Arnhem Global Growth Strategy
July 2017

The Strategy
The Arnhem Global Growth strategy is a high conviction separately managed account portfolio of quality growth International equities.
The strategy is designed to complement domestic equity portfolios by investing in global growth industries and equities not available in Australia.

Portfolio Guidelines	
Benchmark:	MSCI World Ex-Australia Net AUD
Universe:	Global Developed Markets
# Securities:	15 to 30
% Individual Holding	Up to 10%
% GICS 4 Industry:	Up to 15%
Cash holdings:	Up to 25%
Hedged:	No
Management Fee:	0.9% (ex GST)

Performance Review.

The most important driver of the absolute return of the Arnhem Global Growth portfolio was the continued pressure on the USD, which was down another 5% against the AUD. Markets were mostly flat around the world, despite the solid earnings results coming out of the US. Volatility remained at record lows in July, with the VIX index running below 10% for most of the month. The Arnhem Global Growth portfolio delivered a return of -1.46% before fees, marginally ahead of the benchmark return. The largest contributor was ASML, the world's biggest semiconductor equipment company. ASML delivered a very strong set of results, as the demand for its next generation EUV machines is picking up. The top three equipment buyers, Intel, Samsung and TSMC have now booked all available machines for 2017 and 2018. The next contributor was Nvidia, the graphics chip company. Nvidia continues to benefit from the demand for fast chips in Automotive and Artificial Intelligence applications. The portfolio's largest detractor was Novo-Nordisk, the world largest insulin manufacturer. The strong rally in the EUR against the USD has some investors worried, as Novo-Nordisk gets a material part of its revenues outside the Euro zone. We believe that the company is on track to benefit from the rise in diabetics and continue to see this as a core holding in the portfolio.

Performance (Gross)	1 Month	3 Months	1 Year	2 Year	Inception
Arnhem Global Growth	-1.46%	0.60%	9.48%	8.32%	31.73%
MSCI World Ex-Aus	-1.54%	-1.57%	10.45%	5.85%	23.75%
Outperformance	**0.07%**	**2.17%**	**-0.97%**	**2.47%**	**7.98%**

Top 3	Contribution	Bottom 3	Contribution
ASML	+55bp	Novo-Nordisk (ADR)	-40bp
Nvidia	+53bp	Cerner	-36bp
Paypal	+32bp	F5 Networks	-28bp

Disclaimer: Past Performance is no guarantee of future performance. The value of the model portfolio and the income derived from the associated investments decrease or increase from that appearing on the Website. Future returns are not guaranteed, and a loss of principal investment may occur. Information expressed is current information as of the date appearing on this Website only. The value of the model portfolio and the income derived from the associated investments expressly excludes any transaction costs (including, without limitation, any establishment, withdrawal, contribution, termination, switching and other service fees). The portfolio model performance information has been prepared by Arnhem. All information used for this calculation is considered to be from reliable resources but Arnhem cannot attest to its accuracy. This is not intended as investment advice nor should it be considered a solicitation or an offer to transact in the Model listed. The model performance has been calculated using the 1 January 2015 Arnhem Global Growth Model portfolio positions. Any model portfolio that commenced on a date other than the one specified may hold different positions and will experience different returns which may be better or worse than the Arnhem model referenced above.

Performance since inception

Source: Bloomberg, Arnhem Investment Management, as at 31 July 2017

Portfolio Outlook

The markets will continue to be dominated by central bank newsflow over the coming months, as the Fed starts to deleverage its balance sheet - most likely from September. Investor sentiment remains strong however, as witnessed by record low volatility numbers. We continue to focus on our bottom-up investment process and search for attractively valued industries and companies that will provide the portfolio with a sustainable earnings growth profile. We still see solid investment opportunities in the U.S and most European markets for strong sustainable earnings growth. Examples can be found in the more traditional growth areas like Technology and Healthcare, where micro industries like Semiconductor Design and Healthcare Software & Systems continue to offer strong double digit earnings growth. Additionally, we can also find opportunities in less obvious growth industries like Athletics Apparel & Footwear and Motorcycle Manufacturers. We do remain highly selective in our industry and company exposure, based on our criteria for earnings and cash flow growth, and continue to focus on those high growth industries that are not available to domestic direct equity investors.

Top 10 Holdings	%
Alphabet	7.9%
Novo Nordisk (ADR)	7.1%
Nvidia	6.6%
PayPal Holdings	5.9%
Activision Blizzard	5.8%
Abbott Laboratories	5.8%
ASML Holding	5.6%
NIKE	5.4%
Cerner	5.3%
Roche Holding	4.7%

Top 10 GICS 4 Industries	Portfolio	World	ASX200
Pharmaceuticals	11.8%	5.9%	0.1%
Internet Software and Services	7.9%	3.0%	0.3%
Semiconductors	6.6%	2.0%	0.0%
Data Processing	5.9%	1.7%	0.7%
Home Entertainment Software	5.8%	0.3%	0.0%
Healthcare Equipment	5.8%	1.8%	1.0%
Semiconductor Equipment	5.6%	0.5%	0.0%
Footwear	5.4%	0.2%	0.0%
Health Care Technology	5.3%	0.1%	0.0%
Auto Parts and Equipment	4.7%	0.5%	0.1%

Source: Bloomberg, Arnhem Investment Management, as at 31 July 2017

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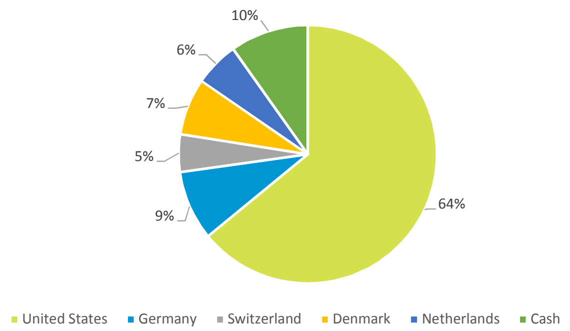
Portfolio Positioning

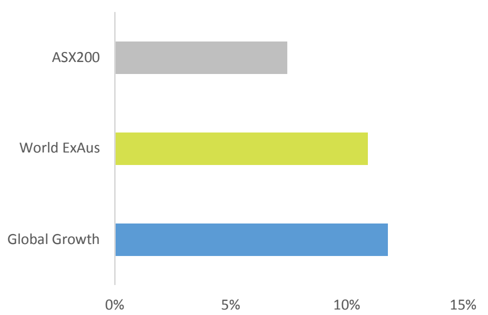
The portfolio continues to have a strong focus on technology related industries like Semiconductors, Internet Software & Services and Health Care Technology. Furthermore, we have overweight positions in Consumer Discretionary related industries like Footwear and Movies/Entertainment and Healthcare related industries such as Drug Retail and Biotechnology. We have no exposure to the Energy, Telecom and Utility related industries, as we see no evidence of sustainable earnings growth whilst the majority are screened by our investment process. Thus, the portfolio has a significantly stronger earnings growth profile than is available in the Australian equity market.

There were no changes to the portfolio in July. We continue to believe it prudent to hold a higher than normal cash balance in the portfolio (close to 10% at present) and given the increase in forecasted volatility, we expect to see interesting opportunities in the months ahead to reinvest this cash balance.

Country Allocation (%)



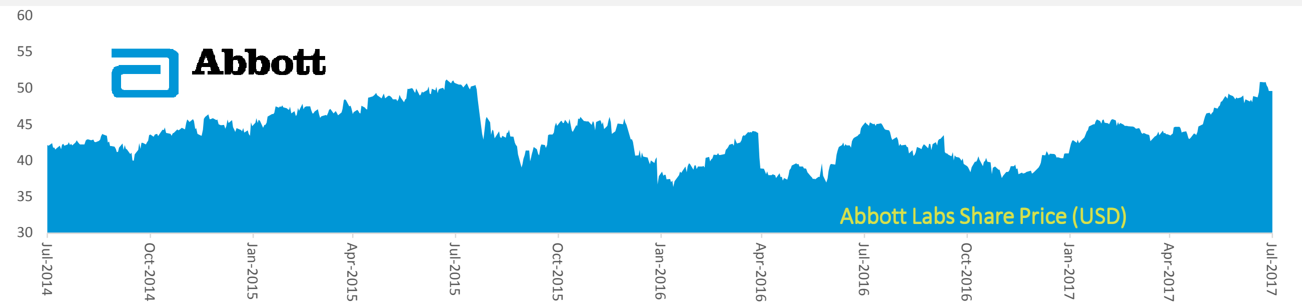
3-Year EPS Growth Profile



Source: Bloomberg, Arnhem Investment Management, as at 31 July 2017

Stock of the month

Floated in 1929, the year of the stock market crash that heralded the great depression, Abbott Laboratories has a long track record of resilience and growth. Since listing, the company's market capitalisation has increased over 10,000 times. The company entered a new stage in 2013, spinning out its pharmaceutical division known as Abbvie. Today, the company is the world's second largest cardiovascular device manufacturer, second largest diagnostics equipment manufacturer, and third largest manufacturer of paediatric nutritional products. While the company spun out its proprietary pharmaceutical business, it retained its branded generic business operating in emerging markets. For generic drugs, the key to success lies not in clinical trials, but rather in brand and distribution where Abbott's scale ensures success. The company is particularly strong in India and Latin America, and this division has grown revenue by 17% per annum over the past three years across key emerging market countries. The other major growth driver for Abbott is in medical devices where it recently acquired the second largest player in cardiovascular devices, St Jude. St Jude's product range was highly complementary to Abbott's own cardiovascular device offering and the company expects to extract US$500 million in synergies from the acquisition. This kind of self-help, along with strong market positions in high growth industries, are the reasons we continue to hold Abbott Laboratories.



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