NEDGROUP INVESTMENTS

see money differently

Nedgroup Investments Global Equity Fund

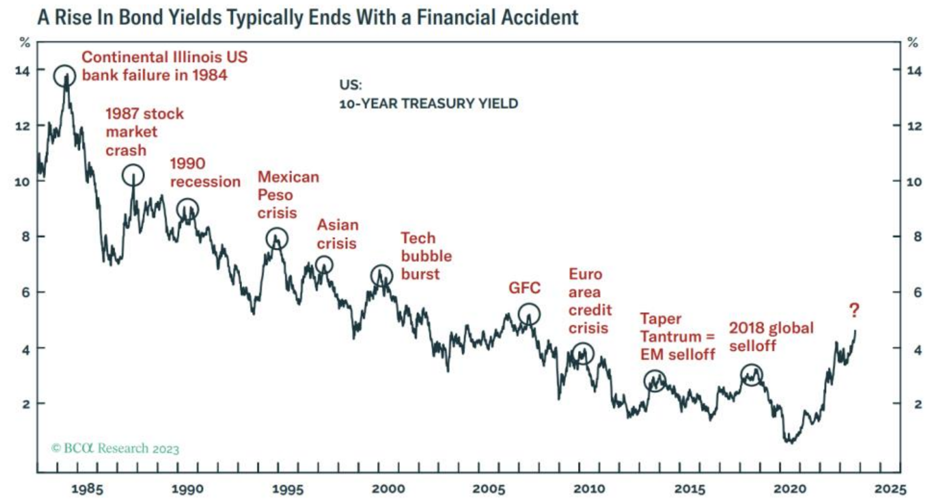
Quarter Three, 2023

1. Market Overview and Outlook

Portfolio Manager Commentary

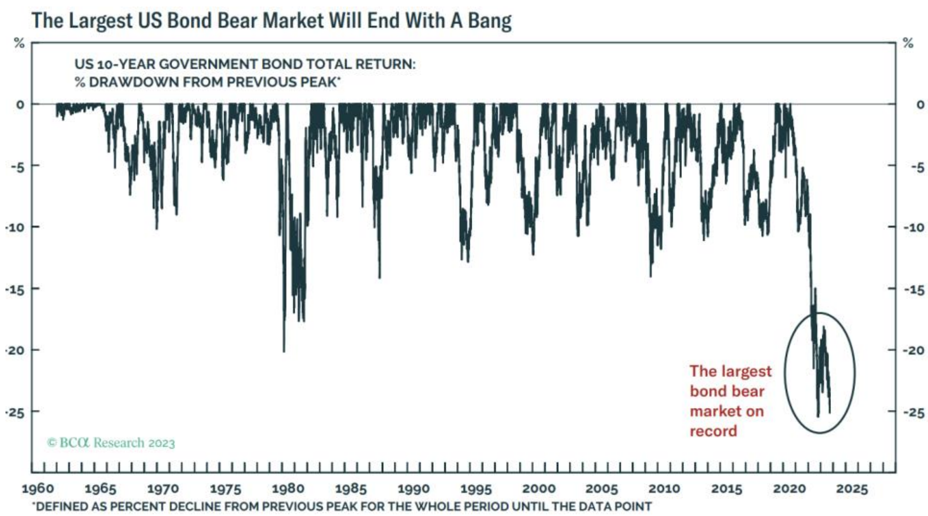
The Bond – Equity Conundrum:
“John Bull can stand many things, but he cannot stand two percent.”
- Walter Bagehot in 1852

The 10-year US Treasury yield is considered to be the benchmark risk-free rate, and as such is typically used as the basis for valuation of all other US (and to some extent global) risk assets. As Warren Buffet says, “Interest rates are to asset prices what gravity is to the apple.” The chart below (courtesy of BCA Research) highlights the rapid rise in 10-year US Treasury yield since it troughed in early 2020. It also shows that through history, significant increases in yield have typically been accompanied by financial accidents, perhaps unsurprising when one considers the ‘gravitational pull’ exerted on asset values.



Source: BCA Research (2023)

The recent drawdown in government bonds could be called a financial accident in its own right given the size of the move (as shown in the chart below courtesy of BCA Research), and so it is surprising that there has been no commensurate accident in risk assets… so far.



Source: BCA Research (2023)

How can the US 10-year Treasury suffer a 25% drawdown while the S&P 500 is only 9% off its all-time highs? Similarly, why is the current 21x P/E multiple of the S&P 500 the same as it was at the end of 2019 when 10-year treasuries yielded below 2%.

S&P500 Price

Source: Bloomberg, data as at 30 September 2023)

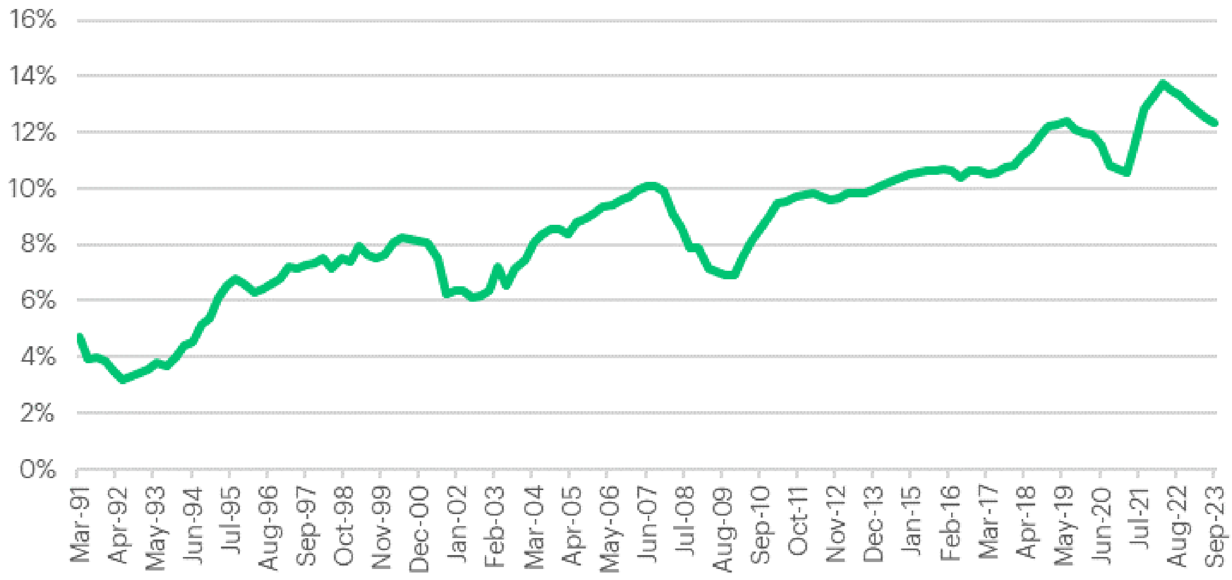
There are two possible answers. Perhaps, prospective inflation and growth rates are sufficiently elevated such as to justify paying a higher multiple of current earnings than was reasonable in the past. This feels unlikely given the deleterious impact rates are starting to have on the real economy. More plausible, equity market participants are working under the assumption that rates will fall and thus accepting what they believe to be a temporarily depressed equity risk premium (the difference between the earnings yield and the risk-free rate). In this scenario, the question is whether rates or valuations fall first, or indeed whether rates can be allowed to fall while asset prices, employment and the broad economy remain buoyant.

Higher rates are starting to have an impact on the economy, but it has been gradual, in part because of the level of government spending and consumer savings built up post Covid. Nevertheless, the companies we speak to are rapidly adjusting their return hurdles upwards for capital investment, buybacks, and M&A. The frozen US housing market stands out with activity at multi-decade lows.

Having refinanced their mortgages at ultra-low interest rates (fixed for the term of the loan, but not portable) many if not most homeowners are now unable to move house without seeing a very significant increase in the rate they can borrow at. While these long-term fixed rate mortgages have sheltered homeowners from the immediate shock of rising rates, the knock-on impact is starting to be felt.

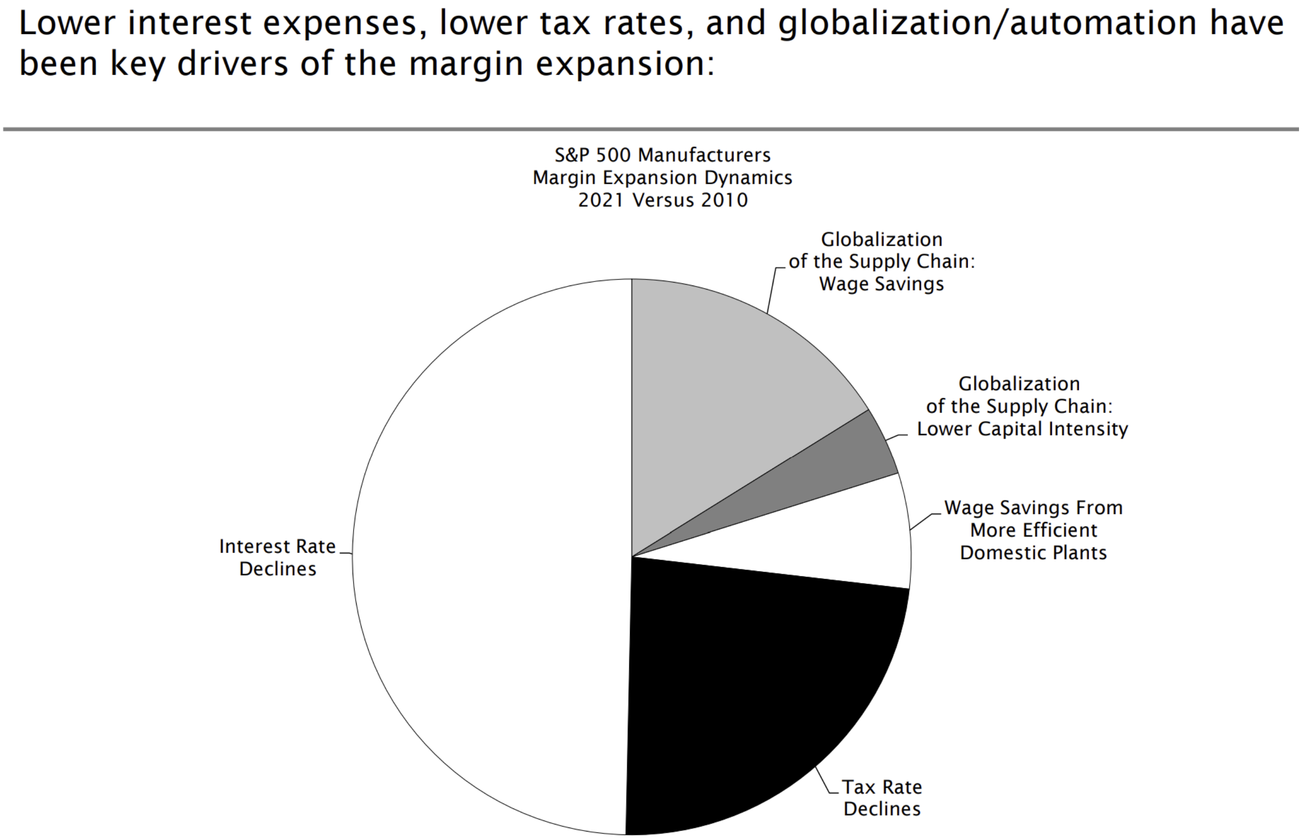
More headwinds to growth will become evident as higher rates start to work their way through the economy. Interest costs for consumers and corporates will increase as new debt is taken on and existing debt is refinanced leading to lower consumer spending, higher costs and a likely increase in defaults. These factors are likely to lead to lower aggregate demand and pressure on margins which have steadily increased over the past 30 years (see chart below).

S&P500 trailing 12-month net profit margin



Source: Bloomberg, data as at 30 September 2023)

In an interesting study of US manufacturers, Empirical Research found that around half of their margin increase since 2010 came from lower interest rates (with a further quarter from lower tax). With interest rates now a headwind (and possibly tax rates too) the outlook for margins is clearly more troublesome although this is not reflected in forecasts for corporate earnings.



Source: US Census Bureau. Bureau of Labor Statistics, Corporate Reports, Empirical Research

Implications for the Fund:

Unless inflation declines and the US Federal Reserve becomes more accommodative soon, the impact of higher rates will increasingly be felt across the wider economy. In such circumstances the best companies to hold will be those that are lightly indebted (or have net cash), have stable demand profiles (i.e., not economically cyclical) and can maintain or grow net margins in the face of a rising interest cost. In this vein we have made new investments in Diageo and Elevance Health this year as they have become available on attractive absolute valuations.

Perhaps more interestingly, our study of history suggests that high quality businesses that suffer the impact of a changing rate environment or a slowing end market early, can often make excellent long-term investments and also protect capital as the market deteriorates more broadly. For example, during the Global Financial Crisis (GFC), home improvement companies like Home Depot (DIY) and Sherwin Williams (decorative paint) performed poorly in the latter stages of 2007 and early 2008 as it became evident that the US housing market would decline, but outperformed significantly post Lehman Brothers collapse as the wider economy got into trouble. These businesses were only moderately cyclical and were already discounting a severe recession by the time it truly arrived. We believe a similar opportunity exists today in our most recent purchase, Equifax.

With a history dating back to 1899, Equifax is best known as one of the three US consumer credit bureaus, aggregating thousands of datapoints on prospective borrowers which help financial institutions make lending decisions. This is a relatively mature business but operates in a rational oligopoly with very high entry barriers, heavy regulation and the practical impossibility of replicating datasets that have been cultivated over many decades via relationships with circa 15,000 different data furnishers.

In 2017, Equifax suffered perhaps the most high-profile data breach in corporate history, when bad actors (later found to be members of the Chinese military) gained access to sensitive data on around 200 million consumers. The company made basic cybersecurity errors, such as allowing critical encryption certificates to lapse, and with hindsight had been under-investing in technology for some years. Equifax's CEO departed shortly thereafter and the current incumbent, Mark Begor, joined and began a multi-year reinvestment program to completely rebuild the technology platform in the cloud. Perversely, the breach ultimately had two very positive long-term consequences. Firstly, the technology rebuild (which should be largely complete by next year) leaves Equifax competitively advantaged, offering "always-on" reliability to clients and the ability to quickly introduce and scale new products. Secondly, Begor decentralised commercial decision making to business units and, with its traditional credit bureau business focused on repairing its reputation, directed resources to a smaller but promising business line described below.

In 2007, Equifax acquired a seemingly nondescript business called TALX that processed unemployment claims and provided related HR services for employers. A client serendipitously asked TALX if it could use its data to verify employment and income status for individuals, and a new business line was born. Within a few years, TALX pivoted to make this its primary focus and today it forms the backbone of Equifax's Employer Workforce Solutions (EWS) division, which comprises almost 60% of group profits.

EWS' primary product is The Work Number (TWN), which is a database providing employment and income verification services for lenders and government agencies. It covers 120 million US workers, around three-quarters of total non-farm payrolls. It sources around half its data from exclusive multi-year agreements with large employers, and these relationships are cemented by Equifax providing (at modest margins) a wide range of services, such as ensuring compliance with employment regulation and administration of employee benefits. The other half of its consumer records come from agreements with payroll providers and all bar the largest of these is exclusive. In return, those employers receive a revenue share whilst incurring negligible additional expense, simultaneously freeing themselves of the cost to field verification inquiries on their employees.

TWN's largest end market is mortgages. The value proposition for lenders is that it automates an historically laborious task that must otherwise be completed manually via a combination of inspecting paper payslips and calling employers. With a typical "pull" of TWN costing ~$50 in the context of typical mortgage expenses of

~$5,000, the cost-to-value ratio is very attractive for lenders. Critically, Equifax has a substantial first-mover advantage and 80% of its consumer records are exclusive. In recent years, Experian (the largest of the three credit bureaus) has entered the market but we estimate its verification revenues are less than 5% of Equifax's. Because TWN has established itself as the industry standard and has largely exclusive data unavailable to peers, we expect it to remain the dominant operator. TWN's second largest vertical after mortgage is government agencies disbursing welfare payments and funding healthcare services, a more nascent and higher growth market in which Equifax has the significant advantage of owning the sole nationwide repository of incarceration data. Verification has financial characteristics that are meaningfully better than Equifax's traditional bureau activities. It has thus far exhibited exceptional pricing power, reflecting its considerable value to lenders and that Equifax is continually signing up new partners to increase its coverage of the working population. After apportioning central costs, we estimate its operating margin is in the high 30%'s and incremental margins are significantly greater.

This leads neatly on to why we think the stock is attractive today. The verification business is best characterised as a very high-quality but cyclical endeavour in which we think a good long-term outcome is likely but performance in any given year is unpredictable. Prior to Covid, there were typically about 7-8 million mortgages originated in the US each year and these represented the addressable market into which Equifax could sell TWN for mortgages. With aggressive central bank intervention driving down interest rates during the early part of the pandemic, a massive uplift in refinancings lifted mortgage volumes to 13-14 million in 2020 and 2021. Then came the inevitable hangover and, with mortgage rates now approaching 8%, it is likely 2023 volumes will be nearer 4 million, a multi-decade low. Whilst EWS has materially outgrown mortgage volumes through higher pricing and penetration, the magnitude of this volume headwind means its profits will decline in both 2022 and 2023. The importance of the division to Equifax has resulted in consensus group profit expectations being downgraded by around 35% in the past two years.

In addition to this cyclical downturn, group cash flows are further depressed because (i) Equifax is running duplicate cost structures while it executes its technology transition to cloud, and (ii) capital expenditure is significantly elevated as a heavy reinvestment phase is completed. We believe there is high visibility on these two headwinds normalising in the next 1-2 years. As for mortgage volumes, we have no special insight on when they recover but think it most likely we are near the nadir, and that the current share price discounts mid-term mortgage volumes considerably below 7-8 million. Assuming each of the three headwinds ultimately reverses, we expect the business to approximately double its earnings over the mid-term and for the historically excellent levels of cash conversion (~100% of EPS) to be restored. Patient shareholders should be rewarded accordingly.

Longer term Perspective:

When interest rates are manipulated to the extremely low levels experienced in 2020 and 2021 during the Covid pandemic, the impact on financial assets becomes both extreme and unpredictable. As an example, in 2021 loss making technology start-ups powered both private and public markets to all-time highs, and subsequently led the declines. Interest rates represent the cost of money and are the opportunity cost for investing in riskier assets and projects. When 10-year rates were below 2% almost all alternatives were appealing, leading to huge capital misallocation. With the cost of money now at levels where it once again offers a genuine alternative for capital, we are likely to see much more rational decision making in investing in both public and private markets together with more realism in valuations. A good illustration of the madness of 2020-2022 in private markets is the buy now, pay later lender Klarna whose private valuation has been slashed from $45.6 billion in 2021 to $6.7 billion in 2022. We expect further mark downs to come across the venture capital and private equity market as these loss making and cash burning companies require additional capital.
Given such extreme and unpredictable moves in all financial market valuations, it is perhaps no surprise that 2020-2022 was the most difficult performance period for the strategy since 2001. With interest rates now back in a more sensible zone we believe that our investing style will return to its more historic profile of delivering good absolute returns over 5-year horizons. Performance in the year to date is more typical of what we would expect. The 3- and 5-year numbers both include our most difficult performance period and consequently are below what we strive for. Despite this weak performance period, the since inception performance remains acceptable.

2. Fund performance contributors & detractors for past quarter

Attribution by region

	Portfolio			Index			Relative Attribution Analysis		
Region	Average Weight	Total Return	Absolute Contribution	Average Weight	Total Return	Absolute Contribution	Allocation Effect	Selection Effect	Total Effect
Asia/Pacific Ex Japan	2.3	-17.2	-0.4	3.1	-4.8	-0.1	0.0	-0.3	-0.3
North America	69.7	-2.2	-1.6	72.8	-3.2	-2.3	-0.0	0.7	0.7
Africa/Middle East	–	–	–	0.2	5.0	0.0	-0.0	–	-0.0
Europe ex UK	17.1	-4.7	-0.8	13.7	-5.9	-0.8	-0.1	0.2	0.1
Japan	–	–	–	6.2	-1.6	-0.1	-0.1	–	-0.1
United Kingdom	9.6	-4.3	-0.4	4.0	-1.6	-0.1	0.1	-0.2	-0.1
Cash and equivalents	1.4	n/a	-0.0	–	–	–	0.1	–	0.1
Total	100.0	-3.2	-3.2	100.0	-3.5	-3.5	-0.0	0.3	0.3

Source: Veritas Asset Management, FactSet

Attribution by sector

	Portfolio			Index			Relative Attribution Analysis		
Sector	Average Weight	Total Return	Absolute Contribution	Average Weight	Total Return	Absolute Contribution	Allocation Effect	Selection Effect	Total Effect
Consumer Discretionary	5.2	-2.5	-0.1	11.0	-5.6	-0.6	0.1	0.2	0.3
Consumer Staples	6.8	-7.6	-0.5	7.3	-6.4	-0.5	0.0	-0.1	-0.1
Energy	–	–	–	4.8	11.3	0.5	-0.7	–	-0.7
Financials	17.3	-4.7	-0.8	14.9	-0.7	-0.1	0.1	-0.7	-0.6
Health Care	25.0	-6.4	-1.6	12.7	-2.8	-0.4	0.1	-0.9	-0.8
Industrials	28.8	-4.4	-1.2	10.9	-5.2	-0.6	-0.3	0.3	-0.1
Information Technology	4.1	-7.4	-0.3	21.9	-6.1	-1.3	0.5	-0.0	0.4
Materials	–	–	–	4.1	-3.9	-0.2	0.0	–	0.0
Communication Services	11.5	13.3	1.4	7.2	1.6	0.1	0.2	1.2	1.5
Utilities	–	–	–	2.7	-9.2	-0.3	0.2	–	0.2
Real Estate	–	–	–	2.4	-7.1	-0.2	0.1	–	0.1
Cash and equivalents	1.4	n/a	-0.0	–	–	–	0.1	–	0.1
Total	100.0	-3.2	-3.2	100.0	-3.5	-3.5	0.4	-0.1	0.3

Source: Veritas Asset Management, FactSet

Attribution by security

	Portfolio			Index			Attribution
Holding	Average Weight	Total Return	Absolute Contribution	Average Weight	Total Return	Absolute Contribution	Total Effect
Top 5 relative stock contributors							
Charter Communications	4.7	19.7	0.8	0.1	19.7	0.0	1.0
Alphabet	6.8	8.8	0.6	2.6	9.3	0.2	0.5
UnitedHealth	4.1	5.2	0.2	0.8	5.2	0.0	0.3
Automatic Data Processing	2.2	9.8	0.2	0.2	9.8	0.0	0.3
BAE Systems	2.8	3.4	0.1	0.1	3.3	0.0	0.2
Bottom 5 relative stock contributors							
The Cooper Companies	3.9	-17.1	-0.7	0.0	-17.1	-0.0	-0.6
Illumina	1.5	-26.8	-0.4	0.0	-26.8	-0.0	-0.4
Sonic Healthcare	2.3	-17.2	-0.4	0.0	-17.2	-0.0	-0.3
Equifax Inc	1.8	-21.9	-0.4	0.0	-22.0	-0.0	-0.3
Diageo	2.9	-12.4	-0.4	0.2	-12.5	-0.0	-0.3

Source: Veritas Asset Management, FactSet

Portfolio Attribution Commentary

Contributors

Charter Communications has progressively reinvented itself from a pure cable company providing TV programming, into a broadband internet provider and more latterly, taking on telecom providers in mobile as the US moves toward convergence with one provider offering TV, internet and mobile services as a bundled product. Charter benefitted through COVID as the number of broadband subscribers was pulled forward as people sat at home and became more dependent than ever on fast internet access. Last year, unsurprisingly saw a drop in subscriber growth, probably exacerbated by a housing slowdown which meant less churn (Charter has been a net beneficiary when people move house). This coincided with an increase in CapEx to future proof the business. The company is building out its footprint in remote areas (partly incentivised by government subsidies), increasing its Wi-Fi hotspots in order to pay less to Verizon, who are obliged to let Charter ride its network to offload traffic and it is also investing in the next iteration of the network to provide crazy speeds of up to 10 GB. These all help maintain the moats the company enjoys. In the last quarter, Charter reported consolidated revenue of $13.7 billion up +0.5% year-on-year (YoY), which was driven by growth in residential internet revenue, residential mobile service revenue and higher mobile device sales. Internet revenue increased +3.1% year on year to $5.7 billion. Capital expenditures totalled $2.8 billion and included $1.1 billion of line extensions. Net income dropped from $1.47 billion in Q2 2022 to $1.2 billion as a result of increased spend. Charter Communications reported favourable broadband subscriber growth in its second quarter, faring better than its competitors and also reported a proposed Spectrum Internet price increase that took effect in August. The operator added 77,000 residential and business broadband customers, an improvement to the 21,000 customers it lost in the same quarter a year ago. Charter disclosed it will raise the price of its Spectrum Internet service by $5 per month , increase the cost of its bundled voice services by $5 per month, as well as its broadcast TV surcharge by $1 per month. The increase will not apply to those that are on auto-pay, thus incentivising customers to move to subscription-based payment. Charter has benefitted from the Affordable Connectivity Program (ACP), a Federal Communications Commission benefit program that helps ensure that households can afford the broadband they need for work, school, healthcare etc. A subsidy is provided allowing new customers to get into broadband, who are in a low-income space, as well as for existing customers to be able to stay in the broadband space in times of affordability issues. Charter's momentum in mobile continues. The company added 648,000 Spectrum Mobile lines in its second quarter and at the end of the quarter, it had over 6.6 million total mobile lines. Over 11% of its internet customers now have mobile service. The company expects mobile penetration to meaningfully grow over the next several years. Today, over 45% of their internet customers have the advanced Wi-Fi product, and over 75% of mobile customers now attach to the Spectrum Mobile network outside of their homes. Where a mobile customer attaches outside of their homes, this is referring to the vast number of Wi-Fi hotspots that Charter and Comcast share. This allows that mobile traffic to not have to depend on the underlying mobile wholesaler, Verizon, meaning that Charter can offer competitive pricing. Charter reported that the majority of new mobile lines continue to come from existing internet customers, although the percentage of lines coming from new customers continued to increase during the second quarter and was higher than the first quarter. Their Spectrum One product combines broadband, Wi-Fi and mobile into one bundle. Charter uses Speed Boost to increase the speed of Wi-Fi for these customers, regardless of what tier of broadband they're signed up for. The pricing for the bundle is extremely competitive. Even if you just take a look at it as mobile stand-alone, at $30, at retail pricing, it's hard for competitors to compete on price. Given mobile is relatively new, there has been customer acquisition costs, but as these moderate, and assuming customer churn is kept relatively low, profitability should increase.

Alphabet results brought much cheer as advertising sales on YouTube and cloud revenue boosted its top-line and bottom-line. Revenue for the quarter stood at $74.6 billion, up 7% YoY and net income for the quarter under review grew +15% YoY to $18.37 billion, or $1.44 per share. Alphabet has 15 products that each serve half a billion people and six that serve over two billion each, giving the company opportunities to increase revenue per user in those products. Cloud has reached an important milestone. Revenue from Google's cloud unit increased 29% YoY to $8 billion from $6.2 billion in the prior year, and the unit's operating income rose to $395 million from a loss of $590 million a year earlier. The cloud unit had turned profitable on an operating basis in the first quarter, and given the increasing interest in artificial intelligence (AI) and the cloud processing power required, the business has a good runway from here. Google's ad revenue, which has seen a dip in the past few quarters, rose +3.3% to $58.14 billion. YouTube ads beat estimates at $7.67 billion, with YouTube Shorts, a quick-clip competitor to TikTok, now watched by over two billion logged-in users every month, up from 1.5 billion a year ago. The Google search engine's ad business showed resilience despite growing worries about competition from Microsoft powered by AI. Google's cash cow Search contributed $42.63 billion to revenues, rising from $40.7 billion in the year-ago period. Google's search engine has remained a central gateway to the web for billions of users. That has clearly helped the company convince more advertisers that its sites are still a reliable way to reach consumers. With the AI frenzy hitting new heights every quarter, particularly with the adoption of generative AI, Google has emphasised its activity in the area, particularly given it was seen as moving slower than Microsoft. Over 80 per cent of advertisers now utilize at least one AI-driven search product. The company has ambitious plans to integrate generative AI technology into other products, including Gmail, Google Photos, and its Android mobile operating system. Generative AI has the capability to create text, images, and videos that closely resemble human-produced content. Building such complex models that operate at a large scale requires humongous computing powers, and hence more capital expenditure. These costs were minimised by the delay in data centre construction. Google is also likely to cut costs aided by its custom chip for handling AI work, called the Tensor Processor Unit (TPU). The company has tried to refocus by shedding some projects that lacked promise, laying off 12,000 workers and consolidating two of its AI labs to accelerate research in recent months. Long-serving CFO Ruth Porat will assume the newly created role of president and Chief Investment Officer, effective from September 2023. She will be responsible for Alphabet's investments in its Other Bets portfolio.

Healthcare is fragmented with several steps in every process or treatment, and many players involved. UnitedHealth's size gives it several advantages, and it has demonstrated that it is aligned with providing affordable health and helping make the health system work better through two distinct and complementary businesses, United Healthcare and Optum. United Healthcare provides health care benefits globally, serving individuals and employers, and Medicare and Medicaid beneficiaries. UnitedHealthcare is focussed on improving the value customers and consumers receive by improving health and wellness, enhancing the quality of care received, simplifying the health care experience and reducing the total cost of care. Optum delivers care aided by technology and data, providing the guidance and tools needed to achieve better health, including in areas like preventative medicine.

Revenue of $92.9 billion grew by nearly $12.6 billion or +16% over the prior year with double-digit growth at both Optum and UnitedHealthcare. OptumHealth revenues grew by +36% to $23.9 billion, driven by an increase in the number of patients served, a growing mix of patients with more complex needs, and the expanding scope of care services being offered. Operating margins fell slightly reflecting the higher care activity patterns with seniors i.e. operations like hip replacements that had been postponed during COVID . OptumRx (this is the drug prescription part of the business) revenues grew by 15%, surpassing $28 billion, driven by continued new customer wins and strong double-digit growth across specialty, infusion, and community pharmacies. OptumInsight (the data part of Optum) revenues grew +42% to nearly $4.7 billion. The revenue backlog reached over $31 billion, an increase of $8 billion over last year, in part, due to the addition of Change Healthcare. The United Healthcare commercial business added nearly 500,000 people in the first half and continues its growth with the 2024 selling season indications tracking favourably. Within the public sector programs, the company continues to expect growth of over 900,000 Medicare Advantage members this year.

UnitedHealth strengthened and narrowed its full year 2023 adjusted earnings outlook. There are a number of underlying trends to which UnitedHealth has been focussed, with the common thread being affordable health. The number of patients served by OptumHealth under fully accountable value-based care arrangements grew by more than 900,000 over the last year, to about 4 million people. Unlike the traditional fee-for-service, UnitedHealth is rewarded based on outcomes under this arrangement. Get it right and there is much better alignment between results for the patient and profitability. Many of the new patients added have complex needs. These people have serious health challenges, limited economic resources, and often live in communities where it can be difficult to access high-quality care. UnitedHealth's ability to support their needs is a result of the investments made to provide coordinated and comprehensive medical, pharmacy, and behavioural care. In addition, the percentage of people who are accessing behavioural care has increased by double digits. Whilst it's an encouraging sign that more people are seeking help, there is an ongoing shortage of qualified care providers. To address the issue, OptumHealth has expanded its network by tens of thousands of care professionals this year, and is developing its benefit offerings, assuming demand for behavioural care services will continue to rise. Yale Medicine, working in collaboration with Optum, published a peer-reviewed study about in-home visits, an important element is its value-based care approach. The study found patients who received in-home preventative wellness assessments compared with those who had not, made fewer emergency department visits and spent fewer nights in hospitals across four common conditions: depression, hypertension, coronary artery disease, and type 2 diabetes. An additional study published in JAMA (an international peer-reviewed journal providing clinically relevant research for practitioners in general internal medicine and internal medicine subspecialties), found Medicare Advantage patients in Optum's fully accountable care model showed significantly better health outcomes compared to people in Medicare fee-for-service. OptumHealth patients fared better on each of eight key metrics, including hospital readmissions and emergency department visits.

Finding the most appropriate site of service is crucial because the cost of procedures can differ dramatically depending upon where they are performed. Overall, evidence shows that comparable procedures performed in ambulatory surgery centres cost about half as much as traditional settings with comparable outcomes. For consumers, that translates into many hundreds of dollars in out-of-pocket cost savings for just a single procedure. The patient satisfaction levels at UnitedHealth centres are among the highest in healthcare with NPS (Net Promoter Score - customer satisfaction measure) approaching 90%. Also high on the affordability agenda is continuing to lower the cost of prescription drugs. The company's customers include employers, unions, health plans, and governments, and rely on UnitedHealth for the most effective medicines at the lowest possible cost. A recently launched feature called Price Edge, which provides the lowest cost option for a patient's medication, has delivered millions of dollars in consumer out-of-pocket savings. Clients working with OptumRx who implement its specialty medication management programs can save up to 20% on their specialty drug costs. The company uses biosimilars (a biological medicine highly similar to another already approved biological medicine) as another area where it is helping drive affordability in consumer choice. For example, it offers three biosimilars (Amjevita, Cyltezo, Hyeimoz) for HUMIRA, used to treat rheumatoid arthritis (a drug that enjoyed a $200bn 20-year monopoly).

Automatic Data Processing (ADP) engages in the provision of business outsourcing solutions, specializing in cloud-based human capital management. It operates through two main business segments, Employer Services and Professional Employer Organization Services. The Employer Services segment provides clients ranging from single-employee small businesses to large enterprises with tens of thousands of employees around the world, offering a range of human resources outsourcing and technology-based human capital management solutions, including strategic, cloud-based platforms. The Professional Employer Organization Services segment offers small and mid-sized businesses a human resources outsourcing solution through a co-employment mode. ADP essentially helps companies handle payroll, tax, and benefits - just about anything involving the people working inside a business. Despite challenging macroeconomic conditions, the firm continues to enjoy robust demand across a broad suite of payroll and human resources outsourcing solutions, resilient client retention, and healthy, albeit moderating, employment growth within its client base. The company closed out the year with a strong fourth quarter that included +9% organic constant currency revenue growth, 270 basis points of adjusted EBIT margin expansion and +26% adjusted EPS growth. Within Employer Services, new business bookings growth was well in excess of guidance. The human capital management (HCM) demand environment has been healthy despite a gradually slowing macroeconomic backdrop. The Q4 fiscal year 2023 performance brought full year Employer Services bookings growth to 10% compared to 6% to 9% guidance. Employer Services retention rate was another highlight and for the full year, the company delivered a retention rate back to record levels of 92.2%. The Employer Services also report on 'pays per control' a metric that measures the number of people on ADP's clients' payrolls during a given period. This rose 3% for the quarter and 5% for the full year, against a tough economic environment. The company also reported a further acceleration in the Professional Employer Organisation (PEO) part of the business with PEO bookings showing strong double-digit growth in Q4 fiscal year 2023, representing another record level sales quarter. ADP's advantage is that it has been focussed on strategic priorities that enhance its 'moat'. The first is best-in-class HCM (human capital management) technology, to develop and deliver the very best and most innovative solutions that will help its clients navigate the full life cycle of employment, from hiring employees to onboarding and training them, providing insurance for them, paying them and filing payroll taxes and even setting them up for retirement. For U.S. small businesses, they are rolling out several product enhancements that will serve its 850,000 RUN clients (RUN automatically calculates and files payroll taxes), including a new tax ID registration service, and an insurance inspector tool that utilizes AI to help clients manage their workers' compensation, insurance policies and annual audits. In the U.S. enterprise space, they expect to finish the migrations of three of its remaining legacy platforms by the end of this fiscal year representing an important step in its multiyear journey to move clients to more modern platforms. They will begin offering Roll (Roll is a mobile app that runs payroll in under one minute. Employees can get paid the same day payroll is run) outside the U.S. in fiscal year 2024 to drive incremental growth. They plan to launch initially in two countries in Europe and expand its reach from there and intend to continue growing its Asia Pacific business. Another strategic priority is to provide expertise and outsourcing to its clients. ADP have recently been piloting a number of tools powered by generative AI that they will begin deploying more broadly in early fiscal year 2024. Given the significant number of clients ADP onboard and interact with every year, they expect to learn more about the longer-term benefits from generative AI. A third strategic priority is to leverage its global scale for the benefit of its clients. ADP has a size and scale that are unmatched in the industry, which includes on-the-ground presence in over 30 countries. This combination positions it to interact routinely with local governments and tax authorities, meet stringent certification and data requirements, and stay on top of complex and shifting legal requirements. It has a GlobalView platform which supports hundreds of the world's largest multinational companies with scaled workforces in over 40 countries, and its Celergo platform helps serve thousands more in up to 140 countries. In fiscal 2024, ADP expect to expand on both as they add additional countries to GlobalView's broad reach and potentially make tuck-in acquisitions to enhance its native in-country footprint. After establishing an ADP in-country presence in five new markets in 2023, they expect to expand further in fiscal year 2024.

Momentum at **Mastercard** continued into its second quarter with net revenue up +15% and operating income up +16%, versus a year ago. Consumer spending has remained resilient with spend on experiences and travel remaining a focus. The company reported that cross-border travel continues to show strength, reaching 154% of 2019 levels.

Mastercard highlighted that the overall labour market remained strong, including wage growth, and consumers continue to be supported by credit and savings. These are clearly key factors of consumer spending. Second, the efforts of central banks to curb inflation are showing signs of progress. Despite this, the company is aware that inflation remains elevated, and many countries are in a period of tight monetary policy, and they are thus monitoring the environment closely and ready to adjust investment levels, as appropriate, against their key strategic priorities. These priorities have focussed on expanding its reach in payments and extending services it offers to further lock in customers to its ecosystem. Mastercard is expanding in payments by winning deals across the globe through a combination of innovative products and a solution-selling approach. For example, the company announced a significant win with UniCredit across all card products and put in place a first-of-its-kind, single-card, multi-market strategy spanning 13 banks, 12 markets, and 20 million cards. In Germany, 10 million of Deutsche Bank's credit and debit cards are shifting over to Mastercard. In North America,

Mastercard will partner with Fiserv's Money Network for all U.S. state and federal government benefit and wage disbursement debit programs. In Asia, Mastercard has expanded its partnership with HSBC through the launch of the Travel One Card in Singapore, Malaysia, and Vietnam. Travel One will provide instant in-app rewards redemption powered by the Mastercard Rewards system. Also in the last quarter, Mastercard announced partnerships with both Alipay and WeChat Pay to enable international travellers to easily link any Mastercard credit or debit card to Alipay and WeChat Pay digital wallets. The partnership allows visitors to make payments with tens of millions of QR code merchants across China. It's paying like a local, and this will be valuable as inbound cross-border travel to China improves from the current 50% of 2019 levels. The company is also scaling its Click to Pay capability to enhance the guest checkout experience. Click to Pay transactions grew over 70% year-over- year in the last quarter, and the technology is now live in 30 markets.

Mastercard continues to deploy its disbursement and remittances capabilities in new ways and across new geographies. In the U.S., they partnered with top sports gaming processor, Interchecks, who will make Mastercard Send available to gaming operators for payouts. Karempe, one of the largest digital wallets in UAE, will use Send to top up their wallets using Mastercard. And on the cross-border front, they have partnered with

Alfardan Exchange in Qatar to facilitate remittance services and support cross-border travel. In blockchain, they are introducing the MasterCard Multi-Token Network, MTN. MTN is a set of foundational capabilities designed to make transactions within digital asset and blockchain ecosystems more secure, scalable, and interoperable. Mastercard believes in the potential of blockchain technologies, but regulated money, such as bank deposits and CBDCs, need to be part of the solution, and they should interoperate with traditional systems. Mastercard's Services inform decision-making of its customers. They help create stronger connections and greater loyalty. Payments and services reinforce each other and lead to greater tie in and reoccurring revenue. Mastercard recently launched a consumer fraud risk solution, which leverages AI capabilities and the unique network view of real-time payments to help banks predict and prevent payment scams. Mastercard has partnered with 9 UK banks to stop scam payments before funds leave a victim's account. The company is also combining its loyalty, consulting, analytics, and identity services in different ways to help their customers capitalise on the travel recovery. In the last quarter, they extended their partnership with Expedia Group.

Detractors

Demand for the products and services of **The Cooper Companies** remains very healthy, and the company exceeded revenue expectations. CooperVision (contact lenses), which is approx. 70% of the business reported record quarterly revenues in its tenth consecutive quarter of double-digit organic revenue growth and CooperSurgical reported record quarterly revenues with its fertility business posting its 11th consecutive quarter of double-digit organic revenue growth. Consolidated revenues were $930 million, up +12% organically. CooperVision posted revenues of $630 million, up +13% organically and CooperSurgical posted revenues of $300 million, up +9% organically. CooperVision's growth was driven by daily silicone hydrogel portfolios and CooperSurgical's growth was led by its fertility business. CooperVision's revenue growth was strong and diversified. Within categories, spheres grew +9%, Torics grew +16% and multifocal grew +19%. Within modalities, Daily Silicone Hydrogel lenses accelerated and grew +23% with MyDay (their branded daily disposable lenses) leading the way. Daily silicone hydrogel lenses continue to be the main driver of growth for the contact lens industry, and Cooper offer the broadest portfolio. They are six months into the U.S. launch of their highly innovative MyDay Energys lens and the ramp is progressing well. This premium lens taps into a fundamental need catering to the demands of today's lifestyle by incorporating digit boost technology to alleviate the impacts of digital eye strain. The company is also seeing high demand for MyDay Toric (for astigmatism correction) as they continue rolling out expansion across North America and Europe. MyDay Multifocal continues to take considerable share around the world, re-establishing CooperVision's position in the premium multifocal market segment. The area with potentially the greatest long-term potential is myopia management. The company posted revenues of $30 million, up 30%, with MiSight up 53%. MiSight, as a reminder, is the first and only FDA-approved contact lens for myopia control, and the product is backed by extensive clinical data. This is a critical differentiator as the proactive management of myopia becomes standard of care within the eye care community to help reduce the progression of myopic children along with reducing the risk of long-term eye health problems associated with myopia such as cataracts, retinal detachment, and macular degeneration. MiSight accelerated this quarter, posting its best growth for the year, even with China declining YoY due to tough comps against the stocking order last year. Aetna is now covering MiSight under medical plans to opt in to lens coverage which represents 70% to 80% of Aetna plans. The contact lens market grew roughly 8% in calendar Q2 2023 with CooperVision taking share at 11%. It's estimated that 50% of the global population will have myopia or near-sightedness by the year 2050, up from roughly 34% today. When you combine this with the ongoing shift to silicone hydrogel dailies, the increasing focus on higher value such as Torics and multifocals, and higher pricing, there should be many years of growth for the industry. Within this, CooperVision should remain a leader with its market-leading innovation, robust product portfolio, ongoing product launches, fast-growing myopia management business. The fertility business also continues to perform at a very high level, and the future is bright with strong macro trends supporting the industry's growth. For the quarter, the company again realised success from its diverse offerings within consumables, capital equipment, reproductive genetic testing, and donor activity. The World Health Organization recently released updated data showing that one in six people globally are affected by infertility at some point in their lives. The last couple of years has shown the strength of the business with revenue growth accelerating as the company exited the effects of the COVID pandemic. The company is thus well positioned and has increased full-year guidance. The short-term weakness in the shares is likely due to investors more recently focussed on free cash flow which has been impacted by CapEx investments. Free cash flow conversion is at around 48%, down from highs of 80%. As well as CapEx, there are higher interest expense, a termination fee for a transaction the company pulled out of (Cook Medical's reproductive business), and FX headwind as the dollar strengthened.

Sonic Healthcare benefitted significantly from COVID testing revenues, processing more than 10,000 PCR tests a day. As COVID testing declined, so did the company's revenues. In FY 2022, the company generated c. A$2.5 billion in COVID revenue versus just c. A$0.5 billion in FY 2023. Sonic has been working hard towards rebalancing their business again including growing their base business and reducing their legacy costs associated with the pandemic such as labour costs, but this makes comparisons over the last few years difficult. Revenues and earnings were impacted materially by the reduction in COVID related revenues. The company reported revenue A$8.17 billion, -13% YoY, versus estimates of A$8.12 billion. EBITDA came in at A$1.71 billion, down -40% YoY. However, the revenues of the base business (ex-COVID) have continued to grow during the pandemic and are accelerating.

Sonic continues to be the largest pathology operator in Australia, Germany, Switzerland, and the UK, the second largest in Belgium and New Zealand and the third largest in the US. The company has been shifting towards specialising in higher-end, higher-value services in pathology such as anatomical pathology, the microbiome, and other specialised tests, and in radiology including CT, MRI, PET CT. These higher-value services also have higher margins. Their US pathology business, which is 26% of sales, reported 4% organic growth in 2H 2023. They have also piloted a new revenue collection program in two US clinical labs. The new program will be rolled out across all US clinical labs at the beginning of 2024 which is expected to accelerate revenue growth to mid to high single digits percentage in the region.

Future growth is also expected to be augmented by acquisitions including those that are in the pipeline. Three synergistic European acquisitions were announced during 2H 2023 with a total enterprise value about A$890 million and the company is currently progressing several new acquisition and contract opportunities. The substantial revenues generated during the pandemic has given the company a strong balance sheet. This along with its market leadership globally gives the company vast opportunities for further acquisitions.

As with many companies nowadays, Sonic is also looking at employing AI. Specifically, the company will apply AI to their Lab and Radiology division improving efficiency, quality, and capacity. Digital pathology is also set to revolutionise the field of lab testing. Digital pathology will change how specimens are examined. This has already happened in radiology but is coming now to anatomical pathology. Sonic is one of the world's largest anatomical pathology providers with revenues in that space in excess of A$1 billion. Therefore, efficiencies will make a significant difference. Anatomical pathology is the diagnosis of disease by the examination of tissue specimens and in particular, the diagnosis of cancer. 100% of cancers need to be diagnosed by anatomical pathology. For decades, these diagnoses have been made by embedding a piece of tissue in a wax block, cutting very thin sections, staining those sections, and putting that under the microscope. With digital pathology, the slide will be scanned, digitised, and put on a screen ready to be diagnosed digitally. This has commenced already.

Finally, the Board declared a final dividend of A$0.62 per share which is up +4% to A$1.04. This maintains the company's progressive dividend strategy having paid dividends for 30 years. Also, after 4 years of omitting giving guidance, the company is guiding EBITDA level of A$1.7 billion to A$1.8 billion which equates to up to 5% growth on FY 2023 EBITDA.

Illumina served up second-quarter results with higher revenues than expected, and reported growing customer shipments for its recently launched top of the range, NovaSeq X gene sequencing machine. Illumina shipped 109 NovaSeq X instruments in the quarter and have increased expectations for full year supply capacity to more than 390 instruments. But investors were spooked by a sharply reduced revenue growth forecast for this year. Illumina slashed its investor guidance for "consolidated" revenue growth - which combines revenues from core Illumina operations and its cancer blood test developer Grail - from a range of 7% to 10% to just "approximately 1%." There were three main reasons for the drop in guidance. First, a larger-than-expected temporary decline in high throughput consumables as the company transition more-than-expected customers to the NovaSeq X. Second, many of its customers are remaining more cautious in their purchasing behaviours given the economic backdrop. And finally, in China, there is both a more protracted economic recovery and an increasingly challenged competitive landscape, in contrast to the Americas and Europe, where they are still expecting YoY growth in 2023.

Much of this is relatively short term. NovaSeq X is the most sophisticated platform the company has ever launched and includes the most comprehensive end-to-end software. They have identified issues in the field that are typical in new product releases. To address these issues, the company has taken action including a planned software update. While the rollout of NovaSeq X will take longer than originally expected, the continued strong interest and commitment of capital to purchase NovaSeq Xs remains encouraging. To date, 20% of customers who have purchased a NovaSeq X have ordered more than one instrument. Customers have clear intentions to do more sequencing in the future. The company essentially empowers researchers and clinicians with the data and technology they need to make life-changing discoveries and decisions for patients – its mission critical equipment.

The company continues to actively reduce its expense base and have accelerated actions within the $100 million-plus annual run rate expense reduction program they announced previously. They reduced global headcount and are downsizing their global real estate footprint. For 2023, these steps will help mitigate the impact of lower full-year revenue on operating margin. The greater short term uncertainty surrounds Illumina's future cash flows related to the Grail liquid biopsy assets. Illumina continues to fight U.S. and European regulators over its acquisition of Grail, with the company now appealing a €432 million fine imposed by the European Commission (EC) after Illumina breached European Union (EU) rules by agreeing to merge before receiving EC approval for the $7.1 billion deal. Illumina is also appealing an April Opinion and Order by the U.S. Federal Trade Commission (FTC) to divest itself of Grail on antitrust grounds. The FTC contends that an Illumina merger would lessen innovation in the U.S. market for multi-cancer early detection (MCED) tests like those marketed by the cancer blood test developer, since Illumina is the nation's only provider of DNA sequencing that is a viable option for MCED liquid biopsy tests. Illumina has countered that its acquisition of Grail would accelerate the commercialisation of its Galleri cancer blood test, which the company says can detect more than 50 cancers across all stages and has correctly identified the tissue of origin in 93% of positive results, with greater than 99% specificity. Illumina also argues that FTC leadership violates the U.S. Constitution because FTC commissioners can only be removed for cause in violation of the Constitution's Article II, which vests executive power in the President, and that the FTC violated due process by depriving Illumina and Grail of a fair proceeding before an impartial tribunal. The U.S. Securities and Exchange Commission (SEC) has been requesting documents and communications primarily related to Illumina's acquisition of GRAIL. The topics being examined by the SEC align with arguments made this past spring by activist Carl Icahn when he launched his partially successful proxy to reshape Illumina's board and management. He cited Illumina's loss of $50 billion in market capitalization since the Grail deal was finalized, as well as the board's near doubling of deSouza's total compensation last year, to nearly $27 million, much of that based on stock options.

During his proxy campaign, Icahn nominated three allies to Illumina's Board one of whom, Andrew J. Teno, was elected after Icahn stated his case for change in letters to shareholders. The election of Teno, a portfolio manager at Icahn's investment management firm Icahn Capital since 2020, led to Chairman John W. Thompson leaving the Board, followed by the resignation of CEO deSouza two weeks later.

Currently, Illumina cannot fully consolidate the two businesses, the core Illumina sequencing business and GRAIL, the biopsy business. There is no doubt of the long-term trend in preventative medicine and the part played by genomics. Anthem, the second largest commercial payer in the US, and Blue Cross Blue Shield of Michigan, both added coverage for comprehensive genomic profiling for patients with advanced cancers, adding more than 30 million additional covered lives. Switzerland is now reimbursing large next generation sequencing panels, including comprehensive genomic profiling. GRAIL continues to achieve solid progress in the adoption of its Galleri multi-cancer early detection test. In Q2 2023, GRAIL achieved its 100,000th commercial Galleri test milestone, and the test has now been prescribed by more than 7,500 providers in the US and ordered in more than 80 health systems. The ongoing UK NHS trial is progressing well. It is however, likely GRAIL will need to be divested from Illumina, which in the short term maybe the quickest route to the core Illumina business attracting an appropriate valuation.

Equifax is one of the three big U.S. credit bureaus, along with TransUnion and Experian. The company beefed up its core business with a string of complementary acquisitions, including Kount, an AI-powered fraud prevention and digital identity solutions company it bought in 2021. A year later, it added Midigator, a provider of post-transaction fraud mitigation solutions, to its stable of offerings. Equifax's star in recent years has been its Workforce Solutions business, which is now its largest segment. Workforce Solutions encompass human resources compliance management such as employee onboarding, payroll, tax management, and compliance. The acquisition of Appriss Insights in 2021 expanded the capabilities of workforce solutions. Appriss provides risk and criminal justice intelligence products and solutions. This information is used for public and workplace safety, law enforcement purposes, corporate investigations, fraud detection and prevention, and healthcare sanctioning and credentialing. Workforce solutions also include income verification, mainly for mortgages, and does not have any meaningful direct competition. It's likely the company will maintain this position as the large amount of existing records and the difficulty of convincing employers to share employee information would be too tough for new entrants to overcome. Equifax is likely to expand its income verification services to auto, card, government services, and employment screening.

Equifax had a solid second quarter against a continuing challenging mortgage market. Revenue growth of 1% in constant currency was at about the midpoint of guidance. However, later in the quarter, U.S. mortgage activity fell to levels below expectations and this was coupled with slowing U.S. hiring activity, which impacted revenue particularly in Workforce Solutions. Workforce Solutions continued to substantially outperform the underlying mortgage and talent markets, and delivered very strong revenue growth in the Government segment. The US Information Solutions (USIS) business delivered a strong quarter, which included strong online B2B non-mortgage growth of +9%, and International delivered revenue growth of +7%, which was above guidance. The short-term weakness in the shares is due to guidance. Equifax is anticipating the weaker than expected U.S. mortgage market seen in June to continue, and forecasting full year mortgage originations to decline about -37%, which is down five percentage points from prior guidance assumptions. They also expect to see the slowing in U.S. hiring to continue throughout 2023, but expect to offset this impact on non-mortgage revenue with stronger growth in the Workforce Government business, as well as solid performance in USIS and International. They cautiously reduced revenue guidance reflecting the more negative impact of the weaker mortgage market and loss of high margin mortgage revenue. They are taking actions to realise additional Cloud spending reductions of $10 million in the second half. Equifax received shareholder approval for the merger of Boa Vista Serviços, the second largest credit bureau in Brazil, and they expect to close the strategic acquisition in early August. This merger will expand Equifax capabilities in the large and fast-growing Brazilian market and add to further diverse its International portfolio.

Fiserv delivered strong performance in revenue and operating income with second quarter organic revenue growth of +10%, led by performance in its merchant acceptance business, and its payments and network segment. Earnings per share was up 16%, and operating margin of 36.5% was up 300 basis points. All three measures are tracking ahead of previous guidance for the full year. Additionally, Fiserv once again raised its outlook for the full year. The company now expect 2023 organic revenue growth in the range of 9% to 11%, up from 8% to 9% previously. Adjusted operating margin is now forecast to improve at least 150 basis points this year, up from prior expectation of greater than 125 basis points. EPS has also been raised to a level that represents growth of 14% to 16% over 2022 levels. These second quarter results marked the ninth consecutive quarter of double-digit organic revenue growth. Fiserv have also repurchased nearly 6% of its shares outstanding over the last 12 months. In short, there are no major concerns with Fiserv. Shares have been performing well and the short-term weakness is likely due to free cash flow being impacted by the level of investment. The company is focussing on a number of future growth accelerants which in the short term reduces free cash flow. The first is the continuing growth for Clover, its market-leading cloud-based SaaS (Software as a Service) operating system for small- and medium-sized businesses. Revenue is growing more than 20% on $267 billion in annualised payment volume. This is a testament to the appeal of the product offering, but also the power of its vast distribution network. In the restaurant vertical, Fiserv expect to offer a full suite of value-added services and point-of-sale solutions for restaurants. They have also begun to build out vertical specialized software solutions for retail and professional services, including partnerships to manage inventory, improve SKU level analytics and manage appointment scheduling. Clover now accounts for approximately 25% of merchant revenue and remains on track to reach 35% by 2025, in line with the company's targets for $10 billion in total merchant revenue and $3.5 billion in Clover revenue by 2025.

Similar to Clover is Carat, which is Fiserv's unified commerce offering for omnichannel merchants. Like Clover, Carat is an operating system that delivers both payments and experiences, but instead of small businesses, Carat is for the world's leading brands and large enterprises. Carat has been posting revenue growth in the mid-teens on the strength of Fiserv's scale, flexibility and customisation capability. Fiserv has recently invested in further differentiating Carat. One is Commerce Hub, which is a software platform used for inventory and order management, consolidation and automation for drop shipping (a form of retail in which the seller accepts customer orders without keeping the stock on hand). Additionally, the company has invested in a data and insights command centre that lets clients manage their data in real time to better engage end customers and improve operating efficiencies. A third area in which Fiserv is focussing growth is digital payments and the intersection with digital banking. CardHub is their card account product for debit card issuers that offers all of the newest features for cardholders to manage their accounts. It helps small and midsized bank issuer clients offer their customers the same functionality as the largest independent card issuers. Fiserv are halfway through migrating financial institution clients onto CardHub where they can integrate with Fiserv's digital mobile banking product, Mobiliti, and with competing digital banking providers. This migration has shown a doubling of customer adoption on CardHub in the first year, which means greater card usage. The full integration of CardHub and Mobiliti is an investment unique at Fiserv because it spans two operating segments, Payments and Fintech. A fourth growth area is Latin America. Latin America has been a standout grower in recent quarters, and Fiserv believe it can remain so for the long-term. The region is about 6% of total company adjusted revenue, and in merchant acceptance, it's 10% of adjusted revenue. It's largely driven by Argentina and Brazil. Part of the growth comes from anticipation revenue, also known as merchant prepayments. This is where Fiserv can help merchants navigate the long settlement variance in Argentina, Brazil and Uruguay by funding their payment receivables early at a discounted rate. Businesses get better liquidity, and Fiserv receive a spread that carries low risk. There is also further opportunity in Finxact. Finxact is the acquisition made in April of last year to offer a next-generation core banking system that's cloud-native. It gives Fiserv the opportunity to compete and win with financial institutions of all sizes and across geographies, expanding total addressable market.

3. Portfolio breakdown

Top 10 Portfolio Holdings

Holding	Sector	Country	Portfolio %
Alphabet	Communication Services	United States	5.9
Mastercard	Financials	United States	5.5
Airbus	Industrials	France	5.4
Charter Communications	Communication Services	United States	5.2
Amazon.com	Consumer Discretionary	United States	5.1
Vinci	Industrials	France	4.9
Canadian Pacific Kansas City	Industrials	Canada	4.9
Intercontinental Exchange	Financials	United States	4.6
UnitedHealth	Health Care	United States	4.4
Aena SME	Industrials	Spain	3.9
Total			49.8

Source: Veritas Asset Management

Region	Portfolio %
North America	67.8
Europe ex UK	17.4
United Kingdom	9.3
Asia Pacific ex Japan	2.1
Cash and equivalents	3.3
Total	100.0

Sector	Portfolio %
Industrials	28.6
Health Care	24.6
Financials	17.3
Communication Services	11.1
Consumer Staples	6.9
Consumer Discretionary	5.1
Information Technology	3.0
Cash and equivalents	3.3
Total	100.0

Source: Veritas Asset Management

Currency	Portfolio %
USD	71.1
EUR	21.3
GBP	5.5
AUD	2.1
CAD	0.0
Total	100.0

Source: Veritas Asset Management

Please refer to portfolio commentary under items 1 and 2 for further information on current positioning and outlook.

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Fees are outlined in the relevant Sub-Fund supplement available from the Investment Manager's website.
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