ahead.

Top 10 Holdings	%
Cash (AUD)	9.6%
Alphabet	7.4%
Tapestry	6.6%
Boston Scientific	5.5%
NIKE	5.4%
Activision Blizzard	5.4%
Continental	4.9%
Siemens	4.7%
Nvidia	4.7%
TJX Companies	4.2%

Top 10 GICS 4 Industries	Portfolio	World	ASX200
Healthcare Equipment	8.0%	2.0%	1.2%
Internet Software and Services	7.4%	3.0%	0.6%
Pharmaceuticals	7.1%	5.3%	0.1%
Apparel, Accessories and Luxury Goods	6.6%	1.1%	0.0%
Footwear	5.4%	0.2%	0.0%
Home Entertainment Software	5.4%	0.4%	0.0%
Auto Parts and Equipment	4.9%	0.5%	0.2%
Industrial Conglomerates	4.7%	1.5%	0.0%
Semiconductors	4.7%	2.4%	0.0%
Apparel Retail	4.2%	0.5%	0.1%

Source: Bloomberg, Arnhem Investment Management, as at 30 April 2018

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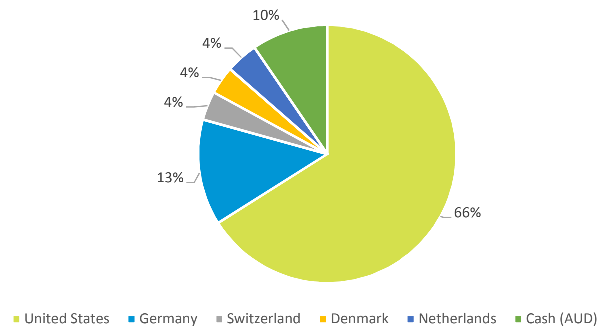
Portfolio Positioning

The portfolio continues to have a strong focus on technology related industries like Semiconductors, Internet Software & Services and Health Care Technology. Furthermore, we have overweight positions in Consumer Discretionary related industries like Footwear and Movies/Entertainment and Healthcare related industries such as Pharmaceuticals. We have no exposure to the Energy, Telecom and Utility related industries, as we see no evidence of sustainable earnings growth and the majority are screened out by our investment process. Thus, the portfolio has a significantly stronger earnings growth profile than is available in the Australian equity market.

There was no trading activity throughout April. We continue to believe it is prudent to hold a higher cash balance in the portfolio. Given our expectation for an increase in volatility and a large shopping list of new portfolio candidates, we contend that there will be interesting opportunities in the months ahead to reinvest this cash balance.

Country Allocation (%)



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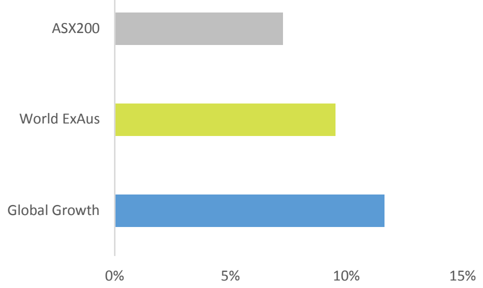
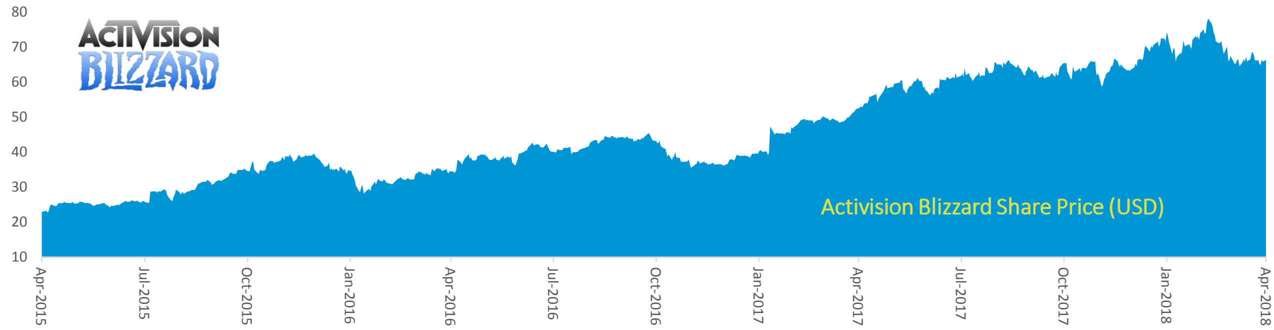
3-Year EPS Growth Profile



Stock of the month

Activision was founded in 1979 when it made games for the Atari 2600 console. Legendary CEO Bobby Kotick has been around since 1991. The company made two big transformational acquisitions to get where it is today. The first one was Blizzard in 2008, making Vivendi (the seller) the biggest shareholder until being bought out in 2013. The second was the acquisition of King Digital, which provides Activision exposure to the fast-growing Mobile app market. King Digital owns the Candy Crush franchise. The video game market has grown substantially to a US$100bn market worldwide and has consolidated rapidly into two major players; market leader Activision and Electronic Arts. We see two major tailwinds for the industry. First, the growth of Augmented Reality, where users combine computer graphics with real world GPS data and camera feeds (Pokemon Go being a prime example). Second, the rise of eSports, where Activision has taken a leading role with the Overwatch League. Activision trades at a premium to the market, with a P/E multiple of 25x, which is more than justified by its superior growth prospects. The stock has significantly outperformed the market since we bought it in 2016, but we see further upside and are confident in maintaining our position.



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