Lonsec

Recommended

Product Review
DSM Global Growth Equity Fund — Retail Class

ISSUE DATE 29-06-2021

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About this Review

ASSET CLASS REVIEWED	GLOBAL EQUITIES
SECTOR REVIEWED	GLOBAL LARGE CAP
SUB SECTOR REVIEWED	FUNDAMENTAL GROWTH
TOTAL FUNDS RATED	44

About this Fund

ASIC RG240 CLASSIFIED	NO
FUND REVIEWED	DSM GLOBAL GROWTH EQUITY FUND – RETAIL CLASS
APIR CODE	ETL0410AU
PDS OBJECTIVE	PROVIDE INVESTORS WITH SUSTAINABLE GROWTH IN CAPITAL OVER THE LONG-TERM BY FOCUSING ON QUALITY GROWTH COMPANIES WITH ATTRACTIVE VALUATIONS.
INTERNAL OBJECTIVE	+2.5% P.A. (GROSS) OVER ROLLING 3-5 YEARS
STATED RISK OBJECTIVE	NOT SPECIFIED
DISTRIBUTION FREQUENCY	ANNUAL
FUND SIZE	A$14.2M (MARCH 2021)
FUND INCEPTION	01-07-2014
MANAGEMENT COSTS	1.15% P.A.
RESPONSIBLE ENTITY	EQUITY TRUSTEES LIMITED

About the Fund Manager

FUND MANAGER	DSM CAPITAL PARTNERS LLC
OWNERSHIP	PRIVATELY HELD
ASSETS MANAGED IN THIS SECTOR	US$9.8B
YEARS MANAGING THIS ASSET CLASS	12

Investment Team

PORTFOLIO MANAGER	DANIEL STRICKBERGER (CIO)
INVESTMENT TEAM SIZE	9
INVESTMENT TEAM TURNOVER	LOW
STRUCTURE / LOCATION	GENERALISTS / FLORIDA, USA

Investment process

STYLE	GROWTH (QUALITY GROWTH)
TYPICAL CAPITALISATION BIAS	LARGE CAP
BENCHMARK	MSCI ACWI NDR IN A$
TYPICAL NO. OF STOCKS	25-50 (30 TYPICAL)
STOCK LIMIT	6% (AT COST)
SECTOR / INDUSTRY LIMITS	MIN. 5 SECTORS IN WHICH TO BE INVESTED
COUNTRY / REGION LIMITS	NOT SPECIFIED
EMERGING MARKETS LIMIT	NOT SPECIFIED (GUIDELINE <50%)
CURRENCY EXPOSURE	UNHEDGED

Fund rating history

JUNE 2021	RECOMMENDED
FEBRUARY 2019	CEASED COVERAGE

What this Rating means

The **'Recommended'** rating indicates that Lonsec has strong conviction the financial product can generate risk adjusted returns in line with relevant objectives. The financial product is considered an appropriate entry point to this asset class or strategy.

Strengths

- DSM is a privately held, founder-led business which is owned by the investment team and staff offering strong alignment with investors.
- The investment team, led by a seasoned CIO who co-founded the firm, has been stable and, on average, is both highly experienced and tenured with the firm. The team culture also appears to be collegiate and inclusive.
- Well-established and robust investment philosophy and process which have delivered strong USD returns for the Fund's comparable composite since inception in Oct. 2010 to March 2021.

Weaknesses

- Risk constraints are comparable to many similarly concentrated peers but could be improved, e.g. capping aggregated heavy weighted single name exposures as market cap and liquidity, while important, are incomplete dimensions of risk.
- Introducing Deputy CIOs in Sep. 2020 was reasonable succession planning. However, these promotions raise the risk for instability and some uncertainty around decision-making that previously solely rested with the CIO.
- Strategy can be susceptible to deeper drawdowns than some peers given its high growth, concentrated, high P/E investment approach.

Fund Risk Characteristics

	LOW		MODERATE		HIGH
BUSINESS SUSTAINABILITY RISK			●		
CAPITAL VOLATILITY					●
FOREIGN CURRENCY EXPOSURE				●	
SECURITY LIQUIDITY RISK		●			
SECURITY CONCENTRATION RISK				●	

Risk categories are based on Lonsec's qualitative opinion of the risks inherent in the financial product's asset class and the risks relative to other financial products in the relevant Lonsec sector universe.

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BIOmetrics

Aggregated risks

	1	2	3	4	5	6	7
STD RISK MEASURE						●	

A Standard Risk Measure score of 6 equates to a Risk Label of 'High' and an estimated number of negative annual returns over any 20 year period of 4 to less than 6. This is a measure of expected frequency (not magnitude) of capital losses, calculated in accordance with ASFA/FSC guidelines.

	LOW		MODERATE		HIGH
RISK TO INCOME	●				

Features and benefits

	LOW		MODERATE		HIGH
COMPLEXITY		●			
ESG		●			

Fee profile

	LOW		MODERATE		HIGH
FEES VS. UNIVERSE					●
FEES VS. ASSET CLASS				●	
FEES VS. SUB-SECTOR			●		

Fee BIOmetrics are a function of expected total fee as a percentage of expected total return.

What is this Fund?

- The DSM Global Growth Equity Fund – Retail Class is an actively managed global equities product, seeking capital appreciation by targeting mispriced high-quality growth companies. The investment strategy's internal objective is to outperform by 2%-5%p.a. (gross fees) over three to five years. DSM Capital Partners LLC ("DSM") was appointed as sub-investment manager from 9 Feb. 2021.
- DSM, founded in 2001, is a privately-held US-based investment manager that specialises in equities, applying a consistent 'quality growth' philosophy and process across its products. Companies which consistently grow their earnings and are reasonably priced, identified through bottom-up security selection, will be eligible for the Fund. In recent years, this has manifested itself in notable exposures to US and Chinese companies from the Information Technology, Communication Services and Consumer Discretionary sectors particularly.
- The Fund is a concentrated product that is expected to hold between 25 to 50 names with broad risk parameters which are absolute in nature (i.e. % of NAV). For instance, Emerging Markets are permitted at between 10%-50%. There are no exposure limits to sectors albeit the portfolio must at least be invested across five GICS sectors. Individual stock positions are capped at 6% (at cost).
- As per the PDS dated 9 February 2021, the fee disclosure for the Fund is as follows – management fee of 1.15% p.a. and transaction costs of 0.15% p.a. Transactional and operational costs are associated with the buying and selling of the Fund's assets and charged directly to the Fund. These costs include brokerage, settlement costs, and securities borrowing costs, clearing costs, stamp duty, GST and other taxes, and where applicable, the buy/sell spread applied to any transactions in the Fund. Transactional and operational costs are an additional cost to investors and reflected in the NAV of the Fund. At the time of writing, there is a buy/sell spread of 0.40%, round trip.

DSM is responsible only for the performance track record following it's appointment and associated renaming of the Fund. The Fund's prior historical record it is attributable to a separate third-party.

Using this Fund

This is General Advice only and should be read in conjunction with the Disclaimer, Disclosure and Warning on the final page.

- The Fund provides investors exposure to global equity stock markets and accordingly may experience both positive and negative, at times sharp, movements in the value of capital invested. The Manager identifies its style as 'Growth' but targeting 'quality' companies (e.g. predictable earnings growth) with a valuation consciousness. Lonsec believes the Fund's growth investment style coupled with the unconstrained and highly concentrated nature of the portfolio may make it suitable for blending with other style biased global equities strategies as part of the growth component of a diversified portfolio.
- Lonsec recommends that equity investments, given their volatility, are best suited for investors with an investment time horizon of at least five years. Lonsec believes that the Fund may exhibit moderate to high expected tracking error versus the benchmark.
- A growth investment style will typically entail a manager investing in stocks that are expected to grow (e.g. earnings) faster than the broader market and are typically characterised with higher P/E ratios than the market and much higher valuations. Furthermore, a growth investment style is expected to deliver its strongest relative performance during up markets (i.e. outperform on the upside).

Suggested Lonsec risk profile suitability

SECURE	DEFENSIVE	CONSERVATIVE	BALANCED	GROWTH	HIGH GROWTH
	●	●	●	●	●

For guidance on appropriate asset allocations and risk profiles, refer to the latest Lonsec Strategic Asset Allocation Review and Risk Profile Definitions on our website.

Changes Since Previous Lonsec Review

- This is Lonsec's first review of the Fund under DSM stewardship. Lonsec had previously researched the Fund under the former management team but ceased coverage in February 2019 at their request.

Lonsec Opinion of this Fund

People and resources

- DSM, operating since 2001, is a profitable boutique equities manager responsible for over US$9.8bn (as at March 2021). The firm is an equities specialist and expanded beyond its US focused roots in 2009 with its maiden global offering and has since expanded into adjacent regional and income orientated strategies. The core investment business is well supported by dedicated resources such as business, legal and distribution.

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- Notably, DSM has entered a period of generational change with one of its two co-founders Steve Memishian having retired in 2020 and his business leadership role being filled by a recruited COO (Meredith Meyer) in the same year. Importantly, Memishian was not involved with the investment team or decision-making and has a defined period to exit his equity stake. Daniel Strickberger, CIO, is the second co-founder who remains engaged with investing and has committed to remain with the firm for at least until the end of 2025.
- Lonsec considers that DSM has approached this precarious period in a thoughtful manner. To broaden investment decision making and aid succession planning, two deputy CIOs were appointed from within the team who will gain extra leadership experience and additional client exposure. The appointments were from effective September 2020 and the choice of two individuals should also help to reduce sensitivity to either of them and give the firm more flexibility. Nonetheless, Lonsec believes there is some risk for instability as the team settles into the new structure.
- Strickberger leads a modestly sized investment team totalling nine professionals. The team has been highly stable with three of the eight (ex. Strickberger) having been with the firm since or near its beginning and a further two with over 10 years' tenure. The team has been sensibly grown as the breadth of products and AUM have increased with a median tenure of 14 years and 23 years of experience across the group. It was noted to Lonsec that of the 13 individuals recruited for the team since the launch of the firm, eight remain (the most recent of which was hired three years ago). DSM has advised that an additional two analysts are expected to commence with the firm in due course, one by the end of June 2021. Lonsec will consider this further in the next review cycle.
- Further, Lonsec believes that while small given the breadth of the opportunity set, factors such as experience, stability, the concentrated nature of the products (c. 80 unique names actively researched across the firm) and the philosophy all contribute to making the size of the team appropriate to the process being used. The relative compactness of the team also allows for a flat hierarchical structure and the DSM model is for combined analyst/portfolio roles with generalist coverage. Two dedicated traders provide additional support.
- Strickberger is a significantly experienced investment professional boasting over 40 years' in the industry and having held senior investment leadership positions at AllianceBernstein (formerly W.P. Stewart) and Lazard Asset Management prior to co-founding DSM. Lonsec has met with Strickberger and considers him to be a highly capable individual.
- David McVey and Kenneth Yang are the two deputy CIOs. They are both highly experienced investors with over 25 and 22 years in the industry respectively. That said, Yang has a more limited tenure with the firm of seven years compared to McVey who has been with the firm since its beginnings. Lonsec has met with both professionals and considers them to be capable individuals and bringing complementary skills to their roles.
- Most of the team are equity holders and share in the profitability of the business which Lonsec sees as boosting alignment with investors, albeit this ultimately depends on the size of their stake. The net profits are distributed quarterly due to the partnership-like corporate structure of the firm. This short frequency has been observed with other firms but is unusual. This forms part of the remuneration package which includes a base salary and annual bonus potential.

Research and portfolio construction

- DSM is a growth-orientated firm that seeks companies with growing and predictable earnings at reasonable valuations. The inclusion of a valuation discipline is welcomed, particularly for a growth manager, although acceptable tolerances are expected to be, overall, greater than a 'core' approach for instance. A valuation discipline, for buy and sell decisions, should ground the portfolio and is a feature which DSM believes to some defensiveness in the strategy. There is a quality aspect to the philosophy too in seeking, mainly large-cap, businesses with durable growth (e.g. economic moats, gaining market share and clear-eyed management) rather than simply beneficiaries from thematic tailwinds. That said, DSM's definition of quality is broad, being indifferent to gaining exposure to secular growth trends from capital light to capital intensive companies.
- The growth and quality philosophy give clarity to the investment team when it comes to the potential types of names to investigate further. There are expected to be notable sector (e.g. IT has been between 30% and 55% over the previous five years) and regional tilts to the portfolio through time as secular bottom-up growth is identified. For instance, in recent times this has manifested itself in sizeable positions in US and Chinese companies from the technology and consumer-related sectors. This philosophical framework is a strong guide to the experienced analyst team. Further, while there is no house / standardized screening mechanism, analysts will develop their own screens as needed. Idea generation viewed as being on par with peers but highly dependent on individual analyst experience.
- It is noteworthy that while DSM offers a range of regional strategies, the deliberately concentrated nature of the portfolios means that the number of individual companies which are invested is only a very modest c. 80. This, coupled with the need for analysts to only contribute two new ideas per year should translate to a high conviction portfolio of well-researched companies.
- Analysts work collegially and are expected to share ideas with the broader group. Responsibility for due diligence will depend on workflow and availability and will follow a preliminary discussion on the merits of a name. This culture is supported by the remuneration structure which rewards aggregate firm performance.
- The research process itself is traditional in nature and similar to the average fundamental bottom-up driven approach used across the industry: analysts will speak with company representatives, company peers and/or competitors aiming to perform a 360-

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degree analysis and coalescing views into proprietary financial forecasts. While sell-side research may be used, third-party inputs tend to be mainly from paid third-party expert networks where DSM is seeking to either build knowledge quickly or gain more depth. The use of expert networks is pragmatic albeit these insights may ultimately be shared widely.

- Valuation is an important feature of the research process. Analysts must prepare proprietary earnings models and forecast earnings per share. This is standard practice for most fundamental global equity investment processes reviewed by Lonsec. Price to Earnings is used as the default valuation metric with a target four quarter P/E (12M) forecast. There is at least a 10% discount in the price (inc. earnings growth) for a name to be generally considered eligible. Refreshingly for a growth-minded process, analysts are also required to provide a worst-case scenario to help frame expectations. Notably, investors should be mindful that, as always, valuations themselves are dependent on their underlying assumptions. Accordingly, as a growth manager DSM is expected to have a higher tolerance when it comes to stock valuations relative to the average market. The key issue here is that DSM has established a discipline and framework for what is acceptable for a stock's valuation.
- ESG features in the research process, with MSCI scores referenced since 2016, and has become more structured, with increased importance during the last two years and in the last year particularly with the appointment of Deputy CIOs
- Stocks are presented, discussed and evaluated at team meetings. While there isn't a standardised format for the stock notes, there will be a range of key stock specific issues included for consideration. Team views are captured with a secret ballot system which Lonsec considers useful in helping to focus attention on the stock issues themselves. That said, the votes are non-binding on the CIO who retains discretion when it comes to portfolio decisions, after consulting with his deputies. CIO discretion is expected to be most typically applied in borderline cases (i.e. one or two votes in either direction) which Lonsec considers to be reasonable. Importantly, all new names under consideration progress through the secret ballot system, where all team members have an equal vote. Lonsec believes this inclusive approach encourages all team to have a say and highlights DSM's non-hierarchical structure.
- Portfolio construction is bottom-up led although top-down considerations are expected to feature when considering the relative prospects between sectors and regions. The underlying principle is for team-based decision making although Strickberger as CIO will exert his authority where he has a strong and differing view. It is notable that the two deputies are now also involved in the deliberations. Lonsec believes this is very much a positive for succession planning (e.g. closer sharing of thought process) and client management. DSM operates concentrated, reasonably low-turnover (in terms of new names) high conviction strategies and nuance is particularly important. Implementation is the responsibility of a dedicated trading desk staffed with two dealers.
- DSM will ease into new positions as confidence and conviction builds which is regarded by Lonsec as a pragmatic and common-sense approach. This also, however, translates into a significant tolerance for high individual stock positions, consistent with the concentrated and typical 30 names portfolio. For instance, for the comparable global equities composite portfolio as at 31 March 2021, the top five stocks represented 37% of the portfolio and with nine names with a size of 5% or greater totalling 58% of the portfolio.

ESG Integration

- The Manager has indicated a light commitment to ESG on the firm's website by publishing the ESG policy and framework. Overall Lonsec views the strength of this commitment to be slightly below researched global equity peers.
- The Manager has a publicly disclosed proxy voting policy. Overall the level of detail provided within the proxy voting policy and outcomes is assessed as being behind peers with a decent proxy voting policy framework. However, no reporting on voting decisions is made publicly available.
- The level of disclosure with respect to the Manager's engagement policies and engagement outcomes is assessed as being behind peers. While there is a decent engagement policy framework in place, no engagement reporting is made publicly available.
- There is little evidence of ESG integration within the research elements of the investment process when benchmarked to industry peers. Some elements of ESG are visible within the valuation processes with light integration within the portfolio monitoring process. Overall ESG integration within the investment process is extremely light when compared to peers.
- The lead PM demonstrated an ability to engage on broad ESG topics and the Manager had a systematic approach to track engagement outcomes. The Manager uses ESG data within their investment process in a structured and thorough manner.
- Overall, on a peer relative basis, Lonsec considers the overall level of ESG integration within this fund to be Low-Mod.

Risk management

- Risk management is viewed as reasonable with bottom-up stock knowledge the key driver. There are portfolio guardrails with region and stock constraints although these are very broad. With respect to sectors, there are no notional exposure limits although there is a requirement for at least five GICS sectors to be represented in the portfolio. This breadth is regarded as being consistent with a concentrated strategy. There was also a significant emphasis the liquidity and size profile of names (i.e. inference being that large cap companies are less risky). While Lonsec acknowledges these characteristics may be useful guideposts, large and liquid names can also be exposed to 'torpedo' risk.
- Accordingly, Lonsec would welcome consideration of additional limits as there is potential scope for improvement to better manage idiosyncratic single name 'torpedo' risks with, for instance, an aggregate limit to all exposures over a nominated threshold

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to constrain the quantum of very high conviction positions.
- DSM does not have a separate investment risk department, which is typical of many boutique firms, although mandate compliance is monitored separately from the investment team. There is a Risk Committee (RC) however which regularly considers the portfolios, their positioning and fundamental risks. The RC includes members of the investment team, trading and the COO but intentionally excludes the CIO. This committee is considered an important check on the discretion of the CIO although still has a large number of investment team members (inc. one Deputy CIO) who report to the CIO.

Funds under management

- DSM was responsible for US$9.8bn in AUM as at March 2021. Capacity for global equities is stated as being US$20bn and with less than US$2.5bn across the suite of global equities strategies, there is considered to be ample headroom for growth.

Performance

- **DSM has only been responsible for the Fund's management since February 2021. The Fund had been previously been managed as a global small cap equities product with all prior performance attributed to a different firm and investment process.**
- Performance information for DSM's global equities composite which this Fund is expected to mirror has been strong and consistent with expectations for a portfolio tilted towards those sectors and regions have performed well in the growth environment of recent years. For the five years to March 2021, the portfolio in USD and gross of fees exceeded it's benchmark by 7.3% p.a. The returns have been generated with, at times, greater volatility than the benchmark, however.

Overall

- Lonsec has provided the Fund a **"Recommended"** rating. The Fund is managed by a team considered well-sized for the investment process and boasting solid experience levels with notable tenure and lock-ins through equity in DSM. The team is led by a seasoned CIO in Daniel Strickberger who also co-founded the firm. While there has been some generational change, Lonsec considers this to be have been well managed and the current succession planning pragmatic. The investment process is considered robust for a concentrated portfolio and the quality growth philosophy has proven successful since DSM launched its global equities product suite in 2009. The fees are reasonable but on the higher side compared to some similarly new large cap global equities products. Portfolio risk management while adequate could be strengthened to better manage 'torpedo' risk given heightened concentration in high conviction positions.

People and Resources

Corporate overview

DSM Capital Partners LLC was founded in 2001 and is a privately-held, US-based, specialist equities investment manager responsible for US$9.8bn in AUM as at 31 March 2021.

DSM is appointed as the Fund's sub-investment manager by Mantis Funds Pty Ltd, the investment manager and a umbrella business for boutiques. The sub-investment manager has day-to-day responsibility for the management of the Fund. Equity Trustees Limited is the Responsible Entity.

DSM was appointed to its role in February 2021, and thereby replacing a global small cap strategy that was managed by Copper Rock.

Size and experience

NAME	POSITION	EXPERIENCE INDUSTRY / FIRM
DANIEL STRICKBERGER	CIO	40 / 20
DAVID MCVEY	DEPUTY CIO	25 / 20
KENNETH YANG	DEPUTY CIO	22 / 7
TEAM AVERAGE (N=9)	-	25 / 14

The team are supported by an additional two traders. | Two additional analysts are expected to commence with DSM in due course.

Daniel Strickberger is one of two DSM co-founders still with the firm and leads the investment team as CIO. Strickberger is also responsible for all of the firm's investment strategies (i.e. buy/sell decisions). He has over 40 years' experience in the investment industry and prior to co-founding already had deep experience at institutional firms.

David McVey and Kenneth Yang were promoted in September 2020 to the roles of Deputy CIO. McVey joined DSM in its founding year having gained six years' experience with other buy-side investment firms. Yang, who joined DSM in 2014, came with experience from the buy-side with the Paulson & Company hedge fund and investment banking with Goldman Sachs prior.

The remaining six professionals have, on average, long tenures with DSM and prior buy-side and consulting experience before having joined the firm.

There is additional support from two dedicated traders.

Team structure

The investment professionals have generalist responsibilities across sectors and regions. Most of the team are based in Florida, USA.

Remuneration

This is a mix of salary, bonus and business distributions for equity holders. Most of the team hold equity in DSM which whilst structured as a corporate entity is allowed to function as a partnership. Accordingly, net profits are distributed to equity holders on a quarterly basis. Bonuses are dependent on individual's contribution to the firm and at the CIO's discretion. Bonuses and profit share distributions are cash settled and there are no clawback provisions.

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Research Approach

Overview

RESEARCH PHILOSOPHY	BOTTOM-UP, FUNDAMENTAL RESEARCH DRIVEN
TARGET COMPANY	COMPANIES WITH GROWING AND PREDICTABLE EARNINGS AT REASONABLE PRICES; QUALITY GROWTH WITH HIGH ROIC.
MINIMUM MARKET CAPITALISATION	US$1BN
NO. STOCKS IN MANAGER'S UNIVERSE	1,200
NO. STOCKS FULLY MODELED / RESEARCHED	C.80
RESEARCH INPUTS	VARIOUS – COMPANY FINANCIALS AND MEETINGS, SELL-SIDE ANALYSTS, ETC.
BROKER RESEARCH	INFORMATION / MARKET DATA
VALUATION OVERVIEW	12M FORWARD P/E

Universe filtering

While formally an all-cap strategy, the Fund is large cap focused helping to narrow the universe to some 1,200 names. This is further reduced to c. 500 bases on growth and quality expectations. Analysts will use their discretion, framed by DSM's investment philosophy, and aided by their own screens to identify names for further research. Generally there are some 80 individual names actively researched and owned across all of the firm's strategies. Ideas are owned by the firm and will be researched by an analyst that has capacity, which may not be the individual that originally identified it. Analysts are expected to contribute 2 new ideas per year.

Research process

DSM is an active, fundamental research-based investment firm. Analysts will conduct bottom-up traditional bottom-up research and summarise this into notes, including modelling. There is no standardised template however the key issues of revenues, industry position, management quality and valuation will feature in reports. The use of sell-side research will depend on the individual analyst. However, expert networks, namely GLG, will be relied upon by all members of the team to build knowledge in a company or industry. Analysts are also required to evaluate a name's ESG credentials and score a number of metrics.

Investment ideas are presented to the whole team for review and consideration.

Valuation

The analyst preparing the due diligence report will be responsible for the valuation analysis. This will be an extension of the revenue and earnings forecasts with a forward three years being the default. Price to Earnings is the preferred metric and stocks considered on a forward four quarter (12M) basis.

Portfolio Construction

Overview

FUND BENCHMARK	MSCI ACWI NDR IN A$
EMERGING MARKETS PERMITTED	YES
INTERNAL RETURN OBJECTIVE	+2.5% P.A. (GROSS) OVER ROLLING THREE-TO-FIVE YEARS
INTERNAL RISK OBJECTIVE	NOT SPECIFIED
PORTFOLIO MANAGEMENT APPROACH	RELATIVELY BENCHMARK UNAWARE
INVESTMENT STYLE	QUALITY GROWTH
PORTFOLIO DECISION MAKING	TEAM-BASED PRIMARILY WITH CIO DISCRETION
STOCK SELECTION	BOTTOM-UP
TOP-DOWN INFLUENCE	MINOR CONSIDERATION
TYPICAL NUMBER OF HOLDINGS	25-50
MARKET CAPITALISATION BIAS	LARGE CAP
EXPECTED PORTFOLIO TURNOVER	40% P.A.
OBSERVED ACTIVE SHARE	>85% (TYPICAL)
PORTFOLIO EXPOSURE IN TOP 10 HOLDINGS	62.2% (MARCH 2021)

Portfolio decisions are at the CIO's discretion. For new names being considered for investment, there will be a secret ballot and a super majority is usually needed to progress an investment otherwise more discussion is required. Secret ballots may also be used for other decisions.

The CIO will consider the investment case proposed and the outcomes of the secret ballot as part of the decision making process. This will include consultation with the two Deputy CIOs.

The portfolio is managed as a concentrated strategy typically expected to hold some 30 names. Positions will, most often, be initiated at a weight of between 1% to 2% and will grow in size as conviction builds. There is a soft internal guideline to have the portfolio be less carbon intensive than the index.

Sector and regional positions are an outcome of the bottom-up stock selection. There are no exposure guidelines for sectors other than there being a need for an investment in at least five different sectors. There is somewhat stricter guidance for regions. Generally, 30%-60% to North America, 20%-50% in other developed markets, and 10-50% in Emerging Markets (e.g. China).

Buy / sell drivers

Buy decisions require sufficient conviction in the durability and stability of a company's earnings profile. A discount of 10% to the forecast 12M P/E is a minimum hurdle.

Sales are expected to be driven by, among others, valuations and fundamental concerns with a name.

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Risk Management

Risk limits

SEPARATE INVESTMENT RISK MONITORING	NO
STOCK LIMIT	6% 'AT COST'
SECTOR / INDUSTRY LIMITS	MIN. 5 SECTORS REQUIRED
COUNTRY / REGION LIMITS	SOFT GUIDELINE ONLY: NORTH AMERICA 30%-60% | OTHER DEVELOPED MARKETS 20%-50%.
EMERGING MARKETS LIMIT	SOFT GUIDELINE ONLY: 50%
CASH LIMIT	5%

The Fund is managed with a range of soft constraints which are absolute in nature. These constraints apply to individual position sizes, regional and sector exposures.

Risk monitoring

Investment risk monitoring is conducted by the investment team. A Risk Committee comprised of members from the investment team, operations and trading provide some fundamental / market risk oversight of the portfolio. The CIO is not a member of this committee.

MSCI Barra and Bloomberg tools are used when evaluating the portfolio's risk positions.

Currency management

The Fund is unhedged.

Risks

An investment in the Fund carries a number of standard investment risks associated with domestic and international investment markets. These include economic, political, legal, tax and regulatory risks. These and other risks are outlined in the PDS and should be read in full and understood by investors. Lonsec considers major risks to be:

Concentration risk

The Fund will typically invest in 25-50 (30 typical) stocks and does not have any sector or country constraints. The Manager is expected to build a portfolio that may vary markedly from the benchmark (e.g. concentration risk and/or sector, industry or country exposures). Accordingly, investors should be mindful of the potential for sharper movements in the market price of these movements.

Market risk

Emerging market companies generally carry greater market risk (i.e. Beta). Accordingly, investors should be mindful of the potential for sharper movements in the market price of these investments.

Currency risk

The Fund predominantly invests in assets that are denominated in non-A$ currencies. A rise in the relative value of the A$ vis-à-vis the currencies in which the assets are denominated will negatively impact the market value of the assets (and vice versa) from an Australian investor's perspective. The Fund is not hedged for currency risk.

Liquidity risk

Exposures to emerging markets can potentially give rise to heightened liquidity risk. Stocks domiciled in emerging markets are generally considered to be less liquid than those domiciled in developed markets, particularly in times of extreme market dislocation.

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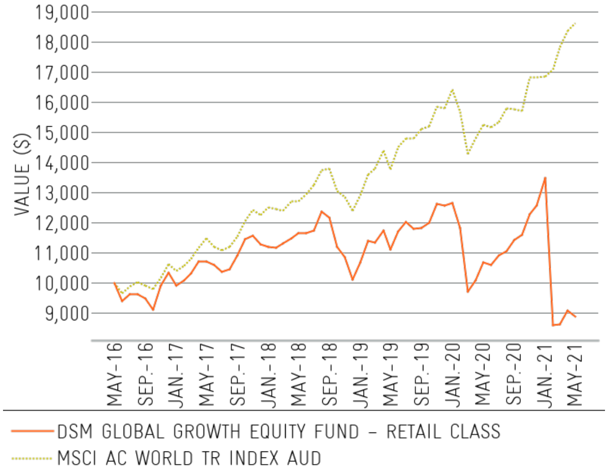
Quantitative Performance Analysis - annualised after-fee % returns (at 31-5-2021)

Performance metrics

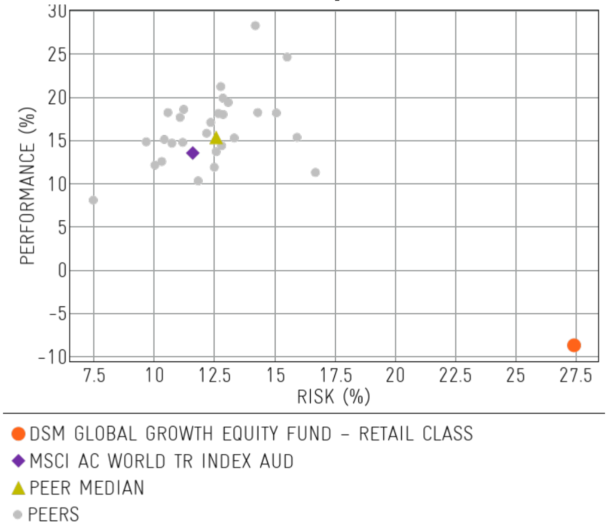
	1 YR		2 YR		3 YR		5 YR	
	FUND	PEER MEDIAN	FUND	PEER MEDIAN	FUND	PEER MEDIAN	FUND	PEER MEDIAN
PERFORMANCE (% PA)	-16.83	21.61	-10.61	18.78	-8.67	15.39	-2.31	14.52
STANDARD DEVIATION (% PA)	39.81	8.40	31.75	11.84	27.43	12.57	22.34	11.29
EXCESS RETURN (% PA)	-39.01	0.37	-26.86	2.80	-22.24	2.31	-15.57	1.79
OUTPERFORMANCE RATIO (% PA)	50.00	50.00	50.00	54.17	41.67	55.56	41.67	55.00
WORST DRAWDOWN (%)	-36.19	-2.44	-36.19	-10.41	-36.19	-11.67	-36.19	-11.67
TIME TO RECOVERY (MTHS)	NR	2	NR	3	NR	5	NR	5
SHARPE RATIO	-0.42	2.56	-0.35	1.54	-0.35	1.23	-0.16	1.25
INFORMATION RATIO	-0.98	0.07	-0.94	0.56	-0.95	0.44	-0.84	0.31
TRACKING ERROR (% PA)	39.86	5.87	28.58	5.38	23.41	5.23	18.55	4.74

PRODUCT: DSM GLOBAL GROWTH EQUITY FUND - RETAIL CLASS
LONSEC PEER GROUP: GLOBAL EQUITIES - GLOBAL LARGE CAP - FUNDAMENTAL GROWTH
PRODUCT BENCHMARK: MSCI AC WORLD TR INDEX AUD
CASH BENCHMARK: BLOOMBERG AUSBOND BANK BILL INDEX AUD
TIME TO RECOVERY: NR - NOT RECOVERED, DASH - NO DRAWDOWN DURING PERIOD

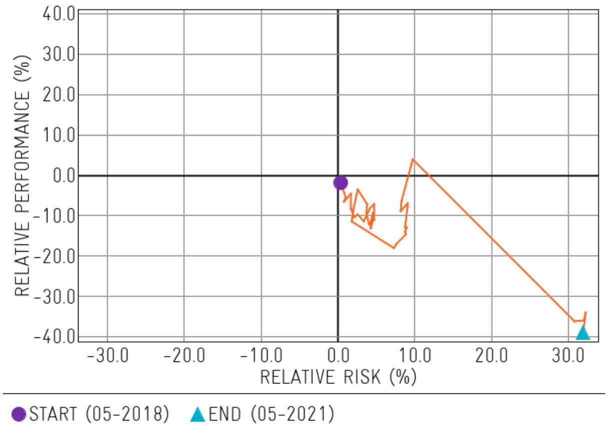
Growth of $10,000 over five years



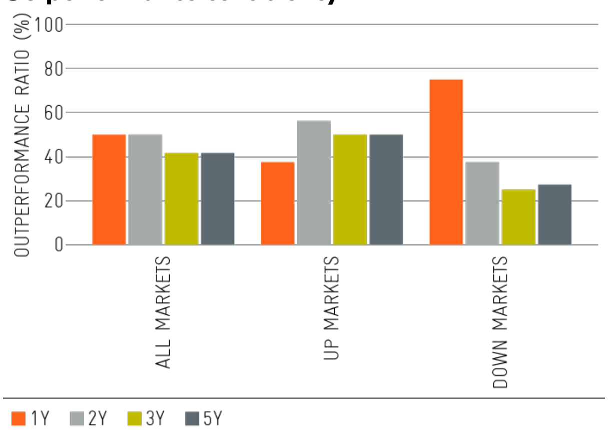
Risk-return chart over three years



Snail trail



Outperformance consistency



DSM Global Growth Equity Fund — Retail Class

Glossary

Total return 'Top line' actual return, after fees

Excess return Return in excess of the benchmark return

Standard deviation Volatility of monthly Absolute Returns

Tracking error Volatility of monthly Excess Returns against the benchmark (the Standard Deviation of monthly Excess Returns)

Sharpe ratio Absolute reward for absolute risk taken (outperformance of the risk free return (Bank Bills) / Standard Deviation)

Information ratio Relative reward for relative risk taken (Excess Returns / Tracking Error)

Worst drawdown The worst cumulative loss ('peak to trough') experienced over the period assessed

Time to recovery The number of months taken to recover the Worst Drawdown

Snail Trail A trailing 12-month relative performance and relative risk measurement over the benchmark. The trail is generated using a 12-month rolling window over the specified period

About Lonsec

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