



# DSM Global Growth Equity Fund

This report has been prepared for financial advisers only



**Superior**

October 2023

# INTRODUCTION

## Key Principles

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

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

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**Report Date: 23 October 2023**

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

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

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**SQM Rating** ★★★★★

*Superior. Suitable for inclusion on most APLs.*

Fund Description	
Fund Name	DSM Global Growth Equity Fund
APIR code	ETL0199AU (Institutional class) & ETL0410AU (Retail class)
Asset Class	Global Equities
Management and Service Providers	
Investment Manager	Mantis Funds Pty Ltd
Sub-Investment Manager	DSM Capital Partners LLC (from February 2021)
Responsible Entity	Equity Trustees Limited
Fund Information	
Fund Inception Date	Institutional 26 November 2010; Retail 1 July 2014. Change in Fund Manager (Sub-Investment Manager) in February 2021.
Fund Size	Institutional \$8 million; Retail \$3 million; Strategy \$305 million.
Return Objective (as per PDS)	Aims to provide investors with sustainable growth in capital over the long term by focusing on quality growth companies with attractive returns.
Internal Return Objective	2-5% p.a. above the benchmark index over an entire market cycle.
Risk Level (per PDS)	High
Internal Risk Objective	None stated
Benchmark	MSCI ACWI NR AUD
Number of stocks/positions	25-50
Fund Leverage	Nil
Turnover	Approximately 40-50% (3-year average)
Top 10 Holdings Weight	Approximately 50-55%
Investor Information	
Management Fee % p.a.	0.75% (Institutional) & 0.99% (Retail)
Total Cost Ratio (TCR)	0.75% (Institutional) & 0.99% (Retail)
Buy Spread	0.10%
Sell Spread	0.10%
Performance Fee Rate	None
Minimum Application	\$1,000,000 (Institutional) & \$25,000 (Retail)
Redemption Policy	Daily
Distribution Frequency	Annual
Investment Horizon (per PDS)	5 years
Currency Hedging Policy	Unhedged

## SUMMARY

### Fund Summary

#### Description

The **DSM Global Growth Equity Fund (the "Fund")** invests in global equities markets. It has a portfolio of 25 to 50 growth companies with predictable streams of earnings that generate attractive rates of return over time when purchased at reasonable valuations, which are mainly assessed using bottom-up security analysis.

The Fund is expected to generate most of its returns from capital growth rather than income. DSM's style of investment management can be defined as bottom-up, idea-driven, high conviction large-cap growth with primarily an intermediate (five-year) investment horizon. The Fund is a replication of DSM's Global Growth Equity Model portfolio.

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

#### Fund Rating

The Fund has achieved the following rating:

Star Rating	Description	Definition	Investment Grading
4.00 stars	Superior	Suitable for inclusion on most APLs	High Investment Grade

Previous Rating: 4.00 stars (Issued September 2022)

### SQM Research's Review & Key Observations

#### 1. People and Resources

##### About the Manager

The **Investment Manager is Mantis Funds Pty Ltd** (Mantis), and it has appointed **DSM Capital Partners LLC** as the **Sub-Investment Manager** of the Fund's portfolio. DSM Capital Partners LLC (DSM) is a global equities investment management firm with a very experienced investment team based in Florida, USA, managing over **US\$6.1 billion** of Funds under management in global equities portfolios. DSM believes that it is a concentrated manager with a high active share and growth style, whose objective is to find the best growth companies in the world at valuations that it considers to be reasonable.

DSM is represented in Australia and New Zealand by **Clearway Capital Solutions** Pty Limited. Clearway Capital is based in Sydney, Australia, and operates in the wholesale institutional and sophisticated investor markets of Australia and New Zealand, and provides ongoing business development and client service,

conducts marketing research on a project basis, and product advice for leading local and offshore-based fund managers across a variety of asset classes.

#### Investment Team

DSM's investment team consists of **5** Analysts/Portfolio Managers, **1** Analyst, **2** Deputy Chief Investment Officers - **David McVey & Eric Woodworth**, and a Chief Investment Officer - **Daniel Strickberger** (who is also the Managing Partner of the Firm and the team leader). The investment team has a very flat management structure. Each of the two Deputy CIOs and the Analysts/PMs has responsibility for a designated area of coverage within the global equities universe.

There has been a low level of staff turnover in recent years, and the team appears to be stable. The Deputy CIOs and Analysts/PMs each work closely with the CIO on investment decisions that involve their expertise and area of coverage. Beginning **1st July 2022**, the final stock decision vote (buy/sell and trim/add), has been broadened to include the CIO and the firm's Deputy CIOs. This has been done to create a smooth transition towards Mr. Strickberger's retirement (which will not occur prior to 31 December **2025**), and it has been nearly two years since the creation of the Deputy CIO roles.

*Considering the investment process and the size/structure of the team, SQM Research is of the opinion that the Key Person risk is 'medium'.*

#### 2. Investment Philosophy and Process

##### Investable Universe

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

##### Process / Philosophy / Style

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

on the next four quarters of earnings basis. The aim of the valuation discipline is to avoid overpaying to buy a stock, thereby reducing stock price risk. The objective of the research and valuation processes is to reduce risk and thereby enhance return.

### 3. Portfolio Characteristics

#### Portfolio Turnover

The expected annual turnover is **40-50%** (3-year average).

#### Liquidity

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

#### Leverage

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

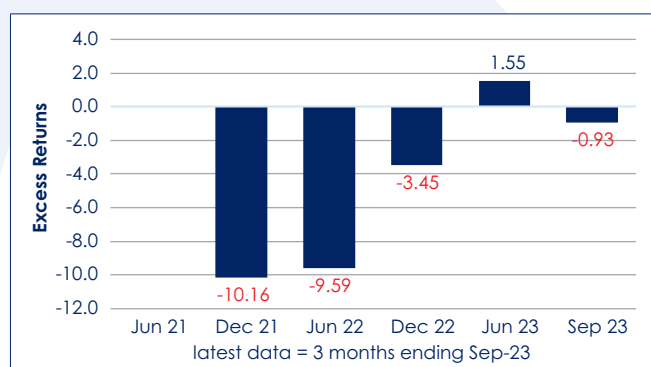
### 4. Performance & Risk measures

#### Return Objective

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

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

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



#### Important Note:

The Investment Manager (Mantis) appointed a new Sub-Investment Manager for the Fund's portfolio - DSM Capital Partners LLC, in February 2021. That represented a material change in the Strategy, and therefore, SQM Research has used February 2021 as a starting point for all references to and the analysis of the Fund's performance. SQM Research has also considered the long-term track record of DSM's Strategy (non-Australian track record) as an internal exercise.

The longer-term performance record of the Fund (APIR ETL0199AU) is available through the Fund Manager and other external sources.

#### Length of Track Record

The **DSM Global Growth Fund – Institutional (APIR ETL0199AU)**, including its history under the previous Fund Manager(s) and a different name, has a history of over **13 years**. However, as noted above, SQM will use the track record since DSM's appointment.

#### Risk Objective

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

#### Performance (*Institutional unit class*)

Please refer to the note above regarding DSM's appointment and the return history start date.

As noted earlier, SQM Research has also considered the long-term track record of DSM's Strategy (non-Australian track record) as an internal exercise. The Strategy has outperformed the MSCI benchmark over 7 years, 10 years and since inception.

Fund Performance to 30 September 2023 (% p.a.)							
Total Return	1-Month	3-Month	6-Month	1-Year	3-Year	5-Year	Inception
Fund	-6.25	-1.30	4.94	16.18	.	.	-3.04
Benchmark	-3.80	-0.37	6.43	20.34	.	.	9.44
Peer Average	-4.83	-2.19	1.32	15.94	.	.	2.65
Alpha	-2.45	-0.93	-1.50	-4.16	.	.	-12.48

With dividends reinvested. Returns beyond one year are annualised. Return history starts Feb-2021

Benchmark: MSCI ACWI NR AUD

### Strengths of the Fund

- DSM Capital Partners LLC (DSM) is a global equities investment management firm based in Florida, USA, managing about US\$6.1 billion of FUM in global equities.
- The investment team is highly experienced and has been relatively stable.
- The investment process is reasonably robust.
- DSM Global Growth Strategy's (US) long-term performance track record is good.
- The management fee and TCR (or ICR) are materially below the peer average.

### Weaknesses of the Fund

- The Fund has significantly underperformed since DSM's appointment (February 2021), although it should be noted that this is a relatively short track record.
- The size of the Fund is very small. There have been significant outflows in recent years, when the Fund represented a different (small-cap) Strategy.

### Other Considerations

- Change in Fund Manager (Sub-Investment Manager) to DSM in February 2021. DSM replaced the Fund's previous Global Small Cap Strategy that was managed by **Copper Rock Capital Partners LLC**.
- The Fund has 2 unit classes – Institutional and Retail.

### Key Changes since the Last Review

- No material changes to the investment process or the team since the previous review.

## Process Description

### Investment Process

There is some top-down analysis of market conditions that assists the stock valuation and selection process, but it is a comparatively minor part of the overall process.

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

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

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

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

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

### Research

There are three components to DSM's internal research:

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

### Idea Generation and Screening

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



### Investment Process

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

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

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

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

DSM also:

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

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

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

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

## Investment Process

### Stock Selection

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

DSM says that "The most important criteria in DSM's stock selection are the interplay between our most likely EPS projection and the company's valuation as measured by its forward four-quarter P/E, relative to our target P/E." The valuation system employed by DSM utilises earnings and P/Es. It creates a projected return for every stock. DSM then sells stocks that appreciate and, as a result, have a lower projected return. DSM then reallocates the capital to higher projected return stocks.

### Portfolio Construction

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

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

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

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

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

### Sell Discipline

DSM sells positions based primarily if:

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

## Investment Process

### Risk Management

How risk is defined and managed

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

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

DSM has established a Risk Committee that includes the Deputy CIOs, the COO, the Head Trader, and three PM/Analysts. The CIO does not sit on the Risk Committee to ensure the independence of thinking. Factor risk analysis is completed by the Risk Committee regularly. The Risk Committee shares its findings with the CIO and the broader investment team. Conclusions can influence portfolio decisions but cannot independently force a sell or stop a buy. The Risk Committee is also responsible for stress testing portfolios when deemed appropriate as well as review output of stress tests.

DSM uses MSCI Barra to examine the distribution of factor exposures in the portfolio and to make sure that it does not have any unintended or overextended factor exposures. Currency exposure is not actively managed, but it is a factor that is reviewed by the DSM Risk Committee using MSCI Barra reports and Bloomberg risk analysis. DSM does not use derivatives.

## Key Counterparties



## Investment Manager / Fund Manager

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

Mantis is a multi-boutique platform based in Sydney, Australia. It partners with boutique fund managers looking to grow. Mantis has **12** fund partners on its platform, including DSM Capital Partners. Mantis is also the investment manager of **4** unit trusts in partnership with Equity Trustees. Mantis is majority-owned by its executive team, with Tribeca Investment Partners owning a strategic stake.

DSM is **100%** owned by its current employees and founding partners. DSM's co-founders, **Daniel Strickberger** and **Steve Memishian** own approximately **60%** of the Firm's equity, while other employees own the remaining **40%**. The firm's voting shares were previously held in equal parts by the founding partners. Upon Steve Memishian's retirement on 31 December 2020, he began selling voting shares back to senior members

of the firm. Upon purchase of the voting shares, these individuals join the Board of Managers. The Board of Managers is comprised of **8** people and meets at least quarterly. DSM is profitable. With over **US\$6.1** in FUM and about **20-25** employees, DSM can offer competitive compensation and benefits to all employees.

## Responsible Entity

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

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

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

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

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

## Management Risk

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

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

## Funds under Management (FUM)

The Fund is approximately **\$11 million** in size (for both unit classes) (Strategy: **\$305 million**). **It underwent a major decline in size under its previous manager and was then relaunched with DSM as its Portfolio Manager.**

## Distributions

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

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

Name	Responsibility / Position	Location	Years at Firm	Years in Industry
Daniel Strickberger	CIO, Managing Partner	Palm Beach Gardens FL	22.0	42.0
David McVey	Deputy CIO	Palm Beach Gardens FL	22.0	27.0
Eric Woodworth	Deputy CIO	Greenwich CT	22.0	22.0
Shirley Hu Anderson	Portfolio Manager/Analyst	Palm Beach Gardens FL	2.0	16.0
Justin Burk	Portfolio Manager/Analyst	Greenwich CT	21.0	25.0
Hannah Chiang	Portfolio Manager/Analyst	Palm Beach Gardens FL	8.0	25.0
Giles Evans	Analyst	Palm Beach Gardens FL	2.0	4.0
Takamune Fujikawa	Portfolio Manager/Analyst	Palm Beach Gardens FL	5.0	28.0
Steve Tish	Portfolio Manager/Analyst	Palm Beach Gardens FL	16.0	31.0
Average			13.3	24.4

## Investment Team

DSM's investment team consists of **5** Analysts/Portfolio Managers, **1** Analyst, **2** Deputy Chief Investment Officers - **David McVey & Eric Woodworth**, and a Chief Investment Officer - **Daniel Strickberger** (who is also the Managing Partner of the Firm and the team leader). The investment team has a very flat management structure. Each of the two Deputy CIOs and the Analysts/PMs has responsibility for a designated area of coverage within the global equities universe.

There has been a low level of staff turnover in recent years, and the team appears to be stable. The Deputy CIOs and Analysts/PMs each work closely with the CIO on investment decisions that involve their expertise and area of coverage. Beginning **1st July 2022**, the final stock decision vote (buy/sell and trim/add) has been broadened to include the CIO and the firm's Deputy CIOs. This has been done to create a smooth transition towards Mr Strickberger's retirement (which will not occur prior to 31 December **2025**), and it has been **2+** years since the creation of the Deputy CIO roles.

Until 2020, there were just two levels: Chief investment officer and Analyst /portfolio manager. Two of the Analyst/ portfolio managers were then given the role of Deputy Chief Investment Officer. That appears to have more to do with planning for the potential succession to the role of Chief Investment officer rather than a significant change in the day-to-day responsibilities.

All of the team members have significant experience in the industry, and a number of them have had over ten years of experience working together at DSM. There has been a low level of staff turnover in recent years, and the team appears to be very stable. The Deputy CIOs and Analyst/PMs each work closely with the CIO on investment decisions that involve their expertise and area of coverage.

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

## Staffing Changes

Departures			
Date	Name	Responsibility	Reason for Departure
31-Dec-20	Steve Memishian	Co-Managing Partner	Retired
15-Oct-21	Kenneth Yang, CFA	Deputy CIO	Personal
03-Feb-23	Pinaki Kar	Portfolio Manager/Analyst	–

Additions / Hires			
Date	Name	New Responsibility	Previous Position / Employer
01-Dec-19	Meredith Meyer	Chief Operating Officer	Macquarie Investment Management
01-Jul-21	Giles Evans	Analyst	Equity research associate at Evercore ISI
01-Sep-21	Shirley Hu Anderson	PM/Analyst	Sr. Analyst with AB Arya Partners

*SQM Research observes that the levels of investment experience and company tenure are strong across the investment team. The size and nature of staff turnover are not an issue of concern, in SQM's view.*

## Remuneration and Incentives

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

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

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

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



Fees and Costs (Institutional class)	Fund (I)	Peer Avg
Management Fee (% p.a.) est	0.75%	1.14%
Performance Fee (%)	–	16.34%
<b>Total Cost Ratio (TCR) (% p.a.) est.</b>	<b>0.75%</b>	<b>1.25%</b>
Buy Spread (%)	0.10%	0.22%
Sell Spread (%)	0.10%	0.22%

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

Please refer to the relevant PDS for more details (including for the Retail class).

## Management Fee

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

## Performance Fee

The Fund does not charge a performance fee.

### *SQM Research observes that:*

- *The Fund management fee is 39 basis points lower than the peer group average.*
- *The Fund's TCR (or ICR, total fee) is 50 basis points lower than the peer group average.*



Risk/Return Data to 30 September 2023							
Total Return	1-Month	3-Month	6-Month	1-Year	3-Year	5-Year	Inception
Fund	-6.25	-1.30	4.94	16.18	.	.	-3.04
Benchmark	-3.80	-0.37	6.43	20.34	.	.	9.44
Peer Average	-4.83	-2.19	1.32	15.94	.	.	2.65
Alpha	-2.45	-0.93	-1.50	-4.16	.	.	-12.48
Metrics	1-Year	3-Year	5-Year	Inception			
Tracking Error (% p.a.) - Fund	6.55	.	.	7.97			
Tracking Error (% p.a.) - Peer Average	7.51	.	.	7.64			
Information Ratio - Fund	-0.63	.	.	-1.57			
Information Ratio - Peer Average	-0.60	.	.	-0.32			
Sharpe Ratio - Fund	0.90	.	.	-0.30			
Sharpe Ratio - Peer Average	0.94	.	.	0.10			
Volatility - Fund (% p.a.)	13.95	.	.	15.24			
Volatility - Peer Average (% p.a.)	13.12	.	.	13.94			
Volatility - Benchmark (% p.a.)	11.09	.	.	11.20			
Beta based on stated Benchmark	1.12	.	.	1.17			

Dividends reinvested. Returns beyond one year are annualised. Return history starts Feb-2021

Benchmark: MSCI ACWI NR AUD

The performance data is for the Institutional unit class

#### Important Note:

The Investment Manager (Mantis) appointed a new Sub-Investment Manager for the Fund's portfolio - DSM Capital Partners LLC, in February 2021. That represented a material change in the strategy, and therefore, SQM Research has used February 2021 as a starting point for all references to and the analysis of the Fund's performance. Based on the above, SQM has provided a limited Quantitative Analysis in this report.

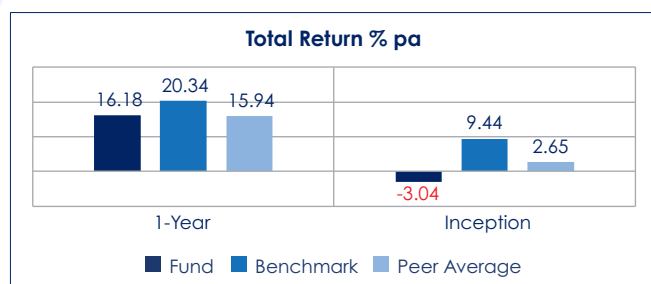
SQM Research has also considered the long-term track record of DSM's Strategy (non-Australian track record) as an internal exercise. The Strategy has outperformed the MSCI benchmark over 7 years, 10 years and since inception.

The longer-term performance record of the Fund (APIR ETL0199AU) is available through the Fund Manager and other external sources.

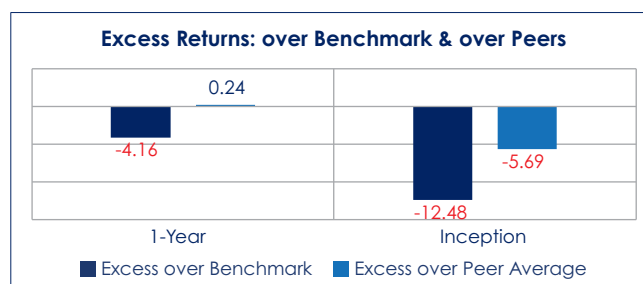
### Quantitative Insight<sup>1</sup>

**Note:** Unless otherwise stated, all return and risk data reported in this section are **after-fees** and for **periods ending July 2022**.

#### Returns



#### Excess Returns (Alpha)



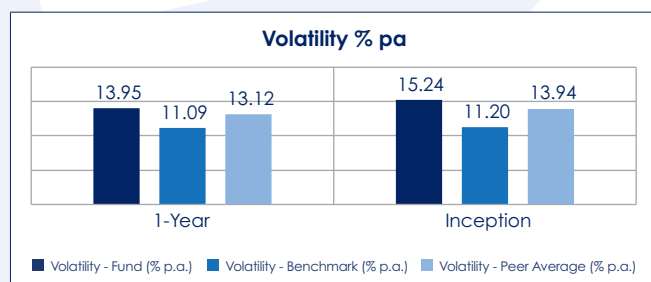
<sup>1</sup> Note: Sharpe and Information Ratios are not reliable comparison tools in periods where both the Fund and its peers/benchmark record a negative result

The Sub-Investment Manager (DSM) has displayed a weak and disappointing performance since it took over the management of the Fund in **February 2021**, whilst noting that it is a short track record. *SQM Research also notes that several 'Growth' Funds have underperformed during the last 2-3 years.*

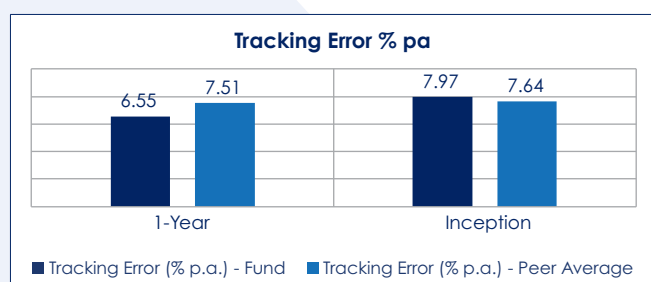
*The performance attribution for the 1 year to August suggests that security selection had a negative effect on performance, whilst sector allocation had a positive effect. Within sectors, their stock selection in **Technology** and **Financials** detracted.*

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

## Risk



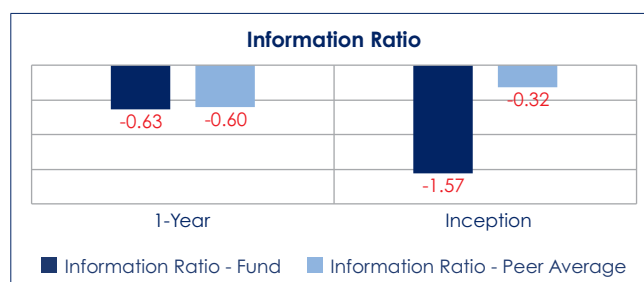
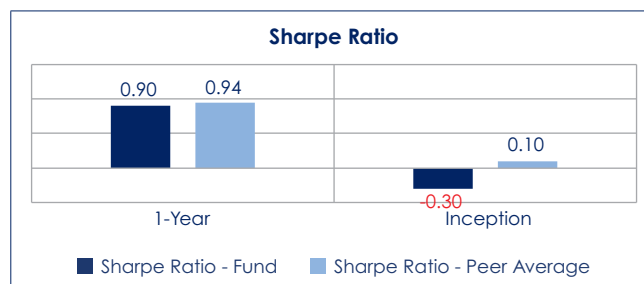
The Fund's **volatility** (standard deviation of monthly returns) has been significantly higher than the benchmark and slightly higher than the peers.



The Fund's **tracking error** (annualised standard deviation of monthly **excess** returns) has tended to be around that of peers.

The **risk outcomes**, as described above regarding volatility and tracking error are consistent with the PDS statements about risk and are consistent with SQM's expectations for this Fund.

## Risk-Adjusted Returns



The Fund's risk-adjusted returns (as measured by Sharpe and Information ratios) have been worse than the peer average since February 2021, whilst noting that it is a short track record.

## Correlation of Fund to Asset Classes

Market	3 years	Inception	Indexes
Aust Bonds	.	+61.5%	Bloomberg AusBond Composite 0+Y TR
Aust Equity	.	+44.7%	S&P/ASX 300 TR
Global Bonds	.	+66.0%	BBgBarc Global Aggregate TR Hdg AUD
Global Equity	.	+85.2%	MSCI World Ex Australia NR AUD

## Correlation Key

Low	High	Description
0%	20%	low, weak
20%	40%	modest, moderate
40%	70%	significant, material
70%	90%	strong, high
90%	100%	substantial

## Tail Risk

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

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

Extreme Market Returns vs Fund Return Same Month				
Index: S&P/ASX 300 TR		From Feb-21 to Sep-23		
Rank	Date	Market	Fund	Difference
1	Jun-22	-8.97%	-4.21%	+4.75%
2	Jan-22	-6.45%	-3.77%	+2.68%
3	Sep-22	-6.29%	-2.91%	+3.38%
4	Dec-22	-3.29%	-6.85%	-3.56%
5	Sep-23	-2.89%	-6.25%	-3.36%
6	May-22	-2.76%	-1.71%	+1.05%
7	Feb-23	-2.55%	+1.41%	+3.96%
8	May-23	-2.53%	+4.64%	+7.17%
9	Sep-21	-1.89%	-4.73%	-2.84%
10	Apr-22	-0.84%	-6.64%	-5.80%
Totals		-38.46%	-31.01%	+7.45%

No. of Months			
Correlation	+6.6%	Positive Return	2
Capture	+80.6%	Outperform	6

## Tail Risk Observations:

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

## Snail Trail

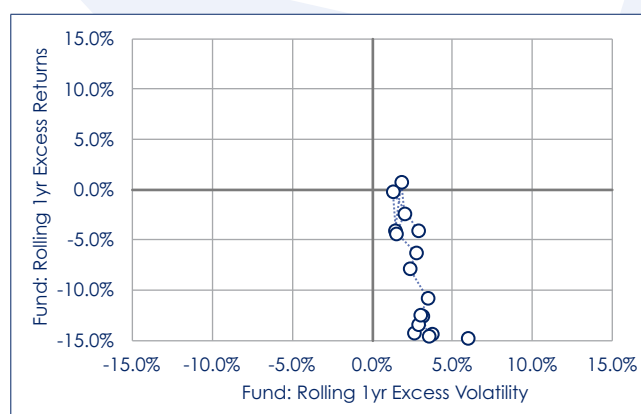
The snail trail chart and tables below show the combination of the Fund's **rolling 1-year excess** returns and volatility.

There are **21** observations in total.

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

Snail Trail Distribution			
Frequency	Lo-Vol	Hi-Vol	Total
Hi-Return	0	1	1
Lo-Return	0	20	20
Total	0	21	21

21 rolling 1-year observations			
% of Total	Lo-Vol	Hi-Vol	Total
Hi-Return	0.0%	4.8%	4.8%
Lo-Return	0.0%	95.2%	95.2%
Total	0.0%	100.0%	100.0%



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

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

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

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

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

## Consistency

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

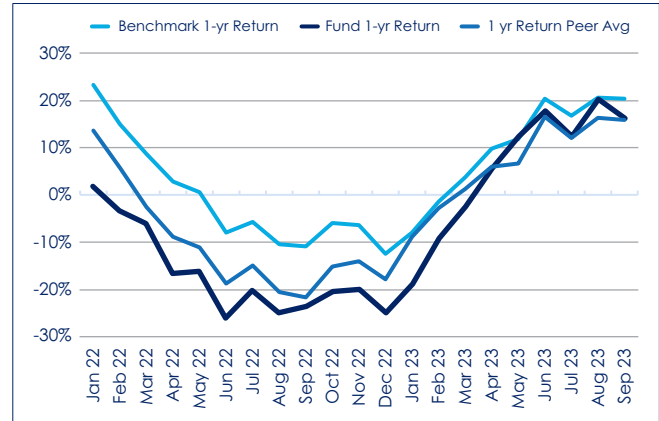
### Annual Returns

Year	Fund	Benchmark	Peer Avg	vs. Bench	vs. Peers
2022	-25.00	-12.48	-17.91	-12.53	-7.09
Sep-23	+16.09	+15.64	+8.56	+0.45	+7.53

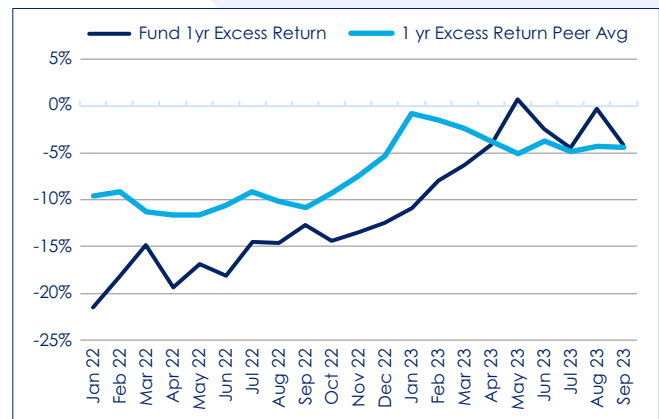
2023 data = 9 months ending Sep-23

### Return and Risk

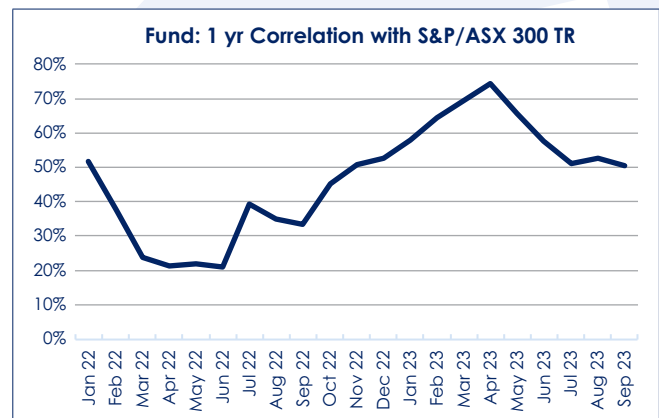
#### Rolling Returns



#### Rolling Excess Returns

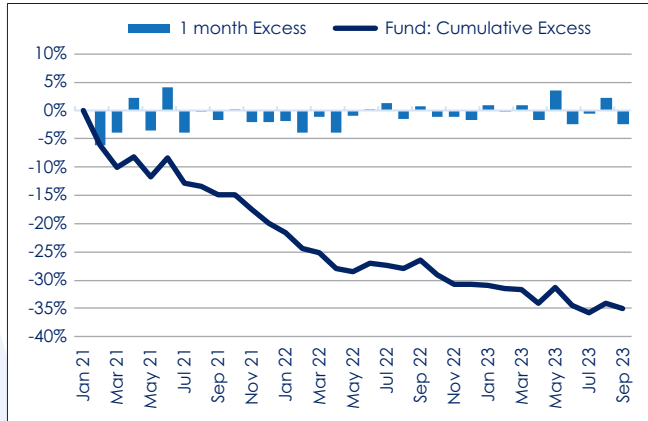


#### Rolling Correlation

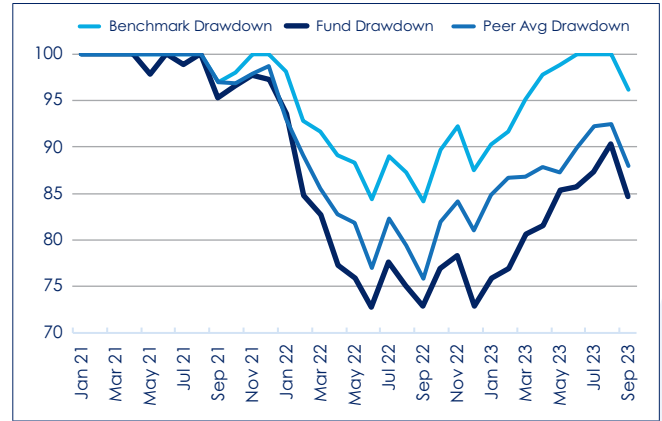


## Return and Risk

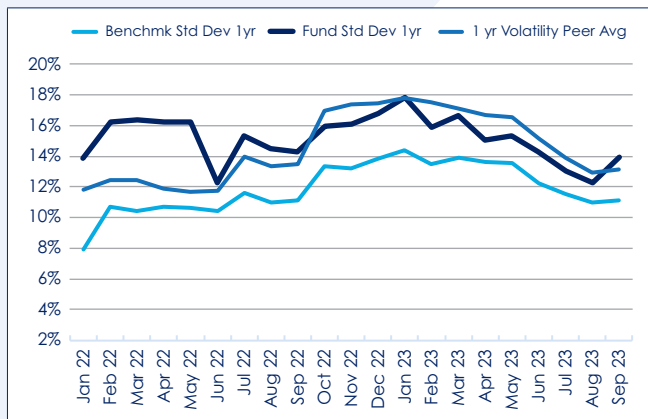
### Cumulative Excess Returns



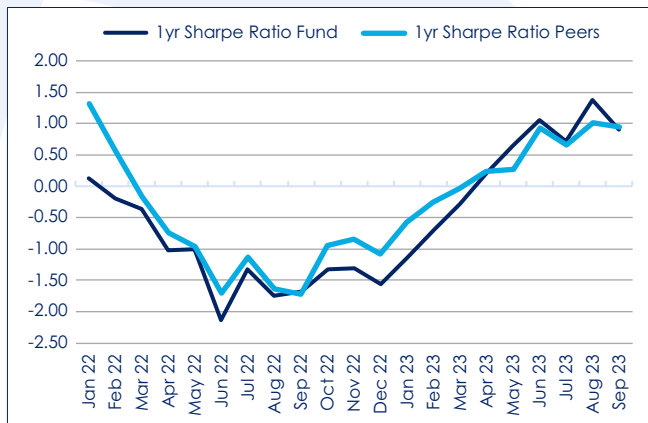
### Drawdowns



### Rolling Volatility



### Rolling Sharpe Ratio



The table below outlines limits on the Fund's asset allocation and other risk parameters:

Fund Constraints and Risk Limits	Permitted Range or Limit
<b>Constraint or Risk Limit 1</b>	The Fund will invest primarily in equity securities of US and non-US Issuers with market cap exceeding USD 10 Billion.
<b>Other Constraints</b>	
Maximum exposure to single security	-
Maximum exposure to single stock/company	8.00%
Maximum exposure to single sector	42.00%
Maximum exposure to a single country	-
Maximum exposure to geographic region	-
Limit for Holdings Not in Benchmark	-

**Top 5 Holdings\***

Name	% of Fund	% of Index	GICS Sector	Ticker	Country
NVIDIA CORP	8.07%	1.91%	Information Technology	NVDA	USA
MICROSOFT CORP	7.99%	3.63%	Information Technology	MSFT	USA
ALPHABET INC-CL A	5.48%	1.27%	Communication Services	GOOGL	USA
ADOBE INC	4.93%	0.40%	Information Technology	ADBE	USA
INTUIT INC	4.53%	0.24%	Information Technology	INTU	USA

\* As reported to SQM on the return of the RFI – holdings will change over time.

**Drawdown**

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

**Alpha**

SQM defines **Alpha** as the excess return compared to the Benchmark and is calculated as

$$\text{Alpha} = \text{Fund Return} - \text{Benchmark Return}$$

**A General Note on Distributions for Managed Funds**

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

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

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

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

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

**Total Cost Ratio (TCR)**

Managed Investment Schemes: The TCR for Managed Investment Schemes, Exchange Traded Products, and Investment Bond funds is an addition of the Investment Management Fees and Costs (including admin fees), Performance Fee Costs, and the impact of dollar-based fees.

Superannuation funds: The TCR for Superannuation and Pension funds is an addition of the Investment Management Fees and Costs (including admin fees), Performance Fee Costs, Administration Fees and Costs, the impact of dollar-based fees and a deduction of Super OTC Derivative Costs.



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