

**SYNOPSIS****PERFORMANCE (TOTAL RETURN)**

	<u>Fund</u>	<u>Benchmark</u>	<u>Peer Group</u>
Last 3 months	15.5%	14.7%	13.4%
Last 12 months	23.6%	16.3%	13.7%
Annualised (since 01/06/2012)	9.3%	11.6%	9.5%

**PORTFOLIO VALUE**

\$510.6 million (30/09/2020: \$473.3 million)

**INVESTMENT OUTLOOK**

Global growth and corporate earnings recovery dependent on pace of vaccine rollout  
 Central bank to remain accommodative  
 Government fiscal spending to increase markedly  
 China to stimulate growth with targeted stimulus  
 European and Japanese export sector challenges to persist  
 Geopolitical risks meaningfully increased  
 US equities expensive vs European and EM peers  
 Growth stocks at extremes relative to value stocks

**PORTFOLIO CONSTRUCTION**

Concentrated portfolio of high-conviction developed and emerging markets ideas  
 Asia and Europe favoured on relative valuation grounds  
 Low allocation to defensive, yield sectors excluding healthcare  
 Value in structural growth areas of consumer discretionary, communication services and healthcare  
 Late cycle view warrants caution to cyclicals and financials  
 Low financial exposure mostly in underpenetrated Asian growth segments

**EFFECTIVE ASSET ALLOCATION (previous quarter)**

	<u>Fund</u>	
	<u>%</u>	<u>%</u>
Global equities	95	(89)
Cash	5	(11)
	<u>100</u>	

## 1. PORTFOLIO PERFORMANCE

## Total Performance to 31 December 2020

	<u>Fund*</u>	<u>Benchmark**</u>	<u>Variance</u>	<u>Peer Group***</u>
	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
3 months	15.5	14.7	0.8	13.4
6 months	21.8	24.0	-2.2	22.2
12 months	23.6	16.3	7.3	13.7
3 years	9.9	10.1	-0.2	7.3
5 years	11.4	12.3	-0.9	9.5
<b><u>From Inception</u></b> (01/06/2012)	9.3	11.6	-2.3	9.5

\* Based on FGEF Class B Performance Numbers

\*\* MSCI All Country World Net Total Return Index

\*\*\* Global Large-Cap Blend Equity Morningstar category

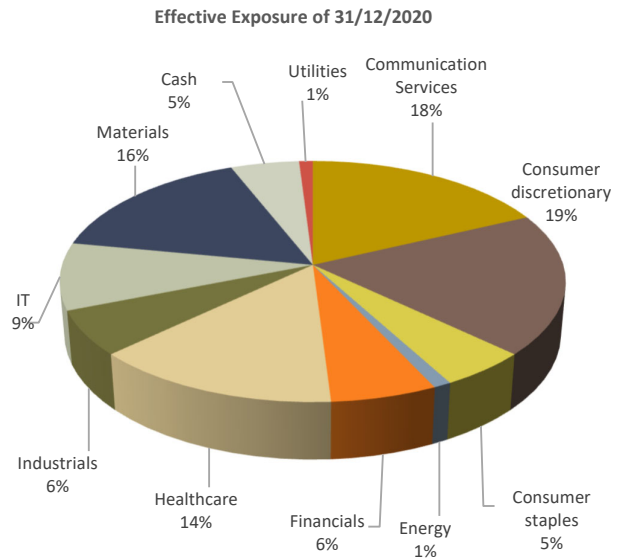
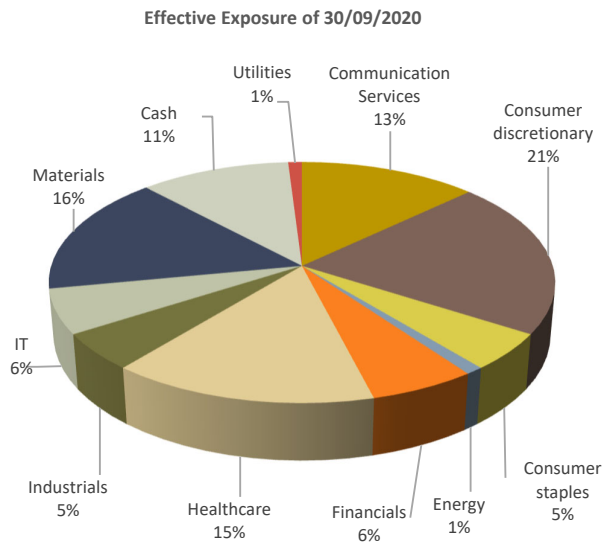
*Monthly linked time-weighted total rates of return (capital and income)  
Returns for periods 1 year and above are annualised percentages*

## QUARTERLY PERFORMANCE COMMENT

- Outperformance driven by stock selection but offset by S&P 500 hedges and currency impact from EM allocation — S&P 500 hedge positions hurt performance as vaccine optimism and initial rollout drove global market rebound
- Baidu surged (+70.8%) — talks of potential partnership in EV manufacturing and further development of their autonomous driving commercialisation
- Leading copper producer Freeport-Mcmoran (+66.4%) rose on China recovery, further vaccine optimism and potential supply risk — while lithium producer Livent (+110.0%) benefited from electric vehicle growth ensuing tougher emission rules
- Within Information Technology sector, fiber laser company IPG Photonics also rallied (+31.7%) on recovering activities in industrial production led by China

## 2. PORTFOLIO STRUCTURE

	<b>Fund</b>		<b>MSCI AC World</b>	
	<u>Effective Exposure</u>	<u>Effective Exposure</u>	<u>Weightings</u>	<u>Relative to benchmark</u>
	<u>30/09/2020</u>	<u>31/12/2020</u>	<u>31/12/2020</u>	<u>31/12/2020</u>
	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
Communication Services	13	18	9	9
Consumer Discretionary	21	19	12	7
Consumer Staples	5	5	7	-2
Energy	1	1	3	-2
Financials	6	6	13	-7
Healthcare	15	14	11	3
Industrials	5	6	9	-3
Information Technology	6	9	21	-12
Materials	16	16	5	11
Utilities	1	1	3	-2
Real Estate	-	-	2	-2
Global Equities	89	95	95	
Cash	11	5		
	<b>100</b>	<b>100</b>		
<b>Total Fund</b>	<b>\$473.3m</b>	<b>\$510.6m</b>		



### 3. MARKET BACKGROUND AND OUTLOOK

- Global equities (+14.7%) continued rallying through the quarter following positive COVID-19 vaccine trial results and subsequent rollout across multiple countries—despite new waves of COVID-19 infection, optimism is rising that hard-hit sectors will continue seeing normalisation through 2021 and supportive stimulus from governments will drive economic recovery
- US equities (+13.0%) rose as we moved past US election uncertainty and the passing of a new COVID-19 relief bill could mark the start of further stimulus in a Biden administration in 2021, supported by the House and Senate — this will support further consumption and spending rotation into hard-hit sectors including travel, offline-retail and restaurants in later half of 2021 assuming no hiccups in vaccine rollout
- European equities (+15.6%) benefited from positive sentiments around Brexit deal, avoiding potential trade friction and other negative headwinds to the UK economy if it had been a no-deal Brexit — countries with heavy exposure tourism including Spain (+27.7%) and Italy (+22.4%) rebounded strongly on vaccine news and will see further support from EU's US\$2.2trillion stimulus plan
- Emerging markets (+19.7%) gained, led by Brazil (+37.0%) and Russia (+21.6%), as risk-on sentiments and rally in commodity prices benefited commodity exporters — China (+11.2%) was a laggard, driven by increased antitrust scrutiny on dominant domestic tech companies and continued US tension with Trump signing bill that could delist Chinese companies from US exchanges
- Sector gains were led by hardest hit cyclicals with financials (+24.1%), energy (+23.9%) and industrials (+15.7%) — while defensive sectors including healthcare (+7.4%) and consumer staples (+7.4%) lagged
- The US dollar continued to weaken against major currencies including the euro (+4.3%), British pound (+5.7%) and yen (+2.2%) —vaccine developments portend a global economic recovery and market participants rotated away from safety of US assets

### 4. FUND CONSTRUCTION

- Asian equities, especially those geared to China, are more attractive than US peers — long-term structural growth of the region exceeds that of western economies while valuations are better
- The fund's Chinese investments are concentrated in technology, consumer discretionary and financials sectors — the structural growth of the country's middle class provides strong tailwinds for the fund's best-in-class holdings within these sectors
- Communication services, materials and healthcare sectors are favoured given the structural shift to digital advertising, gaming and streaming will benefit communication services companies we own — structural growth within the healthcare sector is supported by ageing populations and innovation and several stock specific investments within the materials sector are likely to generate outsized returns
- The fund's cash position increased as managers exited some names at attractive valuations — there remains risk of potential setback from vaccine rollout and new waves of coronavirus infection, particularly when set against elevated valuations

## 4. FUND CONSTRUCTION (CONTINUED)

- Our geographic equity exposure allocation is:

	Fund at <u>30/09/2020</u>	Fund at <u>31/12/2020</u>	MSCI AC World <u>31/12/2020</u>	Relative to benchmark
	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
North America	46	54	60	-6
EM* Latin America	-	-	1	-1
Europe	17	16	17	-1
EM* Europe	-	-	1	-1
Pacific	14	8	10	-2
EM* Asia	23	22	11	+11
Africa & Middle East	-	-	1	-1

\*EM = Emerging Markets

B ARCESE/D FOORD/I HASSEN/ JC XUE  
January 2021

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