



# Product Review

## DSM Global Growth Equity Fund – Retail Class

ISSUE DATE 14-04-2022

### About this Review

ASSET CLASS REVIEWED	GLOBAL EQUITIES
SECTOR REVIEWED	GLOBAL LARGE CAP
SUB SECTOR REVIEWED	FUNDAMENTAL GROWTH
TOTAL FUNDS RATED	48

### About this Fund

ASIC RG240 CLASSIFIED	NO
FUND REVIEWED	DSM GLOBAL GROWTH EQUITY FUND – RETAIL CLASS
APIR CODE	ETL0410AU
PDS OBJECTIVE	TO PROVIDE INVESTORS WITH SUSTAINABLE GROWTH IN CAPITAL OVER THE LONG-TERM BY FOCUSING ON QUALITY GROWTH COMPANIES WITH ATTRACTIVE VALUATIONS
INTERNAL OBJECTIVE	TO OUTPERFORM THE BENCHMARK BY 2-5% P.A. (BEFORE FEES) OVER ROLLING THREE TO FIVE-YEAR PERIODS
STATED RISK OBJECTIVE	NO STATED RISK OBJECTIVE
DISTRIBUTION FREQUENCY	ANNUALLY
FUND SIZE	\$10.4M (JULY 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	100% EMPLOYEE/FOUNDER OWNED
ASSETS MANAGED IN THIS SECTOR	US\$10BN (NOVEMBER 2021)
YEARS MANAGING THIS ASSET CLASS	12

### Investment Team

PORTFOLIO MANAGER	DANIEL STRICKBERGER
INVESTMENT TEAM SIZE	10
INVESTMENT TEAM TURNOVER	LOW - MODERATE
STRUCTURE / LOCATION	INDUSTRY-BASED COVERAGE / PALM BEACH GARDENS (FLORIDA, US)

### Investment process

STYLE	GROWTH (QUALITY GROWTH)
MARKET CAPITALISATION BIAS	LARGE
BENCHMARK	MSCI AC WORLD INDEX AUD
TYPICAL NUMBER OF STOCKS	25 - 50
STOCK LIMIT	MAXIMUM 10%
SECTOR / INDUSTRY LIMITS	MAXIMUM 40%
COUNTRY / REGION LIMITS	US: MAXIMUM 60% / EUROPE EX-UK: MAXIMUM 50%
EMERGING MARKETS LIMIT	MAXIMUM 30%
CURRENCY EXPOSURE	UNHEDGED

### Fund rating history

APRIL 2022	RECOMMENDED
JUNE 2021	RECOMMENDED

### 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

- Privately held, founder-led firm, which is owned by the investment team and staff, and offering strong alignment with investors.
- The investment team, led by a seasoned CIO who co-founded the firm, is 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, and the underlying strategy of the Fund has delivered strong USD returns since inception.

### Weaknesses

- Risk constraints are comparable to similarly concentrated peers but could be improved.
- While reasonable from a succession planning standpoint, the Deputy CIO structure has seen an increase in team instability and decrease in decision-making accountability that had previously rested solely with the CIO.
- Strategy can be susceptible to deeper drawdowns than some peers given its high growth, high P/E and concentrated investment approach.

### Fund Risk Characteristics

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

### 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		●	

We strongly recommend that potential investors read the product disclosure statement Lonsec Research Pty Ltd ABN 11 151 658 561 • AFSL No. 421 445 • This information must be read in conjunction with the warning, disclaimer, and disclosure at the end of this document. This report supersedes all prior reports.

ANALYST: HONG HON | APPROVED BY: PETER GREEN

## DSM Global Growth Equity Fund – Retail Class

ISSUE DATE 14-04-2022

### 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 (the ‘Fund’) is an actively managed Global Equity product. The strategy seeks to achieve capital appreciation by targeting mispriced, high-quality growth companies. The Fund aims to outperform the MSCI All Country World Net Index AUD by 2-5% p.a. (before fees) over rolling three to five-year periods.
- DSM Capital Partners LLC (‘DSM’ or the ‘Manager’) was appointed as the sub-investment manager on 9 February 2021. The Manager specialises in equity strategies, applying a consistent ‘quality growth’ philosophy and process across its products. Companies that can consistently grow their earnings and are reasonably priced are identified through the Manager’s bottom-up security selection.
- The Fund is a concentrated product that is expected to hold between 25-50 stock with broad risk parameters that are absolute in nature. For instance, Emerging Markets are permitted at between 10-30%, and sector limits up to 40% with exposure to at least five GICS sectors. Individual stock positions are capped at 10%.
- As per the PDS dated 9 February 2021, the fee disclosure for the Fund is as follows – management fee of 1.15% p.a. During the financial year ended 30 June 2020, the net transaction costs for the Fund were estimated at 0.15% p.a. Net transaction costs are costs incurred in managing the Fund (including explicit and implicit costs of buying and selling assets, the cost of hedging/protection strategies and/or when there are applications or redemptions of fund units by investors) that are not covered by the buy/sell spread. Buy/sell spreads are subject to change depending on market conditions. Refer to the Manager for current buy/sell spreads.
- **DSM is responsible only for the performance track record following its appointment and the renaming of the Fund on 9 February 2021. The performance track record of the Fund prior to this date is attributable to the previous investment manager and strategy.**

### Using this Fund

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

- Lonsec notes that the Manager has produced a Target Market Determination (‘TMD’), which forms part of the Responsible Entity’s Design and Distribution Obligations for the Fund. Lonsec has collected the TMD that has been provided by the Manager and notes that this should be referred to for further details on the Target Market Summary, Description of Target Market and Review Triggers.
- The Fund provides investors with exposure to Global Equity markets and accordingly, may experience both positive and negative, and 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 a growth asset exposure in 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

- Shirley Hu Anderson joined the firm in August 2021 as an Analyst/Portfolio Manager.
- Deputy CIO Kenneth Yang departed the firm in October 2021. Yang joined the firm in 2014 and was appointed Deputy CIO in September 2020. Eric Woodworth has been appointed Deputy CIO to replace Yang, alongside existing Deputy CIO David McVey.
- There have been no material changes to the investment process since Lonsec’s last review with the Manager.

ANALYST: HONG HON | APPROVED BY: PETER GREEN

## DSM Global Growth Equity Fund – Retail Class

ISSUE DATE 14-04-2022

ANALYST: HONG HON | APPROVED BY: PETER GREEN

P. 3-9

### Lonsec Opinion of this Fund

#### People and resources

- DSM was founded in 2001 and is a profitable boutique manager responsible for over US\$10bn (as at 30 November 2021) in assets under management ('AUM'). The firm is an equities specialist and expanded beyond its US-focused roots in 2009 with its maiden Global Equity 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.
- Notably, the Manager 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 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. Managing Partner and Chief Investment Officer Daniel Strickberger 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 the Manager has approached this precarious period in a thoughtful manner. To broaden investment decision making and aid succession planning, two Deputy CIO's were appointed from within the team who will gain extra leadership experience and additional client exposure. The appointments were effective from September 2020 and the choice of two individuals should have assisted to reduce sensitivity to either of them and given the firm more flexibility. That said, the Manager has subsequently replaced one of the two appointees, vindicating Lonsec's previous comments around the risk of instability as the team settles into the new structure.
- Strickberger leads a well-sized investment team totalling ten professionals. The team has been highly stable with three of the ten including Strickberger having been with the firm since or near its beginning and a further three with over ten years of tenure. A sensible approach has been adopted for team growth as the breadth of products and AUM increased, with a median tenure and investment experience of 14 and 24 years respectively across the group. It was noted to Lonsec that of the 15 individuals recruited for the team since the launch of the firm, ten remain – the most recent two were hired during 2021.
- Furthermore, Lonsec believes that while small given the philosophy, factors such as experience and stability, breadth of the opportunity set, and concentrated nature of the products (approximately 80 stocks actively researched across the firm) all contribute to making the size of the team appropriate to the process implemented. The relative compactness of the team also allows for a flat hierarchical structure, and the Manager's model is for combined Analyst/Portfolio Manager roles with industry-based coverage. Two dedicated traders provide additional support.
- Strickberger is a significantly experienced investment professional boasting over 41 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 considers Strickberger to be a highly capable individual.

- David McVey and Eric Woodworth are the two Deputy CIO's. They are both highly experienced investors with over 26 and 21 years in the industry respectively. Both McVey and Woodworth have been with the firm since its beginnings, compared to previous Deputy CIO Kenneth Yang, who Woodworth has since replaced and had a more limited tenure with the firm of seven years. Lonsec considers McVey and Woodworth 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 to identify 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 greater overall than a 'core' approach for instance. A valuation discipline for buy and sell decisions should ground the portfolio and is a feature, which the Manager believes to add some defensiveness in the strategy. There is a quality aspect to the philosophy in seeking mainly large cap businesses with durable growth rather than simply beneficiaries from thematic tailwinds. That said, the Manager'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 30-55% 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. Furthermore, while there is no house/standardised screening mechanism, analysts will develop their own screens as needed. Idea generation is 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 that are investable is only a very modest c.80. This, coupled with the need for analysts to only contribute two new ideas per year,

## DSM Global Growth Equity Fund – Retail Class

ISSUE DATE 14-04-2022

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 follows 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 many fundamental bottom-up driven approach employed by peers – analysts will speak with company representatives, company peers and/or competitors aiming to perform a 360-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 the Manager 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 research processes reviewed by Lonsec. Price to Earnings is used as the default valuation metric with a target four-quarter (12-month) price to earnings forecast. There is at least a 10% discount in the price, including earnings growth, for a stock 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, the Manager is expected to have a higher tolerance when it comes to stock valuations relative to the average market. The key issue here is that the Manager has established a discipline and framework for what is acceptable for a stock's valuation.
- Stocks are presented, discussed and evaluated at team meetings. While there is no 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 the Deputy CIO's. 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, new stocks under consideration progress through the secret ballot system, where all team members have an equal vote. Lonsec believes this inclusive approach encourages all team members to have a say and highlights the Manager'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 Deputy CIO's 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.

- The Manager operates concentrated, reasonably low name turnover, high conviction strategies and nuance is particularly important. The Manager 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 stock portfolio. Implementation is the responsibility of a dedicated trading desk staffed with two dealers.

### 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 in-line with peers.
- The Manager has a publicly disclosed proxy voting policy. Overall, the level of detail provided within the proxy voting policy and outcomes is in line with peers with a decent proxy voting policy framework. 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 also assessed as being in line with peers with a decent engagement policy framework. No engagement reporting is made publicly available.
- There is clear evidence of ESG integration within the research elements of the investment process. 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 in line with peers.
- The CIO demonstrates an ability to engage on broad ESG topics and the Manager has a systematic approach to track engagement outcomes. The Manager also has a well-structured approach to the collection and use of ESG specific data, including the use of a proprietary data collection model.
- On a peer relative basis, Lonsec considers the overall level of ESG integration within this Fund to be low to moderate.

### Risk management

- Risk management is viewed as reasonable with bottom-up stock knowledge the key driver. There are portfolio constraints with sector and region limits, although these are very broad. With respect to sectors, there is an additional 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 on 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 significant idiosyncratic risk.
- Accordingly, Lonsec would welcome consideration of additional limits as there is potential scope for improvement to better manage idiosyncratic single

ANALYST: HONG HON | APPROVED BY: PETER GREEN

## DSM Global Growth Equity Fund – Retail Class

ISSUE DATE 14-04-2022

name risks with, for instance, an aggregate limit to all exposures over a nominated threshold to constrain the quantum of very high conviction positions.

- The Manager 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, including one of the Deputy CIO's who report to the CIO.

### Capital management

- DSM was responsible for US\$10bn in AUM as at 30 November 2021. Capacity for Global Equity strategies is stated as being US\$20bn. With less than US\$2.5bn across the suite of Global Equity strategies, there is considered to be ample headroom for growth.

### Performance

- **DSM is responsible only for the performance track record following its appointment and the renaming of the Fund on 9 February 2021. The performance track record of the Fund prior to this date is attributable to the previous investment manager and strategy.**
- During the year ending 28 February 2022, the Fund returned -4.5% to underperform both its Benchmark and the peer median by 20% and 13.5% respectively. At a stock level, the Fund's biggest detractors were its holdings in New Oriental Education, Alibaba Group, JD.com and Tencent, which were all impacted by the regulatory headwinds in China, as well as its holding in PayPal. Notably, the Fund's volatility (as measured by standard deviation) during this period was also higher than the peer median (15.6% vs 14.6%).
- Over the longer term, the performance of the Manager's Global Equity 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 28 February 2022, the composite returned 15.8% p.a. to exceed its benchmark by 3% p.a.

### Overall

- Lonsec has maintained the Fund's 'Recommended' rating in its most recent review. The Fund is managed by a team considered well-sized for the investment process and boasting solid experience levels with notable tenure and lock-in's through equity in DSM. 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 also considered robust for a concentrated portfolio, and has proven successful since its launch.
- That said, portfolio risk management, while adequate, could be strengthened to better manage idiosyncratic risk given heightened concentration in high conviction positions. The Deputy CIO structure

has seen an increase in team instability and decrease in accountability that had previously rested solely with the CIO. Finally, as witnessed in the recent period, the strategy can also be susceptible to deeper drawdowns than some peers given its high growth and concentrated approach.

## People and Resources

### Corporate overview

DSM Capital Partners LLC ('DSM') was founded in 2001 as a specialised Global Equity manager for a range of clients including pension plans, foundations and endowments, and individual investors. The firm has always been and remains 100% employee/founder owned. As of 30 November 2021, DSM had US\$10bn in assets under management.

Mantis Funds Pty Ltd ('Mantis') is the investment manager of the Fund. Mantis was founded in 2020 and provides investment managers with distribution, marketing, product, operational and compliance services. Mantis currently has nine boutique fund partners and over \$500m in assets under management. Mantis has appointed DSM as the sub-investment manager and has day-to-day responsibility for the management of the Fund. DSM was appointed on 9 February 2021, and replaced the Fund's previous Global Small Cap strategy that was managed by Copper Rock Capital Partners LLC.

Equity Trustees Limited is the Responsible Entity of the Fund.

### Size and experience

NAME	POSITION	EXPERIENCE INDUSTRY / FIRM
DANIEL STRICKBERGER	MANAGING PARTNER / CHIEF INVESTMENT OFFICER	41 / 21
DAVID MCVEY	DEPUTY CIO / ANALYST / PORTFOLIO MANAGER	26 / 21
ERIC WOODWORTH	DEPUTY CIO / ANALYST / PORTFOLIO MANAGER	21 / 21
JUSTIN BURK	ANALYST / PORTFOLIO MANAGER	24 / 20
STEVE TISH	ANALYST / PORTFOLIO MANAGER	30 / 15
PINAKI KAR	ANALYST / PORTFOLIO MANAGER	14 / 14
HANNAH CHIANG	ANALYST / PORTFOLIO MANAGER	24 / 7
TAKAMUNE FUJIKAWA	ANALYST / PORTFOLIO MANAGER	27 / 4
SHIRLEY HU ANDERSON	ANALYST / PORTFOLIO MANAGER	15 / 1
GILES EVANS	ANALYST / PORTFOLIO MANAGER	3 / 1

ANALYST: HONG HON | APPROVED BY: PETER GREEN

## DSM Global Growth Equity Fund – Retail Class

ISSUE DATE 14-04-2022

Daniel Strickberger is one of two Co-Founders of the firm and the only one still remaining with DSM, 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 of industry experience and prior to co-founding already had deep experience at institutional firms.

David McVey was promoted to the role of Deputy CIO in September 2020. McVey joined DSM in its founding year, having gained six years of experience with other buy-side investment firms.

Eric Woodworth was appointed Deputy CIO alongside McVey after the departure of his predecessor in October 2021. Woodworth also joined DSM in its founding year, and came with experience from the buy-side in equity research at Merrill Lynch.

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

### Team structure

The investment professionals have industry-based coverage. All but two of the team are based in Palm Beach Gardens (Florida, US).

### Remuneration / Alignment of interests

Remuneration comprises 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.

## Research Approach

### Overview

RESEARCH PHILOSOPHY	BOTTOM-UP, FUNDAMENTAL RESEARCH
TARGET COMPANY	QUALITY COMPANIES PRESENTING COMPELLING AND LONG-TERM REVENUE AND EARNINGS GROWTH AND SELLING AT PRICES THAT PROVIDE ATTRACTIVE RETURN
MINIMUM MARKET CAPITALISATION	US\$1BN
NUMBER OF STOCKS IN MANAGER'S UNIVERSE	1,200
NUMBER OF STOCKS FULLY MODELLED/RESEARCHED	80
RESEARCH INPUTS	PROPRIETARY MODELLING, EXPERT OPINIONS (GLG), PROPRIETARY SURVEYS, FINANCIAL MODELS, ECONOMIC ANALYSIS AND TRENDS, INDUSTRY CONFERENCES
BROKER RESEARCH	USED TO SUPPLEMENT PROPRIETARY WORK
VALUATION OVERVIEW	FORWARD FOUR-QUARTER P/E RATIO

### Universe filtering

While formally an all-cap strategy, the Fund is large cap focused helping to narrow the universe to some 1,200 stocks. This is further reduced to around 500 based on growth and quality expectations.

Analysts will use their discretion, framed by the Manager's investment philosophy and aided by their own screens, to identify stocks for further research. Generally, there are some 80 individual stocks actively researched and owned across 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 two new ideas per year.

### Research process

The Manager 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 stock'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 (12-month) basis.

## Portfolio Construction

### Overview

FUND BENCHMARK	MSCI AC WORLD INDEX AUD
EMERGING MARKETS PERMITTED	YES
INTERNAL RETURN OBJECTIVE	TO OUTPERFORM THE BENCHMARK BY 2-5% P.A. (BEFORE FEES) OVER ROLLING THREE TO FIVE-YEAR PERIODS
INTERNAL RISK OBJECTIVE	NO STATED RISK OBJECTIVE
PORTFOLIO MANAGEMENT APPROACH	RELATIVELY BENCHMARK UNAWARE
INVESTMENT STYLE	GROWTH (QUALITY GROWTH)
PORTFOLIO DECISION MAKING	PRIMARILY TEAM-BASED WITH CIO DISCRETION
STOCK SELECTION	BOTTOM-UP
TOP-DOWN INFLUENCE	MINOR CONSIDERATION
MARKET CAPITALISATION BIAS	LARGE
TYPICAL NUMBER OF HOLDINGS	25 - 50
EXPECTED PORTFOLIO TURNOVER	40% P.A.
OBSERVED ACTIVE SHARE	88% (FEBRUARY 2022)
PORTFOLIO EXPOSURE IN TOP 10 HOLDINGS	52.4% (FEBRUARY 2022)

### Decision making

Portfolio decisions are at the CIO's discretion. For new stocks 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 outcomes of the secret ballot as part of the decision making process. This will include consultation with the two Deputy CIO's.

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

ANALYST: HONG HON | APPROVED BY: PETER GREEN

## DSM Global Growth Equity Fund – Retail Class

ISSUE DATE 14-04-2022

Sector and regional positions are an outcome of the bottom-up stock selection. There are additional guidelines for sectors 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 and 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 12-month price to earnings ratio is a minimum hurdle.

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

### Risk Management

#### Risk limits

SEPARATE RISK MONITORING	NO
STOCK LIMIT	MAXIMUM 10%
SECTOR / INDUSTRY LIMITS	MAXIMUM 40%
COUNTRY / REGION LIMITS	US: MAXIMUM 60% / EUROPE EX-UK: MAXIMUM 50%
EMERGING MARKETS LIMIT	MAXIMUM 30%
CASH LIMIT	MAXIMUM 5%

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

### 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:**

#### Equity market risk

Investments in equity markets are subject to numerous factors, which may have an impact on the performance of an investment (both positive and negative). Unexpected changes in economic, technological, structural, regulatory or political conditions can have an impact on the returns of all investments within a particular market.

#### Concentration risk

The Fund is generally invested in 25-50 stocks and has relatively liberal sector and country constraints. The Manager is expected to build a portfolio that may vary markedly from the Benchmark. Accordingly, investors should be mindful of the potential for sharper movements in market price of these movements.

#### Currency risk

The Fund predominantly invests in assets that are denominated in non-AUD currencies. A rise in the relative value of the AUD with respect to 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.

ANALYST: HONG HON | APPROVED BY: PETER GREEN

# DSM Global Growth Equity Fund – Retail Class

## Quantitative Performance Analysis - annualised after-fee % returns (at 28-2-2022)

### Performance metrics

	1 YR		3 YR		5 YR		7 YR	
	FUND	PEER MEDIAN						
PERFORMANCE (% PA)	-4.47	9.02	-10.30	15.09	-4.00	15.12	-2.43	11.60
STANDARD DEVIATION (% PA)	15.55	14.57	27.20	13.16	22.44	12.26	20.28	12.28
EXCESS RETURN (% PA)	-19.97	-9.04	-23.50	1.43	-17.30	1.82	-13.28	1.28
OUTPERFORMANCE RATIO (% PA)	25.00	41.67	38.89	55.56	40.00	55.00	40.48	53.57
WORST DRAWDOWN (%)	-15.28	-11.23	-39.04	-13.56	-39.04	-13.21	-39.04	-13.56
TIME TO RECOVERY (MTHS)	NR	NR	NR	12	NR	4	NR	12
SHARPE RATIO	-0.29	0.65	-0.40	1.04	-0.23	1.18	-0.19	0.90
INFORMATION RATIO	-2.45	-1.19	-1.00	0.25	-0.94	0.31	-0.82	0.26
TRACKING ERROR (% PA)	8.14	6.61	23.45	7.18	18.49	5.87	16.12	5.54

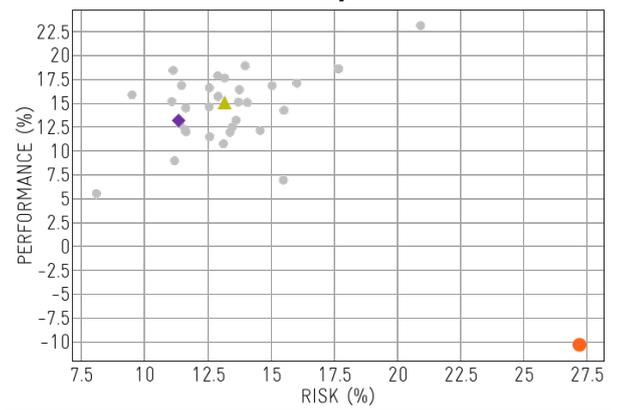
PRODUCT: DSM GLOBAL GROWTH EQUITY FUND – RETAIL CLASS  
 LONSEC PEER GROUP: GLOBAL EQUITIES – GLOBAL LARGE CAP – FUNDAMENTAL GROWTH  
 PRODUCT BENCHMARK: MSCI AC WORLD TR INDEX AUD  
 CASH BENCHMARK: BLOOMBERG AUSBOND BANK BILL INDEX AUD  
 TIME TO RECOVERY: NR - NOT RECOVERED, DASH - NO DRAWDOWN DURING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

### Growth of \$10,000 over seven years



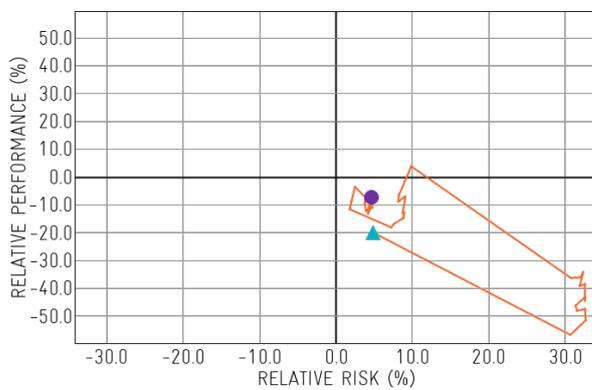
— DSM GLOBAL GROWTH EQUITY FUND – RETAIL CLASS  
 ..... MSCI AC WORLD TR INDEX AUD

### Risk-return chart over three years



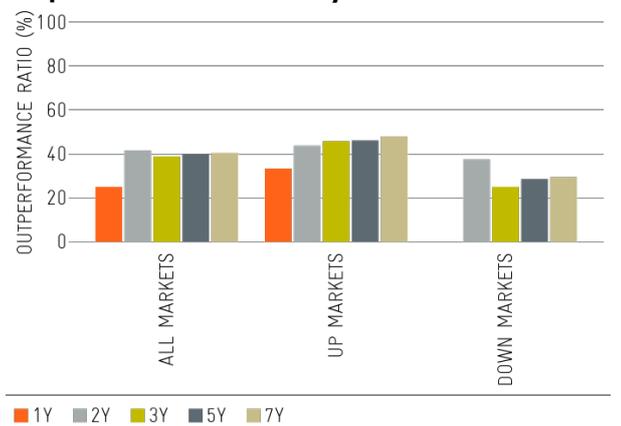
● DSM GLOBAL GROWTH EQUITY FUND – RETAIL CLASS  
 ◆ MSCI AC WORLD TR INDEX AUD  
 ▲ PEER MEDIAN  
 ● PEERS

### Snail trail



● START (02-2019) ▲ END (02-2022)

### Outperformance consistency



■ 1Y ■ 2Y ■ 3Y ■ 5Y ■ 7Y

## 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

Lonsec Research Pty Ltd (Lonsec) is an investment research house with specialist areas of expertise, that was originally established in 1994 and the current entity was registered on 23 June 2011. From 1 July 2011, Lonsec became a fully owned subsidiary of Lonsec Fiscal Holdings Pty Ltd, a privately owned entity with a multi-brand strategy of providing leading financial services research and investment execution. Lonsec believes that professional financial advisers need informed opinions on the best investment strategies and financial products to provide real value for their clients. To meet this need, Lonsec has in place an experienced research team, which draws on a robust research process to undertake in-depth assessment of managed fund products.

### Analyst Disclosure and Certification

Analyst remuneration is not linked to the research or rating outcome. Where financial products are mentioned, the Analyst(s) may hold the financial product(s) referred to in this document, but Lonsec considers such holdings not to be sufficiently material to compromise the rating or advice. Analyst holdings may change during the life of this document. The Analyst(s) certify that the views expressed in this document accurately reflect their personal, professional opinion about the matters and financial product(s) to which this document refers.

**LONGSEC STRONGLY RECOMMENDS THIS DOCUMENT BE READ IN CONJUNCTION WITH THE RELEVANT PRODUCT DISCLOSURE STATEMENT. IMPORTANT NOTICE:** Issued by Lonsec Research Pty Ltd ABN 11 151 658 561 AFSL 421 445 (Lonsec). Lonsec receives a fee from the fund manager or financial product issuer(s) for researching the financial product(s), using objective criteria and for services including research subscriptions. Lonsec’s fee is not linked to the rating(s) outcome. Lonsec Investment Solutions Pty Ltd ABN 95 608 837 583 CAR (CAR: 001236821) of Lonsec receives fees under separate arrangement for providing investment consulting advice to clients, which includes model portfolios, approved product lists and other financial advice and may receive fees from this fund manager or financial product issuer for providing investment consulting services. Refer to the Conflicts of Interest Statement at: [Lonsec.com.au/important-documents](http://Lonsec.com.au/important-documents) Lonsec does not hold the financial product(s) referred to in this document. Lonsec’s representatives and/or their associates may hold the financial product(s) referred to in this document, but details of these holdings are not known to the Analyst(s). **Warnings:** In line with industry practice returns may be estimated, to access verified returns please refer to the product provider. Past performance is not a reliable indicator of future performance. Any advice is General Advice based on the investment merits of the financial product(s) alone, without considering the investment objectives, financial situation and particular needs of any particular person. It is not a recommendation to purchase, redeem or sell the relevant financial product(s). Before making an investment decision the reader must consider his or her financial circumstances or seek personal financial advice on its appropriateness. Read the Product Disclosure Statement for each financial product before making any decision about whether to acquire a financial product. Lonsec’s research process relies upon the participation of the fund manager or financial product issuer(s). Should the fund manager or financial product issuer(s) no longer participate in Lonsec’s research process, Lonsec reserves the right to withdraw the document at any time and discontinue future coverage. The product rated in this publication may have related financial products or be associated with other financial products and platforms. The rating may only be applied to the financial product outlined in this publication at first instance, seek professional advice before you make an investment decision on related or associated financial products and platforms. You should be aware that the mandate, fees, underlying investments, the issuers of the related and associated financial products and platforms may be different from the financial product specified in this publication. **Disclaimer:** This document is for the exclusive use of the person to whom it is provided by Lonsec and must not be used or relied upon by any other person. No representation, warranty or undertaking is given or made in relation to the accuracy or completeness of the information presented in this document, which is drawn from public information not verified by Lonsec. Financial conclusions, ratings and advice are reasonably held at the time of completion but subject to change without notice. Lonsec assumes no obligation to update this document following publication. Except for any liability which cannot be excluded, Lonsec, its directors, officers, employees and agents disclaim all liability for any error or inaccuracy in, misstatement or omission from, this document or any loss or damage suffered by the reader or any other person as a consequence of relying upon it. ©2022 Lonsec. All rights reserved. This report may also contain third party material that is subject to copyright. To the extent that copyright subsists in a third party it remains with the original owner and permission may be required to reuse the material. Any unauthorised reproduction of this information is prohibited.