GLOBAL SHARE FUND

December 2017

TOTAL RETURNS % (AFTER FEES)

PERPETUAL	SIZE $M	1 MTH	3 MTHS	6 MTHS	1 YR	2 YRS PA	3 YRS PA	5 YRS PA	7 YRS PA
Wholesale Global Share	245.24	0.50	5.58	9.57	19.16	11.93	11.74	-	-
Benchmark*		-1.63	5.84	8.48	13.32	10.64	10.92	-	-

* MSCI World Net Total Return ($A)

TOP 5 STOCKS

STOCK NAME	COUNTRY	%
Vipshop Holdings Ltd Sponsored ADR	China	4.61
Mondelez International, Inc. Class A	United States	3.77
Nasdaq, Inc.	United States	3.63
Total SA	France	3.24
Wells Fargo & Company	United States	3.22
TOTAL		**18.47**

MARKET COMMENTARY

The MSCI World Total Return Index continued to strengthen, climbing to a record high during the quarter, ending 5.8% higher in Australian dollar terms. Synchronised economic growth across the globe allowed most major markets to finish ahead. The emerging markets and China similarly enjoyed a strong quarter on the back of solid economic data.

The Japanese Nikkei was the standout market, reaching a 25-year high and returning 11.8% as foreign investors bought into the market. The US market edged higher, with the S&P500 recording a new record high on the back of a better-than-expected reporting season and President Trump signing the Republican tax bill into law, which will see the US corporate tax rate cut from 35% to 21%. The US Federal Reserve also raised the Fed funds target rate by 0.25% to 1.25%-1.50%. UK shares bounced back despite persistent concerns regarding Brexit and a higher Pound that rallied on the back of the first interest rate hike from the Bank of England in 10 years.

The US dollar weakened against most major currencies, assisted by concerns over the flattening of the US yield curve. The Australian dollar also underperformed against most currencies during the quarter, providing a boost to the Australian market which allowed the S&P/ASX 300 Accumulation Index to finish the quarter 7.7% ahead.

Commodities had a solid quarter as speculation in demand pushed base metal prices higher, particularly copper, zinc and aluminium. Iron ore rose 21.2% to overcome steel production cuts in China which saw global miners end on a high. Energy stocks also rallied as oil producers agreed with OPEC and Russia to extend production cuts until the end of 2018 which pushed Brent crude oil 21.2% higher.

The best performing sectors for the quarter as measured from the MSCI World Total Return Index were Information Technology (+8.7%), Materials (+8.1%) and Consumer Discretionary (+7.9%). The worst performers were Utilities (-0.1%), Health Care (+1.2%) and Telecommunication Services (+2.1%).

PORTFOLIO COMMENTARY

The Global Share Fund marginally underperformed its benchmark during the quarter.

The Fund’s largest overweight positions include Chinese online retailer Vipshop Holdings, snack food and beverage producer Mondelez International and US exchange operator Nasdaq Inc. The Fund’s largest underweight positions include Microsoft, Apple and Facebook, all of which are not held in the fund.

Stock Contributors

The overweight position in Chinese social-media platform YY Inc. (+30.7%) contributed to relative performance. The stock rallied on the release of the company’s third quarter results, reporting adjusted earnings of US$1.59/share, up 41% from the prior-year period and exceeding consensus estimates by ~10%. Fourth quarter revenue outlook was provided at 36.5%-40.6% growth from the past comparative period, also exceeding consensus of ~29.5%. The company attributed the recent performance to initiatives in attracting a younger-generation of users and enhancing user engagement and consumption within their live-streaming social media platform.

The overweight position in US media conglomerate Twenty-First Century Fox (+32.2%) contributed to relative performance. The stock climbed sharply as Disney announced a US$52.4b deal to acquire most of Fox’s assets (excluding sports and news) in an attempt to compete with increasing competition from Netflix and other streaming services. The assets are anticipated to sell for a modest premium given the synergies that are expected to be realised from the build-up of content as Disney plans to launch its own streaming service in 2018.

Stock Detractors

The overweight position in digital performance marketing company Criteo SA (-37.6%) detracted from relative performance. The stock fell following analyst downgrades on the release of the company’s third quarter results. Despite solid Q3 results, with adjusted net income per share increasing 37% to $0.65 from the past comparative quarter, Q4 revenue guidance of $260m-$263m came in below consensus estimates of $284m-$295m. The guidance was reportedly due to a greater impact from the roll-out of Apple’s intelligent tracking prevention software.

The overweight position to pharmaceutical company Sanofi (-12.9%) detracted from relative performance. The release of 3Q17 results during the quarter reported a 2% deficit in group sales from consensus forecasts resulting from weaker pharmaceutical sales despite stronger reported vaccine sales for the quarter. The company also reaffirmed its FY17 guidance however updated its foreign exchange impact to a 1-2% headwind from a tailwind of +1%. The portfolio manager believes that Sanofi remains undervalued and continues to hold the stock.

OUTLOOK

A period of historically low interest rates across the globe has led to a repricing of risk and a subsequent inflation of asset values across many markets. With trillions of dollars of bonds now trading at low yields, future shifts in official interest rates have the potential to heavily impact asset valuations, leading market participants to remain focused on central bank policy. In addition, ongoing shifts in the global political landscape continue to nourish uncertainty across markets and deliver periods of heightened volatility. The portfolio remains invested in quality businesses with strong balance sheets trading at reasonable valuations and retain a cash buffer to deploy into opportunities as they arise.