

# Global Equity Fund

## PORTFOLIO MANAGERS

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## Market Conditions

In the final quarter of 2019 global equity markets (as measured by the MSCI All Country World Index) continued to be influenced by US-China trade sentiment, ending in positive territory as a preliminary trade deal took form. Most sectors posted positive results for the quarter, led by Information Technology and Healthcare. The Information Technology sector benefitted from an improved US-China dynamic, given its dependence on global supply chains. The Healthcare sector's performance was driven by a rally in US managed care companies as Democratic presidential candidates adopted a more measured stance on healthcare reform. The sectors of the market perceived as defensive, namely Utilities, Consumer Staples and Real Estate, registered marginal declines.

## FUND OBJECTIVE

- Seeks to generate strong long-term investment performance relative to the MSCI AC World Index
- Identify companies across the globe with attractive total return potential
- Manage risk through a disciplined valuation and scenario analysis framework

## Portfolio Review

The Loomis Sayles Global Equity Fund finished the year on a strong note returning +4.8% for the quarter, ahead of the benchmark return of +4.5%. For the portfolio, its holdings in the Consumer Discretionary sector did particularly well as did our holdings in the Real Estate and Financials sectors. Our positions in the Information Technology, Industrials and Materials sectors also contributed to performance although not as strong as the underlying sectors' performance.

## COMPOSITE PERFORMANCE SINCE INCEPTION

The investment strategy of the Fund has been designed to replicate that of the Loomis Sayles Global Equity Opportunities Composite which is a separate investment vehicle offered to qualified investors by the Fund Manager, Loomis Sayles & Company. LP. Given the Fund is new, the table to the right summarizes the recent performance of the Composite, which may be a useful reference point for the Fund. However, you should be aware that the Fund itself is new and has limited performance history – the past composite performance information is NOT the past performance of the Fund. Past performance is not a reliable indicator of future performance.

### PERFORMANCE AS AT DEC 31, 2019

### BENCHMARK MSCI AC World Index

	1 MONTH	3 MONTHS	6 MONTHS	1 YEAR	SINCE INCEPTION <sup>**</sup>
<b>TOTAL RETURN<sup>**</sup></b>	+0.0%	+4.8%	+9.6%	+37.0%	+25.0%
<b>BENCHMARK<sup>***</sup></b>	-0.4%	+4.5%	+8.7%	+26.8%	+17.7%

<sup>^</sup>% Performance per annum.

<sup>\*\*</sup>Since inception return calculated from November 1, 2018.

<sup>\*\*</sup>Fund returns are calculated net of management fees, and assuming all distributions are re-invested. Investors should be aware that past performance is not a reliable indicator of future performance. Returns can be volatile, reflecting rises and falls in the value of underlying investments.

<sup>\*\*\*</sup>The benchmark for this Fund is the MSCI All Country World Index NR (MSCI AC World)

### A long-term track record of consistent performance

### COMPOSITE PERFORMANCE AS AT DEC 31, 2019

### BENCHMARK MSCI AC World Index

	1 YEAR	3 YEARS <sup>^</sup>	5 YEARS <sup>^</sup>	10 YEARS <sup>^</sup>	SINCE INCEPTION <sup>**</sup>
<b>GLOBAL EQUITY OPPORTUNITY COMPOSITE<sup>**</sup></b>	+38.2%	+20.4%	+16.1%	15.8%	+11.5%
<b>BENCHMARK<sup>***</sup></b>	+26.8%	+13.6%	+11.8%	+11.5%	+7.6%

<sup>^</sup>% Performance per annum. <sup>\*\*</sup>Since inception return calculated from October 1, 2004. <sup>\*\*</sup>Fund returns are calculated net of management fees, and assuming all distributions are re-invested. Investors should be aware that past performance not a reliable indicator of future performance. Returns can be volatile, reflecting rises and falls in the value of underlying investments. <sup>\*\*\*</sup>The benchmark for this Fund is the MSCI All Country World Index NR (MSCI AC World)

**FUND FACTS**

APIR	IML0341AU
Inception date	1-Nov-18
Assets	\$38.5 M
Application (Ex)	1.2974
Redemption (Ex)	1.2955
Management fee	1.23%
Performance fee	N/A
Investment Horizon	4-5 years
Distributions	Annually

*\*Inclusive of the net effect of GST*

**Winners**

The three most significant contributors to performance over the quarter were UnitedHealth Group, Alibaba, and Marriott International.

Shares of UnitedHealth Group, a leading US provider of health insurance and healthcare services, rallied strongly as multiple Democratic presidential candidates toned down their rhetoric on healthcare reform. We view UnitedHealth Group as a high-quality company with large competitive moats in key markets. We expect intrinsic value growth to be driven by the company's evolution into an integrated healthcare services provider and in our opinion, shares remain attractive at current prices.

Shares of Alibaba, a Chinese e-commerce company, rose despite an overall slow-down in the Chinese economy. Retail sales and e-commerce grew at a healthy double digit rate. We see multiple opportunities for Alibaba to sustain growth levels, increase commissions, and expand its addressable market. Management continues to build infrastructure through AliCloud, Cainiao and Alipay, reinforcing Alibaba's dominance in e-commerce in China and potential for growth overseas.

Shares of Marriott International, a global hotelier, also stood out positively. Marriott's asset light business model is growing less dependent on a continued expansion in the lodging industry to deliver earnings growth. The company's record pipeline (hotel owners who want to adopt the Marriott brand) is indicative of healthy returns to hotel owners. Additionally, Marriott's Bonvoy loyalty program continues to attract members, allowing Marriott to convert its members' reservations into direct higher margin bookings.

**Laggards**

The three largest detractors from returns were Northrop Grumman, Thales, and Temenos.

After a strong 2019 leading into the December quarter, Northrop Grumman, a global aerospace and defense company; had a lack lustre finale although we remain positive on the stock and our investment thesis in Northrop Grumman remains intact.

Shares of Thales, a diversified industrial company, declined as the company announced disappointing sales growth and margin targets at its Capital Markets Day. Weakness in shares was compounded when the company announced its official results showing a decline in organic order intake and weakness in its Space division. Despite these headwinds, our investment thesis for Thales is unchanged and we believe the company remains on track to do well in the next few years.

Temenos, a Swiss core banking software provider, saw shares retreat after the company reported quarterly results missing estimates due to a slowdown in its business in the Middle East and Africa (MEA). We believe the MEA performance was not due to a slowdown in demand, but rather an execution issue with regional sales leadership that Temenos management has addressed. We believe Temenos remains well positioned to benefit from the shift in the banking industry from legacy in-house software toward more modern solutions from strong third-party vendors.

## Outlook

Our investment philosophy is predicated on the belief that investing in companies with multiple alpha drivers, where the risks can be quantified, can help deliver outperformance. We follow a disciplined and repeatable process, investing only in opportunities that meet our three alpha drivers: quality, intrinsic value growth and compelling valuation. This bottom-up approach results in a concentrated portfolio of businesses where we fully understand and have quantified the risks associated with each investment. Our scenario analysis, under which we determine a range of business values, is an integral part of this process. Through this framework, we determine the relative attractiveness of our investments to assist in constructing an optimal portfolio.

We expect market volatility to continue, as US-China trade negotiations are at a tenuous truce and political uncertainty persists in many regions globally, including the US with presidential elections at the end of the year.

While global growth has decelerated, and there are some concerns surrounding benchmark level valuations, we continue to find compelling opportunities. Specifically, companies well positioned to capitalise on the accelerated pace of change driven by technology. These opportunities are across industries: software companies with a significant value-add proposition for their clients, consulting companies using their technological expertise to help clients develop technology platforms, make and implement business decisions, and industrial companies that are going direct to their customers, thus increasing margins and strengthening the customer relationship.

We also find opportunities in companies that are beneficiaries of market volatility such as financial exchanges, and other financial companies with exposure to geographies where there is growing demand for banking and insurance services. Our platform company holdings in search, e-commerce and social media continue to create shareholder value as these services remain highly desired by consumers.

We continue to believe those companies with sustainable competitive advantages and strong balance sheets will prove resilient. Short-term volatility can often provide us with entry points to build long-term positions in high-quality companies and opportunities to trim or sell positions at what we consider attractive levels. Rather than try to predict macro events, we focus on companies with sustainable business models and an attractive valuation.



## ALL DATA AS OF DEC 31, 2019

## SECTOR ALLOCATION (%)

	Fund	Index
Information Technology	18.1	17.1
Financials	16.5	16.7
Health Care	15.8	11.8
Industrials	13.8	10.3
Consumer Discretionary	12.3	10.8
Materials	7.1	4.8
Consumer Staples	6.2	8.0
Communication Services	5.9	8.7
Real Estate	3.2	3.2
Energy	--	5.2
Utilities	--	3.3
Cash	1.1	--

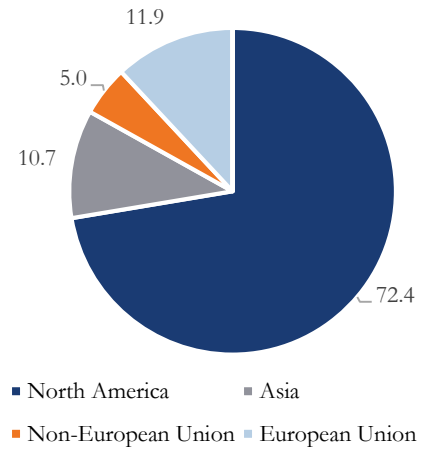
## TOP 10 HOLDINGS (%)

	Fund
Roper Technologies, Inc.	4.2
Danaher Corporation	4.2
UnitedHealth Group Incorporated	4.2
Alibaba Group Holding Ltd.	4.0
Marriott International, Inc.	3.9
Northrop Grumman Corporation	3.6
Sherwin-Williams Company	3.5
Amazon.com, Inc.	3.3
Alphabet Inc.	3.3
CBRE Group, Inc.	3.2
<b>Total</b>	<b>37.4</b>

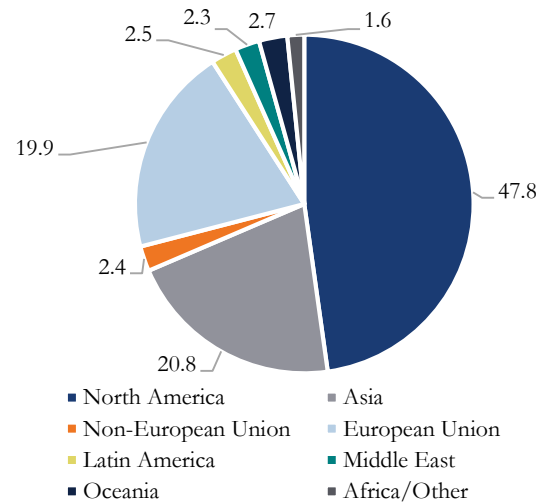
## RESEARCHER RATING

Zenith	Recommended
SQM Research	Superior (4 Star)
Lonsec	Contact IML for details

## REGIONAL ALLOCATION BY DOMICILE (%)



## REGIONAL ALLOCATION BY REVENUE (%)



## PORTFOLIO CHANGES

New holdings	Estee Lauder Becton Dickinson Open Text
Sold holdings	Booking Holdings

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