Investment Grade

Product Review
DSM Global Growth Equity Fund — Retail Class

ISSUE DATE 02-05-2023

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	$4.4M (31 JANUARY 2023)
FUND INCEPTION	01-07-2014
ANNUAL FEES AND COSTS (PDS)	1.3% 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$1.1BN (JANUARY 2023)
YEARS MANAGING THIS ASSET CLASS	13

Investment Team

PORTFOLIO MANAGER	DANIEL STRICKBERGER
INVESTMENT TEAM SIZE	9
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

MAY 2023	INVESTMENT GRADE
APRIL 2022	RECOMMENDED
JUNE 2021	RECOMMENDED

What this Rating means

The **'Investment Grade'** rating indicates that Lonsec has conviction the financial product can generate risk adjusted returns in line with relevant objectives. However, if applicable, Lonsec believes the financial product has fewer competitive advantages than its peers.

Strengths

- Founder-led firm, which is owned by the investment team and staff, and offers 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 is also 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 very broad with regards to individual holdings and sector exposures.
- Team departures continue since the implementation of the Deputy CIO structure.
- Strategy can be susceptible to deeper drawdowns than some peers given its high growth and concentrated investment approach.
- Wind-up risk has risen meaningfully due to falling fund size linked to performance and limited inflows, though the Fund continues to be supported by Clearway Capital and the Manager.

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.

ANALYST: ELLIOT LUCAS | APPROVED BY: PETER GREEN

DSM Global Growth Equity Fund — Retail Class

	LOW		MODERATE		HIGH
RISK TO INCOME			●		

Features and benefits

	LOW		MODERATE		HIGH
COMPLEXITY		●			
ESG		●			

Fee profile

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

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

What is this Fund?

- The DSM Global Growth Equity Fund – Retail Class (the 'Fund') is an actively managed Global Equity product. The strategy seeks to achieve capital appreciation by targeting mispriced, high-quality growth companies across both developed and emerging markets. 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%.
- The Fund's PDS dated 9 February 2021 disclosed Annual Fees and Costs ('AFC') totaling 1.30% p.a. This value comprises (1) Management Fees and Costs of 1.15% p.a., (2) Performance Fees of 0.00% p.a., (3) Net Transaction Costs of 0.15% p.a. In line with RG97, some fees and costs have been estimated by the issuer on a reasonable basis. Actual fees and costs may vary to these estimates. The Fund does not charge a performance fee.
- The Fund charges buy/sell spreads set at 0.20%/0.20%. These spreads can be subject to change, most notably during periods of market volatility, and can be sourced from the Manager's website.
- **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

- In mid-2022, the ultimate decision making for the portfolio was expanded to include votes from the co-CIOs alongside the CIO.
- Portfolio Manager (though not on this Strategy) and Analyst Pinaki Kar departed in early 2023.
- There have been no material changes to the investment process since Lonsec's last review with the Manager.

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DSM Global Growth Equity Fund — Retail Class

Lonsec Opinion of this Fund

People and resources

- DSM was founded in 2001 and is a profitable boutique manager responsible for approximately US$6.7bn (as at 31 January 2023) 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 recently 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 COO Meredith Meyer in the same year. Importantly, Memishian was not involved in the investment process and has a defined period to exit his equity stake. Managing Partner and Chief Investment Officer Daniel Strickberger is the second Co-Founder and remains involved with investing. He has committed to remain with the firm for at least until the end of 2025.
- Lonsec had considered that the Manager responded to this period of transition in a thoughtful manner. To broaden investment decision making and aid succession planning, two Deputy CIOs in David McVey and Kenneth Yang had been appointed from within the investment team to gain extra leadership experience and additional client exposure. These appointments were effective from September 2020 with the choice of two CIOs being designed to aid flexibility and reduce key person risk in one individual. Yang has since resigned, which Lonsec considers to be a loss for the team, and Yang's responsibilities were taken up by Eric Woodworth.
- Strickberger leads a well-sized investment team totalling nine professionals. Three of the nine including Strickberger have been with the firm since or near its beginning and a further two have over ten years of tenure. A sensible approach has been adopted for team growth as the breadth of products and AUM increased, and the team on average has meaningful tenure and industry experience. The most recent departure from the team was Portfolio Manager and Analyst Pinaki Kar in early 2023. Overall, while Lonsec views positively the extensive co-tenure of the senior team members, the departures since 2020 is a key watchpoint.
- Lonsec believes that, while small given the philosophy, factors such as experience, breadth of the opportunity set, and the concentrated nature of the products (approximately 80 stocks actively researched across the firm) 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 42 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 27 and 22 years in the industry respectively. Both McVey and Woodworth have been with the firm since its beginnings. 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 is unusual compared to peers. 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. Relative to other growth-oriented peers, valuation discipline is more pronounced which can lead the Manager to invest more extensively in areas such as Emerging Markets. 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 and regional tilts to the portfolio through time as secular growth trends are identified and invested in. 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 circa 65. This, coupled with the need for analysts to only contribute two new ideas per year, should translate to a high conviction portfolio of well-researched companies.
- Analysts work collegially and are expected to share ideas with the broader group. Responsibility for due diligence will depend on workflow and availability and 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. Decision making ultimately rests with the CIO and two co-deputy CIOs, through a majority vote amongst the three. 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 positive for succession planning, as it aids 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.
- Notably, Emerging Markets, and China in particular, have featured prominently within the Portfolio over time owing to what the Manager considered to be more attractive valuations in those markets at the time of entry. However, the Manager now considers China to be uninvestable at this time following political developments in 2021. While Lonsec does not have a view on any particular market or region, Lonsec considers this decision to have been made in a relatively unstructured manner and considers the Manager's approach in this area to have been more 'art' than 'science' .

ESG integration

- Lonsec's ESG integration assessment considers how rigorous, robust and structured the ESG process for the Fund is as well as how well it integrates into the overall investment process and the Manager's overall policy and reporting framework. The assessment is not intended to assess the underlying holdings of the Fund's portfolio or the Manager's adherence to any form of impact, green / sustainable or ethical standards.
- At the corporate level Lonsec views the Manager's overall ESG policy framework and disclosure as slightly lagging peers. The Manager has indicated a commitment to integrating ESG within their investment process to Lonsec with evidence of public positioning and policy framework. The ESG policy and the proxy voting policy are freely available on the firm's website. While the proxy voting policy lacks any reference to the incorporation of ESG issues in their voting guidelines, the Manager has pleasingly published reporting on voting outcomes that is considered to be in-line with peers. The ESG policy provides generic guidelines on the Manager's engagement approach, however, no reporting on engagement outcomes is publicly available.
- The Manager has indicated that their Responsible Investment style is "ESG Integration" and as such they take Environmental, Social and Governance factors into consideration when assessing investment opportunities. With a primary ESG style of "Risk or Value" Managers will determine inclusion based on the balance of overall risk (including ESG risk) and potential return. As a result this approach may mean that lower quality ESG companies may be included if the return potential is sufficient and this may conflict with some clients perception of what a strong ESG process would deliver.
- Within the management of this specific Fund Lonsec notes:
  - While the Manager is sourcing data from a leading external ESG data provider, a broader range of sources is often seen in a manager of this size. Storage is in Bloomberg and thus deemed appropriate for a manager of this size.
  - Lonsec considers the Manager's overall ESG research depth and rigour to be adequate. While ESG elements are integrated into the research

activities it is carried out in a less structured manner than in leading managers. The process does, however, deliver a clear scorable output providing the option of overall portfolio level analysis. Research is stored in a less robust manner making sharing across the Manager more challenging.

— While ESG risks are reflected at the point of investment decision making, there is less clarity around portfolio level ESG monitoring or management with all monitoring activity focused on individual stocks. There are no ESG based limits or targets in place for the fund.
— While the Manager has a strong engagement objective there is less structure as to how these are planned than in some leading managers. The Manager tracks engagements however has room to improve on how it monitors company performance through time to verify the success or otherwise of their engagement efforts.
— Compliance Monitoring of ESG factors is deemed adequate however overall transparency provided to investors could improve with increased holding disclosure. Voting on the Fund's stock holdings is outsourced.

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 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 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$6.7bn in AUM as at 31 January 2021. Capacity for Global Equity strategies is stated as being US$20bn. With approximately US $1.1bn in Global Equities there is considered to be ample headroom for growth.

Fees

- Lonsec considers the total fee load for the Fund (AFC of 1.30% p.a.) to be more expensive than the peer group average.

Product

- The Fund invests primarily in a number of large-cap names. Lonsec therefore does not consider there to be meaningful operational challenges to running the Fund, though notes the sometimes meaningful exposure to emerging markets. The Manager employs high quality 'tier 1' service providers, including Equity Trustees as a third-party Responsible Entity. The buy/sell spread is 0.2%/0.2%, and as net transaction costs disclosed under RG97 reporting regime are 0.15%, Lonsec considers the buy/sell spread to be insufficiently wide, which penalises existing unitholders.
- Notably, the Fund has struggled to attract flows since DSM was appointed to manage the Strategy in February 2021. Assets in the Fund have steadily declined and as at 31 January 2023 were below $10m. In Lonsec's view, this introduces meaningful 'wind-up' risk, whereby the Fund lacks sufficient assets to be commercially viable and may be closed. Lonsec notes, however, that the Fund continues to be supported by Clearway Capital and the Manager.

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.**
- Over the two-year period ending 31 January 2023, the Fund returned -26.2%, substantially underperforming the MSCI All Country World Index ('the Benchmark') and the Peer Median by 19.2% p.a and 24.1% p.a. respectively.
- During the year ending 31 January 2023, the Fund returned -19.0% to underperform both its Benchmark and the peer median by 11.4% and 7.4% respectively. It should be noted that DSM held a meaningful position in Emerging Markets, particularly Chinese names, whereas the peer group tends to be much less exposed to these markets, which has meaningfully contributed to DSM's peer-relative underperformance.
- 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. However, medium-term performance has lagged the Benchmark: for the five years to 31 January 2023, in USD, the composite returned 3.3% p.a. (net of fees) compared to the Benchmark's 5.5% p.a. return.

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Overall

- Lonsec has downgraded the Fund's rating to **'Investment Grade'** during 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 alignment via equity in DSM. The investment process is also considered robust for a concentrated portfolio.
- That said, portfolio risk management, while adequate, could be strengthened to better manage idiosyncratic risk given heightened concentration in high conviction positions and the abrupt exit from Chinese names. Since the introduction of the Deputy CIO structure, there has been an increase in team turnover. Furthermore, the Fund has struggled to attract assets and 'Wind-up Risk' is elevated.

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 31 January 2023, DSM had US$6.7bn 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 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.

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
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	3 / 1

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. Alongside the two Deputy CIOs, Strickberger is 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 six 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 and COO'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 having an all-cap investment universe (down to a minimum market capitalisation of US$1bn), in practice the Fund is large- and mid- 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

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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	CIO AND CO-CIO MAJORITY DECISION
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	89.4% (JANUARY 2023)
PORTFOLIO EXPOSURE IN TOP 10 HOLDINGS	45.7% (JANUARY 2023)

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.

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.

DSM Global Growth Equity Fund — Retail Class

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.

DSM Global Growth Equity Fund — Retail Class

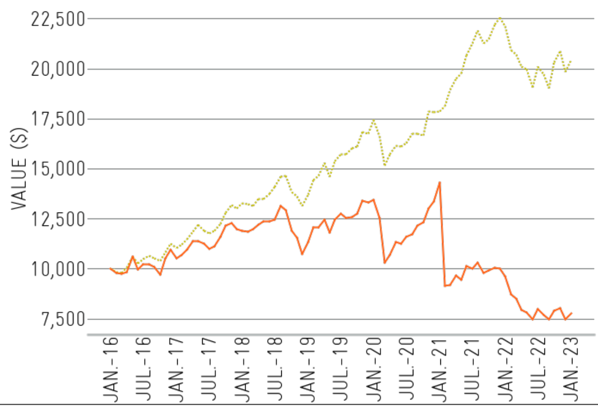
Quantitative Performance Analysis - annualised after-fee % returns (at 31-1-2023)

Performance metrics

	1 YR		3 YR		5 YR		7 YR	
	FUND	PEER MEDIAN	FUND	PEER MEDIAN	FUND	PEER MEDIAN	FUND	PEER MEDIAN
PERFORMANCE (% PA)	-18.99	-11.56	-16.59	4.39	-8.11	9.67	-3.48	10.93
STANDARD DEVIATION (% PA)	17.95	16.98	27.78	15.17	23.10	13.52	20.66	12.55
EXCESS RETURN (% PA)	-11.44	-3.66	-22.09	-1.06	-17.16	0.29	-14.26	0.31
OUTPERFORMANCE RATIO (% PA)	33.33	41.67	38.89	50.00	38.33	51.67	38.10	51.19
WORST DRAWDOWN (%)	-22.31	-19.09	-47.75	-23.98	-47.75	-22.95	-47.75	-22.84
TIME TO RECOVERY (MTHS)	NR	NR	NR	NR	NR	NR	NR	NR
SHARPE RATIO	-1.14	-0.78	-0.62	0.26	-0.40	0.60	-0.23	0.79
INFORMATION RATIO	-1.90	-0.67	-0.94	-0.15	-0.93	0.05	-0.89	0.08
TRACKING ERROR (% PA)	6.03	6.40	23.50	7.39	18.50	6.23	15.98	5.66

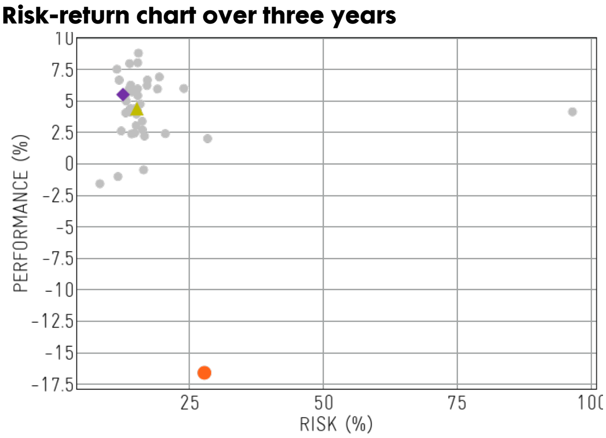
PRODUCT: DSM GLOBAL GROWTH EQUITY FUND - RETAIL CLASS
LONSEC PEER GROUP: GLOBAL EQUITIES - GLOBAL LARGE CAP - FUNDAMENTAL GROWTH
PRODUCT BENCHMARK: MSCI AC WORLD TR INDEX AUD
CASH BENCHMARK: BLOOMBERG AUSBOND BANK BILL INDEX AUD
TIME TO RECOVERY: NR - NOT RECOVERED, DASH - NO DRAWDOWN DURING PERIOD

Growth of $10,000 over seven years



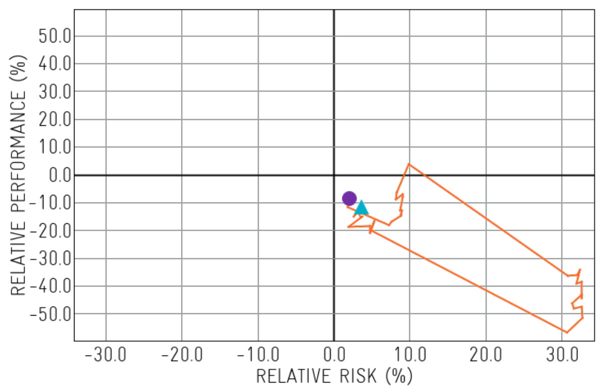
DSM GLOBAL GROWTH EQUITY FUND - RETAIL CLASS
MSCI AC WORLD TR INDEX AUD

Risk-return chart over three years



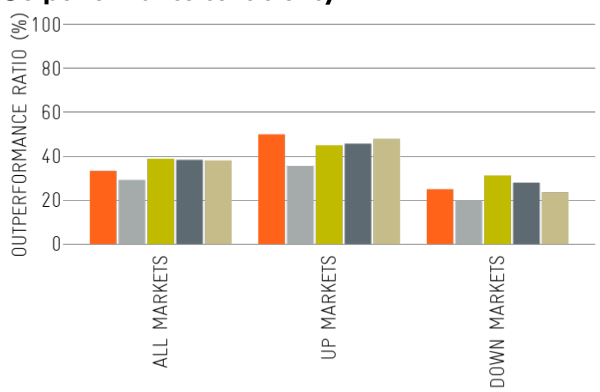
DSM GLOBAL GROWTH EQUITY FUND - RETAIL CLASS
MSCI AC WORLD TR INDEX AUD
PEER MEDIAN
PEERS

Snail trail



START (01-2020) END (01-2023)

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.

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