



# DSM Global Growth Equity Fund

This report has been prepared for financial advisers only



**Superior**

August 2021

# INTRODUCTION

## Key Principles

SQM Research considers (but is not restricted to) the following key review elements within its assessment:

1. Business profile - product strategies and future direction
2. Marketing strategies and capabilities, market access
3. Executive Management / Oversight of the investment management firm
4. Corporate Governance / fund compliance / risk management
5. Investment team and investment process
6. Fund performance, investment style, market conditions, investment market outlook
7. Recent material portfolio changes
8. Investment liquidity
9. Investment risks
10. Fund/Trust fees and expenses

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[www.sqmresearch.com.au](http://www.sqmresearch.com.au)

Star Rating *	Description	Definition	
4½ stars and above	Outstanding	<b>Highly suitable for inclusion on APLs</b> <i>SQM Research believes the Fund has considerable potential to outperform over the medium-to-long term. Past returns have typically been quite strong. Product disclosure statement (PDS) compliance processes are of a high-calibre. There are no corporate governance concerns. Management is extremely experienced, highly skilled and has access to significant resources.</i>	High Investment grade
4¼ stars	Superior	<b>Suitable for inclusion on most APLs</b> <i>SQM Research considers the Fund has substantial potential to outperform over the medium-to-long term. Past returns have tended to be strong. PDS compliance processes are high-quality. There are no material corporate governance concerns. Management is of a very high calibre.</i>	High Investment grade
4 stars	Superior	<b>Suitable for inclusion on most APLs</b> <i>In SQM Research's view, the Fund has an appreciable potential to outperform over the medium-to-long term. Historical performance has tended to be meaningful. PDS compliance processes are strong. There are very little to no corporate governance concerns. Management is of a high calibre.</i>	High Investment grade
3¾ stars	Favourable	<b>Consider for APL inclusion</b> <i>SQM Research concludes the Fund has a moderate potential to outperform over the medium-to-long term. Past performance has tended to be reasonable. Management is experienced and displays investment-grade quality. There are no corporate governance concerns, or they are of a minor nature.</i>	Approved
3½ stars	Acceptable	<b>Consider for APL inclusion</b> <i>In SQM Research's view, the potential for future outperformance in the medium-to-long term is somewhat uncertain. Historical performance has tended to be modest or patchy. Management is generally experienced and capable. SQM Research has identified weaknesses which need addressing in order to improve confidence in the Manager.</i>	Low Investment grade
3¼ stars	Caution Required	<b>Not suitable for most APLs</b> <i>In SQM Research's opinion, the potential for future outperformance in the medium-to-long term is very uncertain. Historical returns have tended to be disappointing or materially below expectations. PDS compliance processes are potential substandard. There are possible corporate governance concerns. Management quality is not of investment-grade standard.</i>	Unapproved
3 stars	Strong Caution Required	<b>Not suitable for most APLs</b> <i>In SQM Research's opinion, the potential for future outperformance in the medium-to-long term is unlikely. Historical performance has tended to be unacceptable. There may be some material corporate governance concerns. SQM Research has a number of concerns regarding management.</i>	Unapproved
Below 3 stars	Avoid or redeem	<b>Not suitable for most APL inclusion</b>	Unapproved

Event-driven Rating	Definition
<b>Hold</b>	<i>Rating is suspended until SQM Research receives further information. A rating is typically put on hold for a period of two days to four weeks.</i>
<b>Withdrawn</b>	<i>Rating no longer applies. Significant issues have arisen since the last report date. Investors should consider avoiding or redeeming units in the fund.</i>

\* The definitions in the table above are not all encompassing and not all individual items mentioned will necessarily be relevant to the rated Fund. Users should read the current rating report for a comprehensive assessment.

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**Report Date: 20 August 2021**

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**SQM Rating** ★★★★★

*Superior. Suitable for inclusion on most APLs.*

<b>Fund Description</b>	
Fund Name	DSM Global Growth Equity Fund
APIR code	ETL0199AU (institutional class) & ETL0410AU (retail class)
Asset Class	Global Equities
<b>Management and Service Providers</b>	
Investment Manager	Mantis Funds Pty Ltd
Sub-Investment Manager	DSM Capital Partners LLC
Responsible Entity	Equity Trustees Limited
Custodian	State Street Australia Limited
<b>Fund Information</b>	
Fund Inception Date	09-Feb-21
Fund Size	\$15 million
Return Objective (as per PDS)	Aims to provide investors with sustainable growth in capital over the long term by focusing on quality growth companies with attractive returns.
Internal Return Objective	3-4% p.a. above the benchmark index over an entire market cycle
Risk Level (per PDS)	High
Internal Risk Objective	None stated
Benchmark	MSCI ACWI
Number of stocks/positions	25-50
Fund Leverage	0%
Turnover	40%
Top 10 Holdings Weight	64%
<b>Investor Information</b>	
Minimum Application	\$1,000,0000 (institutional class) & \$25,000 (retail class)
Redemption Policy	Daily
Distribution Frequency	Annual
Investment Horizon (per PDS)	5 years
Currency Hedging Policy	Unhedged
Management Fee % p.a.	0.85% (institutional class) & 1% (retail class)
ICR – latest % p.a.	1% (institutional class) & 1.15% (retail)
Buy Spread	0.20%
Sell Spread	0.20%
Performance Fee Rate	None

## Fund Summary

### Description

The **DSM Global Growth Equity Fund (the "Fund")** invests in global equities markets. It has a portfolio of 25 to 50 growth companies with predictable streams of earnings that generate attractive rates of return over time when purchased at reasonable valuations, which are mainly assessed using bottom-up security analysis. The Fund is expected to generate most of its returns from capital growth rather than income. DSM's style of investment management can be defined as bottom-up, idea-driven, high conviction large-cap growth with primarily an intermediate (five-year) investment horizon. The Fund is a replication of DSM's Global Growth Equity Model portfolio.

The Fund is structured as an open-ended unlisted registered managed investment scheme.

### Fund Rating

The Fund has achieved the following rating:

Star Rating	Description	Definition	Investment Grading
4.00 stars	Superior	Suitable for inclusion in most APLs	High investment grade

## SQM Research's Review & Key Observations

### 1. People and Resources

#### About the Manager

Mantis Funds Pty Ltd (Mantis) is the Investment Manager, and it has appointed DSM Capital Partners LLC as the Sub-Investment Manager of the Fund's portfolio. DSM Capital Partners LLC (DSM) is a global equities investment management firm with a very experienced investment team of ten based in Florida, USA, managing over \$US10billion of Funds under management in global equities portfolios.

DSM says that it is a concentrated manager with a high active share and growth style whose objective is to find the best growth companies in the world at valuations that it considers to be reasonable.

#### Investment Team

DSM's investment team consists of six Analyst/PMs, one analyst, two Deputy Chief Investment Officers, and a Chief Investment Officer who is also the Managing Partner of the firm and the team leader. The investment team has a very flat management structure. Each of the two Deputy chief investment officers and the six Analyst/portfolio managers has responsibility for a designated area of coverage within the global equities universe.

Name	Responsibility / Position	Location	Years with Company	Years with Industry
Daniel Strickberger	Managing Partner/ CIO	Palm Beach Gardens Florida USA	20	40
David McVey, CFA	Deputy CIO	Palm Beach Gardens Florida USA	20	25
Kenneth Yang, CFA	Deputy CIO	Palm Beach Gardens Florida USA	7	22
Justin Burk, CFA	Analyst / PM	Greenwich Connecticut USA	19	23
Eric Woodworth, CFA	Analyst / PM	Greenwich Connecticut USA	20	20
Steven Tish, CFA	Analyst / PM	Palm Beach Gardens Florida USA	14	29
Pinaki Kar	Analyst / PM	Palm Beach Gardens Florida USA	13	13
Hannah Chiang	Analyst / PM	Palm Beach Gardens Florida USA	6	23
Takamune Fujikawa, CFA	Analyst / PM	Palm Beach Gardens Florida USA	3	26
Giles Evans	Analyst	Palm Beach Gardens Florida USA	0	2

There has been a low level of staff turnover in recent years, and the team appears to be very stable. The Deputy CIOs and Analyst/PMs each work closely with the CIO on investment decisions that involve their expertise and area of coverage.

The CIO is ultimately responsible for portfolio selection and weighting decisions, so there is a significant key person risk. There is a process in place whereby in the absence of the CIO, the Deputy CIOs fulfill this function.

## 2. Investment Philosophy and Process

### Investable Universe

The Fund portfolio may invest in equity securities listed on any stock exchange. This corresponds to the universe in the MSCI All Countries World Index.

### Process / Philosophy / Style

DSM has focused exclusively on managing long-only, concentrated growth portfolios with an intermediate investment horizon out to five years. The firm's investment philosophy is based on the belief that high-quality companies that consistently grow their earnings, whose shares can be purchased at reasonable valuations, should produce attractive returns over time. DSM combines fundamental research with a systematic valuation methodology. DSM buy a stock when business fundamentals are strong, and the valuation is attractive on the next four quarters of earnings. The aim of the valuation discipline is to avoid overpaying to buy a stock, thereby reducing stock price risk. The objective of the research and valuation processes is to reduce risk and thereby enhance return.

### Risk Management

The primary method of risk control is the stock selection process which is focused on avoiding the selection of stocks whose price is not supported by the earnings growth prospects

## 3. Portfolio Characteristics

### Portfolio Turnover

The expected annual turnover is 50%. The average annual rate of turnover over the past five years has been between 39% and 57%.

### Liquidity

Although the Fund is fully invested and little or no cash is held, the liquidity of the Fund is sound given that the securities held are generally all liquid, with market capitalisations of more than \$10 billion.

### Leverage

This Fund does not employ direct leverage (through borrowing by the Fund) **or** economic leverage (through the use of derivatives).

## 4. Performance & Risk measures

### Return Objective

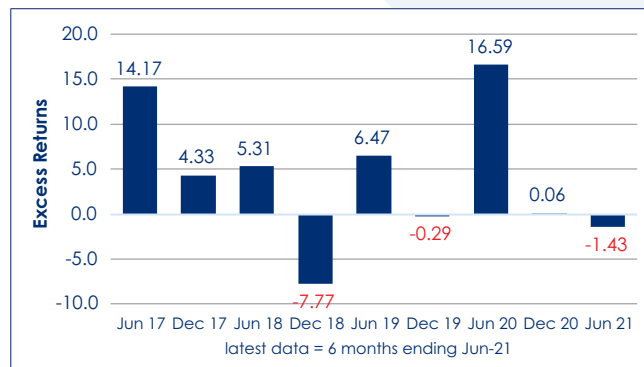
The return objective stated in the PDS is: "The Fund aims to provide investors with sustainable growth in capital over the long-term by focusing on quality growth companies with attractive returns".

The Fund's benchmark, as stated in the PDS, is MSCI All Countries World Index (MSCI ACWI NR AUD).

### Important Note:

**The Investment Manager has appointed a new Sub-Investment Manager for the Fund's portfolio, DSM Capital Partners LLC, in 2021 and hence has an extremely short track record. Therefore, all references to and analysis of the Fund performance relate to the longer-term track record of the DSM Global Growth Institutional Strategy, which has been managed by DSM for many years and which the Fund now mimics closely. Therefore, the returns described throughout the report are NOT the returns of the Fund itself, but, in the Investment Manager's opinion, are a representative and close approximation of how the Fund would have performed under the management of DSM.**

### Fund Excess Returns %: Half-yearly (net of fees)



### Length of Track Record

The DSM Global Growth Strategy has a history of 10.8 years (or 129 months).

Observations and analysis of returns will have substantial statistical meaning as a result of the sample size of observations.

## SUMMARY

### Risk Objective

The Fund's PDS states that the risk level of the Fund is "High".

The Fund's volatility (standard deviation of monthly returns) over the year to Jun-2021 was 10.66% compared to a peer average of 8.51% and 8.00% for the benchmark.

*SQM Research observes that the Fund has exhibited somewhat higher volatility of returns.*

### Drawdown Experience

Drawdown Size (peak-to-trough)			
	Fund	Bench	Peers
Average	-4.25%	-3.44%	-4.21%
Number	20	20	17

*SQM Research observes that drawdowns have on average been slightly worse than the benchmark and about the same as the peer average.*

**Definition:** A drawdown tracks the path of the Fund's accumulated NAV (with dividends reinvested). It is measured over the period of a peak-to-trough decline and the subsequent recovery back to that previous peak level. The total return over that entire period is, of course, zero. The metric of interest, the drawdown itself, is quoted as the percentage change between the peak and the trough over that period. Funds typically have multiple drawdowns of varying size and length over their lifetime. The table above shows how many drawdowns have occurred and their average peak-to-trough size.

### FUM (Funds under Management)

The Funds under management were approximately \$501.5 million in size at Jun-2021

Fund Performance to 30 June 2021 (% p.a.)							
Total Return	1-Month	3-Month	6-Month	1-Year	3-Year	5-Year	Inception
Fund	7.49	10.71	14.00	26.20	18.39	21.53	18.17
Benchmark	4.46	8.95	15.43	27.72	13.96	14.42	13.14
Peer Average	5.51	9.88	13.55	25.98	16.69	16.11	14.29
Alpha	3.03	1.76	-1.43	-1.52	4.43	7.11	5.03

With dividends reinvested. Returns beyond one year are annualised. Return history starts Oct-2010

Benchmark: MSCI ACWI NR AUD.

\* SQM defines Alpha as the excess return compared to the Benchmark and is calculated as Alpha = Fund Return – Benchmark Return

### 5. Other Features

Fees and Costs	Fund	Peer Avg
Management Fee (% p.a.)	1.00%	1.16%
Expense Recovery (% p.a.)	0.15%	–
Performance Fee (%)	0.00%	16.38%
Buy Spread (%)	0.20%	0.23%
Sell Spread (%)	0.20%	0.23%

#### Management fee

- Expressed as a percentage rate per annum of the Fund's Net Asset Value ("NAV")
- Including GST and the impact of RITC (Reduced Input Tax Credit).

#### Performance fee:

The Fund does not charge a performance fee.

### Governance

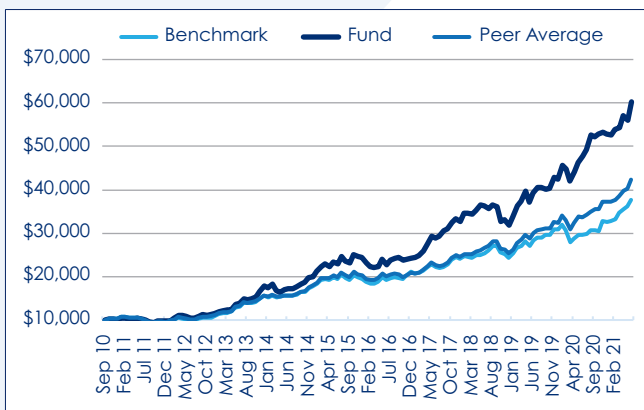
The Board of Directors of the Responsible Entity, Equity Trustees (EQT), consists of six independent directors (including the Chairman) from a total of seven members. SQM Research prefers the inclusion of independent members on the Board of Directors – it is a meaningful way to enhance governance oversight. EQT's Compliance Committee Charter requires that the Committee shall comprise at least three members, all of whom (including the Chairman) are independent non-executive directors of EQT, with a quorum of two members required to attend a meeting. SQM Research views independence in a RE oversight body such as the Compliance Committee as a strong and favourable factor in Fund governance.



Annual Returns					
Year	Fund	Benchmark	Peer Avg	vs. Bench	vs. Peers
2009	.	.	.	.	.
2010	.	.	.	.	.
2011	-2.86	-7.36	-7.29	+4.49	+4.43
2012	+17.04	+14.69	+16.62	+2.35	+0.42
2013	+55.81	+42.49	+40.87	+13.32	+14.94
2014	+12.74	+13.86	+14.35	-1.13	-1.61
2015	+21.98	+9.83	+12.57	+12.15	+9.41
2016	-1.14	+8.36	+3.00	-9.50	-4.14
2017	+35.39	+14.77	+17.68	+20.62	+17.71
2018	-2.88	+0.64	+3.67	-3.52	-6.55
2019	+33.46	+26.79	+27.51	+6.68	+5.96
2020	+24.33	+5.90	+15.25	+18.43	+9.08
Jun-21	+14.00	+15.43	+13.60	-1.43	+0.40

2021 data = 6 months ending Jun-21

Growth of \$10,000



Funds under Management (FUM)

Date	FUM	Net Flows \$m*
Sep-19	\$248.0	\$0.0
Dec-19	\$294.1	\$31.5
Mar-20	\$310.3	\$20.0
Jun-20	\$365.4	\$13.3
Sep-20	\$401.7	\$2.7
Dec-20	\$469.6	\$62.6
Mar-21	\$449.2	-\$34.1
Jun-21	\$501.5	\$4.4

\* estimated

Strengths of the Fund

- The experience and stability of the investment team of the Sub-Investment Manager, DSM
- The staff remuneration system rewards collaboration and sharing of investment insights and has a high bonus component that is determined on a team basis.
- The co-location of most of the team facilitates continual, informal, and effective communication and discussion of investment issues that relate to the portfolio and its stock holdings
- The clear accountability of the Chief Investment Officer for ultimate decisions on stock selection and weighting in the portfolio
- The Investment Process which is firmly focussed on ensuring that stocks bought or held have strong prospects of capital growth
- The systematic process leads to stocks that have become relatively expensive being reduced in weight in the portfolio or sold



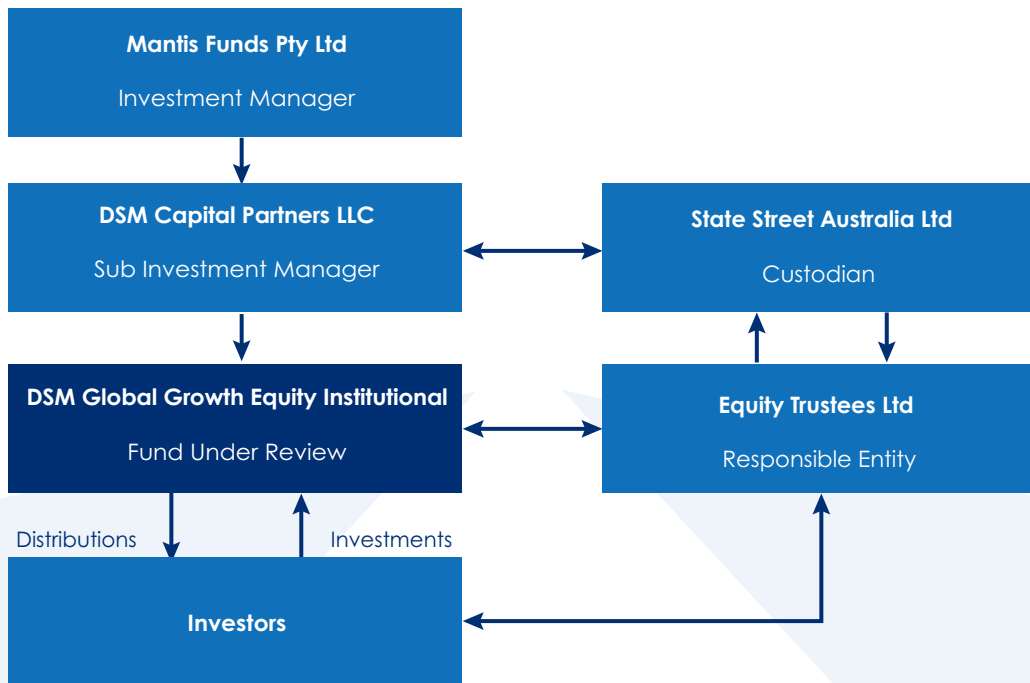
**Weaknesses of the Fund**

- The stability of the investment team may lead to a lack of sufficient challenge to the Chief Investment Officer, who is also one of the founders of the firm and one of two people who decide bonuses and salaries
- The lack of formality in the regular meetings to discuss portfolio strategy may lead to a lack of clarity on issues that affect the return and risk on stocks
- The potential for mistakes in the valuation method which depends on the forecasting of a Target P/E for each stock

**Key Changes since the Last Review**

- This report is an inaugural review.

Investment Process Diagram



Process Description

**Investable Universe**

The Fund portfolio may invest in equity securities listed on any stock exchange. This corresponds to the universe in the MSCI All Countries World Index. DSM’s broad investment universe includes all public equity securities in developed and certain emerging markets (based on DSM’s assessment of investment risk), with market capitalisation typically over USD 10 billion. There are approximately 1,200 securities in the universe.

**Investment Process**

The **DSM Global Growth Equity Fund (the “Fund”)** portfolio invests in global equities markets. It has a portfolio of 25 to 50 growth companies with predictable streams of earnings that generate attractive rates of return over time when purchased at reasonable valuations, which are mainly assessed using bottom-up security analysis. There is some top-down analysis of market conditions that assists the stock valuation and selection process, but it is a comparatively minor part of the overall process.

The investment process is based on the belief that high-quality companies that consistently grow their earnings, whose shares can be purchased at reasonable valuations, should produce attractive returns over time. DSM believes that as earnings grow, stock prices are driven higher, as long as the price paid at the time of purchase is reasonable. DSM combines fundamental research with a systematic valuation methodology. DSM buy a stock when business fundamentals are strong, and the valuation is attractive on the next four quarters of earnings. The aim of the valuation discipline is to avoid overpaying to buy a stock, thereby reducing stock price risk. The objective of the research and valuation processes is to reduce risk and thereby enhance return.

### Investment Process

The broad investment strategy of the Fund is to select high-quality growth companies that demonstrate strong revenue growth, superior profitability, a growing stable earnings stream, and high-quality balance sheets. Thus, while expected EPS growth is a central focus of the research process, EPS growth must also be achieved in the context of strong free cash flow and a solid balance sheet.

The aim of the DSM investment process is to utilize both long- and short-term dislocations or misunderstandings in the market as buying opportunities. This list would include:

- over-reaction by other market participants to company reports or news
- collateral damage or benefit to other stocks within a sector
- a positive company inflection point that is not appreciated by other investors
- market corrections that are overdone
- chronic mis-valuation by other investors of some stocks (either chronically high or low)

DSM claims that its thorough fundamental analysis, the compact nature of its investment team, the quality of the information flow within the team, and the speed of decision making often allows it to take advantage of such typical mispricing of the securities.

### Research

There are three components to DSM's internal research:

1. fundamental research
2. the development of a detailed earnings model which projects estimates of earnings for each of the next four quarters and then annually for each of the following three years, i.e., out to five years
3. setting a target Price-earnings ratio at the five-year mark

### Idea Generation and Screening

Before the fundamental research begins, DSM screens the 1200 companies in the universe for growth ideas by searching several databases.

Each Analyst/PM has access to screening tools, and there is an emphasis on constantly screening for new ideas across geographies and sectors, as DSM believes that new ideas can enhance returns and lower the risk of the portfolio. The companies that are screened in for further research and consideration are characterised by criteria such as increasing revenue, profits, and free cash flow, improving profitability, strong balance sheets, and few or no earnings misses. DSM also favour companies that:

1. Are in sectors with high barriers to entry
2. Are serving growing markets or taking market share in more stable markets
3. Have a management team that is communicative and experienced and has been able to execute on a clear strategic vision.

## Investment Process

### Research

Fundamental research of potential investment candidates is prepared by the Deputy CIOs and Analyst/Portfolio Managers. In addition to the analysis of company results over several years, the investment team members attend:

1. Wall Street sponsored conferences, in which setting they can screen a broad range of companies in a particular industry and arrange meetings with the senior management of companies DSM owns or would be interested in owning.
2. Industry conferences, which typically span several days and provide DSM with what it calls “full immersion” in relation to a company, its competitors, and its customers.
3. Company-sponsored analysts’ days, although these need to be viewed skeptically

DSM also:

1. Uses broker-sourced research, but it tends to be a supplement to its proprietary work.
2. Contracts with survey research firms to conduct proprietary surveys on relevant issues within certain industries.
3. Uses industry experts sourced through the Gerson Lehrman Group (“GLG”), which, for a fee, helps connect knowledgeable industry experts with investment managers to address specific questions.
4. Uses third-party providers to help design and distribute surveys that assist in understanding critical investment issues.

#### *SQM Research observes that DSM:*

- *has not tracked the number of company visits conducted over the years and seems to place less importance on this than other equity investment fund managers. SQM notes that DSM says that “companies will not say bad things about themselves unless they have to. Therefore, cross-checking away from the company is very important, if not more important than what a company says. In addition, companies have a “script” that they stick to. Legally, they can only speak from that same script to all investors, or they may be accused of providing inside information. As a result, obtaining substantive additional information concerning the company can only happen from other sources”.*
- *appears to rely more on the sources of information detailed above*
- *appears to engage in extensive checking of facts and opinions on companies that it either invests in or is considering for its portfolio.*

After the qualitative research is completed, the investment team uses it in the creation of a detailed proprietary projection of earnings per share estimates over the next three years, taking into account the factors that appear to drive industry and company earnings growth. Historical financial analysis is also completed. There is particular emphasis on both the historical and projected income (Profit and Loss) and cash flow statements.

DSM then estimates the Price Earnings Ratio that DSM believes is reasonable and is reflective of a fair or normal valuation of the stock three years from now. This is called the Target P/E Ratio for the stock.

The Target P/E is determined by the relevant Analyst/PM, in conjunction with the CIO, who takes into consideration several qualitative and quantitative factors. Among the qualitative factors are barriers to entry, number of competitors, economic cyclicality, customer loyalty, price competition, global reach, government involvement, and management quality. Among the quantitative factors are historical revenue and EPS growth, projected revenue and EPS growth, margins, return on assets, return on equity, capital expenditures, and the historic range of P/E over the last five years. Once a target P/E has been agreed upon, it may occasionally be adjusted. However, normally the change is only incremental.

## Investment Process

### Stock Selection

DSM will typically buy when the company clears two hurdles: 1) it must have attractive fundamental business characteristics that translate into a reasonably predictable and growing stream of earnings and 2) it must have a ratio of the current price to the earnings projected for the next four quarters that is at least 10% below the Target P/E three years from now.

DSM says that "The most important criteria in DSM's stock selection are the interplay between our most likely EPS projection and the company's valuation as measured by its forward four-quarter P/E, relative to our target P/E."

The valuation system employed by DSM utilizes earnings and P/Es. It creates a projected return for every stock. DSM then sells stocks that appreciate and as a result have a lower projected return. DSM then reallocates the capital to higher projected return stocks.

DSM says:

*"If the earnings are accurate the valuation system adds logic to the decision-making process. If the earnings forecasts are not achieved, the stock will not work, regardless of how carefully the P/E is selected. DSM creates a low/downside case for every stock, to manage risk in case of an earnings miss."*

*SQM Research observes that determining the Target P/E Ratio is a difficult process and takes a lot of experience in the equity markets, which the DSM investment team members appear to have. SQM also notes that DSM has not systematically kept track of how its forecasts of Target P/E Ratios have compared with subsequent reality. The realised ex-post excess return of the portfolio, which has been good, is a product of the combined success in forecasting earnings per share, forecasting the Target P/E Ratios and the translation into portfolio weightings of stocks held in the portfolio. It is not clear whether both the forecasts of earnings and of PE ratios contribute to this success.*

### Portfolio Construction

#### The objective of portfolio construction

DSM says that as a concentrated manager with a high active share and growth style, its objective is to find the best growth companies in the world at valuations that it considers to be reasonable.

#### Portfolio weighting

Normally, DSM expects that 30 to 60% of the portfolio will be invested in North American companies, 20 to 50% will be invested in companies located in Other Developed Nations, and 10 to 50% will be invested in companies in Emerging Markets. The portfolio will normally be invested across five to seven industry (GICS) sectors, thus providing good diversification in the portfolio.

A new investment in the portfolio will typically have a weighting of about 1%. As DSM's conviction in the company grows, generally as the result of earnings coming in at or above the forecast levels, the weighting will increase.

Some companies, either due to their market cap or the nature of their business, will be limited to a maximum weighting, typically between 2% and 3% of the portfolio. Other companies with bigger market caps, strong earnings growth, and strong business models will occupy an increasing proportion of the portfolio over time.

DSM generally does not add to stocks that are above 5% of the portfolio and will generally begin to trim a position when it gets to be over 8% of the portfolio.

### Investment Process

In summary, the portfolio investment guidelines are:

- Normally allocated among North America, Europe, and other developed and emerging markets
- Typically diversified among 5 to 7 sectors
- GICS Sector weight maximum historically 30% \*
- High active share – typically above 90%
- 1% - 2% “starter” positions, 3-5% “average” positions at cost, up to 6% at cost for select investments

\* Weights for GICS healthcare and GICS information technology sectors may be higher.

*SQM Research observes that, compared with other global equity managers, these guidelines are not especially restrictive. The primary method of risk control is likely to be avoiding the selection of stocks whose price is not supported by the earnings growth prospects.*

### Sell Discipline

DSM sells positions based primarily if:

1. there is an earnings miss or a “guide-down” of earnings by the company such that the investment thesis for holding the stock is threatened
2. there are research-based concerns over future earnings results
3. a new/better idea is identified
4. appreciation of the stock price, which lowers the projected return

There are three scenarios under which DSM will reduce or sell a holding:

1. if the expected return (expected EPS, plus the dividend plus the expected change in the Forward Four Quarters P/E Ratio) falls to a level that is well below the rest of the portfolio (because the stock price has appreciated more than earnings growth would justify) and is also well below many of the companies that are being considered but not yet in the portfolio, which could cause an exit from the position and redeployment of the capital
2. an earnings disappointment- a modest disappointment with no discernible deterioration in the company's business prospects, may lead to a reduction of the weighting in the portfolio - if this is followed by another quarter of earnings disappointment, DSM may decide that the thesis is wrong and there is a need to exit the position.
3. there is a compelling new idea- as the portfolio is fully invested, to add a company, there is a need to make room by selling or reducing an existing position.

DSM has stated that:

*“One of the most difficult things for a growth manager to do is to sell - particularly a winner. By having a valuation discipline and by calculating the expected return for every holding, if the stock has run too far too fast, the bulk of the most likely return has already been achieved, and the future return begins to look less attractive relative to other companies under consideration. That is the time a company should be sold. We can always come back to it at a later time when the valuation has adjusted to a more attractive level.”*

## Investment Process

### Responsibility for selection and weighting decisions

DSM does not have a formal investment committee. Rather, DSM's Analyst/PMs work closely with the CIO and Deputy CIOs to make each investment decision jointly. However, the CIO has the ultimate responsibility and final authority on the securities that may be purchased or sold

### Portfolio Turnover

The expected annual turnover is 50%. The average annual rate of turnover over the past five years has been:

2016 – 57%
2017 – 56%
2018 – 41%
2019 – 42%
2020 – 39%

### Holding Period for investments

DSM reports that:

- the holding period for investments is generally one to three years
- there are companies that have been held for years, even when, due to increased investment in the business, EPS growth has lagged.
- smaller, newer companies are more likely to be replaced fairly quickly if there is a disappointing earnings report.

## Risk Management

### How risk is defined and managed

DSM defines two main risks that can affect the portfolio and its returns:

- any variation in actual earnings results versus the earnings projections - because of the focus on corporations that are believed to be reliable and projectable business models, DSM believes that it is unusual for it to overestimate earnings.
- P/E risk, which DSM defines as the price being too high in relation to the amount and quality of earnings growth- a common risk in growth investing that DSM says it avoids via its valuation method (estimating the Target P/E Ratio three years out) to avoid the purchase of overvalued stocks and ease out of appreciated positions that are becoming overvalued.

DSM has established a Risk Committee that includes the Deputy CIOs, the COO, the CCO, the Head Trader, and two PMs. The CIO does not sit on the Risk Committee to ensure the independence of thinking. Factor risk analysis is completed by the Risk Committee regularly. The Risk Committee shares its findings with the CIO and the broader investment team. Conclusions can influence portfolio decisions but cannot independently force a sell or stop a buy.

DSM uses MSCI Barra to examine the distribution of factor exposures in the portfolio and to make sure that it does not have any unintended or overextended factor exposures.

The portfolio is normally diversified among 5 to 7 GICS sectors, and to reduce portfolio risk, DSM tends to avoid cyclical, commodity, price competitive, capital-intensive industries.



### Investment Process

Currency exposure is not actively managed, but it is a factor that is reviewed by the DSM Risk Committee using MSCI Barra reports and Bloomberg risk analysis.

The following risks do not apply to the Fund:

Leverage – the Fund does not borrow to invest.

Derivatives – DSM does not use derivatives.

Short Positions that are allowed in markets, sectors, or securities are not used.

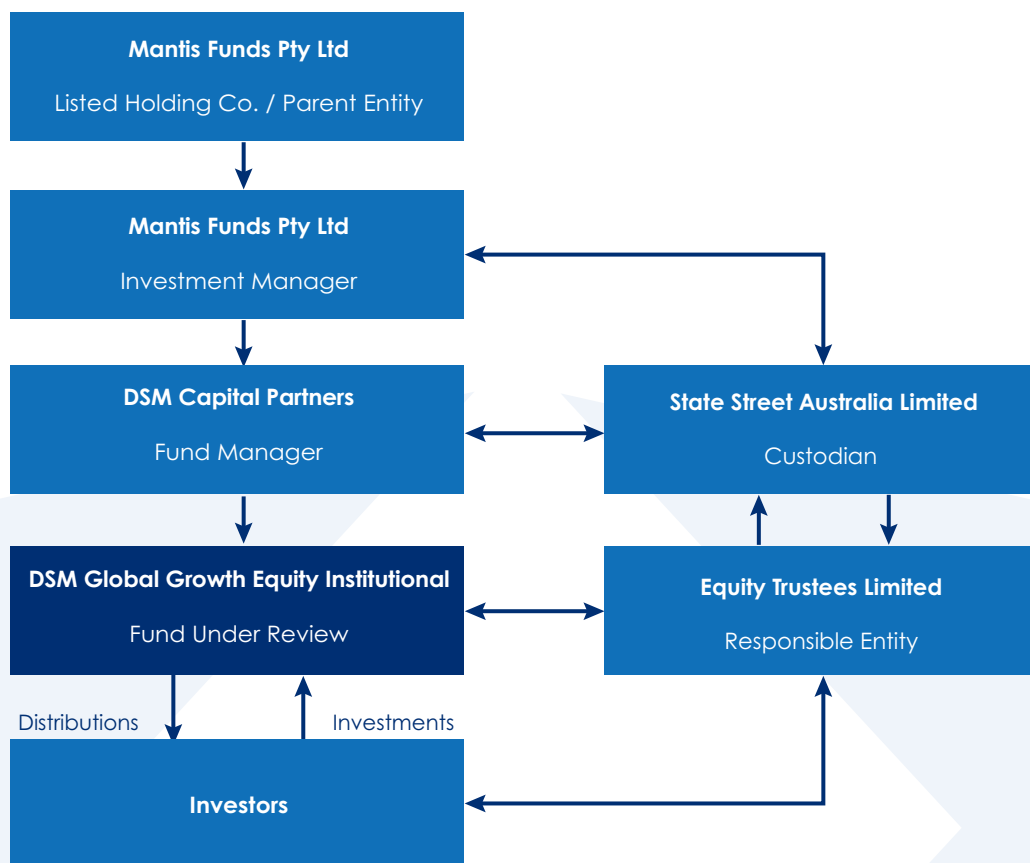
### Liquidity

Although the Fund is fully invested and little or no cash is held, the liquidity of the Fund is sound given that the securities held are generally all liquid, with market capitalisations in excess of \$10 billion.

*SQM Research has noted that DSM does not:*

- *subject its portfolios to stress testing*
  - *use any risk-control modelling to create portfolios*
  - *use cash as a method of risk control as the portfolio is fully invested*
-

## Key Counterparties (no holding co)



### Investment Manager / Fund Manager

Mantis Funds Pty Ltd (Mantis) is the Investment Manager, and it has appointed DSM Capital Partners LLC as the Sub Investment Manager of the Fund's portfolio. DSM Capital Partners LLC (DSM) is a global equities investment management firm based in Palm Beach Springs in Florida, USA.

Mantis is a multi-boutique platform based in Sydney, Australia. It partners with boutique fund managers looking to grow. Mantis has nine fund partners on its platform, including DSM Capital Partners. Mantis is also the investment manager of four unit trusts in partnership with Equity Trustees. Mantis is majority-owned by its executive team with Tribeca Investment Partners owning a strategic stake.

DSM is 100% owned by its current employees and founding partners. DSM's co-founders, Daniel Strickberger and Steve Memishian own 60% of firm equity, while other employees own the remaining 40%. The firm's voting shares were previously held in equal parts by the founding partners. Upon Steve

Memishian's retirement on 31 December 2020, he has begun selling voting shares back to senior members of the firm. Upon purchase of the voting shares, these individuals join the Board of Managers. The Board of Managers is comprised of ten people and meets at least quarterly. DSM is profitable. With over USD 10 billion in Funds under Management and 26 employees, DSM can offer competitive compensation and benefits to all employees. Current revenues substantially exceed the operating costs of the firm.

### Responsible Entity

Equity Trustees (EQT) is a financial services company headquartered in Melbourne. Established in 1888 and listed on the Australian Securities Exchange (ASX) in 1985, EQT provides a range of products and services to a diverse client base, including fund managers, managed funds, superannuation funds, and financial planning. Equity Trustees acts as Responsible Entity or Trustee for over 80 major Australian and international investment managers.

The Board of Directors of the Responsible Entity (RE) consists of **seven** directors, **six** of whom are independent, including the Chairman.

The Board's principal responsibility regarding EQT's Responsible Entity activities is to ensure the company has adequate systems of internal controls and appropriate monitoring of compliance activities.

The Equity Trustees Board Charter (May-2018) mandates that the Board adhere to the following principles:

- The Board will comprise an appropriate number of directors of whom a majority are independent non-executive directors and ordinarily reside in Australia.
- The Board will be led by an independent chair who is not the same person as the Managing Director.
- Directors, collectively, are to have the appropriate balance of skills, knowledge, experience, independence, and diversity to enable them to discharge their duties and responsibilities effectively.
- The Board assesses at least annually whether its directors are independent
- Board meetings are to take place at least quarterly.
- Two members of the Board form a quorum.

## Sales and Marketing Agent

DSM is represented in Australia and New Zealand by Clearway Capital Solutions Pty Limited. Clearway Capital is based in Sydney, Australia, and operates in the wholesale institutional and sophisticated investor markets of Australia and New Zealand and provides ongoing business development and client service, conducts marketing research on a project basis, and product advice for leading local and offshore-based fund managers across a variety of asset classes.

## Management Risk

Funds management businesses rely on the operational capabilities of key counterparties. A critical element is the ability of the Responsible Entity to monitor operational performance and to meet the regulatory and statutory responsibilities required. For any investment fund, there is a risk that a weak financial position or management performance deterioration of key counterparties could temporarily or permanently compromise their performance and competency. This can adversely affect financial or regulatory outcomes for the Fund or associated entities.

*Based on the materials reviewed, SQM Research believes that the Investment Manager, the Sub Investment Manager, and associated key counterparties are appropriately qualified to carry out their assigned responsibilities. Management risk is rated as modest.*

## Funds under Management (FUM)

The Fund is approximately \$15 million in size as of June 2021. It underwent a major decline in size under its previous manager and is now being relaunched with DSM as its portfolio manager.

## Distributions

Distributions occur on an annual basis, subject to the availability of distributable income. In a scenario where the Fund's realised losses and expenses exceed income in a distribution period, the Fund may elect not to make a distribution during that time.

Income distributions are not that important to the strategy as it is more total return focussed.

### A General Note on Distributions for Managed Funds

The Responsible Entity of a Managed Fund will provide for a regular schedule of distributions, such as monthly/quarterly/semi-annual or annual. This is subject to the Fund having sufficient distributable income. The official total distributable income available to pay to investors is determined for the period of that Fund's financial year. By distributing the net taxable income of the Fund to investors each year, a Fund itself should not be liable for tax on its net earnings.

If a Fund makes distributions more frequently than once over the financial year, those distributions will be based on estimates of the distributable income for that distribution period. The final total amount of distributable income available for passing on to investors can only be calculated after the close of the financial year, based on the Funds taxable income for that year.

If the total distributions a Fund pays out exceeds total taxable income for that particular financial year, the excess amount may be treated as a return of capital rather than income. This will possibly have tax implications for the investor.

Due to the considerations outlined above, there may be periods in which no distributions are made or a Fund may make additional distributions

A Fund's ability to distribute income is determined by the performance of the Fund and general market conditions. Accordingly, there is no guarantee a Fund will make a distribution in any distribution period.

Name	Responsibility / Position	Location	Years with Company	Years with Industry
Daniel Strickberger	Managing Partner/ CIO	Palm Beach Gardens Florida USA	20	40
David McVey, CFA	Deputy CIO	Palm Beach Gardens Florida USA	20	25
Kenneth Yang, CFA	Deputy CIO	Palm Beach Gardens Florida USA	7	22
Justin Burk, CFA	Analyst / PM	Greenwich Connecticut Florida USA	19	23
Eric Woodworth, CFA	Analyst / PM	Greenwich Connecticut Florida USA	20	20
Steven Tish, CFA	Analyst / PM	Palm Beach Gardens Florida USA	14	29
Pinaki Kar	Analyst / PM	Palm Beach Gardens Florida USA	13	13
Hannah Chiang	Analyst / PM	Palm Beach Gardens Florida USA	6	23
Takamune Fujikawa, CFA	Analyst / PM	Palm Beach Gardens Florida USA	3	26
Giles Evans	Analyst	Palm Beach Gardens Florida USA	0	2

### Investment Team

DSM's investment team consists of six Analyst/PMs, one analyst, two Deputy Chief Investment Officers, and a Chief Investment Officer who is also the Managing Partner of the firm and the team leader. The investment team has a very flat management structure. Until last year there were just two levels: Chief investment officer and Analyst /portfolio manager. About a year ago, two of the Analyst/ portfolio managers were given the role of Deputy Chief Investment Officer. This appears to be more to do with planning for the potential succession to the role of Chief Investment officer rather than a significant change in the day-to-day responsibilities. Each of the two Deputy chief investment officers and the six Analyst/ portfolio managers has responsibility for a designated area of coverage within the global equities universe.

All of the team members have significant experience in the industry, and a number of them have had over ten years experience of working together at DSM.

There has been a low level of staff turnover in recent years, and the team appears to be very stable. The Deputy CIOs and Analyst/PMs each work closely with the CIO on investment decisions that involve their expertise and area of coverage.

The size of the team is substantial without being cumbersome. It is large enough to provide adequate coverage of all of the sectors of the global equity market. The team appears to have a high degree all interaction via both formal meetings and informal day-to-day conversations. This assists in the discussion of issues related to the stocks held in the portfolio without becoming overly bureaucratic.

The Chief Investment Officer, Daniel Strickburger, is ultimately responsible for portfolio selection and weighting decisions.

### Meeting Schedule

The table below shows meetings that form an essential part of the overall process. The timing of most of the meetings is flexible, dependent on the need to discuss aspects of the portfolio's strategy and composition. Based on discussions with DSM, they appear to be held continually.

Agenda	Frequency	Participants
Macro Overview Meeting	As needed	All Investment Team Members
Investment Strategy Meeting	As needed	All Investment Team Members
Sector Allocation Meeting	As needed	All Investment Team Members
Security selection meeting	As needed	All Investment Team Members
Portfolio Construction meeting	As needed	All Investment Team Members
Risk Management Meeting	Quarterly	Ken Yang, David McVey, Hannah Chiang, Takamune Fujikawa, Meredith Meyer, Chris Bertoni
Portfolio and Performance review meeting	As needed	All Investment Team Members

*SQM Research believes the practice of constant communication and the broad-based inclusion of team members in decision-making is a vital ingredient to the success of the process, even if the meeting schedule is flexible and not fixed. Interactive peer review and collaboration across a tightly knit group of experienced investors will likely make the best use of their combined intellectual property and shared history.*

## Staffing Changes

Departures			
Date	Name	Responsibility	Reason for Departure
May 2018	Takehiko Serai	Analyst/PM	Career Change
December 2020	Steve Memishian	Co-Managing Partner	Retired

Additions			
Date	Name	Position / Responsibility	Previous Position / Employer
May 2018	Takamune Fujikawa	Analyst/PM	Senior Analyst/SMBC Nikko Securities
December 2019	Meredith Meyer	Chief Operating Officer	Macquarie Investment Management
July 2021	Giles Evans	Analyst/PM	?

*SQM Research observes that the levels of investment experience and company tenure are strong across the investment team. The size and nature of staff turnover are not an issue of concern, in SQM's view. While Mr. Memishian was a Co-managing partner and Co-founder of DSM, he had been more involved in the operational rather than the investment side of the business over the last five years.*

## Remuneration and Incentives

Members of the investment team are compensated with a regular base pay or salary, quarterly distributions on any of the DSM equity that they own, and an annual merit bonus. Salary is typically not more than 25% of total annual compensation, except for new hires, who may have the first-year guarantee. There is no cap placed on bonuses as a percentage of salaries, and bonuses can be a multiple of salary. Bonus compensation is based on an employee's long-term performance, the quality of their research work, and the extent of their collaborative behaviour with others in the investment team, as well as with the operations staff. The Managing Partner and the Chief Operating Officer together make all final compensation decisions and conduct reviews of each employee at year's end.

Operational and administrative personnel have the same structure of bi-weekly salary, quarterly stock distributions, and an annual merit bonus, except that salary, is more typically 40% to 60% of total compensation.

All DSM employees are offered the opportunity to buy DSM equity, typically within three years of joining the firm. The equity is priced using a valuation formula based on an appraisal by an independent investment bank. The equity vests over six years, though employees receive full distributions on their unvested shares as well as on vested shares. The purchase of equity can be financed using a loan from the firm. DSM's capital stock is viewed as a long-term capital investment opportunity. Under the DSM Operating Agreement, employees' shares may be purchased by DSM when an employee leaves the firm.

A substantial capital gain is possible depending on the growth of the firm from the purchase point.

DSM states that "In addition to attractive pay and offering significant share ownership in the firm, we believe that employees are retained by the firm's culture. By virtue of a "flat" (non-pyramidal) organisation, employees are given significant responsibility and can enjoy a non-hierarchical, professional and respectful atmosphere."

*SQM Research observes that, given the observed flat structure and the low turnover of staff, this appears to be a valid claim. In addition, remuneration is aligned with the interests of clients & shareholders because the investment team owns approximately 30% of the firm's equity. There is also alignment with the Fund objectives because DSM investment personnel (and most operations/development personnel) are invested, in a meaningful way, in the strategies offered to clients.*

*SQM Research believes remuneration in the form of firm equity and client-focused performance bonuses act as strong incentives for optimising staff engagement, staff retention, and productivity. The intention (and SQM believes, the effect) is to align staff performance with client and shareholder objectives. It focuses on the customers' needs and medium to long-term results.*

Fees and Costs (institutional class)	Fund	Peer Avg
Management Fee (% p.a.) est	0.85%	1.16%
Expense Recovery (% p.a.)	0.15%	–
Performance Fee (%)	–	16.38%
Indirect Cost Ratio ICR (% p.a.) est.	1.00%	1.16%
ICR Date:		
Buy Spread (%)	0.20%	0.23%
Sell Spread (%)	0.20%	0.23%
Other Features	Fund	
Redemptions	Daily	
Distributions	Annually	
Minimum Investment	\$1,000,000	

\* This spread is the difference between the Fund's application price and withdrawal price and reflects transaction costs relating to the underlying assets.

Fees and Costs (retail class)	Fund	Peer Avg
Management Fee (% p.a.) est	1.00%	1.16%
Expense Recovery (% p.a.)	0.15%	–
Performance Fee (%)	–	16.38%
Indirect Cost Ratio ICR (% p.a.) est.	1.15%	1.16%
ICR Date:		
Buy Spread (%)	0.20%	0.23%
Sell Spread (%)	0.20%	0.23%
Other Features	Fund	
Redemptions	Daily	
Distributions	Annually	
Minimum Investment	\$25,000	

### Management Fee

The management fee includes GST and is net of any applicable Reduced Input Tax Credits (RITC).

### Performance Fee

The Fund does not charge a performance fee.

*SQM Research observes that the Fund management fee is 1.00 % p.a., which is 16 basis points lower than the peer group average of 1.16% p.a. In addition, there is no performance-related fee, whereas many funds in the peer group charge such fees. Taken together, these two observations mean that a greater proportion of any performance goes to the investors in the Fund.*



**Important Note:**

The Investment Manager has appointed a new Sub-Investment Manager for the Fund's portfolio, DSM Capital Partners LLC, in 2021 and hence has an extremely short track record. Therefore, all references to and analysis of the Fund performance relate to the longer-term track record of the DSM Global Growth Institutional Strategy, which has been managed by DSM for many years and which the Fund mimics closely. Therefore, the returns described throughout the report are NOT the returns of the Fund itself, but, in the Investment Manager's opinion, are a representative and close approximation.

**DSM has made the following comments:**

The Strategy performance is the composite of the performance of all DSM Global Growth Equity portfolios. Please note, the performance of the DSM Global Growth Equity Fund should closely reflect the performance of the DSM Global Growth Strategy. Performance is presented in AUD using spot rate MSCI, which is applied at the end months.

Results are time-weighted and asset-weighted based on beginning-of-period asset values. Valuation is on a trade date basis. Results include the reinvestment of dividends and other earnings. Dividends are realized on an accrual basis; cash equivalent dividends are realized on a cash basis. Composite returns are net of withholding taxes on foreign dividends. As of March 2017, reclaimed withholding taxes are recognized as income when received. Pre-fee results include the effect of commissions; post-fee results include the effect of commissions and management fees. Custody charges, where applicable, are not deducted from gross and net-of-fee performance. Additional information regarding policies for calculating and reporting returns is available upon request. This currency composite is hypothetical because DSM's Global Growth composite is comprised entirely of USD denominated accounts.

Over the twelve months to Jun-2021, the Fund returned 26.20% (after fees) compared to 27.72% for the benchmark. This is an underperformance of -1.52%

Risk/Return Data to 30 June 2021							
Total Return	1-Month	3-Month	6-Month	1-Year	3-Year	5-Year	Inception
Fund	7.49	10.71	14.00	26.20	18.39	21.53	18.17
Benchmark	4.46	8.95	15.43	27.72	13.96	14.42	13.14
Peer Average	5.51	9.88	13.55	25.98	16.69	16.11	14.29
Alpha	3.03	1.76	-1.43	-1.52	4.43	7.11	5.03
Metrics				1-Year	3-Year	5-Year	Inception
Tracking Error (% p.a.) - Fund				10.51	8.74	8.12	7.04
Tracking Error (% p.a.) - Peer Average				6.31	5.88	5.27	4.40
Information Ratio - Fund				-0.14	0.51	0.88	0.71
Information Ratio - Peer Average				-0.22	0.51	0.37	0.03
Sharpe Ratio - Fund				2.45	1.21	1.64	1.24
Sharpe Ratio - Peer Average				3.17	1.35	1.40	1.11
Volatility - Fund (% p.a.)				10.66	14.40	12.37	12.75
Volatility - Peer Average (% p.a.)				8.51	11.70	10.50	10.70
Volatility - Benchmark (% p.a.)				8.00	11.76	10.13	10.01
Beta based on stated Benchmark				0.53	0.97	0.92	1.06

Dividends reinvested. Returns beyond one year are annualised. Return history starts Oct-2010

Benchmark: MSCI ACWI NR AUD.

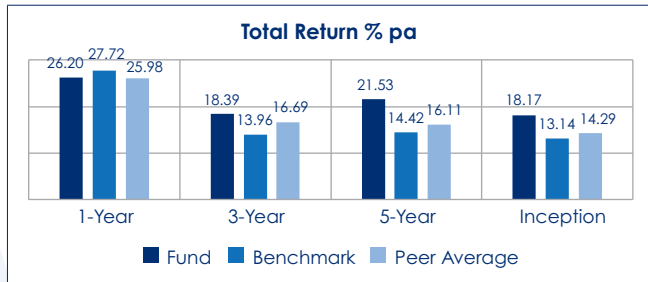
\* SQM defines Alpha as the excess return compared to the Benchmark and is calculated as Alpha = Fund Return – Benchmark Return



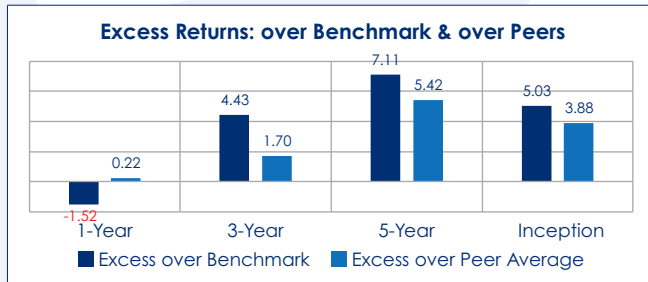
Quantitative Insight<sup>1</sup>

**Note:** Unless otherwise stated, all return and risk data reported in this section are **after-fees** and for **periods ending June 2021**.

Returns



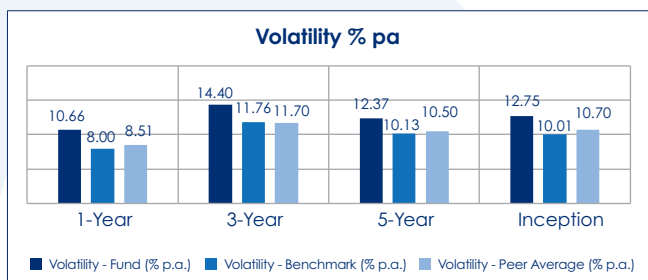
Excess Returns (Alpha)



The Sub-Investment Manager (DSM) has displayed strong performance across different periods since inception when compared with benchmark and peers.

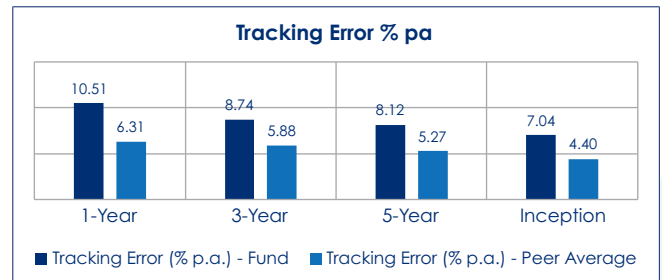
The **return outcomes** as described above are consistent with the stated PDS objective and are above SQM's expectations for the Fund relative to its volatility.

Risk measures



The Fund's **volatility** (standard deviation of monthly returns) has been slightly higher than benchmark and peers.

The Fund's **tracking error** (standard deviation of monthly excess returns) has been above that of peers.



The risk measure as described above regarding volatility and tracking error are not inconsistent with the PDS statements about risk and are in line with SQM's expectations for this Fund

Drawdowns

Drawdown Summary			
Drawdown Size (peak-to-trough)			
	Fund	Bench	Peers
Average	-4.25%	-3.44%	-4.21%
Number	20	20	17
Smallest	-0.85%	-0.01%	-0.23%
Largest	-13.05%	-13.34%	-12.38%
Length of Drawdown (in months)			
	Fund	Bench	Peers
Average	4.2	4.8	4.9

Length of Drawdown = time from peak to trough and back to the previous peak level

Drawdowns have, on average, been more than the benchmark and similar to but shorter in duration and the peer average.

Snail Trail

The snail trail chart and tables below show the combination of the Fund's rolling 3-year excess returns and rolling 3-year excess volatility.

There are 94 observations in total.

<sup>1</sup> **Note:** Sharpe and Information Ratios are not reliable comparison tools in periods where both the Fund and its peers/benchmark record a negative result

QUANTITATIVE ANALYSIS

The two tables below display the distribution of these observations and their overall frequency across the risk/return quadrants.

Snail Trail Distribution			
Frequency	Lo-Vol	Hi-Vol	Total
Hi-Return	0	94	94
Lo-Return	0	0	0
<b>Total</b>	<b>0</b>	<b>94</b>	<b>94</b>

94 rolling 3-year observations

% of Total	Lo-Vol	Hi-Vol	Total
Hi-Return	0.0%	100.0%	100.0%
Lo-Return	0.0%	0.0%	0.0%
<b>Total</b>	<b>0.0%</b>	<b>100.0%</b>	<b>100.0%</b>

In assessing a snail trail it is important to note the following:

**Q1 upper left-hand quadrant** - higher return than the Fund's market index with lower volatility (less risk). This is the optimal position.

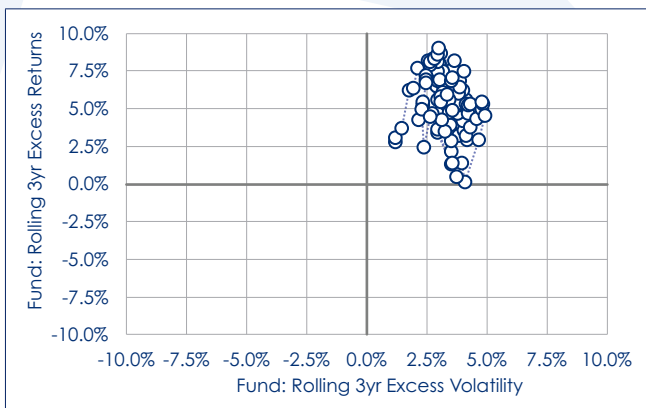
**Q2 upper right-hand quadrant** - higher return than the Fund's market index with higher volatility (more risk). This can often be a desirable position depending on the attractiveness of the Sharpe ratios produced in this zone. It is important to note that in the case of inflation or cash-style benchmarks, the Q1 top left-hand quadrant is unachievable as it is not possible to deliver lower volatility than what is virtually zero for the benchmark. In such cases, the Q2 zone is the optimal position.

**Q3 lower left-hand quadrant** - lower return than the Fund's market index with lower volatility (less risk). Less than ideal, and Sharpe ratios can assist in assessing the risk/return trade-off in this zone.

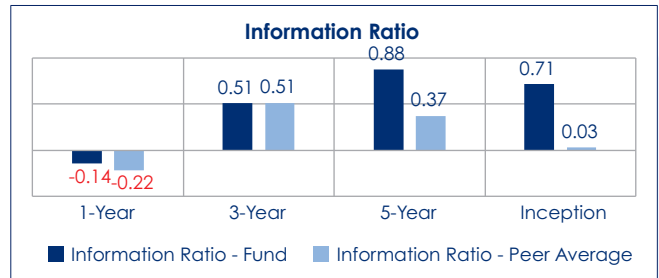
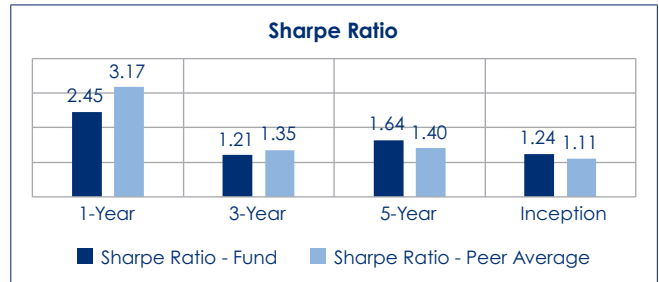
**Q4 lower right-hand quadrant** - lower return than the Fund's market index with higher volatility (more risk). The least desirable outcome.

**Consistency**

The more "bunched together" the cluster of dots, the more consistent is the performance. A second indicator of consistency is the trail's nomadic nature. Trails that roam across multiple quadrants over time are indicating **low consistency** in the Fund's risk-return profile. The quadrant that **contains the bulk** of the Fund's snail trail is likely to be more representative of the Fund's risk/return characteristics and identity.



**Risk-Adjusted Returns**



The Fund's risk-adjusted returns (as measured by Sharpe ratio) have been slightly lower than the peer average in the last three years but better over the last five years and since inception ten years ago on both measures.

Correlation of Fund to Asset Classes			
Index	Market	3 Years	Inception
Bloomberg AusBond Composite 0+Y TR	Aust Bonds	+9.1%	+5.7%
S&P/ASX 300 TR	Aust Stocks	+61.5%	+45.4%
BBGBarc Global Aggregate TR Hdq AUD	Global Bonds	+18.3%	-2.6%
MSCI World Ex Australia NR AUD	Global Stocks	+78.9%	+82.7%

There is a moderate correlation of the Fund's returns with the S&P ASX300 index and a more material correlation to global equities.

**Tail Risk**

The analysis in the table below looks at the **tail risk performance relationship of the Fund to the ASX300**, a practice that SQM has set as common across asset classes in Fund reviews. This approach recognises that for the large bulk of financial planner clients, their key traditional asset class **risk** regarding **size** and **volatility** is to Australian equities. Exploring that relationship is useful regardless of the asset class of the Fund itself, as it is helpful to understand how a Fund has acted in times of Australian equity market stress in terms of softening or exaggerating the negative performance experienced at such times.

The table below details the **largest negative monthly returns** for the ASX 300 **since the inception of the Fund**. This is compared to the Fund's performance over the same months.

**Extreme Market Returns vs Fund Return Same Month**

Index: S&P/ASX 300 TR From: Oct-10 to Jun-21

Rank	Date	Market	Fund	Difference
1	Mar-20	-20.83%	-6.05%	+14.78%
2	Feb-20	-7.76%	-2.00%	+5.76%
3	Aug-15	-7.70%	-4.40%	+3.30%
4	May-12	-6.74%	-2.00%	+4.74%
5	Sep-11	-6.28%	-1.48%	+4.80%
6	Oct-18	-6.16%	-9.31%	-3.16%
7	Jan-16	-5.45%	-5.27%	+0.18%
8	Sep-14	-5.37%	+3.55%	+8.92%
9	Jun-15	-5.32%	-1.77%	+3.55%
10	May-13	-4.54%	+10.34%	+14.88%
<b>TOTALS</b>		<b>-76.14%</b>	<b>-18.38%</b>	<b>+57.76%</b>

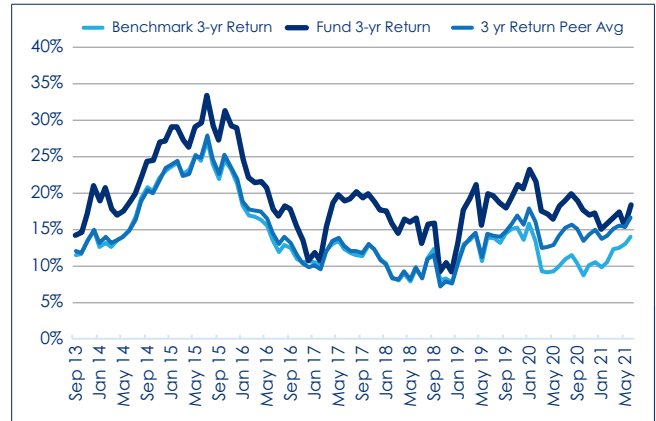
			No. of Months
Correlation	<b>+37.4%</b>	Positive Return	2
Capture	<b>+24.1%</b>	Outperform	9

**Tail Risk Observations:**

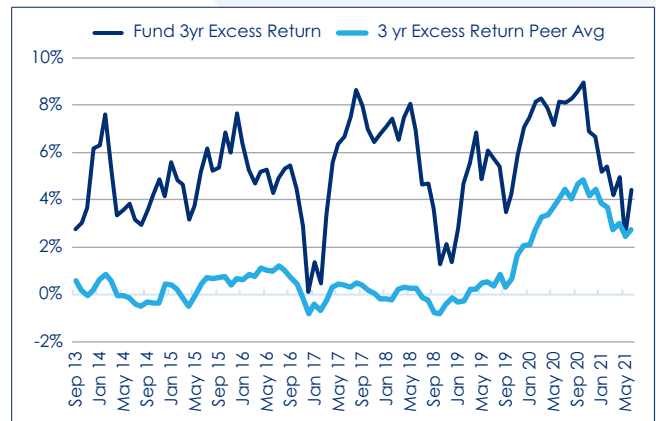
The data in the table above indicate that the Fund displays strong defensive characteristics in the face of extreme Australian equity tail risk.

**Return and Risk**

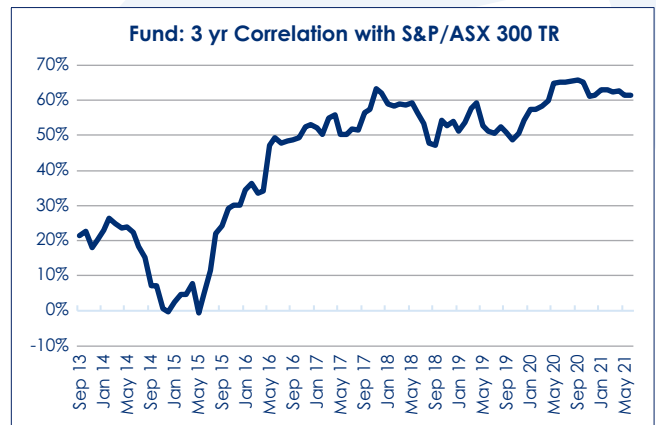
**Rolling Returns**



**Rolling Excess Returns**

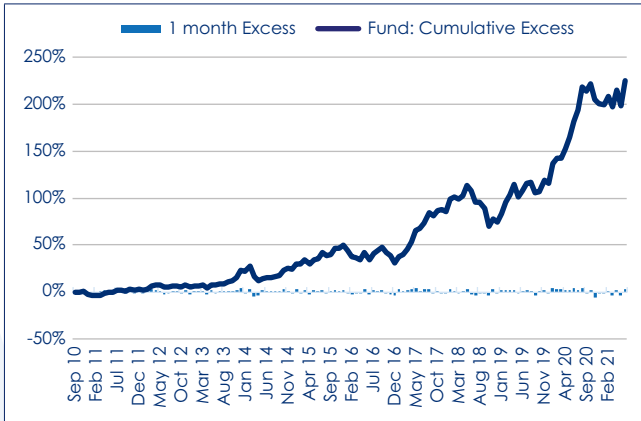


**Rolling Correlation**

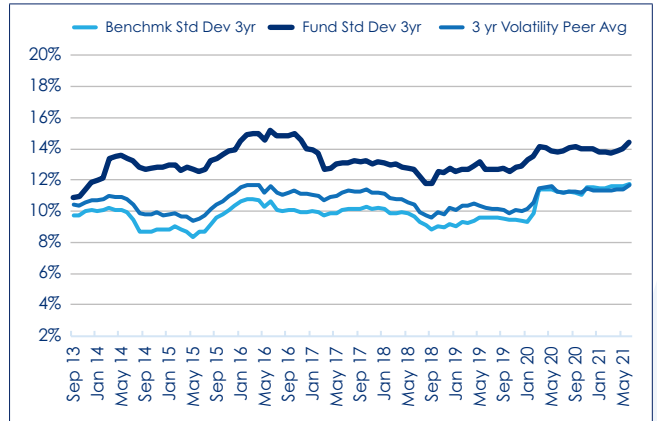


Return and Risk

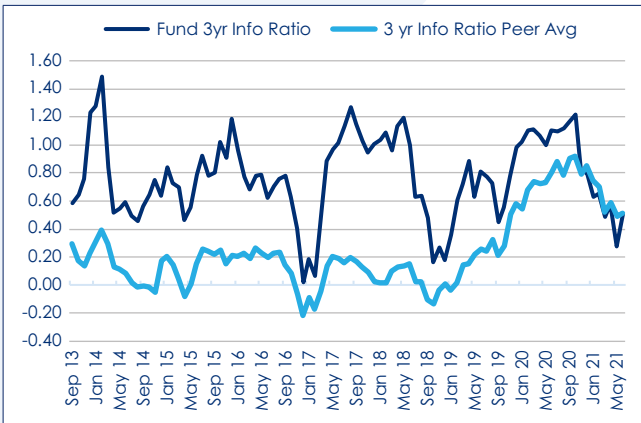
Cumulative Excess Returns



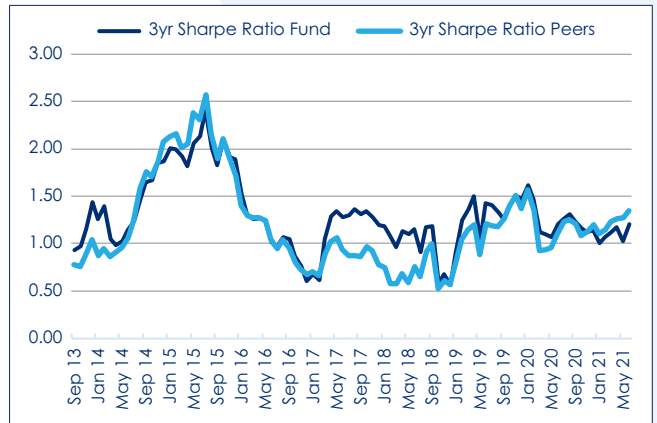
Rolling Volatility



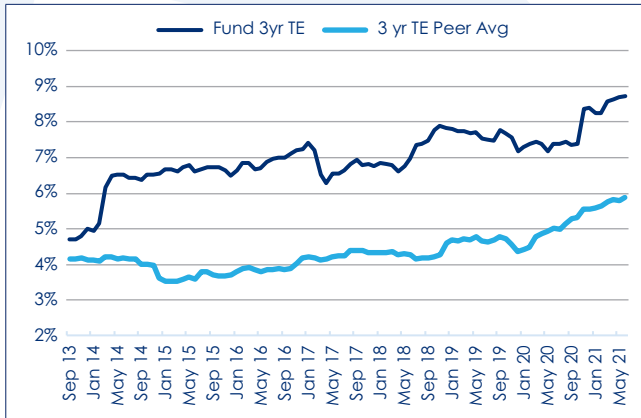
Rolling Information Ratio



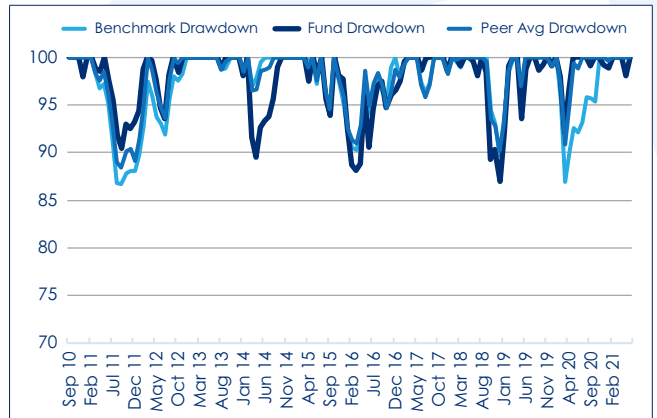
Rolling Sharpe Ratio



Rolling Tracking Error

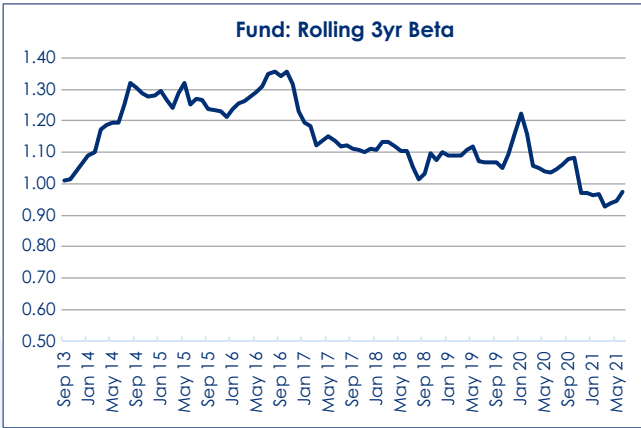


Drawdowns



### Return and Risk

#### Beta



## Key Investment Staff

The following key staff have been identified. The bios are as drafted by the Manager.

### **Dan Strickberger: Managing Partner and Chief Investment Officer**

Daniel Strickberger began his career in 1979 as a credit analyst, first at Morgan Guaranty, and later at Bank of Tokyo. He joined Oppenheimer & Co. as a securities analyst in 1982. He joined Lazard Freres & Co. later that year after Oppenheimer & Co. was sold. Dan was appointed Director of Research of Lazard Freres Asset Management in 1987 and was made a general partner of Lazard Freres & Co. in 1988. He was one of two senior portfolio managers supervising Lazard's domestic equity investments. Dan also developed and was the senior portfolio manager of Lazard's international equities portfolio. Dan joined W.P. Stewart & Co. in 1991 where he served as senior portfolio manager and equity analyst, managing a substantial portion of the firm's assets. Dan left W.P. Stewart in 2000 to co-found DSM. Dan holds a Bachelor of Science in Business Administration and Finance from the University of Delaware and a Master of Business Administration in Finance and International Business from New York University. Dan serves on the Investment Committee of the University of Delaware Endowment.

### **Meredith Meyer: Chief Operating Officer**

Meredith Meyer began her career in 1995 as a staff accountant for Sotheby's in New York. In 1997, she joined Marsh & McLennan Companies where she was an audit supervisor, eventually moving to a subsidiary, Mercer HR Consulting as assistant treasurer, then to Marsh Inc. as finance manager of international operations, in both New York and Sydney, Australia. After nine years, Meredith left to join Macquarie Investment Management where she spent the next twelve years in various positions including business operations manager and chief operating officer, global listed infrastructure. She was also chief financial officer and treasurer of the Macquarie Global Listed Infrastructure Total Return Fund and most recently director of strategic initiatives in the global client service group. Meredith holds a BS in Accounting from Villanova University and is a Certified Public Accountant. She is a member of the Executive Board of Girls Inc. of New York City. Meredith joined DSM in December 2019.

### **Kenneth Yang: Deputy CIO**

Kenneth Yang started his career in 1995 as a business analyst for McKinsey & Co. in New York and Taiwan. He subsequently spent several years in Hong Kong as an associate with Olympus Capital, a private equity firm. In 2002, Ken joined Goldman Sachs as an investment banking associate in their Technology, Media and Telecom Group. From 2004-2011 he was a senior analyst and vice president with Paulson & Company, responsible for special situations and long/short equities. While there, he focused on risk arbitrage, distressed situations, spin-offs, restructurings, and catalyst-driven long equity investments. More recently, Ken has worked with several non-profit organizations in third-world countries. Ken received a Bachelor of Science in Economics from the Massachusetts Institute of Technology and an MBA from the MIT Sloan School of Management. He holds a Chartered Financial Analyst designation. Ken joined DSM in 2014.

### **David McVey: Deputy CIO**

David McVey started in 1992 at Mutual Funds Service Company in Boston. In 1995 he became an equity research associate for biotechnology and healthcare at Hambrecht & Quist. He then moved to Furman Selz, becoming a vice president and serving as media and entertainment analyst. Most recently, he has been media and entertainment associate analyst at J.P. Morgan H&Q. David received a Bachelor of Science degree in Economics and Finance from New Hampshire College, and holds a Chartered Financial Analyst designation. David joined DSM in 2001.

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