

Wenlock Global Fund

Month Ending October 2019

WENLOCK | CAPITAL

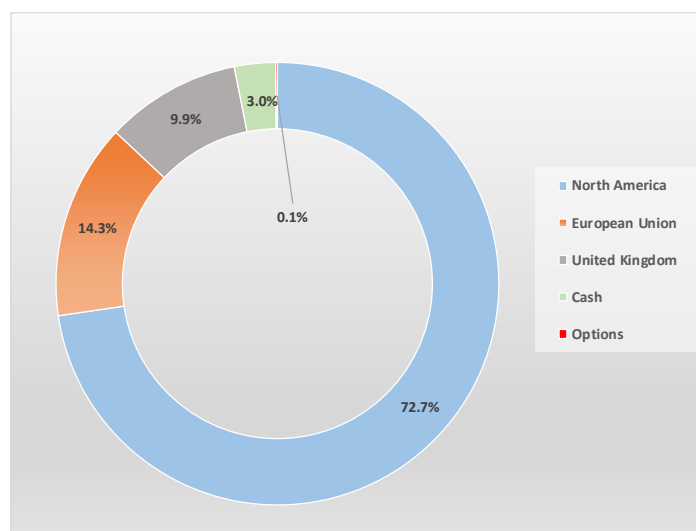
ABN 94 614 846 963
AFSL 492452

Net Performance ⁺	Fund	Index*	Relative
1 Month	-0.4%	+0.4%	-0.8%
3 Month	-9.8%	+2.6%	-12.4%
1 Year	+6.2%	+18.0%	-11.8%
Since Inception**	+23.5%	+35.7%	-12.2%

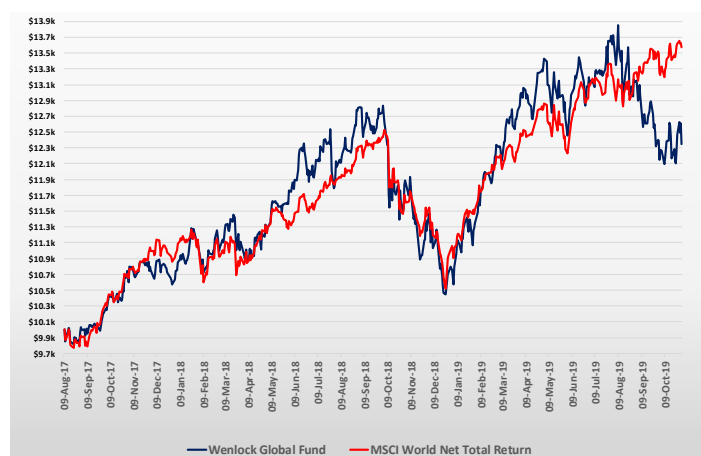
*MSCI Daily World Total Return Net Index AUD **Inception 9 Aug 2017

*Source Mainstream Group, Thomson Reuters. as at 31 October 2019. ^Calculations are based on total returns with distributions reinvested and net of all fees but before tax or the buy/sell spread. #GICS Sectors. Performance figures are based in AUD. **Past performance is not a reliable indicator of future performance.**

Country Allocation % of NAV⁺



Performance of \$10,000 invested since inception⁺



Top 10 Holdings ⁺	Sector [#]
Abbott Labs	Healthcare
Align Technology Inc	Healthcare
Eli Lilly	Healthcare
Estee Lauder	Consumer Staples
Facebook	Communication Services
Insulet Corp	Healthcare
Microsoft Corporation	Information Technology
Network International Holdings	Financials
Neurocrine Biosciences Inc	Healthcare
Siltronic AG	Information Technology

Sector Allocation (ex cash/options) ⁺⁺	% of NAV
Healthcare	29%
Information Technology	22%
Consumer Discretionary	13%
Communication Services	12%
Financials	12%
Consumer Staples	6%
Industrials	4%

Fund Characteristics⁺

Average Market Cap (USD)	\$ 131bn
Return on Equity	21.4%
Return on Invested Capital	17.9%
PE (Forward)**	19.5x
Free Cash Flow Yield*	2.7%
Free Cash Flow Growth*	19.2%
Dividend Yield*	0.8%

*estimated forward 12 months ** Adjusted

Source: Thomson Reuters

Strategy

The Fund consists of 20-40 global businesses that exhibit strong secular and cash generative characteristics. The strategy is based on 5 principles:

Returns: Invest in businesses where cash returns on investment are growing and greater than the cost of capital

Protection: Avoid capital erosion by utilising an active risk management strategy

Active: Benchmark agnostic

Patience: Invest for the long term

Adaptive: Objectivity removes emotional biases

Fund/Market Commentary

Since inception to 30 September 2019, the Fund returned +23.5% versus +35.7% for the MSCI World TR Net Index (AUD).

Financial markets welcomed easing of trade tensions in October, with risk assets generally outperforming traditional safe havens. The US and Chinese moved closer to agreeing a partial deal on trade, while the UK once again edged back from the precipice of a no-deal Brexit. Global central banks reiterated their dovishness and the US Federal Reserve cut interest rates for the third time this year.

October was a good month for equity markets, with emerging markets returning 4.2% compared to 2.6% for developed markets measured by their respective MSCI USD Indices. The S&P 500 gained a further 2.2% and made new all-time highs at month end. In fixed income, credit markets outperformed government bonds, with global investment grade returning 1.2%, while global government bonds gained 0.5% as per their respective Bloomberg Barclays Bond Indices.

Data out of the US continued to suggest that the US economy is losing momentum. The weakness remains most pronounced in the trade-dependent manufacturing sector, with the PMI (48.3) indicating that manufacturing is contracting. We saw a slight weakening in the US Consumer Confidence Index falling 0.4 points to 125.9 in October. The pace of US job growth has been slowing on average, to 160k compared from 220k per month in 2018. US real GDP growth for the third quarter was marginally upbeat, as the US economy grew at an annualised rate of 1.9%. This slowing in economic activity led the Federal Reserve to cut interest rates by 25 bps which should help lending conditions and support economic activity. The key question now is whether a dovish monetary policy will be able to support the consumer and labour market from deteriorating in the same fashion as manufacturing. Meanwhile, US earnings season for Q3 is well underway, with 74% of companies beating expectations.

Among the top contributors to performance were Align, Siltronic, Tesla, Tradeweb and Neurocrine Bio. The top detractors to performance were Twitter, Wirecard, Insulet, Estee Lauder and Invitae. The Fund employed protection for 70% of the NAV.

Outlook

In October, the S&P500 recorded new all-time highs. If trade tensions reappear, holding onto these gains might be difficult.

The pessimism over corporate earnings has abated as companies show no signs of an impending recession. Nor have companies intimated a weakening revenue or profit outlook. To that end, investors remain sceptical of economic growth and are unconvinced by the outlook of profit sustainability. According to the Bank of America Merrill Lynch Fund Managers survey, investors feared missing out and recently started to reduce cash levels in place for stocks. The risk of this reversing is a potential overhang and thus a pullback is plausible.

Key Information

Launch Date	9 Aug 2017
APIR / ARSN	ETL0676AU / 617 953 616
Investment Manager	Wenlock Capital Pty Ltd (AFSL 492452 ABN 94 614 846 963)
Responsible Entity	Equity Trustees Ltd: (AFSL 240975 ABN 46 004 031 298)
Email:	investors@wenlockcapital.com.au
Web	http://wenlockcapital.com.au/
Portfolio Manager	Nitesh Patel
Fund Regulator	Australia Securities and Investment Commission
Fund Domicile	Australia
Fund Administrator	Mainstream Fund Services (ACN 118 902 891)
Custodian	JP Morgan
Initial Charge	None
Currency	Australian Dollar (AUD)
Dealing	9am - 5pm weekdays AEST
Benchmark	MSCI Daily World Total Return Net World Index AUD
Management Costs	1.00% Management Fee Plus 0.30% Usual Expenses
Buy/Sell Spread	0.20% / 0.20%
Performance Fee	10% of excess return above the higher of the MSCI World Net Return Index and the 10 Year Australian Government Bond yield over 6 month a period ending 30 June and 31 Dec. Includes a high watermark
Distributions	At least annually (end of June), and unless you choose otherwise, distributions are automatically reinvested.
Minimum Investment	\$10,000
Exit Penalties	None

Get in touch with the Team +61 (02) 9158 3258

Nitesh Patel - Portfolio Manager

investors@wenlockcapital.com.au

Sandy Chaurasia - Equity Analyst

investors@wenlockcapital.com.au

IMPORTANT INFORMATION

Equity Trustees Limited ("Equity Trustees") (ABN 46 004 031 298), AFSL 240975, is the Responsible Entity for the Wenlock Global Fund. Equity Trustees is a subsidiary of EQT Holdings Limited (ABN 22 607 797 615), a publicly listed company on the Australian Securities Exchange (ASX: EQT). This document has been prepared to provide you with general information only. In preparing this document, we did not take into account the investment objectives, financial situation or particular needs of any particular person. It is not intended to take the place of professional advice and you should not take action on specific issues in reliance on this information. Neither Wenlock Capital Pty Ltd, Equity Trustees nor any of its related parties, their employees or directors, provide and warranty of accuracy or reliability in relation to such information or accepts any liability to any person who relies on it. Past performance should not be taken as an indicator of future performance. You should consider the Product Disclosure Statement ("PDS") before making a decision about whether to invest in this product. The PDS can be obtained by visiting www.eqt.com.au/insto or request a copy by emailing the Portfolio Manager, Wenlock Capital Pty Ltd at enquiries@wenlockcapital.com.au.

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Email: enquiries@wenlockcapital.com.au | www.wenlockcapital.com.au | Wenlock Capital Pty Ltd ABN 94 614 846 963, AFSL 492452 | Office Address: Level 2, 22 Atchison Street, Sydney, NSW 2065.